Vero Insurance New Zealand Limited and subsidiaries

Consolidated financial report for the financial year ended 30 June 2015

vero

Vero Insurance New Zealand Limited and subsidiaries

Consolidated financial report

for the financial year ended 30 June 2015

Contents **Page**

Directors' report

The Board of Directors presents the Directors' report together with the financial report of Vero Insurance New Zealand Limited (the **Company**) and of the **Group**, being the Company and its subsidiaries, for the financial year ended 30 June 2015.

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

Directors
The following persons were Directors of the Company during the whole of the financial year and up to the date of this report:

Non-executive
E S Edgar
D M Flacks
G T Ricketts (Chairman)
P J R Snowball
Executive
G C Dransfield (Chief Executive Officer)

Registered office
Vero Centre
48 Shortland Street
Auckland 1010
New Zealand

Auditor
KPMG
18 Viaduct Harbour Avenue
Auckland 1140
New Zealand

Dividends
During the financial year, the Company paid dividends totalling $67,300,000 (2014: $152,000,000). Further details of dividends paid are set out in Note 3 to the financial statements.

Principal activities
The principal activities of the Group during the course of the financial year were the underwriting of general insurance and the investment and administration of insurance funds. There has been no significant change in the nature of these activities during the year.

Review of operations
The net profit after income tax for the year ended 30 June 2015 was $159,559,000 for the Group compared with net profit after income tax of $86,824,000 for the previous year ended 30 June 2014. The net profit after income tax for the year ended 30 June 2015 was $142,557,000 for the Company compared with net profit after income tax of $83,052,000 for the previous year ended 30 June 2014.

Events subsequent to reporting date
There is, at the date of this Report, no matter or circumstance that has arisen since 30 June 2015 that has significantly affected, or may significantly affect:
(a) the Company and Group's operations in future financial periods;
(b) the results of those operations in future financial periods; or
(c) the Company and Group's state of affairs in future financial periods.

Directors' report (continued)

Information on Directors in office at the date of this report

Gary C Dransfield
MAICD
Director since 2011. Mr Dransfield is a highly experienced financial services executive who joined the Suncorp Group in 2009. He has held senior management positions in the retail financial services industry over the last 25 years. Mr Dransfield is also a director of Vero Liability Insurance Limited and AA Insurance Limited, subsidiaries of Vero Insurance New Zealand Limited.

Mr Dransfield is President of the Insurance Council of New Zealand.

Sir Eion S Edgar KNZM
BCom, FACA, LL.D (Hon)
Director since 2010. Sir Eion has extensive corporate experience in New Zealand, with a strong background in investment, education, the arts, sport and philanthropy.

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

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

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

David M Flacks
BA, MA, St John's College, University of Cambridge
Director since December 2013. Mr Flacks is an experienced corporate and commercial lawyer who is a director of Flacks & Wong, boutique corporate lawyers, having recently retired from the partnership of Bell Gully, Solicitors. He has significant commercial, governance and strategic experience gained as a leading corporate lawyer and member of one of the executive teams of one of New Zealand's largest listed companies.

He is chair of the NZ Markets Disciplinary Tribunal and a member of the Takeovers Panel. He is also a director of Harmoney Corp Limited and Vero Liability Insurance Limited.

Geoffrey T Ricketts CNZM
LLB (Hons), FInstD
Director since 1992. Mr Ricketts is a commercial lawyer, having been a partner at Russell McVeagh, Solicitors for over 25 years. He has extensive experience in New Zealand and Australia.

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

Patrick J R Snowball
MA, Hon. LL.D
Director since 2010. Mr Snowball is an experienced financial services executive with extensive knowledge of the insurance industry, having overseen businesses in the United Kingdom, Ireland, Canada and Asia.

Mr Snowball is also the Managing Director and Chief Executive Officer of Suncorp Group Limited.

His previous directorships have included Norwich Union plc, Aviva plc and Jardine Lloyd Thompson plc, and he has also held deputy chairman and chairman roles in the United Kingdom.

He was also on the FSA Practitioner Panel 2005 – 2007.

Directors' report (continued)

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

Signed in accordance with a resolution of the Directors.

Director

Director

Corporate governance statement

Introduction

Vero Insurance New Zealand Limited ("the Company") is a New Zealand incorporated licensed insurer which is wholly-owned by Suncorp Group Holdings (NZ) Limited. The ultimate parent of the Company is Suncorp Group Limited, an Australian public company which is listed on the Australian Securities Exchange.

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

Board of Directors

At the date of this Statement, the Board comprised three independent non-executive Directors (Geoffrey Ricketts, Sir Eion Edgar and David Flacks), one non-executive Director who is not independent (Patrick Snowball) and one executive Director who is also the Chief Executive Officer of the Company (Gary Dransfield). Geoffrey Ricketts is the Chairman of the Board. Brief details of the Directors' qualifications and experience are set out in the Directors' Report.

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

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

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

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

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

Duties and Responsibilities of the Board

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

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

Corporate governance statement (continued)

Duties and Responsibilities of the Board (continued)

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

The Board approves the strategic direction of the Company and monitors executive management performance in the implementation and achievement of strategic and business objectives through the receipt of regular reports from management. Other matters that are approved by the Board include the Company's Risk Appetite Statement, 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 the Company is part of the Suncorp Group, it complies with Suncorp Group's policies and requirements, except where these are inconsistent with New Zealand legal or regulatory requirements. The Board of the Company has formally adopted a number of Suncorp Group's policies (amended to reflect New Zealand requirements where appropriate). These include Conflicts of Interest, Business Continuity, Whistleblower, Product Approval, Sanctions, Securities Trading, Equal Employment Opportunity and Diversity, Safety and Wellbeing, Operational Risk and Outsourcing. Directors are also required to abide by Suncorp Group's Code of Conduct.

The Company has also adopted Company-specific policies where appropriate. These include Delegations of Authority.

Board Audit and Risk Committee

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

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

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

The Vero New Zealand Asset and Liability Committee and the Vero New Zealand Risk Governance Committee are management committees that oversee the management of certain risks arising from the activities of the Company and its subsidiary Vero Liability Insurance Limited. Each of these committees has its own terms of reference which have been approved by the BARC. The BARC also reviews the effectiveness of these committees.

Information on the Company's approach to Risk Management is contained in Note 25.

Corporate governance statement (continued)

Corporate Social Responsibility

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

Our employees have the opportunity to take one day paid leave each year to support local community projects. At Vero New Zealand, our employees have taken part in volunteering opportunities for charities such as Riding for the Disabled, Ronald McDonald House, and Raukatauri Music Therapy. More than 50 Vero employees have participated in a volunteer day since November 2014.

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

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

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

Vero New Zealand's commitment to Brighter Futures was re-launched in November 2014 and has been well-supported by our employees. Our recent employee engagement survey (SEE) indicated that 41 percent intended to take part in the Brighter Futures programme within the next 12 months.

Independent auditor's report

To the shareholder of Vero Insurance New Zealand Limited

We have audited the accompanying financial statements of Vero Insurance New Zealand Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 11 to 65. The financial statements comprise the statements of financial position as at 30 June 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

The directors are responsible for the preparation and fair presentation of the company and group financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

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

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

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

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

KPMG

Opinion

In our opinion, the financial statements on pages 11 to 65 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of Vero Insurance New Zealand Limited and the group as at 30 June 2015 and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Canterbury earthquakes

We draw attention to Notes 5, 11 and 18 to the financial statements which explain the considerable uncertainties that exist in measuring gross outstanding claims liabilities and the associated reinsurance recoveries arising from the Canterbury earthquakes. Our opinion is not qualified in respect of this matter.

KPMG

29 July 2015
Auckland

Statements of comprehensive income for the financial year ended 30 June 2015

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Premium revenue	4	1,272,581	1,218,914	915,908	889,722
Outwards reinsurance premium expense	12	(231,183)	(241,234)	(188,593)	(199,747)
Net premium revenue		1,041,398	977,680	727,315	689,975
Claims expense	5	(1,172,106)	(998,808)	(872,494)	(759,595)
Reinsurance and other recoveries revenue	4, 5	640,798	434,469	532,829	376,611
Net incurred claims	5	(531,308)	(564,339)	(339,665)	(382,984)
Acquisition costs	13	(256,285)	(237,237)	(214,174)	(195,160)
Other underwriting expenses		(97,379)	(97,135)	(62,508)	(66,761)
Underwriting expenses		(353,664)	(334,372)	(276,682)	(261,921)
Reinsurance commission revenue	4	6,355	6,651	4,551	4,672
Underwriting result		162,781	85,620	115,519	49,742
Investment income on insurance funds	4.1	28,306	11,836	19,066	5,747
Investment expense on insurance funds		(1,204)	(915)	(839)	(590)
Insurance trading result		189,883	96,541	133,746	54,899
Investment income on shareholder funds	4.1	29,759	23,600	51,972	47,748
Investment expense on shareholder funds		(1,141)	(1,021)	(737)	(682)
Gain on defined benefit funds		1,130	675	1,086	575
Finance costs	6	(258)	(244)	(258)	(244)
Profit before tax	6	219,373	119,551	185,809	102,296
Income tax expense	7.1	(59,814)	(32,727)	(43,252)	(19,244)
Profit for the financial year		159,559	86,824	142,557	83,052
Other comprehensive (loss)/income					
Items that will not be reclassified subsequently to profit or loss					
Actuarial (loss)/gain on defined benefit funds		(2,984)	2,876	(2,755)	2,951
Income tax credit/(expense)	7.1	771	(826)	771	(826)
Total other comprehensive (loss)/income		(2,213)	2,050	(1,984)	2,125
Total comprehensive income for the financial year		157,346	88,874	140,573	85,177
Profit for the financial year attributable to:					
Owners of the Company		147,736	78,684	142,557	83,052
Non-controlling interests		11,823	8,140	-	-
Profit for the financial year		159,559	86,824	142,557	83,052
Total comprehensive income for the financial year attributable to:					
Owners of the Company		145,596	80,758	140,573	85,177
Non-controlling interests		11,750	8,116	-	-
Total comprehensive income for the financial year		157,346	88,874	140,573	85,177

The statements of comprehensive income are to be read in conjunction with the accompanying notes.

Statements of financial position
as at 30 June 2015

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Assets					
Cash and cash equivalents	8	**264,602**	79,253	**230,502**	65,448
Receivables and other assets	9	**489,983**	494,099	**358,922**	380,189
Investment securities	10	**908,712**	879,619	**616,283**	599,480
Reinsurance and other recoveries receivable	11	**816,755**	1,100,466	**744,279**	1,069,823
Deferred reinsurance premiums	12	**217,573**	176,625	**180,239**	147,030
Deferred acquisition costs	13	**116,043**	113,192	**96,305**	93,952
Plant and equipment		**8,696**	9,887	**7,049**	7,696
Investment in subsidiaries	14	**-**	-	**37,304**	37,586
Intangible assets	15	**89,041**	85,022	**89,580**	85,561
Deferred tax assets	7.4	**21,798**	16,030	**17,699**	13,397
Total assets		**2,933,203**	2,954,193	**2,378,162**	2,500,162
Liabilities					
Payables and other liabilities	16	**475,167**	248,505	**409,492**	218,553
Current tax liabilities	7.3	**4,689**	19,003	**2,464**	11,109
Unearned premium liabilities	17	**647,284**	622,618	**449,998**	440,417
Outstanding claims liabilities	18	**1,139,381**	1,483,979	**969,651**	1,360,518
Employee benefit obligations	19	**33,153**	29,754	**26,450**	23,687
Deferred tax liabilities	7.4	**34,506**	33,639	**26,992**	26,318
Total liabilities		**2,334,180**	2,437,498	**1,885,047**	2,080,602
Net assets		**599,023**	516,695	**493,115**	419,560
Equity					
Share capital	20	**276,447**	276,165	**276,447**	276,165
Retained profits		**285,268**	206,972	**216,668**	143,395
Total equity attributable to owners of the Company		**561,715**	483,137	**493,115**	419,560
Non-controlling interests		**37,308**	33,558	**-**	-
Total equity		**599,023**	516,695	**493,115**	419,560

The Board of Directors of Vero Insurance New Zealand Limited approved these financial statements for issue on 29 July 2015.

For, and on behalf of the Board

Director

Director

The statements of financial position are to be read in conjunction with the accompanying notes.

KPMG

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

Consolidated	Note	Equity attributable to owners of the Company				
		Share capital $'000	Retained profits $'000	Total $'000	Non-controlling interest $'000	Total Equity $'000
Balance as at 1 July 2013		275,940	278,214	554,154	31,842	585,996
Profit for the financial year		-	78,684	78,684	8,140	86,824
Total other comprehensive income/(loss)		-	2,074	2,074	(24)	2,050
Total comprehensive income for the financial year		-	80,758	80,758	8,116	88,874
Transactions with the owners, recorded directly in equity						
Dividends declared	3	-	(152,000)	(152,000)	(6,400)	(158,400)
Share-based payments	20	225	-	225	-	225
Balance as at 30 June 2014		**276,165**	**206,972**	**483,137**	**33,558**	**516,695**
Profit for the financial year		**-**	**147,736**	**147,736**	**11,823**	**159,559**
Total other comprehensive loss		**-**	**(2,140)**	**(2,140)**	**(73)**	**(2,213)**
Total comprehensive income for the financial year		**-**	**145,596**	**145,596**	**11,750**	**157,346**
Transactions with the owners, recorded directly in equity						
Dividends declared	3	**-**	**(67,300)**	**(67,300)**	**(8,000)**	**(75,300)**
Share-based payments	20	**282**	**-**	**282**	**-**	**282**
Balance as at 30 June 2015		**276,447**	**285,268**	**561,715**	**37,308**	**599,023**

Company	Note	Share capital $'000	Retained profits $'000	Total $'000
Balance as at 1 July 2013		275,940	210,218	486,158
Profit for the financial year		-	83,052	83,052
Total other comprehensive income		-	2,125	2,125
Total comprehensive income for the financial year		-	85,177	85,177
Transactions with the owners, recorded directly in equity				
Dividends declared	3	-	(152,000)	(152,000)
Share-based payments	20	225	-	225
Balance as at 30 June 2014		**276,165**	**143,395**	**419,560**
Profit for the financial year		**-**	**142,557**	**142,557**
Total other comprehensive loss		**-**	**(1,984)**	**(1,984)**
Total comprehensive income for the financial year		**-**	**140,573**	**140,573**
Transactions with the owners, recorded directly in equity				
Dividends declared	3	**-**	**(67,300)**	**(67,300)**
Share-based payments	20	**282**	**-**	**282**
Balance as at 30 June 2015		**276,447**	**216,668**	**493,115**

The statements of changes in equity are to be read in conjunction with the accompanying notes.

