Pinnacle Life

Pinnacle Life Limited

Financial statements for the period ended 30 June 2022

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PINNACLE LIFE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2022

	Note	15 months ended 30 June 2022 $	After reclassification 12 months ended 31 March 2021 $
Revenue and other income			
Gross premium revenue	3	35,559,176	21,574,157
Gross reinsurance ceded	3	(14,273,166)	(9,139,582)
Gross reinsurance profit share income	3	1,270,586	-
Net premium revenue		22,556,596	12,434,575
Interest income	3	189,260	141,347
Fair value loss on financial assets at fair value through profit and loss		(788,310)	(541,917)
Total revenue		21,957,546	12,034,005
Less: expenses			
Claims expense		(11,190,077)	(5,028,605)
Reinsurance recoveries		8,087,649	3,324,326
Net claims expense		(3,102,428)	(1,704,279)
Net movement in life insurance contract assets and reinsurance contract liabilities	16, 25	(3,261,140)	(637,120)
Operating expenses	4	(15,873,427)	(8,621,182)
Total expenses		(22,236,995)	(10,962,581)
Loss / Profit before income tax		(279,449)	1,071,424
Tax expense	5, 25	(214,946)	(507,302)
Net loss / profit after income tax		(494,395)	564,122
Other comprehensive income for the year		-	-
Total comprehensive income		(494,395)	564,122

* Comparative information related to 'Net movement in life insurance contract assets' and 'Tax expense' for the year ended 31 March 2021 has been reclassified, refer to Note 25 for more information.

The accompanying notes form part of these financial statements.

PINNACLE LIFE LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	2022 $	After reclassification 2021 $
Assets			
Cash and cash equivalents	6	5,131,217	5,166,220
Receivables	7	2,105,141	1,630,611
Financial assets at fair value through profit and loss	8	8,176,651	6,707,526
Other assets	9	117,341	15,388
Current tax assets		68,543	33,686
Life insurance contract assets	16, 25	77,538,929	68,954,186
Plant and equipment	10	23,031	39,776
Right of use assets	11	228,247	83,001
Intangible assets	12	844,245	996,908
Total assets		94,233,345	83,627,302
Liabilities			
Payables	13	3,182,810	3,753,618
Provisions	14	373,724	167,720
Other liabilities	15	1,219,996	1,208,113
Lease liabilities	11	229,610	87,080
Reinsurance contract liabilities	16	46,245,361	34,399,478
Deferred tax liabilities	5, 25	5,507,013	5,292,067
Total liabilities		56,758,514	44,908,076
Net assets		37,474,831	38,719,226
Equity			
Share capital	17	22,284,453	22,284,453
Retained earnings	19	15,190,378	16,434,773
Total equity		37,474,831	38,719,226

Signed on behalf of the board of directors, dated 22 September 2022

Director: Brenard Grobler

Director: Jack Porus

* Comparative information related to 'Life insurance contract assets' and 'Deferred tax liabilities' as at 31 March 2021 has been reclassified, refer to Note 25 for more information.

The accompanying notes form part of these financial statements.

PINNACLE LIFE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2022

	Note	Share capital $	Retained earnings $	Total equity $
Balance as at 1 April 2020		22,284,453	16,570,651	38,855,104
Profit for the year		-	564,122	564,122
Comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	564,122	564,122
Transactions with owners in their capacity as owners:				
Dividends	19	-	(700,000)	(700,000)
Total transactions with owners in their capacity as owners		-	(700,000)	(700,000)
Balance as at 31 March 2021		22,284,453	16,434,773	38,719,226
Balance as at 1 April 2021		22,284,453	16,434,773	38,719,226
Profit for the period		-	(494,395)	(494,395)
Comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	(494,395)	(494,395)
Transactions with owners in their capacity as owners:				
Dividends	19	-	(750,000)	(750,000)
Total transactions with owners in their capacity as owners		-	(750,000)	(750,000)
Balance as at 30 June 2022		22,284,453	15,190,378	37,474,831

The accompanying notes form part of these financial statements.

PINNACLE LIFE LIMITED

STATEMENT OF CASHFLOWS
FOR THE PERIOD ENDED 30 JUNE 2022

	Note	15 months ended 30 June 2022 $	12 months ended 31 March 2021 $
Cash flow from operating activities			
Premium receipts from customers		35,568,990	21,674,116
Reinsurance profit share income		-	-
Reinsurance recoveries		8,860,101	3,321,376
Interest received		214,864	85,044
Payments to suppliers		(12,603,916)	(6,512,967)
Payments to employees		(2,113,266)	(1,335,563)
Payments to reinsurers		(14,023,097)	(9,007,254)
Claims paid		(12,106,350)	(4,679,162)
Net GST paid		(172,950)	(111,379)
Interest paid on lease liabilities	11	(6,219)	(6,106)
Net income tax refunded / (paid)		(34,857)	280,074
Net cash provided by operating activities	6	3,583,300	3,708,179
Cash flow from investing activities			
Proceeds from maturity of investments		2,447,287	1,420,436
Payment for property, plant and equipment	10	(6,841)	(33,158)
Payment for intangible assets	12	(497,561)	(634,719)
Payment for investments		(4,704,721)	(3,570,614)
Net cash used in investing activities		(2,761,836)	(2,818,055)
Cash flow from financing activities			
Dividends paid	19	(750,000)	(700,000)
Repayment of lease liabilities	11	(106,467)	(82,918)
Net cash used in financing activities		(856,467)	(782,918)
Reconciliation of cash and cash equivalents			
Cash and cash equivalents as at the beginning of the year		5,166,220	5,059,014
Net (decrease) / increase in cash and cash equivalents held during the year		(35,003)	107,206
Cash and cash equivalents as at the end of the year	6	5,131,217	5,166,220

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2022

NOTE 1: ABOUT THESE FINANCIAL STATEMENTS

The notes to the financial statements include information that is considered relevant and material to assist the reader in understanding changes in Pinnacle Life Limited's ('the Company') financial position or performance.