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

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Cash flows from operating activities					
Premiums received		**1,274,117**	1,236,785	**914,436**	899,173
Claims paid		**(1,516,704)**	(1,731,322)	**(1,262,657)**	(1,507,827)
Interest received		**42,695**	44,153	**33,723**	34,951
Dividends received		**3,110**	2,859	**32,310**	34,813
Reinsurance and other recoveries received		**1,127,434**	1,249,898	**1,047,413**	1,202,457
Outward reinsurance premiums paid		**(230,446)**	(238,376)	**(186,624)**	(199,876)
Net movement in shared property reinstatement advances		**18,515**	-	**14,064**	-
Acquisition costs paid		**(252,781)**	(234,659)	**(211,976)**	(195,154)
Income tax (paid)/refunded*		**(78,258)**	(7,619)	**(54,754)**	5,139
Finance costs paid		**(199)**	(291)	**(199)**	(291)
Underwriting and other operating expenses paid		**(89,562)**	(70,756)	**(61,639)**	(35,405)
Net cash from operating activities	23	**297,921**	250,672	**264,097**	237,980
Cash flows from investing activities					
Proceeds from sale of investment securities		**949,211**	740,602	**645,923**	537,945
Payments for purchase of investment securities		**(968,976)**	(813,654)	**(660,544)**	(608,674)
Proceeds from sale of plant and equipment		**668**	568	**597**	505
Payments for purchases of plant and equipment and capitalised software costs		**(9,241)**	(5,198)	**(8,785)**	(4,726)
Net cash used in investing activities		**(28,338)**	(77,682)	**(22,809)**	(74,950)
Cash flows from financing activities					
Dividends paid to owners of the Company		**(76,234)**	(143,066)	**(76,234)**	(143,066)
Dividends paid to non-controlling interests		**(8,000)**	(6,400)	**-**	-
Net cash used in financing activities		**(84,234)**	(149,466)	**(76,234)**	(143,066)
Net increase in cash and cash equivalents		**185,349**	23,524	**165,054**	19,964
Cash and cash equivalents at the beginning of the financial year		**79,253**	55,729	**65,448**	45,484
Cash and cash equivalents at the end of the financial year		**264,602**	79,253	**230,502**	65,448

* Income tax (paid)/refunded includes cash flows from tax offsets with New Zealand group companies

The statements of cash flows are to be read in conjunction with the accompanying notes.

Notes to the financial statements

1. Reporting entity

Vero Insurance New Zealand Limited (the **Company**) is a company incorporated and domiciled in New Zealand. Its registered office is Vero Centre, 48 Shortland Street, Auckland.

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2015 comprise the Company and its subsidiaries (the **Group**) and were issued by the Board of Directors on 29 July 2015.

The Group is a profit oriented entity in the business of underwriting general insurance and the investment and administration of insurance funds. It has a mix of intermediated (through brokers) and direct business within the general insurance industry. It operates predominantly throughout New Zealand.

The Company's parent entity is Suncorp Group Holdings (NZ) 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 and the Group are for-profit entities and the consolidated 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 instruments designated at fair value through profit or loss and the measurement of outstanding claims liabilities, reinsurance recoveries and defined benefit schemes.

Significant accounting policies applied in the preparation of these financial statements are set out in Note 30. There have been no significant changes to accounting policies during the financial year.

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

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

The accompanying statements of financial position have been prepared using the liquidity format of presentation.

2.1 Statement of compliance

The consolidated 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 purposes 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**).

Notes to the financial statements (continued)

2.2 New or amended standards adopted during the financial year

NZ IAS 32 (Amendments) Disclosures—Offsetting Financial Assets and Financial Liabilities issued in February 2012 became effective for the current financial year and has been applied retrospectively. It clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the NZ IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The adoption of this revised standard had no impact on the amounts recognised in the current period or any prior period.

NZ IFRS 7 (Amendments) Disclosures—Offsetting Financial Assets and Financial Liabilities issued in February 2012 became effective for the current financial year and has been applied retrospectively. The revised standard requires disclosure of new information in respect of the Group's use of enforceable netting arrangements and similar agreements, including the effects of financial collateral. These amendments require entities to disclose both gross and net amounts of recognised financial assets and liabilities associated with master netting and similar arrangements, whether or not they are presented net on the face of the statements of financial position. These disclosures enable users of financial statements to better evaluate the effect or potential effect of netting arrangements on the entity's financial position. The new information is disclosed in Note 24.3.

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

2.3 Comparative information

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

a) Cash and cash equivalents reclassification

Cash and deposits at call held within the Company and Group's investment portfolios have been reclassified from investment securities to cash and cash equivalents. These balances are highly liquid and are able to be transferred into operating bank accounts within one day. The reclassification amounted to $65,229,000 for the Group and $55,172,000 for the Company as at 30 June 2014.

b) Fair value hierarchy reclassification

The fair value hierarchy of term deposits and transferable certificates has been reclassified from Level 1 to Level 2 due to the fact that they are not being traded in an active market. This reclassification amounted to $104,382,000 for the Group and $77,805,000 for the Company as at 30 June 2014, refer to Note 24.2.

c) Change in presentation

Investment revenue has been split between investment income from insurance and shareholder funds in the statements of comprehensive income in accordance with the accounting policy outlined in Note 30.5(d).

Notes to the financial statements (continued)

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) Outstanding claims liability

The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

Claims reported to the Group at balance date are estimated with due regard to the claim circumstance as reported by the insured, legal representative, assessor, loss adjuster and/or other third party and then combined, where appropriate, with historical evidence on the cost of settling similar claims. Estimates of the cost of claims reported are reviewed regularly and are updated as and when new information arises.

The estimation of claims incurred but not reported (**IBNR**) and claims incurred but not enough reported (**IBNER**) are generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where more information about the claim event is generally available. IBNR and IBNER claims may often not be adequately reported until many years after the events giving rise to the claims have happened. Long-tail classes of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR and IBNER reserves. Short tail claims are typically reported soon after the claim event, and hence, estimates are more certain.

In calculating the estimated cost of unpaid claims, the Group uses a variety of estimation techniques, generally based upon statistical analysis of historical and industry experience that assumes that the development pattern of the current claims will be consistent with past experience and/or general industry benchmarks as appropriate.

Allowance is made, however, for changes or uncertainties that may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims. The ultimate net outstanding claims provision also includes an additional risk margin to allow for the uncertainty within the estimation process.

Details regarding actuarial estimates and judgements are detailed in Notes 5, 11 and 18. In particular details of the uncertainties that exist in measuring gross incurred claims arising from the Canterbury earthquakes are explained in Note 18.1.

b) Assets arising from reinsurance contracts and other recoveries

Estimates of reinsurance and other recoveries receivable are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk.

Details of the uncertainties that exist in measuring reinsurance recoveries arising from the Canterbury earthquakes are explained in Note 18.1.

c) Impairment of goodwill

The Group assesses whether goodwill is impaired at least annually. The assessment involves estimations of the recoverable amount of the cash-generating units to which the goodwill is allocated. Refer to Note 15.2.

Notes to the financial statements (continued)

3. Dividends

	2015		2014	
	¢ per share	$'000	¢ per share	$'000
Ordinary shares				
Final dividend	36	67,300	46	84,900
Interim dividend	-	-	36	67,100
Total dividends recognised in equity attributable to owners of the Company	36	67,300	82	152,000

4. Revenue

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Insurance income				
Gross written premium	1,297,247	1,261,133	925,489	910,926
Movement in unearned premium	(24,666)	(42,219)	(9,581)	(21,204)
Premium revenue	1,272,581	1,218,914	915,908	889,722
Reinsurance and other recoveries revenue	640,798	434,469	532,829	376,611
Reinsurance commission revenue	6,355	6,651	4,551	4,672
Total insurance income	1,919,734	1,660,034	1,453,288	1,271,005
Investment income				
Interest income	42,665	41,967	33,692	32,882
Dividend income				
Other entities	3,110	2,859	10	13
Related parties	-	-	32,300	34,800
Net gain/(loss) on financial assets at fair value through profit or loss	12,290	(9,390)	5,036	(14,200)
Total investment income	58,065	35,436	71,038	53,495
Total revenue	1,977,799	1,695,470	1,524,326	1,324,500

4.1 Investment Income

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Investment income on insurance funds	28,306	11,836	19,066	5,747
Investment income on shareholder funds	29,759	23,600	51,972	47,748
Total investment income	58,065	35,436	71,038	53,495

Notes to the financial statements (continued)

5. Net incurred claims

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the risks borne in all previous financial years.

	Consolidated			Company		
	Current Year $'000	Prior Year $'000	Total $'000	Current Year $'000	Prior Year $'000	Total $'000
Year ended 30 June 2015						
Gross incurred claims and related expenses						
Undiscounted	657,568	461,300	1,118,868	414,012	404,326	818,338
Discount and discount movement	(7,395)	60,633	53,238	(2,097)	56,253	54,156
Gross incurred claims discounted	650,173	521,933	1,172,106	411,915	460,579	872,494
Reinsurance and other recoveries						
Undiscounted	(97,254)	(483,779)	(581,033)	(44,392)	(429,092)	(473,484)
Discount and discount movement	1,160	(60,925)	(59,765)	562	(59,907)	(59,345)
Reinsurance and other recoveries discounted	(96,094)	(544,704)	(640,798)	(43,830)	(488,999)	(532,829)
Net incurred claims	554,079	(22,771)	531,308	368,085	(28,420)	339,665
Year ended 30 June 2014						
Gross incurred claims and related expenses						
Undiscounted	614,676	329,575	944,251	395,330	313,778	709,108
Discount and discount movement	(7,326)	61,883	54,557	(3,023)	53,510	50,487
Gross incurred claims discounted	607,350	391,458	998,808	392,307	367,288	759,595
Reinsurance and other recoveries						
Undiscounted	(69,559)	(323,261)	(392,820)	(25,777)	(306,709)	(332,486)
Discount and discount movement	1,061	(42,710)	(41,649)	497	(44,622)	(44,125)
Reinsurance and other recoveries discounted	(68,498)	(365,971)	(434,469)	(25,280)	(351,331)	(376,611)
Net incurred claims	538,852	25,487	564,339	367,027	15,957	382,984

Details of the uncertainties that exist in measuring gross incurred claims and reinsurance recoveries arising from the Canterbury earthquakes are explained in Note 18.1.

Notes to the financial statements (continued)

6. Profit before tax

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Profit before tax is arrived at after charging/(crediting) the following specific items:				
Bad and doubtful debt expense/(recovery) (Note 9)	29	(16)	31	(18)
Contributions to defined contribution superannuation	4,201	3,767	2,930	2,648
Depreciation on plant and equipment	3,784	4,474	2,861	3,383
Donations	32	29	27	21
Employee benefits	150,233	154,656	103,776	109,971
Finance costs	258	244	258	244
Loss/(gain) on disposal of plant and equipment	63	(1)	57	15
Operating lease rental expenses	9,922	8,657	6,881	5,585
Software amortisation cost (Note 15.3)	1,898	2,078	1,898	2,063

Finance costs relate to the line fees and interest payable in respect of a $100 million Australian dollar denominated revolving loan facility entered into with Suncorp-Metway Limited, a related party. The loan was established to support large earthquake claims by providing a source of liquidity pending receipt of the related reinsurance recoveries. The term of the facility expired during the current financial year and was not renewed. The Company complied with all covenants under the facility during the financial year.

7. Income tax

7.1 Income tax expense

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Profit before tax	219,373	119,551	185,809	102,296
Prima facie income tax @ 28% (2014: 28%)	61,425	33,474	52,026	28,643
Movement in income tax expense due to:				
Non-deductible expenditure	419	441	334	323
Non-assessable dividend income	-	-	(4,284)	(5,936)
Imputation credits	(341)	(335)	(4,763)	(3,812)
Tax exempt revenue	(1,562)	(879)	-	-
Other	(65)	(28)	-	-
Adjustment for prior years	(62)	54	(61)	26
Income tax expense	59,814	32,727	43,252	19,244
Income tax expense recognised in profit consists of:				
Current tax expense				
Current year	64,005	25,361	45,971	11,844
Adjustments for prior financial years	(61)	(330)	137	(21)
	63,944	25,031	46,108	11,823
Deferred tax (benefit)/expense				
Current year	(4,129)	7,312	(2,658)	7,374
Adjustments for prior financial years	(1)	384	(198)	47
	(4,130)	7,696	(2,856)	7,421
Income tax expense	59,814	32,727	43,252	19,244
Income tax (credit)/expense recognised in other comprehensive income				
Income tax on actuarial gains on defined benefit funds	(771)	826	(771)	826

KPMG

Notes to the financial statements (continued)

7.2 Imputation credits

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
SGHNZL ICA Group	111,084	90,044	-	90,044
Subsidiaries outside the SGHNZL ICA Group	7,169	4,711	-	-
Imputation credits available for use in subsequent reporting periods	**118,253**	94,755	**-**	90,044

The Company is a member of the Suncorp Group Holdings (NZ) Limited consolidated imputation credit account group (**SGHNZL ICA Group**) and together with the other members has access to the accumulated imputation credits contained within that SGHNZL ICA Group.

7.3 Current tax

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at the beginning of the financial year	(19,003)	(1,590)	(11,109)	5,852
Income tax paid	26,747	5,841	13,717	31
Current year tax on operating profit	(64,005)	(25,361)	(45,971)	(11,844)
Adjustment for prior years	61	330	(137)	21
Transfers between Group companies	51,511	1,777	41,036	(5,169)
Balance at the end of the financial year	**(4,689)**	(19,003)	**(2,464)**	(11,109)

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 offset amounts are as follows:

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Deferred tax assets are attributable to				
Depreciable assets	6,474	4,674	5,309	3,809
Employee benefits	10,772	9,279	8,881	7,950
Payables and other liabilities	4,552	2,077	3,509	1,638
Total deferred tax assets	**21,798**	16,030	**17,699**	13,397
Deferred tax liabilities are attributable to				
Investments	(27)	(11)	(27)	(11)
Deferred acquisition costs	(32,493)	(31,694)	(26,965)	(26,307)
Risk margins	(1,986)	(1,934)	-	-
Total deferred tax liabilities	**(34,506)**	(33,639)	**(26,992)**	(26,318)
Net deferred tax liabilities	**(12,708)**	(17,609)	**(9,293)**	(12,921)
Movements				
Deferred tax assets				
Balance at the beginning of the financial year	16,030	23,523	13,397	20,330
Movement recognised in profit or loss	4,997	(6,667)	3,531	(6,107)
Recognised in other comprehensive income	771	(826)	771	(826)
Balance at the end of the financial year	**21,798**	16,030	**17,699**	13,397
Deferred tax liabilities				
Balance at the beginning of the financial year	(33,639)	(32,611)	(26,318)	(25,003)
Movement recognised in profit or loss	(867)	(1,028)	(674)	(1,315)
Balance at the end of the financial year	**(34,506)**	(33,639)	**(26,992)**	(26,318)

KPMG

Notes to the financial statements (continued)

8. Cash and cash equivalents

	Consolidated		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Cash at bank and on hand	11,881	14,024	10,387	10,276
Shared property reinstatement deposits (Note 16)	18,515	-	14,064	-
Cash held within investment portfolios	234,206	65,229	206,051	55,172
	264,602	79,253	230,502	65,448

Shared property reinstatement deposits relate to advances received from other insurers and property owners for multi-unit property reinstatements arising from the Canterbury earthquake where the Group acts as the lead insurer to facilitate the property reinstatement on behalf of all property owners. These amounts are held in a separate bank account for the sole purpose of undertaking these property reinstatements.

9. Receivables and other assets

	Consolidated		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade and other receivables				
Premiums due	434,908	411,780	305,793	294,740
Amounts due from related parties (Note 27)	3,810	1,901	4,315	1,915
Prepaid expenses	135	274	115	204
Amounts due from reinsurers	36,996	69,956	35,076	72,464
GST receivable	-	-	956	2,157
Provision for bad and doubtful debts	(6)	(8)	-	-
Total trade and other receivables	475,843	483,903	346,255	371,480
Other assets				
Accrued income	7,312	7,342	5,825	5,856
Investment receivables	2,183	-	2,197	-
Other assets	4,645	2,854	4,645	2,853
Total other assets	14,140	10,196	12,667	8,709
Total receivables and other assets	489,983	494,099	358,922	380,189
Current	489,983	494,099	358,922	380,189
Non-current	-	-	-	-
Total receivables and other assets	489,983	494,099	358,922	380,189
Movements in provision for bad and doubtful debts				
Balance at the beginning of the financial year	8	32	-	26
Provision raised/(released) during the financial year	29	(16)	31	(18)
Receivables written off during the financial year	(31)	(8)	(31)	(8)
Balance at the end of the financial year	6	8	-	-

Notes to the financial statements (continued)

10. Investment securities

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Financial assets at fair value through profit or loss				
Interest bearing securities				
Debentures and corporate bonds	286,068	287,021	229,041	224,024
Government and semi-government securities	217,911	219,602	173,448	175,654
Discounted securities	287,645	269,209	213,339	199,991
Total interest bearing securities	791,624	775,832	615,828	599,669
Derivatives (Note 24.3)	98	(495)	98	(495)
Unit trusts	116,633	103,976	-	-
Equities	296	240	296	240
Total financial assets at fair value through profit or loss	908,651	879,553	616,222	599,414
Loans and receivables				
Staff mortgages	61	66	61	66
Total investment securities	908,712	879,619	616,283	599,480

11. Reinsurance and other recoveries receivable

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Expected future reinsurance and other recoveries undiscounted	848,721	1,192,078	773,857	1,158,744
Discount to present value	(31,966)	(91,612)	(29,578)	(88,921)
Total reinsurance and other recoveries receivable	816,755	1,100,466	744,279	1,069,823
Current	513,923	564,871	468,320	549,142
Non-current	302,832	535,595	275,959	520,681
Total reinsurance and other recoveries receivable	816,755	1,100,466	744,279	1,069,823

The balance of reinsurance and other recoveries receivable disclosed above is gross of deferred reinsurance liabilities of $171.8m for the Group and $142.4m for the Company (refer to Note 16).

Details of the uncertainties that exist in measuring reinsurance recoveries arising from the Canterbury earthquakes are explained in Note 18.1.

12. Deferred reinsurance premiums

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at the beginning of the financial year	176,625	250,349	147,030	217,545
Reinsurance premium liability incurred	272,131	167,510	221,802	129,232
Reinsurance premium charged to profit or loss	(231,183)	(241,234)	(188,593)	(199,747)
Balance at the end of the financial year	217,573	176,625	180,239	147,030

Notes to the financial statements (continued)

13. Deferred acquisition costs

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at the beginning of the financial year	113,192	109,119	93,952	89,286
Acquisition costs deferred	252,781	234,659	211,976	195,154
Amortisation charged to profit or loss	(256,285)	(237,237)	(214,174)	(195,160)
Reinsurance commission recognised in profit or loss	6,355	6,651	4,551	4,672
Balance at the end of the financial year	116,043	113,192	96,305	93,952

14. Investment in subsidiaries

	Company	
	2015 $'000	2014 $'000
Shares in subsidiaries	37,304	37,586

The Company's investments in subsidiaries comprise shares held at cost. All entities are incorporated in New Zealand and have a balance date of 30 June.

		Company	
		2015	2014
Trading subsidiaries	**Principle activity**	%	%
AA Insurance Limited	General Insurance	68	68
Vero Liability Insurance Limited	General Insurance	100	100

15. Intangible assets

Intangible assets consist of two main components, goodwill and computer software. The value of the goodwill has been reviewed for impairment in accordance with NZ IAS 36 Impairment of Assets. Goodwill is deemed to have an indefinite useful life and has therefore not been amortised. Computer Software is deemed to have a finite life and is amortised at a rate of 20%-33% per annum on a straight line basis.

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Goodwill	81,608	81,608	82,147	82,147
Computer software	7,433	3,414	7,433	3,414
Total intangible assets	89,041	85,022	89,580	85,561

Notes to the financial statements (continued)

15.1 Goodwill

	Consolidated		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
At 1 July				
Cost	94,869	94,869	95,345	95,345
Accumulated impairment losses	(13,261)	(13,261)	(13,198)	(13,198)
Balance at the beginning of the financial year	81,608	81,608	82,147	82,147
Impairment losses	-	-	-	-
Balance at the end of the financial year	81,608	81,608	82,147	82,147
At 30 June				
Cost	94,869	94,869	95,345	95,345
Accumulated amortisation and impairment	(13,261)	(13,261)	(13,198)	(13,198)
Balance at the end of the financial year	81,608	81,608	82,147	82,147

15.2 Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to significant cash generating units (**CGU**) as outlined in the table below.

	Consolidated		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
AA Insurance	13,235	13,235	13,410	13,410
AMP General	8,667	8,667	9,031	9,031
Autosure	59,706	59,706	59,706	59,706
Carrying amount of goodwill	81,608	81,608	82,147	82,147

The carrying amount of goodwill allocated to each CGU is compared to its recoverable amount determined based on a value-in-use basis and if the recoverable amount is lower, the asset is written down. For the year ended 30 June 2015, no impairment loss has been recognised (2014: nil).

Value in use was determined by discounting the future cash flows generated from the continuing use of these units and was based on the following key assumptions, for which the values have been obtained on the basis of past experience:

- Cash flows are projected from the financial forecasts prepared by the business units covering a three year period. Cash flows beyond the next three years are extrapolated using a constant growth rate of 1.5%-2.5% (2014: 1.5%-2.5%), which does not exceed the long-term average growth rate for the industry.
- The weighted average cost of capital is used as the post-tax discount rate 10.1% (2014: 11.5%).
- Investment income rates of 4.00%-5.23% for insurance funds and 4.75%-5.00% for shareholder funds (2014: 3.56%-5.35% for insurance funds and 3.84%-5.61% for shareholder funds).

At 30 June 2015, the recoverable amount of each CGU is in excess of its carrying amount and, as a result, no impairment loss has been recognised in the profit or loss. Based on information available and market conditions at 30 June 2015, a reasonably possible change to any of the key assumptions made in this assessment would not cause the CGU's recoverable amount to be less than its carrying amount.

Notes to the financial statements (continued)

15.3 Software

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At 1 July				
Cost	33,991	31,825	32,333	30,167
Accumulated amortisation and impairment	(30,577)	(28,499)	(28,919)	(26,856)
Balance at the beginning of the financial year	3,414	3,326	3,414	3,311
Additions – internally developed	5,917	2,166	5,917	2,166
Amortisation charge	(1,898)	(2,078)	(1,898)	(2,063)
Balance at the end of the financial year	7,433	3,414	7,433	3,414
At 30 June				
Cost	39,908	33,991	38,250	32,333
Accumulated amortisation and impairment	(32,475)	(30,577)	(30,817)	(28,919)
Balance at the end of the financial year	7,433	3,414	7,433	3,414

16. Payables and other liabilities

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade creditors and accruals	68,490	64,703	57,605	58,679
GST payable	2,442	914	-	-
Investment payables	-	779	-	939
Amounts due to reinsurers	212,912	171,227	179,528	145,359
Shared property reinstatement advances (Note 8)	18,515	-	14,064	-
Deferred reinsurance liabilities (Note 11)	171,756	-	142,350	-
Amounts due to related parties (Note 27)	1,052	10,882	15,945	13,576
Total payables and other liabilities	475,167	248,505	409,492	218,553
Current	315,212	248,505	272,444	218,553
Non-current	159,955	-	137,048	-
Total payables and other liabilities	475,167	248,505	409,492	218,553

Deferred reinsurance liabilities relates to the settlement of reinsurance recoveries in relation to the 2010/2011 Canterbury earthquakes by entities in the Suncorp Group ahead of the actual settlement of the underlying claims. It comprises $187.3m for the Group and $156.2m for the Company received from a fellow subsidiary of the ultimate parent (refer to Note 27.2), less $15.6m and $13.9m respectively in relation to claims which were settled prior to 30 June 2015.

17. Unearned premium liabilities

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at the beginning of the financial year	622,618	580,399	440,417	419,213
Premiums written during the financial year (Note 4)	1,297,247	1,261,133	925,489	910,926
Premiums earned during the financial year (Note 4)	(1,272,581)	(1,218,914)	(915,908)	(889,722)
Balance at the end of the financial year	647,284	622,618	449,998	440,417

17.1 Liability adequacy test

The liability adequacy test which was performed as at 30 June 2015 identified a surplus for the Group and Company (30 June 2014: surplus).

KPMG

Notes to the financial statements (continued)

18. Outstanding claims liabilities

18.1 Gross outstanding claims liabilities

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Gross central estimate - undiscounted	**1,097,167**	1,477,628	**948,913**	1,366,397
Discount to present value	**(48,182)**	(102,372)	**(41,696)**	(96,143)
Claim handling expenses	**44,320**	60,770	**30,279**	54,619
Risk margin	**46,076**	47,953	**32,155**	35,645
Gross outstanding claims liabilities	**1,139,381**	1,483,979	**969,651**	1,360,518
Current	**643,568**	814,037	**547,197**	740,558
Non-current	**495,813**	669,942	**422,454**	619,960
Gross outstanding claims liabilities	**1,139,381**	1,483,979	**969,651**	1,360,518

Despite significant progress in the settlement of 2010 and 2011 Canterbury earthquake claims, some uncertainty remains in the estimation of gross outstanding claims liabilities and the related reinsurance recoveries for these events. The uncertainty is large in dollar terms due to the volume, value and complexity of the outstanding earthquake claims relative to other outstanding claims on the statements of financial position.

At balance date the central estimate of gross outstanding claims liabilities, plus the net risk margin, attributed to the Canterbury earthquakes totals $0.81 billion and $0.77 billion for the Group and Company, respectively (2014: $1.16 billion and $1.15 billion respectively).

The central estimate represents actuarial estimates, as at 30 June 2015, of what the Group and Company ultimately has left to pay, prior to receiving any reinsurance recoveries in relation to these claims. Given the nature of the uncertainties associated with the remaining Canterbury earthquake claims, the actual claims experience may deviate, perhaps substantially, from the central estimate as at 30 June 2015.

The net risk margin represents additional provisions required to meet expected claim payments, net of all reinsurance, with a 90% probability of sufficiency. In the event of actual claims experience deviating from expectations, the net risk margin is designed to act as a buffer to minimise the impact on the Group's financial performance.

Effective 19 June 2015, Suncorp Group Limited entered into an Adverse Development Cover (**ADC**) on behalf of the Group to cover Suncorp's net exposure to losses arising from the February 2011 Canterbury earthquake above AU$3.1 billion. The attachment point and the limit of the ADC are such that no net risk margin is required for the February 2011 event at balance date.

Future movements in the AUD:NZD exchange rate can affect the net incurred claims position. This arises because claims are paid in New Zealand dollars, but the applicable catastrophe reinsurance programme is denominated in Australian dollars. This foreign exchange rate risk also applies to any commutations or recoveries received in advance from the Australian-denominated reinsurance programme. An allowance is made for foreign exchange risk in the central estimate as well as the net risk margin.