Information is considered relevant and material if:

- the amount is significant because of its size and nature;
- it is important for understanding the results of the Company;
- it helps explain changes in the Company's business; or
- it relates to an aspect of the Company's operations that is important to future performance.

Pinnacle Life Limited is incorporated and domiciled in New Zealand. Pinnacle Life Limited is registered under the Companies Act 1993. The principal activity of the Company is that of a life insurer.

With the implementation of the Insurance (Prudential Supervision) Act 2010 all life insurance entities undertaking insurance business in New Zealand are required to be licensed by the Reserve Bank of New Zealand (RBNZ). The Company has been granted a full licence. As a result of being a licensed insurer, the Company is deemed to be a FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA).

Basis of preparation

These financial statements have been prepared:

- in accordance with New Zealand Generally Accepted Accounting Practices in New Zealand ('GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), International Financial Reporting Standards ('IFRS') and other applicable Financial Reporting Standards as appropriate for Tier 1 profit-orientated entities;
- in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 2013, the Insurance (Prudential Supervision) Act 2010 and the Financial Markets Conduct Act 2013;
- on the basis of historical cost convention, as modified by revaluations for certain classes of assets and liabilities to fair value and life insurance contract assets and related liabilities to net present value as described in the notes below;
- on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business; and
- in New Zealand dollars (which is the Company's functional and presentation currency).

Reporting period

On 14 December 2021, the Company changed its balance date from 31 March to 30 June to align with the balance date of its ultimate parent company, Greenstone Holdco Pty Limited, incorporated and domiciled in Australia. As a result of this change, the current period financial information comprise, the statement of financial position as at 30 June 2022, and the statements of comprehensive income, changes in equity and cash flows for the 15 month period then ended and the applicable notes to these financial statements. Comparative financial information comprises, the statement of financial position as at 31 March 2021 and the statements of comprehensive income, changes in equity and cash flows for the 12 month period then ended and the applicable notes to these financial statements. The comparative financial information is not fully comparable given the difference in the length in the financial reporting periods.

The financial statements were authorised for issue by the directors on 22 September 2022.

Adoption of new and revised Standards and Interpretations

New standards, amendments and interpretations to existing standards that came into effect during the current reporting period

The Company has adopted all new or revised standards, amendments and interpretations that became effective for the year beginning 1 April 2021.

These standards, amendments and interpretations while adopted, either had no material impact or relate to standards not currently applied by the Company.

NOTE 1: ABOUT THESE FINANCIAL STATEMENTS (CONTINUED)

Adoption of new and revised standards and interpretations (Continued)

New standards, amendments and interpretations to existing standards that are not yet effective for the current accounting period

- **NZ IFRS 17 *Insurance contracts***

  NZ IFRS 17 *Insurance Contracts* is a New Zealand Equivalent to International Financial Reporting Standard 17 Insurance Contracts that was issued by the New Zealand Accounting Standards Board (NZASB) in August 2017 and on 13 August 2020, the NZASB issued the Amendments to NZ IFRS 17, which includes deferral of NZ IFRS 17's effective date. NZ IFRS 17 will replace NZ IFRS 4 *Insurance Contracts* on accounting for insurance contracts and has an effective date of annual periods beginning on or after 1 January 2023. Earlier application is permitted however, the Company does not intend to early adopt NZ IFRS 17.

  Under the NZ IFRS 17, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk. The discount rate applied will reflect current interest rates. If the present value of future cash flows would produce a gain at the time an insurance contract is issued the model would also require a "contractual service margin" to offset the day 1 gain. The contractual service margin would amortize over the life of the insurance contract. There would also be a new statement of comprehensive income presentation for insurance contracts, including a revised definition of revenue, and additional disclosure requirements.

  The recognition and measurement, presentation and disclosure requirements under NZ IFRS 17 will differ significantly from NZ IFRS 4. The Company has established a timeline for implementing NZ IFRS 17 and is on schedule with its implementation. The Company it is not yet able to reasonably estimate the impact of NZ IFRS 17 on its financial statements. The Company has started work on assessing the impact of NZ IFRS 17's full effect on the Company's financial statements. Phase 1 of the project has covered technical interpretations and preparation of accounting policy papers. Phase 2 (ongoing) involves data systems change, quantification of financial impacts, implementation and testing of NZ IFRS 17 compliant solutions and processes. The Company expects to complete a parallel run of results during the year ended 30 June 2023, ahead of transition.

There are a number of new standards and amendments to standards and interpretations that are not yet effective for the period beginning 1 April 2021. None of these new standards and amendments to standards and interpretations have been early adopted by the Company in preparing these financial statements or been identified as having a material effect on the Company's financial statements in future.

Global pandemic of coronavirus disease 2019

The ongoing COVID-19 pandemic continues to have significant impacts on the global economy and it is expected to continue to have an impact over the medium term. While there is a degree of uncertainty around the impact the pandemic will have on the Company's future activity, the Company's earnings, cashflow and financial position have not been impacted since the outbreak began and up to the date of the signing of these financial statements.