Notes to the financial statements (continued)

18.2 Reconciliation of movement in discounted outstanding claims liabilities

	Note	Consolidated		Company	
		2015 $'000	2014 $'000	2015 $'000	2014 $'000
Net outstanding claims liabilities at the beginning of the financial year		**383,513**	333,112	**290,695**	246,333
Prior periods					
Payments net of reinsurance recoveries		**(208,920)**	(162,824)	**(160,024)**	(116,172)
Movement in discounting		**8,500**	9,423	**6,412**	6,966
Margin release on prior periods		**(34,816)**	(23,274)	**(26,635)**	(16,241)
Incurred claims due to changes in assumptions and experience		**(4,804)**	43,353	**(13,706)**	28,133
Change in discount rate		**4,581**	(3,864)	**3,353**	(2,749)
Change in claims handling expense rate		**(25)**	(151)	**(24)**	(151)
Change in inflation assumption		**3,420**		**2,029**	
Movement in risk margins		**373**	-	**151**	-
Current period					
Net ultimate incurred costs		**554,079**	538,852	**368,085**	367,026
Payments net of reinsurance recoveries		**(383,275)**	(351,114)	**(244,964)**	(222,450)
Net outstanding claims liabilities at end of the financial year		**322,626**	383,513	**225,372**	290,695
Reinsurance and other recoveries receivable	11	**816,755**	1,100,466	**744,279**	1,069,823
Gross outstanding claims liabilities		**1,139,381**	1,483,979	**969,651**	1,360,518

18.3 Claims development tables

The following tables show the development of undiscounted outstanding claims relative to the ultimate expected claims for the ten most recent accident years.

Consolidated	Accident year											2015
Accident year	**Prior $'000**	**2006 $'000**	**2007 $'000**	**2008 $'000**	**2009 $'000**	**2010 $'000**	**2011 $'000**	**2012 $'000**	**2013 $'000**	**2014 $'000**	**2015 $'000**	**Total $'000**
Estimate of ultimate claims cost:												
At end of accident year		28,258	28,432	27,665	28,685	24,487	173,474	44,976	27,182	27,867	29,082	29,082
One year later		24,879	22,660	28,695	27,109	19,450	201,947	46,117	26,550	27,828		27,828
Two years later		20,929	21,960	28,386	24,478	20,006	232,390	43,331	28,391			28,391
Three years later		18,793	21,118	27,373	24,553	21,530	279,700	40,150				40,150
Four years later		17,690	24,872	27,474	24,971	21,654	286,125					286,125
Five years later		19,976	23,807	28,840	24,760	21,813						21,813
Six years later		19,984	22,893	29,008	26,313							26,313
Seven years later		19,666	22,253	28,660								28,660
Eight years later		19,764	22,061									22,061
Nine years later		19,648										19,648
Current estimate of cumulative claims cost	111,636	19,648	22,061	28,660	26,313	21,813	286,125	40,150	28,391	27,828	29,082	641,707
payments	106,844	19,578	21,752	27,555	24,234	20,236	220,725	31,915	19,728	13,389	5,802	511,758
Outstanding claims - undiscounted	4,792	70	309	1,105	2,079	1,577	65,400	8,235	8,663	14,439	23,280	129,949
Discount to present value	(216)	(1)	(8)	(60)	(124)	(88)	(12,411)	(494)	(473)	(766)	(1,265)	(15,906)
Outstanding claims - long tail	4,576	69	301	1,045	1,955	1,489	52,989	7,741	8,190	13,673	22,015	114,043
Outstanding claims - short tail												138,816
Claims handling expenses												23,690
Risk margin												46,077
Total net outstanding claims liabilities												322,626
Reinsurance and other recoveries receivable												816,755
Total gross outstanding claims liabilities												1,139,381

Notes to the financial statements (continued)

18.3 Claims development tables (continued)

Company	Accident year											2015
Accident year	Prior $'000	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	Total $'000
Estimate of ultimate claims cost:												
At end of accident year		8,056	4,740	9,585	7,554	6,022	146,243	23,465	7,821	8,929	8,054	8,054
One year later		8,056	5,694	11,040	6,556	5,185	174,381	23,827	5,972	7,829		7,829
Two years later		7,686	7,180	10,287	6,035	5,344	201,918	19,327	5,700			5,700
Three years later		7,670	7,628	10,097	5,818	5,232	242,341	15,083				15,083
Four years later		7,539	10,950	9,835	5,831	5,115	247,278					247,278
Five years later		7,584	10,427	9,929	5,999	5,218						5,218
Six years later		7,911	9,557	10,056	5,982							5,982
Seven years later		7,912	9,262	10,073								10,073
Eight years later		7,912	9,143									9,143
Nine years later		7,912										7,912
Current estimate of cumulative claims cost	95,170	7,912	9,143	10,073	5,982	5,218	247,278	15,083	5,700	7,829	8,054	417,442
Cumulative	90,378	7,912	9,014	10,059	5,964	5,139	190,372	12,886	4,370	4,602	2,132	342,828
Outstanding claims - undiscounted	4,792	-	129	14	18	79	56,906	2,197	1,330	3,227	5,922	74,614
Discount to present value	(216)	-	(3)	-	-	(2)	(10,953)	(136)	(29)	(71)	(158)	(11,568)
Outstanding claims - long tail	4,576	-	126	14	18	77	45,953	2,061	1,301	3,156	5,764	63,046
Outstanding claims - short tail												113,836
Claims handling expenses												16,335
Risk margin												32,155
Total net outstanding claims liabilities												225,372
Reinsurance and other recoveries receivable												744,279
Total gross outstanding claims liabilities												969,651

The claims development tables discloses amounts net of reinsurance and third party recoveries to give the most meaningful insight into the impact on profit or loss. Short-tail claims are disclosed separately as they are generally subject to less uncertainty since they are normally reported soon after the incident and are generally settled within 12 months following the reported incident.

The balance of reinsurance and other recoveries receivable disclosed above is gross of deferred reinsurance liabilities of $171.8m for the Group and $142.4m for the Company (refer to Note 16).

18.4 Actuarial Assumptions and Methods

a) Assumptions

The following key assumptions have been applied in determining the net outstanding claims liabilities of the Group and Company including claims arising from the Canterbury earthquakes:

	Consolidated		Company	
	2015	2014	2015	2014
Weighted average term to settlement (years)	1.28	1.22	1.21	1.17
Economic inflation rate	2.6%	2.1%	2.5%	1.9%
Superimposed inflation rate	1.2%	1.0%	0.2%	0.1%
Discount rate	3.0%	3.7%	3.0%	3.7%
Claim handling expense ratio	9.4%	7.8%	9.2%	7.7%
Risk margin	16.7%	14.3%	16.6%	14.0%

Weighted average term to settlement - The average weighted term to settlement is calculated separately by class of business and is based on historic settlement patterns.

Notes to the financial statements (continued)

a) Assumptions (continued)

Inflation and superimposed inflation - Economic inflation is based on economic indicators such as the consumer price index and/or increases in average weekly earnings. Superimposed inflation reflects the tendency for some costs, such as court awards, to increase at levels in excess of economic inflation. Inflation assumptions are set at a class of business level and reflect past experience and future expectations

In some cases, no explicit assumption for inflation has been made. Instead, there is an implicit assumption that future inflation will be in line with past inflation. In these situations, the inflation assumption has been estimated after considering current information on a number of suitable indices.

Discount rate - The outstanding claims liability is discounted at a rate equivalent to that inherent in a portfolio of riskless fixed interest securities with coupon and redemption cash flows exactly matching the projected inflation claim cash flows.

Claim handling expense allowance - An estimate of outstanding claim liability will typically incorporate an allowance for the future cost of administering the claims. This allowance is determined after analysing claims related expenses incurred by the portfolio in question, adjusted for the expected pattern of payment of claim handling expenses during the life of a claim.

Risk margin - The overall risk margin is determined allowing for diversification between business classes and the relative uncertainty of the outstanding claims estimate for each class.

The assumptions regarding uncertainty for each class are applied to the net central estimates, and the results aggregated, allowing for diversification in order to arrive at an overall provision, which is intended to have a 90% (2014: 90%) probability of sufficiency (**POS**).

A net risk margin at an approximate 90% POS (2014: 90%) has been included in the net outstanding claims provision in respect of the 2010 and 2011 Canterbury earthquakes. The net risk margin takes into account: the retention and limits of the 2010 and 2011 Suncorp Group catastrophe programmes; the ADC contract for the February 2011 event; the timing of cash flows; and the currency exchange rates that are likely over the future payment period.

b) Impact of changes in assumptions

The Group and the Company conduct sensitivity analyses to quantify the exposure to the risk of changes in the key underlying actuarial assumptions. A sensitivity analysis is conducted on each variable, whilst holding all other variables constant. The tables below describe how a change in each assumption will affect the profit before tax. There is no impact on equity reserves.

		Consolidated		Company	
	Movement in variables	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Weighted average term to settlement - years	+0.5	**1,201**	(1,276)	**(421)**	(2,342)
	-0.5	**(1,197)**	1,280	**422**	2,361
Inflation rate	+1%	**3,747**	4,242	**2,505**	3,119
	-1%	**(3,740)**	(4,236)	**(2,502)**	(3,116)
Discount rate	+1%	**(3,731)**	(4,168)	**(2,468)**	(3,037)
	-1%	**3,812**	4,255	**2,520**	3,099
Claim handling expense ratio	+1%	**2,950**	3,557	**2,063**	2,700
	-1%	**(2,950)**	(3,557)	**(2,063)**	(2,700)
Risk margin	+1%	**2,765**	3,355	**1,932**	2,550
	-1%	**(2,765)**	(3,355)	**(1,932)**	(2,550)
Average future AUD:NZD exchange rate	+1%	**2,117**	(213)	**1,912**	(173)
	-1%	**(2,117)**	214	**(1,912)**	173

Notes to the financial statements (continued)

c) Actuarial information

Richard Beauchamp is the Appointed Actuary for the Company. He is a Fellow of the New Zealand Society of Actuaries and a Fellow of the Institute of Actuaries (London). The Appointed Actuary receives a proportion of remuneration based on the financial results of the Group. Karl Marshall, of The Quantium Group Pty Limited, is the Appointed Actuary for Vero Liability Insurance Limited (**VLIL**) and AA Insurance Limited (**AAIL**). Mr Marshall is a Fellow of the Institute of Actuaries of Australia. Mr Marshall has no financial interest in the Group.

According to section 77(1) of the Insurance (Prudential Supervision) Act 2010 the Appointed Actuaries must review the actuarial information in, or used in the preparation of, the financial statements.

The outstanding claims reserves disclosed for the Company have been calculated in accordance with the New Zealand Society of Actuaries Professional Standard No.4.1 "Valuation of General Insurance Claims". The effective date of the Appointed Actuary's advice is 31 March 2015, updated to 30 June 2015.

The outstanding claims reserves disclosed for VLIL and AAIL have been calculated in accordance with the New Zealand Society of Actuaries Professional Standard No.4.1 "Valuation of General Insurance Claims". The effective date of Mr Marshall's advice is 31 March 2015, updated to 30 June 2015.

The Appointed Actuaries are satisfied that they have obtained all the information and explanations required. They are satisfied that the actuarial information has been used appropriately in the preparation of the financial statements and included appropriately in the financial statements.

In particular, the Appointed Actuaries are satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liabilities. There were no qualifications contained in their respective actuarial advice. The key assumptions used in the compilations of the reserves as at 30 June 2015 have been outlined above.

In addition, the Company's Board Audit and Risk Committee (**BARC**) receives a Financial Condition Report (**FCR**) annually from the Appointed Actuary of the Company in accordance with the Act. The purpose of the FCR is to provide the Appointed Actuary's objective assessment of the Company's overall financial condition. It considers, among other things, the material risks facing the Company that, in the Appointed Actuary's opinion, pose a threat to its ability to remain financially solvent now and in the future. The Appointed Actuary for the Company's licensed insurance subsidiaries, VLIL and AAIL, also provides an FCR to his respective BARCs.

19. Employee benefit obligations

	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Employee entitlements	20,751	19,206	13,645	12,551
Net defined benefit liability	12,402	10,548	12,805	11,136
Total employee benefits obligation	33,153	29,754	26,450	23,687
Current	20,751	19,206	13,645	12,551
Non-current	12,402	10,548	12,805	11,136
Total employee benefits obligation	33,153	29,754	26,450	23,687

19.1 Defined benefit superannuation funds

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

The following tables summarises the deficit position for each defined benefit fund

Consolidated	2015 Surplus $'000	2015 Deficit $'000	2015 Net $'000	2014 Surplus $'000	2014 Deficit $'000	2014 Net $'000
Vero & Asteron New Zealand Staff Pension Scheme	-	(11,402)	(11,402)	-	(7,979)	(7,979)
RIG Superannuation Fund	-	(676)	(676)	-	(1,923)	(1,923)
Commercial Union General Insurance Staff Pension Scheme	-	(324)	(324)	-	(646)	(646)
Total net defined benefit liability	-	(12,402)	(12,402)	-	(10,548)	(10,548)

Company	2015 Surplus $'000	2015 Deficit $'000	2015 Net $'000	2014 Surplus $'000	2014 Deficit $'000	2014 Net $'000
Vero & Asteron New Zealand Staff Pension Scheme	-	(11,805)	(11,805)	-	(8,567)	(8,567)
RIG Superannuation Fund	-	(676)	(676)	-	(1,923)	(1,923)
Commercial Union General Insurance Staff Pension Scheme	-	(324)	(324)	-	(646)	(646)
Total net defined benefit liability	-	(12,805)	(12,805)	-	(11,136)	(11,136)

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

- Members receive regular pension payments or deferred pension payments. The amount of pension payable upon retirement of active members is determined based on final pensionable salary and pensionable service. Partial or full commutation of the pension may be allowed.
- The Financial Markets Conduct Act 2013 (which is transitioning to replace the Superannuation Schemes Act 1989) governs the superannuation industry and provides the framework within which superannuation schemes operate. The Act requires an actuarial valuation to be performed for each defined benefit superannuation scheme at least every three years.
- The Trustees of each scheme are responsible for the governance of the scheme. The Trustees have a legal obligation to act solely in the best interests of fund beneficiaries. The Trustees have the following roles:
  - Administration of the fund and payment to the beneficiaries from scheme assets when required in accordance with the scheme rules;
  - Management and investment of the scheme assets; and
  - Compliance with superannuation law and other applicable regulations.
- The Financial Markets Authority licenses and supervises regulated superannuation schemes.

Notes to the financial statements (continued)

19.1 Defined benefits superannuation funds (continued)

- There are a number of risks to which each scheme exposes the Group. The more significant risks relating to the defined benefits are:
  - Investment risk – The risk that investment returns will be lower than assumed and the Group will need to increase contributions to offset this shortfall.
  - Mortality risk – The risk that the members of the scheme will live longer than assumed, increasing the number of pension payments and thereby requiring additional Group contributions.
  - Legislative risk – The risk that legislative changes could be made which increase the cost of providing the defined benefits.
- Other Suncorp Group entities participate in the funds and the amounts included in these financial statements relate to the Group's share in relation to the members that are attributable to the Group. The Group 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 RIG Superannuation Fund made a cash offer to pensioners during the year with payments under the offer being treated as a settlement.

a) Present value of defined benefit fund

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Fair value of fund assets at the end of the financial year	**60,426**	63,045	**59,110**	61,698
Defined benefit obligations at the end of the financial year	**(68,735)**	(70,112)	**(67,689)**	(69,159)
Adjustment for contributions tax	**(4,093)**	(3,481)	**(4,226)**	(3,675)
Net liability recognised in the statements of financial position	**(12,402)**	(10,548)	**(12,805)**	(11,136)

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

b) Reconciliation of movements

	Consolidated		Company	
Changes in the fair value of plan assets	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at the beginning of the financial year	**63,045**	62,326	**61,698**	61,054
Interest income	**2,586**	2,683	**2,524**	2,623
Actual return on plan assets less interest income	**2,934**	2,117	**3,024**	2,140
Contributions by Group companies	**1,301**	1,552	**1,261**	1,477
Contributions by plan participants	**9**	15	**9**	15
Benefits paid	**(4,788)**	(4,363)	**(4,762)**	(4,337)
Settlements	**(4,348)**	(1,017)	**(4,348)**	(1,017)
Premiums and expenses paid	**(313)**	(268)	**(296)**	(257)
Balance at the end of the financial year	**60,426**	63,045	**59,110**	61,698

Notes to the financial statements (continued)

b) Reconciliation of movements (continued)

	Consolidated		Company	
	2015	2014	2015	2014
Changes in the present value of defined benefit fund obligations	**$'000**	**$'000**	**$'000**	**$'000**
Balance at the beginning of the financial year	**(70,112)**	(71,772)	**(69,159)**	(70,877)
Current service cost	**(889)**	(881)	**(859)**	(854)
Interest expense	**(2,856)**	(3,079)	**(2,813)**	(3,038)
Contributions by plan participants	**(9)**	(15)	**(9)**	(15)
Actuarial gains arising from changes in financial assumptions	**(5,800)**	(163)	**(5,674)**	(153)
Actuarial losses/(gains) arising from liability experience	**867**	(28)	**804**	(11)
Benefits paid	**4,788**	4,363	**4,762**	4,337
Settlements	**4,963**	1,195	**4,963**	1,195
Premiums and expenses paid	**313**	268	**296**	257
Balance at the end of the financial year	**(68,735)**	(70,112)	**(67,689)**	(69,159)

c) Categories of plan assets

	Consolidated		Company	
	2015	2014	2015	2014
Major categories of plan assets as a percentage of total fund assets	%	%	%	%
Equity	**33.5**	33.9	**33.5**	34.0
Fixed Income	**36.2**	36.3	**36.2**	36.3
Investments in managed funds	**17.5**	16.9	**17.5**	16.8
Cash	**12.8**	12.9	**12.8**	12.9
	100.0	100.0	**100.0**	100.0

The table above reflects the aggregate assets of the three defined benefit plans the Group participates in.

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

d) Principal actuarial assumptions

The principal actuarial assumptions used in the valuation of the defined benefit funds are as follows:

	Consolidated		Company	
	2015	2014	2015	2014
	%	%	%	%
Discount rate	**3.74 - 3.79**	4.30 - 4.65	**3.74 - 3.79**	4.30 - 4.65
Future salary increases	**3.0**	3.5	**3.0**	3.5

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

Notes to the financial statements (continued)

d) Principal actuarial assumptions (continued)

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

	Consolidated		Company	
	2015	2014	2015	2014
Vero & Asteron New Zealand Staff Pensions Scheme	13	13	13	13
RIG Superannuation Fund	9	9	9	9
Commercial Union General Insurance Staff Pension Scheme	10	8	10	8

e) Sensitivity Analysis

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

	Consolidated		Company	
	2015 Increase $'000	2015 Decrease $'000	2015 Increase $'000	2015 Decrease $'000
Discount rate movement (100 basis points)	(7,682)	9,418	(7,522)	9,210
Future salary increases (100 basis points)	1,428	(1,330)	1,388	(1,295)
One year movement in life expectancy	1,924	(1,997)	1,902	(1,971)

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 section (d) above.

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

Actuarial recommendations of the employer contribution rates are:	
Vero & Asteron New Zealand Staff Pension Scheme	20% of pensionable salaries plus attributable share of $950,000
RIG Superannuation Fund	$350,000
Commercial Union General Insurance Staff Pension Scheme	Nil

The Group intends to contribute $1,801,000 to the defined benefit funds in the financial year ending 30 June 2016 in line with the actuaries' latest recommendations.

19.2 Share-based payments

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

Long-term incentives (performance rights)

Long-term incentives (**LTI**) are performance rights granted to eligible executives. These are equity-settled and in limited circumstances cash-settled at the SGL Board's discretion. The SGL Board determines the value of shares granted (offered) based on the executive's remuneration and individual performance.

Notes to the financial statements (continued)

19.2 Share-based payments (continued)

Vested shares carry full entitlement to dividend from the grant date (less any taxes paid by the plan trustee in respect of such dividends).

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

The expense included in the profit or loss in relation to LTI for the financial year ended 30 June 2015 for the Group and Company was $209,486 (2014: $190,193).

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

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

The expense included in the profit or loss in relation to restricted shares for the financial year ended 30 June 2015 for the Group and Company was $71,945 (2014: $34,792). The expense included in the profit or loss in relation to the Suncorp Employee Share plan for the financial year ended 30 June 2015 for the Group was $959,671 (2014: $1,050,740) and for the Company was $921,591 (2014: $1,015,430).

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

Notes to the financial statements (continued)

20. Share capital

	Company		Company	
	2015 Shares No. (000)	2015 Shares $'000	2014 Shares No. (000)	2014 Shares $'000
Issued and fully paid ordinary shares	184,688	270,509	184,688	270,509
Shareholder contribution under equity settled employee share plans	-	5,938	-	5,656
Total share capital	184,688	276,447	184,688	276,165
Movements in shareholder contributions under equity settled employee share plans				
Balance at the beginning of the financial year	-	5,656	-	5,431
Contributions under equity settled share plans	-	282	-	225
Balance at the end of the financial year	-	5,938	-	5,656

The Company does not have authorised capital or par value in respect of its issued shares. All shares are fully paid.

As at 30 June 2015, the Company had 184,687,954 ordinary shares with no par value issued to Suncorp Group Holdings (NZ) Limited (2014:184,687,954). All shares rank equally with one vote attached to each fully paid ordinary share.

21. Capital management

21.1 Capital management policies and objectives

The Group is part of the Suncorp Group. The capital management 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 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 and its two general insurance subsidiaries Vero Liability Insurance Limited and AA Insurance Limited are licensed insurance companies in accordance with the Insurance (Prudential Supervision) Act 2010 (the **Act**). All three companies manage their capital in accordance with the requirements of the Act and the Solvency Standard for Non-life Insurance Business (the **Solvency Standard**) issued by the Reserve Bank of New Zealand.

The Company and its licensed insurance subsidiaries are required to maintain a solvency margin of at least $0, i.e. actual solvency capital as determined under the Solvency Standard should be at or above the minimum solvency capital level. The actual amount retained as minimum solvency capital and determined by the Directors of the companies as appropriate to ensure their financial soundness, and the basis for determining the amount are set out below.

The Group and Company satisfied all externally imposed capital requirements which they were subject to during the year ended 30 June 2015.

The Company and its licensed insurance subsidiaries have embedded in their capital management framework the necessary tests to ensure continuous and full compliance with the Solvency Standard.

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

Notes to the financial statements (continued)

21.2 Capital composition

The Group and Company manage their capital by considering both regulatory and economic capital. The primary source of capital used is total equity attributable to owners. Total equity attributable to owners equates to capital as defined in the Solvency Standard and shown in Note 21.3 below.

21.3 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 Group, being the Company and its two general insurance subsidiaries Vero Liability Insurance Limited and AA Insurance Limited (**Licensed Insurer Group**), and the Company is detailed below:

	Licensed Insurer Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Actual solvency	**394,370**	406,465	**268,532**	283,016
Minimum solvency capital	**219,655**	234,244	**164,802**	183,768
Solvency margin	**174,715**	172,221	**103,730**	99,248
Solvency ratio	**1.80**	1.74	**1.63**	1.54

22. Credit rating

The Company and its general insurance subsidiaries have the following Standard & Poor's ratings which provides an indication of their ability to pay current and future claims.

	Credit Rating	
	2015	2014
Vero Insurance New Zealand Limited	**A+**	A+
Vero Liability insurance Limited	**A+**	A+
AA Insurance Limited	**A+**	A+

Notes to the financial statements (continued)

23. Notes to the statements of cash flows

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Profit for the financial year	159,559	86,824	142,557	83,052
Non-cash items				
Movement in financial assets at fair value through profit or loss	(12,290)	9,390	(5,036)	14,200
Depreciation and amortisation expense	5,682	6,552	4,759	5,446
Loss/(profit) on disposal of plant and equipment	63	(1)	57	15
Share-based payments	282	225	282	225
Movement in defined benefit fund	(2,213)	2,050	(1,984)	2,125
Change in assets and liabilities				
Decrease in receivables and other assets	6,299	38,798	23,464	54,167
Decrease in reinsurance and other recoveries receivable	283,711	782,915	325,544	792,237
(Increase)/decrease in deferred reinsurance premiums	(40,948)	73,724	(33,209)	70,515
Increase in deferred acquisition costs	(2,851)	(4,073)	(2,353)	(4,666)
Decrease in current tax assets	-	-	-	5,852
(Increase)/decrease in deferred tax assets	(5,768)	7,493	(4,302)	6,933
Increase/(decrease) in payables and other liabilities	227,441	(68,209)	191,878	(64,138)
Adjustment for outstanding dividend	8,934	(8,934)	8,934	(8,934)
Increase in unearned premium liabilities	24,666	42,219	9,581	21,204
(Decrease)/increase in current tax liabilities	(14,314)	17,413	(8,645)	11,109
Decrease in outstanding claims liabilities	(344,598)	(732,514)	(390,867)	(747,875)
Increase/(decrease) in employee benefit obligations	3,399	(4,228)	2,763	(4,802)
Increase in deferred tax liabilities	867	1,028	674	1,315
Net cash from operating activities	297,921	250,672	264,097	237,980

24. Financial instruments

24.1 Comparison of fair value to carrying amounts

Investment securities are recognised and measured at fair value and therefore their carrying value equates to their fair value.

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

The significant majority of other investments are valued using independently sourced valuations that do not involve the exercise of judgement by management.

Financial assets and liabilities that are not recognised and measured at fair value include cash and cash equivalents, receivables and other assets and payables. The basis of recognition and measurement of these financial assets and liabilities is described in Note 30. Their carrying value is a reasonable approximation of their fair value.

Notes to the financial statements (continued)

24.2 Fair value hierarchy

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

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

The Level 2 securities held by the Group represent investment securities and derivative assets/liabilities 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. 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
Consolidated				
As at 30 June 2015				
Financial assets				
Investment securities	**128,231**	**780,383**	**-**	**908,614**
Derivatives	**-**	**98**	**-**	**98**
	128,231	**780,481**	**-**	**908,712**
As at 30 June 2014				
Financial assets				
Investment securities*	151,616	728,498	-	880,114
Financial liabilities				
Derivatives	-	495	-	495
Company				
As at 30 June 2015				
Financial assets				
Investment securities	**108,814**	**507,371**	**-**	**616,185**
Derivatives	**-**	**98**	**-**	**98**
	108,814	**507,469**	**-**	**616,283**
As at 30 June 2014				
Financial assets				
Investment securities*	119,848	480,127	-	599,975
Financial liabilities				
Derivatives	-	495	-	495

* The fair value hierarchy of term deposits and transferable certificates has been reclassified from Level 1 to Level 2 due to the investments not being traded in an active market. This reclassification amounted to $104,382,000 for the Group and $77,805,000 for the Company.

There have been no significant transfers between Level 1 and Level 2 during the year ended 30 June 2015 for the Group or Company.

Notes to the financial statements (continued)

24.3 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 statements of financial position. The table below shows the impact of this offsetting:

Consolidated and Company	Gross amounts $'000	Offsetting applied $'000	Net amount presented in the Statement of Financial Position $'000
2015			
Financial Assets			
Investment securities - Derivatives	1,334	(1,190)	144
Financial Liabilities			
Investment securities - Derivatives	1,236	(1,190)	46
Net financial asset			98
2014			
Financial Assets			
Investment securities - Derivatives	4,045	(4,045)	-
Financial Liabilities			
Investment securities - Derivatives	4,540	(4,045)	495
Net financial liability			495

24.4 Accounting classification and fair values

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

Consolidated	Designated at Fair Value	Loans and Receivables	Other Financial Liabilities	Carrying amount	Fair Value
2015	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	264,602	-	264,602	264,602
Receivables and other assets	-	489,983	-	489,983	489,983
Investment securities	908,651	61	-	908,712	908,712
	908,651	754,646	-	1,663,297	1,663,297
Payables and other liabilities*	-	-	(472,725)	(472,725)	(472,725)
2014					
Cash and cash equivalents	-	79,253	-	79,253	79,253
Receivables and other assets	-	494,099	-	494,099	494,099
Investment securities	879,553	66	-	879,619	879,619
	879,553	573,418	-	1,452,971	1,452,971
Payables and other liabilities*	-	-	(247,591)	(247,591)	(247,591)

* Payables and other liabilities excludes GST payable which is not a financial liability as it is created as a result of statutory requirements as opposed to being a contractual obligation.