NOTE 1: ABOUT THESE FINANCIAL STATEMENTS (CONTINUED)

Other Accounting Policies

Accounting policies that are relevant to an understanding of the financial statements (other than those provided throughout the notes to the financial statements) are set out below:

Financial instruments

(a) Classification of financial assets

The Company classifies its financial assets into one of the following measurement categories:

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

The classification depends on the Company’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets that: are within the scope of NZ IFRS 9; back life insurance liabilities; and are permitted to be designated as “FVTPL” under NZ IFRS 9, are designated as FVTPL on initial recognition.

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

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

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

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

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

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

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The Company has no financial assets classified at FVTOCI.

(i) Financial assets measured at amortised cost

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

The Company's financial assets measured at amortised cost consists of receivables disclosed in note 7.

NOTE 1: ABOUT THESE FINANCIAL STATEMENTS (CONTINUED)

Financial instruments (continued)

(a) Classification of financial assets (continued)

(ii) Financial assets at FVTPL

At initial recognition financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequent fair value gains or losses recognised in profit or loss.

The Company's financial assets at FVTPL consists of term deposits and New Zealand Government securities disclosed in note 8.

(b) Impairment of financial assets

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

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

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

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

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(c) Classification of financial liabilities

The Company classifies its financial liabilities into one of the following measurement categories:

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

The Company has no financial liabilities measured at FVTPL.

(i) Financial liabilities measured at amortised cost

At initial recognition financial liabilities are measured at fair value plus transaction costs that are directly attributable to the issue of the financial liabilities. The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

The Company's financial liabilities measured at amortised cost consists of trade, claims and other payables disclosed in note 13.

NOTE 1: ABOUT THESE FINANCIAL STATEMENTS (CONTINUED)

Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Significant accounting estimates and judgements

In preparing these financial statements, management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. These judgments, estimates and assumptions are based on experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates, judgments and assumptions. Actual results may differ from the estimates, judgments and assumptions made by management.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant judgements relate to the valuation of Company's life insurance contract assets and reinsurance contract liabilities, and the judgments, estimates and assumptions applied (refer note 16).

NOTE 2: FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks comprising:

(a) Credit risk

(b) Liquidity risk

(c) Interest rate risk

(d) Market risk - fair value risk

The Board of Directors have overall responsibility for identifying and managing operational and financial risks.

The Company holds the following financial instruments:

	Note	2022 $	2021 $
Financial assets			
Cash and cash equivalents	6	5,131,217	5,166,220
Receivables	7	2,105,141	1,630,611
Financial assets at fair value through profit or loss	8	8,176,651	6,707,526
Total financial assets		15,413,009	13,504,357
Financial liabilities			
Payables	13	3,182,810	3,753,618
Total financial liabilities		3,182,810	3,753,618

NOTE 2: FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Company's exposure to credit risk, or the risk of counterparties defaulting arises mainly from cash at bank, trade and other receivables, reinsurance receivables and term investments. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to financial statements.

With the exception of the cash deposits (refer note 6), term deposits (refer note 8), New Zealand Government securities (refer note 8), and reinsurance receivables (refer note 7), the Company does not have any other material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

(i) Cash deposits (refer note 6), term deposits (refer note 8) and New Zealand Government securities (refer note 8)

Credit risk for cash at bank, term deposits and New Zealand Government securities is managed by holding all cash deposits with high credit rating financial institutions (i.e. ASB Bank Limited with a Standard and Poor's rating of 'AA- ' 'outlook negative' and New Zealand Government with a Standard and Poor's rating of 'AAA' 'stable outlook' (2020: 'AA+' 'positive outlook')).

(ii) Trade receivables and other receivables (refer note 7)

Credit risk for trade receivables is managed by dealing exclusively with high credit rating counterparties. The Company also undertakes transactions with a large number of customers throughout New Zealand, thus minimising concentrations of credit risk. Outstanding receivables are regularly monitored for payment in accordance with credit terms. Trade receivables that are neither past due nor impaired, are expected to be received in accordance with the credit risk. The aging analysis of trade and other receivables is provided in note 7.

(iii) Reinsurance receivables (refer note 7)

Credit risk for reinsurance receivables is managed by dealing exclusively with 'A' rated or above (Standard & Poor's) international reinsurers.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities and policyholder liabilities. The Company monitors its liquidity position on a continuous basis and plans its operating activities to ensure a balanced liquidity position. The Company practices prudent risk management by maintaining sufficient cash balances. If necessary the Company will build up cash reserves to meet longer term liabilities.

Maturity analysis

The table below represents the contractual settlement terms for financial instruments and insurance contract assets and liabilities and managements expectation for settlement of these.

	On demand	< 6 months $	6-12 months $	> 1 year $	Total contractual cash flows $	Carrying amount $
2022						
Cash and cash equivalents	5,131,217	-	-	-	5,131,217	5,131,217
Receivables	-	2,105,141	-	-	2,105,141	2,105,141
Financial assets at fair value through profit and loss	-	2,704,721	2,000,000	3,471,930	8,176,651	8,176,651
Life insurance contract assets	-	4,380,299	2,516,500	70,642,130	77,538,929	77,538,929
Payables	-	(3,182,810)	-	-	(3,182,810)	(3,182,810)
Lease liabilities	-	(39,489)	(40,464)	(149,657)	(229,610)	(229,610)
Reinsurance contract liabilities	-	(2,523,576)	(3,263,440)	(40,458,345)	(46,245,361)	(46,245,361)
Net maturities	5,131,217	3,444,286	1,212,596	33,506,058	43,294,157	43,294,157

NOTE 2: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

Maturity analysis (continued)

	On demand	< 6 months $	6-12 months $	> 1 year $	Total contractual cash flows $	Carrying amount $
2021						
Cash and cash equivalents	5,166,220	-	-	-	5,166,220	5,166,220
Receivables	-	1,630,611	-	-	1,630,611	1,630,611
Financial assets at fair value through profit and loss	-	1,447,286	1,000,000	4,260,240	6,707,526	6,707,526
Life insurance contract assets	-	3,977,656	3,606,291	61,370,239	68,954,186	68,954,186
Payables	-	(3,753,618)	-	-	(3,753,618)	(3,753,618)
Lease liabilities	-	(43,009)	(44,071)	-	(87,080)	(87,080)
Reinsurance contract liabilities	-	(2,150,332)	(1,945,414)	(30,303,732)	(34,399,478)	(34,399,478)
Net maturities	5,166,220	1,108,594	2,616,806	35,326,747	44,218,367	44,218,367

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Company’s exposure to interest rate risk arises mainly from its interest earning cash, term deposits and New Zealand Government securities. The Company’s exposure to interest rate risk is to the extent that it invests for a fixed term at fixed rates. The Company's policy is to obtain the most favourable term and interest rate available.

As these securities are carried at net market value, the effective interest rate is reflected in the market price. By investing with high credit rating financial institutions, the Company minimises the impact of market interest rate fluctuations.

The Company's exposure to interest rate risk in relation to future cashflows and the effective weighted average interest rates on classes of financial assets and financial liabilities is as follows:

	Interest bearing $	2022 Weighted average effective interest rate %	
Financial assets			
Cash	5,131,217	0.28%	Floating
Financial assets at fair value through profit and loss	8,176,651	2.75%	Fixed
Total financial assets	13,307,868		

	Interest bearing $	2021 Weighted average effective interest rate %	
Financial assets			
Cash	5,166,220	0.05%	Floating
Financial assets at fair value through profit and loss	6,707,526	2.18%	Fixed
Total financial assets	11,873,746		

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

NOTE 2: FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (continued)

Sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. A 100 (2021: 100) basis point increase/decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates were to increase/decrease by 100 (2021: 100) basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	Note	2022 decrease by 1% %	2022 increase by 1% $	2021 decrease by 1% $	2021 increase by 1% $
+ / - 100 (2021: 100) basis points					
Impact on profit before tax		(432,925)	376,871	(538,642)	538,939
Impact on equity		(425,741)	369,687	(531,409)	531,706

(d) Market risk - fair value risk

Fair values compared with carrying amounts

The carrying value of all financial assets and liabilities not measured at fair value approximates their fair values as they are either short term in nature or rate insensitive. Cash and cash equivalents are short term in nature and the carrying value is equivalent to their fair value. Trade and other receivables are short term in nature and are reviewed for impairment; the carrying value approximates their fair value. Trade and other payables are short term in nature; the carrying value approximates their fair value.

Fair value measurement

Financial assets and liabilities recognised and measured at fair value have been determined by the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data

		2022			
	Note	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets					
Financial assets at fair value through profit or loss					
- Term deposits	8	-	4,704,721	-	4,704,721
- New Zealand Government securities	8	-	3,471,930	-	3,471,930
Total financial assets		-	8,176,651	-	8,176,651

		2021			
	Note	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets					
Financial assets at fair value through profit or loss					
- Term deposits	8	-	2,447,286	-	2,447,286
- New Zealand Government securities	8	-	4,260,240	-	4,260,240
Total financial assets		-	6,707,526	-	6,707,526

NOTE 3: REVENUE

Net premium revenue is comprised of the following: Gross premium income; Gross reinsurance ceded; and Gross reinsurance profit share income.

- **Premium revenue**
  Premium revenue on life insurance contracts are recognised when due. Premiums received in advance of due date are deferred and amortised through the profit and loss over the period of the services provided under the insurance contract.

- **Reinsurance ceded**
  Reinsurance premium ceded to the reinsurer under reinsurance contracts are recognised as an outwards reinsurance expense through the profit and loss when due.

- **Reinsurance profit share income**
  Reinsurance profit share income due from the reinsurer under reinsurance contracts is recognised through profit and loss when earned from the reinsurer.

Other income comprises interest income.

- **Interest income**
  Interest income is recognised in profit or loss as it accrues, using the effective interest method.

NOTE 4: EXPENSES

Expenses are recognised as incurred in profit or loss on an accrual basis.

The following specific recognition criteria must also be met before expenses are recognised:

- **Claims expense**
  Claims incurred that relate to the underwriting of life insurance contracts (note 16) and bearing of risks are recognised as an expense through profit and loss when the liability to the policyholder has been established or upon notification of the insured event. Outstanding claims are recognised as claims payable (note 13) in the statement of financial position to provide for the estimated costs of all claims notified, but not settled at reporting date. The estimated cost of claims incurred but not reported until after year end are separately recognised in the statement of financial position as provisions (note 14).

- **Basis of expense apportionment**
  For the purposes of actuarial reserving, all operating expenses have been apportioned between policy acquisition and policy maintenance expenses. These are further explained under note 16.

  (i) Policy acquisition costs
  Acquisition costs are the fixed and variable costs of acquiring new business including commissions and similar distribution costs, costs of accepting, issuing and initially recording policies. Acquisition expenses are initially recognised through profit and loss. This expense in profit and loss is then offset by the recognition of movements in life insurance contract assets and reinsurance contract liabilities through the profit and loss. The Actuary determines the insurance contract assets and reinsurance contract liabilities and the movements therein, taking account of any deferral and future recovery of acquisition costs which are capitalised by way of the movement in insurance contract assets and reinsurance contract liabilities. These are then amortised over the period in which they will be recoverable, being recorded as part of movements in insurance contract assets and liabilities through the profit and loss.