KPMG

Notes to the financial statements (continued)

24.4 Accounting classification and fair values (continued)

Company

2015	Designated at Fair Value $'000	Loans and Receivables $'000	Other Financial Liabilities $'000	Carrying amount $'000	Fair Value $'000
Cash and cash equivalents	-	230,502	-	230,502	230,502
Receivables and other assets	-	357,966	-	357,966	357,966
Investment securities	616,222	61	-	616,283	616,283
	616,222	588,529	-	1,204,751	1,204,751
Payables and other liabilities*	-	-	(409,492)	(409,492)	(409,492)
2014					
Cash and cash equivalents	-	65,448	-	65,448	65,448
Receivables and other assets	-	378,032	-	378,032	378,032
Investment securities	599,414	66	-	599,480	599,480
	599,414	443,546	-	1,042,960	1,042,960
Payables and other liabilities*	-	-	(218,553)	(218,553)	(218,553)

* Payables and other liabilities excludes GST payable which is not a financial liability as it is created as a result of statutory requirements as opposed to being a contractual obligation.

25. Risk management

25.1 Risk management objectives and structure

As the Company and its subsidiaries are entities within the Suncorp Group, the Company and its subsidiaries work within the context of the Suncorp Group risk management objectives and structure as described below.

The Suncorp Group Limited Board recognises that effective risk management is considered to be critical to the achievement of the Suncorp Group's objectives. This recognition is echoed by the Company's Board. The Company's Board Audit and Risk Committee (**BARC**) is responsible for assisting the Company's Board in fulfilling its responsibilities with respect to the oversight of all categories of risk, which includes the identification, assessment and management of risk, and adherence to risk management and other policies and procedures. The Company's subsidiaries, Vero Liability Insurance Limited (**VLIL**) and AA Insurance Limited (**AAIL**) have their own respective BARCs which also perform this role.

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

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

Notes to the financial statements (continued)

25.1 Risk management objectives and structure (continued)

The Three Lines of Defence model of accountability as it applies to the Company involves:

Line of Defence	Responsibility of	Accountable for
First – Manage risk and comply with Company adopted Suncorp Group, and Company specific frameworks, policies and the Company's risk appetite	All business areas (and staff)	• Identify and manage the risks inherent in their operations including control testing • Ensure compliance with all legal and regulatory requirements and Company adopted Suncorp Group, and Company specific Suncorp Group policies • Promptly escalate any significant actual and emerging risks for management attention
Second – Independent functions own and monitor the application of risk frameworks, and measure and report on risk performance and compliance	All risk functions	• Design, implement and manage the ongoing maintenance of risk frameworks and related policies • Advise and partner with the business in the design and execution of risk frameworks and practices • Develop, apply and execute risk frameworks that are consistent with the Suncorp Group for the respective business areas • 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

Management recommends to the Company Board, and the Board has approved, various frameworks, policies and limits relating to key categories of risk faced by the Group. Management has the primary responsibility and accountability for embedding the risk management framework within the business operations of the Company. The Company has a Chief Risk Officer (**CRO**) who has the management responsibility for risk, compliance and related issues. This person indirectly reports to the Group Chief Risk Officer employed by the ultimate parent company. This person also acts as the CRO for VLIL but not for AAIL which has its own CRO.

The Company and its subsidiaries have in place a number of Management Committees, each with its own charter, to execute specified responsibilities in the risk framework.

These committees include a Vero NZ Asset and Liability Committee (**ALCO**) and a Vero NZ Risk and Governance Committee (**RGC**). The primary role of the Vero NZ ALCO is to oversee the management of selected financial risks arising from the activities of the Vero NZ business within the Company Board and VLIL Board approved risk parameters: Insurance Risk: includes the following economic aspects– Pricing, Reserving, Concentration and Reinsurance; Counterparty Risk; Market Risk; Balance Sheet Risk; and Liquidity Risk.

The ALCO provides effective governance over aspects of the risk framework designed to optimise the long-term returns achieved by portfolios within any risk appetite or parameters established by the Board.

The primary role of the Vero NZ RGC is to oversee the management of governance and other non-financial aspects of selected risks arising from the activities of the business within the Company and VLIL Board approved risk parameters: Insurance Risk, Compliance Risk, Operational Risk and Strategic Risk.

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

KPMG

Notes to the financial statements (continued)

25.1 Risk management objectives and structure (continued)

The key risks addressed by the Enterprise Risk Management Framework are described below.

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

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

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

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

- Note 25.2 Insurance risk management
- Note 25.3 to 25.5 Group risk management for financial instruments: credit, liquidity and market risks.

Notes to the financial statements (continued)

25.2 Group insurance risk management

a) Policies and practices for mitigating insurance risk

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

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

Concentration of insurance risk is mitigated through diversification over classes of insurance business, industry segments, the use of reinsurer coverage and ensuring there is an appropriate mixture of business. Catastrophe and facultative reinsurance contracts are purchased to ensure that any accumulation of losses from a single event is mitigated.

b) Terms and conditions of insurance business

Insurance contracts are generally entered into on an annual basis and at the time of entering into a contract all terms and conditions are negotiable or, in the case of renewals, renegotiated. Non-standard and long-term policies may only be written if expressly approved by a relevant delegated authority. There are no special terms and conditions in any non-standard contracts that would have a material impact on the consolidated financial statements.

25.3 Credit risk

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

Key sources of credit risk	How are these managed
Premiums receivable	For instalment business, outstanding premiums on policies arise on those which are generally paid on a monthly instalment basis. Payment default will result in the termination of the insurance contract with the policyholders, eliminating both the credit risk and insurance risk for the unpaid balance. Where business is written through intermediaries, limited credit is provided under the terms and conditions of the agreement with the respective intermediary, with debtor control ensuring constant attention is paid to minimise overdue debts.
Investments in financial instruments	Investments in financial instruments in the investment portfolios are held in accordance with the investment mandates. Credit limits have been established within these guidelines to ensure counterparties have appropriate credit ratings. An investment framework is in place that sets and monitors investment strategies and arrangements.
Reinsurance recoveries	Eligible recoveries under reinsurance arrangements are monitored and managed internally and by specialised reinsurance brokers operating in the international reinsurance market.

Notes to the financial statements (continued)

25.3 Credit risk (continued)

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentration of credit risk is managed by individual counterparty, by credit rating. The Company and Group do not expect any counterparties to fail to meet their obligations given their credit ratings and therefore does not require collateral or other security to support credit risk exposures. Over-concentration of credit risk is avoided by placement of cover with a number of reinsurers as well as setting participation limits and minimum security requirements on the reinsurance programme. Reinsurance is placed only with companies with Standard & Poor's credit ratings (or equivalent if a Standard & Poor's rating is unavailable) of "A minus" or better in accordance with policy.

The carrying amount of the relevant asset classes in the statements of financial position represents the maximum amount of credit exposures.

For investment securities, credit ratings of counter parties for which credit risk is assessed only relate to the interest bearing securities of the Group which include interest bearing securities held at fair value through profit or loss and staff mortgages.

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

Consolidated

	Credit Rating						
	AAA	AA	A	BBB	Non-investment grade	Not Rated	Total
2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	-	186,346	78,256	-	-	-	264,602
Investment securities	74,332	475,977	225,227	16,088	-	61	791,685
Derivatives	-	98	-	-	-	-	98
Reinsurance and other recoveries net of recoveries received in advance	-	333,475	282,134	-	-	29,390	644,999
Accrued income	-	-	-	-	-	7,312	7,312
Investment receivables	-	-	-	-	-	2,183	2,183
Premiums due	-	-	-	-	-	434,908	434,908
Amounts due from related parties	-	-	3,810	-	-	-	3,810
Amounts due from reinsurers	-	4,754	32,235	-	-	7	36,996
	74,332	1,000,650	621,662	16,088	-	473,861	2,186,593
2014							
Cash and cash equivalents	-	42,382	36,871	-	-	-	79,253
Investment securities	968	596,271	153,704	24,889	-	66	775,898
Derivatives	-	(495)	-	-	-	-	(495)
Reinsurance and other recoveries	-	517,246	552,856	-	-	30,364	1,100,466
Accrued income	-	-	-	-	-	7,342	7,342
Investment receivables	-	-	-	-	-	-	-
Premiums due	-	-	-	-	-	411,780	411,780
Amounts due from related parties	-	-	1,901	-	-	-	1,901
Amounts due from reinsurers	-	6,195	63,752	-	-	9	69,956
	968	1,161,599	809,084	24,889	-	449,561	2,446,101

KPMG

Notes to the financial statements (continued)

25.3 Credit risk (continued)

Company

	Credit Rating						
	AAA	AA	A	BBB	Non-investment grade	Not Rated	Total
2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	-	154,375	76,127	-	-	-	230,502
Investment securities	55,410	377,146	170,687	12,586	-	60	615,889
Derivatives	-	98	-	-	-	-	98
Reinsurance and other recoveries net of recoveries received in advance	-	326,598	260,808	-	-	14,523	601,929
Accrued income	-	-	-	-	-	5,825	5,825
Investment receivables	-	-	-	-	-	2,197	2,197
Premiums due	-	-	-	-	-	305,793	305,793
Amounts due from related parties	-	-	4,315	-	-	-	4,315
Amounts due from reinsurers	-	3,672	31,393	-	-	11	35,076
	55,410	861,889	543,330	12,586	-	328,409	1,801,624
2014							
Cash and cash equivalents	-	36,147	29,301	-	-	-	65,448
Investment securities	968	475,007	102,990	20,704	-	66	599,735
Derivatives	-	(495)	-	-	-	-	(495)
Reinsurance and other recoveries	-	505,532	547,361	-	-	16,930	1,069,823
Accrued income	-	-	-	-	-	5,856	5,856
Premiums due	-	-	-	-	-	294,740	294,740
Amounts due from related parties	-	-	1,915	-	-	-	1,915
Amounts due from reinsurers	-	5,206	67,249	-	-	9	72,464
	968	1,021,397	748,816	20,704	-	317,601	2,109,486

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.

Consolidated

		Past due but not impaired					
	Neither past due nor impaired	0-3 mths	3-6 mths	6-12 mths	>12 mths	Impaired	Total
2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Premiums due	416,727	16,420	1,022	733	-	6	434,908
2014							
Premiums due	394,037	15,461	1,324	950	-	8	411,780

Notes to the financial statements (continued)

25.3 Credit risk (continued)

Company

2015	Neither past due nor impaired $'000	Past due but not impaired 0-3 mths $'000	3-6 mths $'000	6-12 mths $'000	>12 mths $'000	Impaired $'000	Total $'000
Premiums due	288,536	15,512	1,012	733	-	-	305,793
2014							
Premiums due	277,884	14,532	1,236	1,088	-	-	294,740

25.4 Liquidity risk

To ensure payments are made when they fall due, the Group has the following key facilities and arrangements in place to mitigate liquidity risks:

- investment portfolio mandates provide sufficient cash deposits to meet day-to-day obligations;
- investment funds set aside within the portfolio can be realised to meet significant claims payment obligations;
- in the event of a major catastrophe, cash access is available under the terms of reinsurance arrangements;
- mandated liquidity limits;
- regularity of premiums received provides substantial liquidity to meet claims payments and associated expenses as they arise; and
- flexibility in investment strategies implemented for investment management to provide sufficient liquidity to meet claim payments as they fall due, based on actuarial assumptions.

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

The table below summarises the maturity profile of certain financial liabilities based on the remaining undiscounted contractual obligations. It also includes the maturity profile for outstanding claims liabilities determined on the discounted estimated timing of net cash outflows.

Consolidated

2015	Carrying amount $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Amounts due to reinsurers	212,912	147,959	64,953	-	212,912
Trade creditors and accruals	68,490	68,490	-	-	68,490
Outstanding claims liabilities	1,139,381	643,568	437,477	58,336	1,139,381
Amounts due to related parties	1,052	1,052	-	-	1,052
	1,421,835	861,069	502,430	58,336	1,421,835
2014					
Amounts due to reinsurers	171,227	171,227	-	-	171,227
Trade creditors and accruals	64,703	64,703	-	-	64,703
Outstanding claims liabilities	1,483,979	814,037	589,214	80,728	1,483,979
Amounts due to related parties	10,882	10,882	-	-	10,882
	1,730,791	1,060,849	589,214	80,728	1,730,791

Notes to the financial statements (continued)

25.4 Liquidity risk (continued)

Company	Carrying amount	1 year or less	1 to 5 years	Over 5 years	Total
2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Amounts due to reinsurers	**179,528**	**121,217**	**58,311**	**-**	**179,528**
Trade creditors and accruals	**57,605**	**57,605**	**-**	**-**	**57,605**
Outstanding claims liabilities	**969,651**	**547,197**	**373,293**	**49,161**	**969,651**
Amounts due to related parties	**15,945**	**15,945**	**-**	**-**	**15,945**
	1,222,729	**741,964**	**431,604**	**49,161**	**1,222,729**
2014					
Amounts due to reinsurers	145,359	145,359	-	-	145,359
Trade creditors and accruals	58,679	58,679	-	-	58,679
Outstanding claims liabilities	1,360,518	740,558	543,771	76,189	1,360,518
Amounts due to related parties	13,576	13,576	-	-	13,576
	1,578,132	958,172	543,771	76,189	1,578,132

25.5 Market risk

The main source of market risk comes from the investment portfolios. The Group's business has distinct investment portfolios, each with their own investment mandate. The investment mandates specify investment restrictions including but not limited to asset class limits, authorised investments, duration limits, derivative restrictions, minimum credit ratings and counterparty credit limits.