NOTE 4: EXPENSES (CONTINUED)

- **Basis of expense apportionment (continued)**

  (ii) Policy maintenance expenses

  Maintenance costs are the fixed and variable costs of administering policies subsequent to sale and maintaining the Company's operations such that they are sufficient to service in force policies. Maintenance costs include all operating and management costs other than acquisition and investment management costs. Maintenance expenses are recognised through profit and loss at cost in the period to which they relate.

- **Reinsurance recoveries**

  Reinsurance recoveries are recognised separately through the profit and loss when the related incurred claim is recognised.

	Note	2022 $	2021 $
Operating expenses split between policy acquisition and maintenance costs			
Acquisition expenses		10,295,874	5,338,546
Maintenance expenses		5,577,552	3,169,324
One-off expenses		-	113,309
Total operating expenses		15,873,426	8,621,179

	Note	2022 $	2021 $
Operating expenses by nature			
Advertising expense		1,591,313	1,005,321
Depreciation and amortisation expense	10, 11, 12	777,563	322,641
Employee benefits expense		2,119,270	1,338,492
Occupancy expense		42,172	34,240
Underwriting and commission expense		8,581,804	4,003,366
Interest expense on lease liabilities	11	6,219	6,106
Other operating expenses		2,755,085	1,911,013
Total operating expenses		15,873,426	8,621,179
Remuneration of auditors, Deloitte (2021: KPMG) (included in 'other operating expenses'):			
Audit of financial statements		108,000	93,000
Review of the solvency projection model		-	52,821
Audit of solvency return		15,000	30,000
Total remuneration of auditors		123,000	175,821

NOTE 5: TAXATION

Income tax on net profit for the reporting period comprises current and deferred tax. Income tax is recognised in profit or loss except when it relates to items recognised outside profit or loss (equity or other comprehensive income), in which case it is also recognised outside profit or loss.

Current tax

Current income tax is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred income tax liabilities are recognised when tax deductions have exceeded accounting expenditure for temporary differences and depreciation.

Components of tax expense / (benefit) & prima facie tax payable

	Note	2022 $	After reclassification 2021 $
Current tax		-	(40,394)
Deferred tax	25	214,946	547,696
		214,946	507,302
The prima facie tax payable on profit before income tax is reconciled to the income tax (benefit) / expense as follows:			
Profit before income tax	25	(279,449)	1,071,424
Prima facie income tax payable on profit before income tax at 28.0%		(78,246)	299,999
Net insurance and reinsurance contract related adjustments	25	292,324	246,817
Non-deductible expenses		868	880
Over provision of prior year taxation expense - income tax		-	(40,394)
Income tax expense / (benefit) attributable to profit		214,946	507,302

Deferred tax

	Deferred tax assets			Deferred tax liabilities	
	New Zealand Government securities $	Tax losses recognised $	*Other (Provisions & Leases)* $	Life Insurance Contact Assets * $	Net deferred tax liabilities $
Balance as at 1 April 2020	-	-	53,412	(4,797,783)	(4,744,371)
Charge through the profit and loss	138,860	306,586	7,307	(1,000,449)	(547,696)
Balance as at 31 March 2021	138,860	306,586	60,719	(5,798,232)	(5,292,067)
Charge through the profit and loss	198,871	927,543	5,933	(1,347,293)	(214,946)
Balance as at 30 June 2022	337,731	1,234,129	66,652	(7,145,525)	(5,507,013)

* Comparative information as at 1 April 2020 and 31 March 2021 has been reclassified, refer to Note 25 for more information.

Imputation credit account

	Note	2022 $	2021 $
Opening balance at 1 April		(19,313)	(686,771)
Income tax receipts		19,313	222,497
Imputation credits attached to preference share dividends		-	240,139
Other credits		(52,315)	(26,925)
Other debits		-	64
Imputation lost on shareholder continuity breach		35,758	231,682
At reporting date		(16,557)	(19,313)

NOTE 6: CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

	Note	2022 $	2021 $
Cash at bank on call		2,212,780	3,016,698
Cash at bank other		2,918,437	2,149,522
		5,131,217	5,166,220

Reconciliation of cash flow from operations with profit after income tax	Note	2022 $	2021 $
Profit from ordinary activities after income tax		(494,395)	564,122
Adjustments and non cash items			
Amortisation	12	650,224	212,729
Depreciation on plant and equipment	10	23,587	26,926
Depreciation on right-of-use assets	11	103,751	82,986
Fair value loss on financial assets at fair value through profit and loss		788,310	541,917
Net movement in life insurance contract assets and reinsurance contract liabilities		3,261,140	637,120
Current tax		-	-
Deferred tax		214,946	547,696
Changes in assets and liabilities			
(Increase) / decrease in receivables		(474,530)	27,854
(Increase) / decrease in other assets		(116,301)	101,063
Increase / (decrease) in payables		(556,462)	690,305
Increase / (decrease) in provisions		206,004	22,929
Increase / (decrease) in other liabilities		11,883	12,852
Increase / (decrease) in current tax liabilities		(34,857)	239,680
		4,077,695	3,144,057
Cash flows from operating activities		3,583,300	3,708,179

NOTE 7: RECEIVABLES

Receivables are measured on initial recognition at fair value and subsequently at amortised cost using the effective interest method, less appropriate allowances for expected irrecoverable amounts (if any). There are no trade and other receivables with a significant financing component.

	Note	2022 $	2021 $
CURRENT			
Reinsurance profit share receivable		1,270,586	-
Reinsurance recoveries receivable		762,148	1,534,600
Administration fee receivable		-	-
Other receivables		72,407	96,011
		2,105,141	1,630,611

Trade and other receivables ageing analysis:	Note	Gross 2022 $	Impairment 2022 $	Gross 2021 $	Impairment 2021 $
Not past due		2,105,141	-	1,630,611	-
		2,105,141	-	1,630,611	-

* Receivables that are 'not past due' as those that are within trading terms of 0 to 30 days.

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Term deposits and New Zealand Government securities are designated as FVTPL upon initial recognition. Term deposits are recognised at fair value based on the interest rate set at inception of the term deposit. New Zealand Government securities are valued using quoted yields for the specific securities.

	Note	2022 $	2021 $
CURRENT			
Term deposits		4,704,721	2,447,286
New Zealand Government securities		3,471,930	4,260,240
		8,176,651	6,707,526

NOTE 9: OTHER ASSETS

Prepayments
Prepayments are recognised over period of benefit.

Goods and services tax (GST)
As the Company is primarily in the business of providing life insurance services, the majority of income and expenditure is accounted for on a GST inclusive basis. The percentage of business income and expenditure on which GST is returned is 5.64% (2021: 5.64%).

	Note	2022 $	2021 $
CURRENT			
Prepayments		117,341	1,040
GST receivable		-	14,348
		117,341	15,388

NOTE 10: PLANT AND EQUIPMENT

Plant and equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes all directly attributable costs necessary to purchase, create, produce and prepare the asset to be capable of operating in the manner intended by management. Depreciation is recognised in profit or loss over the estimated useful lives of the item of plant and equipment (which has been assessed to be between three to ten years) on a diminishing value basis. Plant and equipment carrying values, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

	2022			2021		
	Plant and equipment $	Furniture, fixtures and fittings $	Total plant and equipment $	Plant and equipment $	Furniture, fixtures and fittings $	Total plant and equipment $
Cost as at 1 April	178,441	17,740	196,181	145,284	17,740	163,024
Accumulated depreciation as at 1 April	(144,030)	(12,375)	(156,405)	(118,100)	(11,380)	(129,480)
Carrying value at 1 April	34,411	5,365	39,776	27,184	6,360	33,544
Additions	6,842	-	6,842	33,158	-	33,158
Depreciation expense	(22,546)	(1,041)	(23,587)	(25,931)	(995)	(26,926)
Balance as at reporting date	18,707	4,324	23,031	34,411	5,365	39,776
Cost as at reporting date	185,283	17,740	203,023	178,441	17,740	196,181
Accumulated depreciation as at reporting date	(166,576)	(13,416)	(179,992)	(144,030)	(12,375)	(156,405)
Carrying value as at reporting date	18,707	4,324	23,031	34,411	5,365	39,776

NOTE 11: RIGHT OF USE ASSETS AND LEASE LIABILITIES

Right of use assets

Right-of-use assets is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. Depreciation is charged so as to write off the cost of assets, over the lease term using the straight-line method.

	2022		2021	
	Property	Total right of use assets	Property	Total right of use assets
	$	$	$	$
Cost as at 1 April	248,738	248,738	248,738	248,738
Accumulated depreciation as at 1 April	(165,737)	(165,737)	(82,913)	(82,913)
Carrying value at 1 April	83,001	83,001	165,825	165,825
Additions	-	-	-	-
Remeasurement of lease liability	248,997	248,997	162	162
Depreciation expense	(103,751)	(103,751)	(82,986)	(82,986)
Balance as at reporting date	228,247	228,247	83,001	83,001
Cost as at reporting date	497,735	497,735	248,738	248,738
Accumulated depreciation as at reporting date	(269,488)	(269,488)	(165,737)	(165,737)
Carrying value as at reporting date	228,247	228,247	83,001	83,001

Lease liabilities

The lease liability is initially measured at the present value of the future lease payments over the lease term that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised, or any lease modification that are not accounted for as a separate lease.

The Company has applied judgement to determine the lease term for its lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The Company decided to apply recognition exemptions to short-term leases of carparks, and to leases of low-value assets such as office equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

	Note	2022 $	2021 $
Current		79,953	87,080
Non current		149,657	-
		229,610	87,080
Undiscounted lease liabilities as the lessee			
Less than one year		89,040	88,948
One to five years		155,820	-
Total undiscounted lease liabilities		244,860	88,948
Amounts recognised in statement of comprehensive income			
Interest expense on lease liabilities (included in operating expenses)		6,219	6,106
Expense relating to short-term leases (included in occupancy expenses)		8,904	7,122
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in other operating expenses)		2,343	1,874
Expense relating to variable lease payments not included in lease liabilities (included in occupancy expenses)		25,866	19,996

NOTE 12: INTANGIBLE ASSETS

Computer software measured at cost less accumulated amortisation and impairment losses. Cost includes expenditures that are directly attributable costs necessary to purchase, create, produce and prepare the asset to be capable of operating in the manner intended by management. Amortisation is recognised in profit or loss over the estimated useful lives of the item of computer software (which has been assessed to be between three to five years) on a diminishing value basis. Computer software carrying values, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following six criteria are met:

1. the Company's ability to measure reliably the expenditure attributable to the software under development;
2. the software is technically and commercially feasible;
3. the software's future economic benefits are probable;
4. the Company's intention to complete the developed software and use or sell it;
5. the Company's ability to use or sell the developed software; and
6. the availability of adequate technical, financial and other resources to complete the software under development.