The Group and Company's investment portfolio is split into Insurance Funds and Shareholder Funds.

The Insurance Funds investment portfolios support the outstanding claims liabilities of the business. The portfolios are managed over benchmarks set in a manner consistent with the expected duration of claims payments ensuring any variations from a matched position is constrained. Assets held are fixed interest securities.

The Shareholder Funds are held for the investment of funds in support of share capital and retained profits. To provide better expected returns on capital, the investment mandate for this portfolio has a more diverse investment strategy predominantly including fixed interest securities and cash. The investment mandates balance expected investment returns, volatility of expected investment returns and the impact of volatility on both the capital adequacy and profitability of the business.

Investment securities are measured at fair value and changes in fair value are recognised in the profit or loss.

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

a) Interest rate risk

Interest rate risk arises from the investments in interest bearing securities. Interest rates have an impact on both the value of assets and liabilities and the main sources of loss are adverse changes in the valuation of investments in interest-bearing securities and outstanding claims liabilities.

A change in the market value of investments in interest-bearing securities is immediately recognised in the profit and loss. The insurance funds hold significant interest-bearing securities in support of corresponding insurance provisions and are invested in a manner consistent with the expected duration of claims payments.

Notes to the financial statements (continued)

a) Interest rate risk (continued)

The valuation of the outstanding claims liabilities includes the discounting to present value at balance date of expected future claim payments. Any assessment of the impact of changes in interest rates on investment income must include the offsetting adjustment to claims expense for changes in discount rates adopted in outstanding claims valuations.

This risk is managed by establishing investment portfolio mandates on the basis of the appropriate matching principles so as to ensure the impact on the operating result of changes in the general level of market interest rates is minimised.

The sensitivity of profit or loss after tax to movements in interest rates in relation to interest-bearing financial assets held at the balance date is shown in the table below. There is no impact on equity reserves. It is assumed that all residual exposures for the shareholder after tax are included in the sensitivity analysis, that the percentage point change occurs at the balance date and there are concurrent movements in interest rates and parallel shifts in the yield curves. Given the volatility experienced in the market during the last year, a movement of 100 basis points (2014:100 basis points) is considered reasonably possible and has been applied to the sensitivity analysis.

Consolidated	2015			2014		
	Exposure	Change in variable	Profit (loss) after tax & equity	Exposure	Change in variable	Profit (loss) after tax & equity
	$'000	%	$'000	$'000	%	$'000
Interest bearing investment securities	791,624	+1	(8,656)	775,832	+1	(6,923)
		-1	9,366		-1	7,339
Derivative financial instruments	98	+1	-	(495)	+1	-
		-1	-		-1	-
	791,722			775,337		

Company	2015			2014		
	Exposure	Change in variable	Profit (loss) after tax & equity	Exposure	Change in variable	Profit (loss) after tax & equity
	$'000	%	$'000	$'000	%	$'000
Interest bearing investment securities	615,828	+1	(7,071)	599,669	+1	(5,620)
		-1	7,745		-1	6,029
Derivative financial instruments	98	+1	-	(495)	+1	-
		-1	-		-1	-
	615,926			599,174		

At the reporting date measurement of the cash and cash equivalents is not sensitive to movements in the interest rates and so a change in interest rates as at reporting date would have no impact on either profit or equity from the measurement of cash and cash equivalents for the current financial year.

Interest-bearing investment securities are recognised on the statements of financial position at fair value. Movements in market interest rates impact the price of the securities (and hence their fair value measurement) and so would impact either profit or equity.

Notes to the financial statements (continued)

b) Foreign exchange risk

The Group and Company are exposed to foreign exchange risk arising from the minimum deposit premiums associated with the Suncorp Group's catastrophe reinsurance treaty. The Group and Company hedges the minimum deposit premiums for the upcoming year to address the foreign exchange risk.

All claim payments in relation to the Canterbury Earthquake claims are made in New Zealand dollars. However, the catastrophe reinsurance programme applicable to these events is denominated in Australian dollars. An Adverse Development Cover (ADC) placed to cover Suncorp's net exposure to losses arising from the February 2011 Canterbury earthquake is also denominated in Australian dollars.

The difference in currency used for paying claims and determining reinsurance recoveries means that movements in the AUD:NZD exchange rate can affect the net incurred claims position. This foreign exchange rate risk also applies to any commutations or recoveries received in advance from the Australian-denominated reinsurance programme. Allowance is made for this foreign exchange risk through actuarial estimates of the net outstanding claims liability.

With effect from the 30 June 2013 financial year, the Suncorp Group catastrophe reinsurance treaty includes a fixed AUD:NZD exchange rate to eliminate this foreign exchange risk on subsequent events.

With the exception of the above, the Group and Company is not exposed to material foreign exchange risk.

c) Credit spread risk

The Group 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 presents 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 Group and Company's credit exposure to a +/- 100 basis point (2014: 100 basis points) change in yield is as follows:

Consolidated	2015			2014		
	Exposure $'000	Change in variable %	Profit (loss) after tax & equity $'000	Exposure $'000	Change in variable %	Profit (loss) after tax & equity $'000
Discounted securities, corporate bonds and derivatives	573,811	+1	(5,762)	555,735	+1	(4,383)
		-1	6,317		-1	4,640
Government and local government securities	217,911	+1	(2,894)	219,602	+1	(2,540)
		-1	3,048		-1	2,699
	791,722			775,337		

Company	2015			2014		
	Exposure $'000	Change in variable %	Profit (loss) after tax & equity $'000	Exposure $'000	Change in variable %	Profit (loss) after tax & equity $'000
Discounted securities, corporate bonds and derivatives	442,478	+1	(4,602)	423,520	+1	(3,458)
		-1	5,142		-1	3,709
Government and local government securities	173,448	+1	(2,468)	175,654	+1	(2,162)
		-1	2,603		-1	2,320
	615,926			599,174		

d) Equity/commodity price risks

The Group holds unit trust investments that expose the Group to equity price risk. The profit and loss impact on equity price movement is determined by multiplying market value by the variable of +/- 200 basis points (2014: 200 basis points):

Consolidated	2015			2014		
	Exposure	Change in variable	Profit (loss) after tax & equity	Exposure	Change in variable	Profit (loss) after tax & equity
	$'000	%	$'000	$'000	%	$'000
Domestic equities/unit trusts	76,573	+2	1,103	71,688	+2	1,032
		-2	(1,103)		-2	(1,032)
International equities/unit trusts	40,356	+2	581	32,528	+2	468
		-2	(581)		-2	(468)
	116,929			104,216		

The Company does not hold any securities that expose the Company to material equity or commodity price risk.

25.6 Capital management

The Group and 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 21.

26. Commitments of expenditure

	Consolidated		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Lease commitments				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	10,102	11,017	6,189	7,462
Later than one year but not later than 5 years	22,084	26,206	9,167	16,523
Later than 5 years	4,797	77	-	-
Non cancellable operating leases	36,983	37,300	15,356	23,985

The Group 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.

27. Related parties

27.1 Controlling entities

Vero Insurance New Zealand Limited is a wholly owned subsidiary of Suncorp Group Holdings (NZ) Limited. The ultimate parent entity of the Company is Suncorp Group Limited, a company incorporated in Australia

All members of the Suncorp Group are considered to be related parties of the Group and Company. This includes the subsidiaries of Vero Insurance New Zealand Limited identified in Note 14.

Some of the Directors of the Company's subsidiary Vero Liability Insurance Limited (**VLIL**) are also Directors of Rasal Management Limited (**Rasal**). Rasal has a management agreement with VLIL to provide management services.

Notes to the financial statements (continued)

27.2 Transactions and balances

Suncorp Group arranges reinsurance contracts with third parties on behalf of the Company and these transactions and balances have been included within the reinsurance transactions and balances recorded in the normal course of business.

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Premiums received				
Subsidiaries	-	-	5,102	8,306
Fellow subsidiaries of the ultimate parent	109	180	95	165
Premiums paid				
Fellow subsidiaries of the ultimate parent	359	340	253	239
Reinsurance recoveries paid				
Subsidiaries	-	-	105,631	94,763
Reinsurance recoveries received				
Fellow subsidiaries of the ultimate parent	187,295	-	156,233	-
Accounting and administration fees received				
Subsidiaries	-	-	10,643	10,287
Fellow subsidiaries of the ultimate parent	5,380	3,371	5,347	3,370
Accounting and administration services paid				
Subsidiaries	-	-	1,478	1,234
Fellow subsidiaries of the ultimate parent	27,932	20,834	27,520	20,490
Management services and profit shares paid				
Other related parties	2,192	2,316	250	250
Loan facility fees				
Fellow subsidiaries of the ultimate parent	167	292	167	292
Forward foreign exchange contract settlement payment				
Fellow subsidiaries of the ultimate parent	36,899	92,949	36,899	92,949
Employer contributions paid to superannuation schemes				
Other related parties	502	507	487	492
Group tax loss offsets received				
Subsidiaries	-	-	5,476	5,169
Group tax loss offsets paid				
Parent	144	-	144	-
Fellow subsidiaries of the ultimate parent	51,367	1,778	46,368	-
Dividends received				
Subsidiaries	-	-	32,300	34,800
Dividend paid				
Parent	67,300	152,000	67,300	152,000

Notes to the financial statements (continued)

27.2 Transactions and balances (continued)

Aggregate amounts receivable from or payable to related parties as at 30 June 2015 and 30 June 2014 are as follows:

	Consolidated		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Amounts receivable from:				
Subsidiaries	-	-	459	-
Fellow subsidiaries of the ultimate parent	3,810	1,901	3,856	1,915
Total amounts receivable from related parties	3,810	1,901	4,315	1,915
Amounts payable to:				
Parent	-	8,934	-	8,934
Subsidiaries	-	-	15,945	3,834
Fellow subsidiaries of the ultimate parent	50	807	-	808
Other related parties	1,002	1,141	-	-
Total amounts payable to related parties	1,052	10,882	15,945	13,576

All balances are unsecured, non-interest bearing and repayable on demand.

27.3 Key management personnel

Key Management Personnel (**KMP**) are those persons who have authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly. KMP include all Directors of the Company (executive and non-executive) as well as Senior Executives who report to the CEO. G T Ricketts and P J R Snowball are remunerated directly by Suncorp Group.

	Consolidated		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Short-term employee benefits	9,688	9,514	5,651	5,239
Post employment benefits	131	182	131	182
Long-term benefits	1,606	826	1,293	615
Termination benefits	-	1,323	-	1,323
Share based payment	549	422	549	422
Total Compensation	11,974	12,267	7,624	7,781

28. Auditor's remuneration

	Consolidated		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
During the year the auditor of the Company was paid for the following services:				
Audit fees				
Audit of annual accounts of the Company	621	611	621	611
Audit of annual accounts of the Company's subsidiaries	238	232	-	-
Non-audit fees				
Assurance engagements on RBNZ solvency returns	255	252	138	136
Agreed upon procedure engagements	6	6	6	6
Total auditor's remuneration	1,120	1,101	765	753

29. Contingent liabilities

There were no contingent liabilities as at 30 June 2015 (2014: Nil).

30. Significant accounting policies

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

30.1 Basis of consolidation

The Group's consolidated financial statements are financial statements of the Company and all its subsidiaries presented as those of a single economic entity. Intra-group transactions and balances are eliminated on consolidation.

a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date when control commences until the date when control ceases.

Investments in subsidiaries held by the Company are accounted for at cost in the separate financial statements of the Company less any impairment charges.

b) Non-controlling Interests

Non-controlling interests occur when the Group does not hold 100% of the shares or units in a subsidiary. They represent the external equity or liability interests in non-wholly owned subsidiaries. Non-controlling interests are recognised as equity. Related items of income and expense are recognised in the profit and loss at their gross amounts, with the offsetting amount attributable to non-controlling interests disclosed separately in the profit and loss.

30.2 Business combinations

The acquisition method of accounting is used to account for business combinations by the Group. The cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred, and equity instruments issued by the Group at the acquisition date. Acquisition-related costs are expensed in the period in which they are incurred. Where equity instruments are issued in an acquisition, their value is the published market price at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

The acquiree's identifiable assets acquired, liabilities assumed, contingent liabilities, and any non-controlling interests are measured at their fair values at the acquisition date. If the consideration transferred and any non-controlling interest in the acquiree is greater than the fair value of the net amounts of the identifiable assets acquired and liabilities assumed, the excess is recorded as goodwill; otherwise, the difference is recognised immediately in the profit and loss after a reassessment of the identification and measurement of the net assets acquired.

30.3 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity associated investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the financial statements (continued)

30.4 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.

30.5 Revenue and expense recognition

a) Premium Revenue

Premium revenue comprises amounts charged to policyholders. Premium excludes applicable levies and charges such as fire service levies collected on behalf of third parties, and is recognised net of goods and services tax. Premiums are recognised as revenue in accordance with the pattern of the underlying risk exposure from the date of attachment over the period of the insurance policy, which is usually one year.

Premiums on unclosed business are brought to account by reference to the prior year's experience and information that has become available between the reporting date and the date of completing the consolidated financial statements.

b) Claims expense

Claims expense represents payments for claims and the movement in outstanding claims liabilities. Claims represent the benefits paid or payable to the policyholder on the occurrence of an event giving rise to a loss or accident according to the terms of the policy. Claims expenses are recognised in profit or loss as losses are incurred, which is usually the point in time when the event giving rise to the claim occurs.

c) Reinsurance

Reinsurance commission income

Commission received from reinsurers is recognised as revenue systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which it relates. This pattern of amortisation corresponds to the pattern of recognising the corresponding premium revenue.

Reinsurance and other recoveries revenue

Reinsurance and other recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as outstanding claims liabilities.

Outwards reinsurance expense

Premiums ceded to reinsurers are recognised as an expense from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk.

Reinsurance premiums are deferred and recognised as an asset where there are future economic benefits to be received from reinsurance premiums.

d) Investment Revenue

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

Dividends and distribution income are recognised when the right to receive income is established.

Investment revenue is classified as either investment income on insurance funds or shareholder funds. Investment income on insurance funds represents revenue derived from financial assets backing general insurance liabilities as detailed in Note 30.10(c) while investment income from shareholder funds represents revenue from financial assets that do not back general insurance liabilities.

Notes to the financial statements (continued)

30.6 Income tax

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

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. 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.

The principal temporary differences arise from depreciation of plant and equipment, revaluation of certain financial assets and liabilities, including derivative contracts, provision for employee entitlements, deferred acquisition costs, tax losses carried forward and in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. The rates enacted or substantially enacted at the reporting date are used to determine deferred income tax.

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 service tax

Revenue, expenses, assets and liabilities are recognised net of the recoverable amount of goods and services tax (**GST**), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or the amount of expense.

Net earned premium is net of the GST component of premium. 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 an asset or liability in the statements of financial position.

30.7 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, and 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 statements 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 statements of financial position unless a right of offset exists.

30.8 Receivables and other assets

Amounts due from policyholders, intermediaries and other receivables are initially recognised at fair value, being the amounts receivable. They are subsequently measured at fair value, being the initial recognised amount and reducing it for impairment as appropriate. Any impairment charge is recognised in the profit and loss. A provision for impairment of receivables is established when there is objective evidence that the Group 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. Non-current 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.

30.9 Payables and other liabilities

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

Notes to the financial statements (continued)

30.10 Financial assets

A financial asset is recognised in the statements of financial position when the Group becomes a party to the contractual provisions of the instrument. Initial recognition is at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset except for financial assets at fair value through profit or loss which exclude transaction costs.

All purchases and sales of financial assets that require delivery of the asset within the time frame established by regulation or market convention are recognised at trade date, being the date on which the Group commits to buy or sell the asset. Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the Group has transferred substantially all risk and rewards of ownership.

Financial assets are classified into one of the following categories upon initial recognition:

- Financial assets at fair value through profit or loss; or
- Loans and receivables.

At each reporting date measurement depends upon the chosen classification.

a) Financial assets at fair value through profit or loss

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

- It is classified as held for trading; or
- Upon initial recognition it is designated by the Group as at fair value through profit or loss.

The assets are valued at fair value at each reporting date based on the current 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 arms length transactions, discounted cash flow analysis, option pricing models or other valuation techniques commonly used by market participants.

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

b) Loans and receivables

Loans and receivables are measured at each reporting date at amortised cost using the effective interest method, less any impairment losses. This method allocates the estimated net future cash receipts over the expected life of the financial instrument.

c) General insurance activities

Financial assets backing general insurance liabilities

The assets of the Group are assessed under NZ IFRS 4 *Insurance Contracts* to be assets that are held to back general insurance liabilities (referred to as insurance funds) and assets that represent shareholder funds.

The Group has designated financial assets held in portfolios intended to match the average duration of a corresponding insurance liability as assets backing general insurance liabilities. These financial assets include investment securities and are designated at fair value through profit or loss as they are managed and their performance evaluated on a fair value basis for internal and external reporting in accordance with the investment strategy.

All investment securities held to back general insurance liabilities are highly liquid securities. Despite some of these securities having maturity dates beyond the next twelve months, as they are highly liquid in nature and are actively traded, they have been classified as current.

Financial assets not backing general insurance liabilities

Financial assets that do not back general insurance liabilities include investments and loans and receivables. Investments have been designated at fair value through profit or loss as they are managed and their performance evaluated on a fair value basis for internal and external reporting in accordance with the investment strategy. Loans and receivables related to investments are measured at each reporting date at amortised cost using the effective interest method.

Notes to the financial statements (continued)

30.11 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 Group as at fair value through profit or loss.

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.

30.12 Lease transactions

Payments made under operating leases are expensed on a straight-line basis over the term of the lease, 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.

30.13 Plant and Equipment

a) Recognition and initial measurement

An item of plant and equipment is recognised (capitalised) as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Plant and equipment is initially measured at cost, which comprises:

- purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of removal and site restoration, if any.

b) Subsequent measurement

Subsequent additional costs are only capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Group in future years. Where these costs represent separate components, they are accounted for as separate assets and are separately depreciated over their useful lives. Costs that do not meet the criteria for subsequent capitalisation are expensed as incurred.

The Group has elected to use the cost model (as opposed to the revaluation model) to measure plant and equipment after recognition. The carrying amount is the initial cost less accumulated depreciation and any accumulated impaired losses.

Notes to the financial statements (continued)

c) Depreciation

The depreciable amount of each item of plant and equipment is depreciated over its estimated useful life to the Group. The straight-line method of depreciation is adopted for all assets. Assets are depreciated from the date they become available for use. Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment. Useful lives and depreciation methods are reviewed at each annual reporting period. Residual values, if significant, are reassessed annually.

The following depreciation rates have been used:

- Computer Hardware 33%
- Furniture and Fittings 20%
- Office Equipment 10%-33%
- Leasehold Alterations 20%
- Motor Vehicles 14%-26%

d) Retirement

The carrying amount of plant and equipment is derecognised upon disposal or where no future economic benefits are expected from its use. The gain or loss arising from the derecognition is recognised in the profit and loss when the item is derecognised and calculated as the difference between the carrying amount of the asset at the time of derecognition and the net proceeds of derecognition.

30.14 Intangibles

a) Initial recognition and measurement

Intangible assets, other than goodwill, are stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises all directly attributable costs necessary to purchase, create, produce, and prepare the asset to be capable of operating in the manner intended by management. Where an intangible asset is acquired in a business combination, the cost of that asset is its fair value at the acquisition date.

Expenditure on internally generated goodwill and brands is recognised in the profit and loss as an expense as incurred.

Intangibles comprise computer software and goodwill.

b) Subsequent expenditure

Subsequent expenditure on intangible assets (not acquired in a business combination) is capitalised only when it increases the originally assessed future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

c) Amortisation

Amortisation is charged to the profit and loss in a manner that reflects the pattern in which the asset's future economic benefits are expected to be consumed over the estimated useful lives of intangible assets, unless such lives are indefinite. An intangible asset is regarded as having an indefinite useful life when, based on all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. Where the asset is deemed to have an indefinite life, it is not amortised but tested for impairment at least on an annual basis.

Where applicable, intangible assets are amortised from the date they are available for use and the amortisation period and method are reviewed on an annual basis.

The useful life of software has been assessed as three to five years and it is amortised on a straight line basis over this period.

d) Goodwill

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investment in associates. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Notes to the financial statements (continued)

30.15 Impairment

Assets of the Group 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.

Goodwill acquired in a business combination, assets that have an indefinite useful life and intangible assets not yet available for use have their recoverable amount estimated annually.

An impairment loss is recognised whenever the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the profit and loss unless the asset has previously been revalued. In that case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through Other Comprehensive Income. After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) – this may be an individual asset or a group of assets.

For the purpose of assessing impairment of goodwill, goodwill is allocated to cash-generating units representing the Group's investment in each of its business lines, which are its primary reporting segments. Impairment losses, if any, recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

a) Calculation of recoverable amount

The recoverable amount of the Group'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.

b) Reversal of impairment

An impairment loss for an asset other than goodwill 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 and loss only to the extent that it increases the asset back to its original carrying amount before any impairment was recorded. An impairment loss recognised for goodwill is not reversed.

30.16 Employee benefit obligations

a) Short term employee benefits

Wages, salaries and annual leave

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

Sick leave

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

Notes to the financial statements (continued)

Short term bonus plans

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

Other leave and non-monetary benefits

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

b) Post-employment benefits (superannuation)

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

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

The Group'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 Group, the recognised asset is limited to the present value of the economic benefits available in the form of any future refunds from the fund or reductions in the future contributions to the fund. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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

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

c) Other long term employee benefits

Long service leave

A liability for long service leave is recognised in the statements of financial position. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using Government bond rates with terms to maturity that match, as closely as possible, the estimated future cash outflows. Related on-costs such as payroll tax are also included in the liability.

Annual Leave

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

Notes to the financial statements (continued)

d) Termination benefits

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

e) Share-based payments

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

30.17 Deferred insurance activities

a) Deferred acquisition costs (DAC)

Acquisition costs include commissions and other selling and underwriting costs incurred in obtaining general insurance premiums. Acquisition costs are deferred and recognised as an asset when they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in profit or loss in subsequent reporting periods.

DAC are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate.

DAC are recognised as assets to the extent that the related unearned premiums exceed the sum of the DAC and the present value of both future expected claims and settlement costs, including an appropriate risk margin. Where there is a shortfall, the DAC asset is written down and if insufficient, an unexpired risk liability is recognised.

b) Deferred reinsurance premiums

Deferred reinsurance premiums are recognised as assets in the statements of financial position. The amortisation of deferred reinsurance premiums is in accordance with the pattern of reinsurance service received. The amount deferred represents the future economic benefit to be received from reinsurance contracts.

30.18 Outstanding claims liabilities

The outstanding claims liability is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date and includes an additional risk margin to allow for the inherent uncertainty in the central estimate.

Standard actuarial methods are applied to all classes of business to assess the net central estimate of outstanding claims liabilities. The outstanding claims liability is heavily dependent on assumptions and judgements. The details of actuarial assumptions and the process for determining the risk margins are set out in Note 18.4.

Notes to the financial statements (continued)

30.19 Unearned premium liabilities

Premium revenue received and receivable but not earned is recognised as unearned premium liabilities.

The carrying value of unearned premium liabilities is assessed at each reporting date by carrying out a liability adequacy test (**LAT**). This test assesses whether the net unearned premium liabilities less any DAC is sufficient to cover future claims costs for in-force insurance contracts. Future claims costs are calculated as the present value of the expected cash flows relating to future claims, and include a risk margin to reflect the inherent uncertainty in the central estimate. The assessment is carried out on a portfolio of contracts basis. If a LAT deficiency occurs, it is recognised in the profit or loss with a corresponding write-down of the related DAC asset. Any remaining balance is recognised as an unexpired risk liability in the statements of financial position.

30.20 Contributed capital

a) Ordinary shares

Ordinary shares are recognised as equity.

b) Transaction Costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Transaction costs in excess of the proceeds of the equity instruments issued, or where no proceeds are raised, are recognised as an expense.

c) Capital Contributions to Subsidiaries

Contributions of capital to subsidiaries in the form of equity settled share based payments, are recognised as an increase in equity of the fair value of instruments provided at grant date.

d) 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.

30.21 Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the statements 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 statements 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.

30.22 Changes in accounting 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.

KPMG

Notes to the financial statements (continued)

30.23 New accounting standards and interpretations not yet adopted

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

31. Subsequent events

On 29 July 2015 the Directors resolved to pay fully imputed ordinary dividends of $80,000,000 being 43.32 cents per share.

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

Appointed Actuary's Report as at 30 June 2015

To the Board of Directors of Vero Insurance New Zealand Limited

Background

This report has been prepared by Richard Beauchamp, FNZSA, Appointed Actuary of Vero Insurance New Zealand Limited ("VINZL").

The purpose of this report is to provide information to VINZL's Board and management regarding the review I have undertaken in relation to the actuarial information contained in, or used in the preparation of, VINZL's financial statements according to section 81(1) of the Insurance (Prudential Supervision) Act 2010. Section 78 of the Act sets out the matters that the appointed actuary's report must address.

This report has been not been prepared with any other purpose in mind. Therefore the results and opinions it contains may not be applicable or appropriate for any other purpose.

Directors' responsibility for the financial statements

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

Appointed Actuary's responsibility

My responsibility is to review the actuarial information in, or used in the preparation of, VINZL's financial statements. Actuarial information is defined in section 77 of the Act as:

1. Information relating to premiums, claims, reserves, dividends, premium rates and technical provisions;
2. Information relating to assessments of the probability of uncertain future events, including the financial implications if those events occur; and
3. Information specified in the solvency standard.

For the purposes of the solvency standard, actuarial information means the Premium Liabilities, the Net Outstanding Claims Liability, Reinsurance, Deferred Acquisition Costs, and any other information I deem relevant to profit or solvency reporting.

The scope of my review is to ascertain the completeness of the actuarial information, to evaluate the accuracy and appropriateness of the actuarial information and to provide an opinion on whether VINZL is maintaining an appropriate solvency margin at the balance date.

vero

Review of the actuarial information in the financial statements

In accordance with Section 78 of the Act I have reviewed the actuarial information contained in, or used in the preparation of, VINZL's financial statements.

The review has been carried out in accordance with the Non-life Insurance Solvency Standard dated December 2014. The scope and limitations of the review are set out above.

I am a full time employee of VINZL. My remuneration is in part dependent on VINZL's financial performance and that of the wider Suncorp Group. I also participate in the Suncorp Group Employee Share Plan (NZ).

I have obtained all information and explanations that I required to complete my review.

In my opinion and from an actuarial perspective:

- The actuarial information contained in the financial statements has been **included** appropriately in those statements; and
- The actuarial information used in the preparation of the financial statements has been **used** appropriately;

Furthermore in my opinion and from an actuarial perspective VINZL is maintaining the solvency margin that applies under a condition imposed under section 21(2)(b) as at 30 June 2015.

Section 21(2)(b) allows the RBNZ to impose conditions that require a licensed insurer to ***maintain a solvency margin*** *in accordance with an applicable solvency standard (including requiring the insurer to maintain a minimum amount of capital in accordance with the standard). The Solvency Margin must always be a positive amount and a licensed insurer must maintain Actual Solvency Capital in excess of the amount required to maintain this Solvency Margin.*

Finally, no condition applies under Section 21(2)(c) of the Act as at 30 June 2015.

Section 21(2)(c) allows the RBNZ to impose conditions that require a ***life insurer*** *to maintain solvency margins in respect of the statutory funds of the insurer in accordance with an applicable solvency standard (including requiring the insurer to maintain a minimum amount of capital in accordance with the standard).*

Richard Beauchamp
Appointed Actuary

22 July 2015