	2022			2021		
	Computer software $	**Computer software under development $**	**Total intangible assets $**	**Computer software $**	**Computer software under development $**	**Total intangible assets $**
Cost as at 1 April	2,424,381	20,952	2,445,333	1,403,658	406,956	1,810,614
Accumulated amortisation at 1 April	(1,448,425)	-	(1,448,425)	(1,235,696)	-	(1,235,696)
Carrying value at 1 April	975,956	20,952	996,908	167,962	406,956	574,918
Additions	388,756	497,561	886,317	1,020,723	634,719	1,655,442
Amortisation expense	(650,224)	-	(650,224)	(212,729)	-	(212,729)
Transfers to computer software	-	(388,756)	(388,756)	-	(1,020,723)	(1,020,723)
Balance as at reporting date	714,488	129,757	844,245	975,956	20,952	996,908
Cost as at reporting date	2,813,137	129,757	2,942,894	2,424,381	20,952	2,445,333
Accumulated amortisation at reporting date	(2,098,649)	-	(2,098,649)	(1,448,425)	-	(1,448,425)
Carrying value as at reporting date	714,488	129,757	844,245	975,956	20,952	996,908

NOTE 13: PAYABLES

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest

	Note	2022 $	2021 $
CURRENT			
Trade creditors		2,100,746	1,608,972
Claims payable		893,730	2,010,003
GST payable		5,538	-
Other payables		182,796	134,643
		3,182,810	3,753,618

NOTE 14: PROVISIONS

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date taking into account the risks and uncertainties surrounding the obligation.

Employee benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

Provision for incurred claims

Provision has been made for estimated liabilities that arise from claims notified but not settled at reporting date. An allowance has been made for unknown net claims as at the reporting date. This allowance is based on the actual delay the company experiences between the date of death and the date of notification. This provision represents the current best estimate of the net claims incurred but not reported ('IBNR') as at the end of the month.

	Note	2022 $	2021 $
CURRENT			
Employee entitlements		93,724	87,720
Claims		280,000	80,000
		373,724	167,720

NOTE 15: OTHER LIABILITIES

Premiums received in advance

Premiums received in advance of due date are deferred and carried as current liabilities in the statement of financial position as premiums in advance and amortised through the profit and loss over the period of the services provided under the insurance contract.

	Note	2022 $	2021 $
CURRENT			
Premiums received in advance		1,219,996	1,208,113
		1,219,996	1,208,113

NOTE 16: LIFE INSURANCE CONTRACT ASSETS AND REINSURANCE CONTRACT LIABILITIES

(a) Actuarial information

The Company's Actuary, Ben Coulter, FIAA, FNZSA has calculated the life insurance contract and reinsurance contract assets and liabilities and solvency margin for the Company. The actuary is satisfied as to the accuracy of the data from which the life insurance contract and reinsurance contract assets and liabilities and solvency margin have been determined. This note summarises the life insurance contract and reinsurance contract assets and liabilities and solvency margin of the Company, the assumptions made and the methods adopted for the calculation of the Company's life insurance contract and reinsurance contract assets and liabilities and solvency margin.

NOTE 16: LIFE INSURANCE CONTRACT ASSETS AND REINSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Actuarial information (Continued)

Summary of significant actuarial methods and assumptions for life insurance contract assets and reinsurance contract liabilities

The life insurance contract assets and reinsurance contract liabilities have been determined in accordance with Professional Standard No.20 'Determination of Life Insurance Policy Liabilities' issued by the New Zealand Society of Actuaries. This standard requires that life insurance contract assets and reinsurance contract liabilities be calculated on the basis of best estimate assumptions and in a way that allows for the release of planned margins as services are provided to policyholders.

- *Valuation of life insurance contract assets and reinsurance contract liabilities*

  Life insurance contract assets and reinsurance contract liabilities comprise the amount required to pay the expected future cash outflows (including expected future benefits, expenses, reinsurance premium ceded, and taxation), after receiving expected future premiums and reinsurance recoveries. The value of life insurance contract assets and reinsurance contract liabilities may also include a component for profit margins on existing business that will be earned as services are provided to policy owners over the time the relevant policies are held with the Company. The Company incurs costs in selling new policies. New business selling costs (or acquisition costs) related to the acquisition of new business are recovered from premiums receivable in the future as long as the underlying policies are expected to be profitable.

- *Methods used to value life insurance contract assets and reinsurance contract liabilities - Accumulation method*

  The accumulation method involves accruing policy owner entitlements at the end of the reporting period. For risk policies, the insurance contract assets and liabilities are the sum of any unearned premiums, outstanding claims reserves plus an allowance for claims incurred but not yet reported, less any deferred acquisition costs.
  The Group product group has been valued using the accumulation method. The results from using the accumulation method rather than the projection method are not expected to be materially different.

- *Methods used to value life insurance contract assets and reinsurance contract liabilities - Projection method*

  The projection method uses expected cash flows (premiums, premium ceded, redemptions or benefit payments, reinsurance recoveries, expenses and profits) to establish the value of life insurance contract assets and reinsurance contract liabilities. The value of expected future premiums is deducted from the value of expected benefit and expense payments to arrive at the obligation to policy owners. Where the policy liability is determined by the projection method, actuarial standards require profit to be related to one or more financially measurable indicators of the provision of service (or related income) called 'profit carriers'. The profit carriers adopted for the related product groups are shown in the table below:

Related product groups and profit carriers

Actuarial standards require products to be grouped for the purposes of loss recognition and prudential reserving in related product groups. These are groupings of products that have substantially the same contractual terms and were priced on the basis of substantially the same assumptions. Where the policy liability is determined by the projection method, actuarial standards require profit to be related to one or more financially measurable indicators of the provision of service (or related income) called 'profit carriers'. The related product groupings and their 'profit carriers' are shown in the table below:

Related product group	Method 2022	Profit carrier 2022	Method 2021	Profit carrier 2021
Lump Sum Risk	Projection	Gross premium	Projection	Gross premium
Funeral	Projection	Gross claims	Projection	Gross claims
Income Protection	Projection	Gross premium	Projection	Gross premium
Group Risk	Accumulation	N/A	Accumulation	N/A

NOTE 16: LIFE INSURANCE CONTRACT ASSETS AND REINSURANCE CONTRACT LIABILITIES (CONTINUED)

Disclosure of assumptions

Assumptions used for measuring life insurance contract assets and reinsurance contract liabilities are reviewed each year. When the review leads to a change in assumptions, the change is deemed to have occurred from the end of the year, except for change in discount rates which are recognised in the year that the rates are changed. The financial effect of all other changes to the assumptions underlying the measurement of life insurance contract assets and reinsurance contract liabilities made during the year is recognised in profit or loss over the future reporting periods during which services are provided to policyholders.

The following table summarises the key assumptions used in the calculation oflife insurance contract assets and reinsurance contract liabilities, together with notes on any significant changes in the assumptions:

Required assumption	Basis of assumption	Significant changes
Discount rates for life insurance contracts - all product groups	Risk free discount rates have been adopted for life insurance contracts where the benefits are not contractually linked to the performance of backing asset pools. The risk free discount rates have been determined based on the Treasury risk free discount rates and the term of the contract liabilities.	The discount rates used: - 2022: 3.34% to 4.47% (2021: 0.24% to 4.30%)
Inflation rates for life insurance contracts - all product groups	Inflation rates have been adopted for life insurance contracts to inflation future renewal expenses. The inflation assumption has been determined as a long-term expectation based on the RBNZ's target inflation levels.	The inflation rates used: - 2022: 2% p.a. (2021: 2% p.a.)
Mortality rates	Risk product mortality rates are based on a multiple of reinsurance rates. Mortality improvements are additionally applied for Funeral products.	N/A
Discontinuances	Discontinuance rates have been assumed consistent with the Company's recent experience. Assumed discontinuance rates vary by product for Greenstone-originated business, and by product channel group for all other products (online, office, transfer, funeral, standalone business). Discontinuance rates vary according to the length of time business has been in-force, and also by age for some products.	Discontinuance rates have been adjusted in line with experience.
Future renewal expense - for policies	Future renewal expenses have been set based on the projected budget expenses for the period ended 30 June 2022 (2021: year ended 31 March 2021) as well as experience analyses conducted by the Company.	The future renewal expense used: - 2022: $125 per Direct Funeral life, $17.50 per life for all Greenstone-originated business, $315 per life for all policies with Income Protection cover, and $215 per life for all other products. (2021: $120 per Direct Funeral life, $14 per Greenstone life (Funeral and OneChoice), $300 per life for Income Protection, and $240 per life for all other products).
Taxation rates	Rates of taxation have been set with regard to current tax laws.	The taxation rates are 2022: 28% (2021: 28%). The grandfathering arrangement has been removed from 30 June 2022.
Surrender value	No policies have surrender values.	N/A
Participation	No policies participate in profits.	N/A

NOTE 16: LIFE INSURANCE CONTRACT ASSETS AND REINSURANCE CONTRACT LIABILITIES (CONTINUED)

Disclosure of assumptions (continued)

Acquisition expense assumptions were based on the actual acquisition expenses incurred for the period ending 30 June 2022. This method is unchanged from the prior year.

The following table shows the impacts of consecutive changes in the actuarial assumptions on future profit margins as at 30 June 2022 (2021: as at 31 March 2021), and the impact on profit and equity for the period ended 30 June 2022 (year ended 31 March 2021). The effect is measured only on business in force as at 31 March 2021 (as at 2021: 31 March 2020), which remains in force as at 30 June 2022 (as at 2021: 31 March 2021).

Assumption/ Model Change	Change in future profit margins		Change in current period's profit and loss	
	2022 $	2021 $	2022 $	2021 $
Interest	(3,790,603)	(1,644,562)	(2,938,134)	(1,047,537)
Premium rates	515,161	427,133	(3,088)	43,181
Mortality	-	9,827	-	-
Morbidity	-	146,310	-	-
Discontinuances	2,949,408	5,944,032	-	-
Expenses	884,938	(2,497,326)	(4,939)	(25,355)
Taxation	181,902	222,897	-	-

Life insurance contract assets and reinsurance contract liabilities include the value of future profit margins that are to be released over future reporting periods. 'Where the value of future profit margins is insufficient to absorb the assumption changes, the resulting losses are recognised in the current period via a change in the life insurance contract assets and reinsurance contract liabilities. These losses may be reversed in subsequent periods should experience improve.

NOTE 16: LIFE INSURANCE CONTRACT ASSETS AND REINSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) Analysis of life insurance contract results

	Note	2022 $	2021 $
Planned profit margins		2,504,577	1,695,074
Income on liability		102,085	90,180
Investment earnings on assets in excess of policy liabilities		136,267	101,770
Fair value gain on financial assets at fair value		(567,583)	(388,711)
Effects of changes in discount rate		(2,938,134)	(1,047,537)
Capitalised (losses) / reversals		(40,081)	117,187
Experience profit / (loss)		308,474	(3,841)
Net profit / (loss) after income tax arising from life insurance contracts		(494,395)	564,122

(c) Net life insurance contract assets and reinsurance contract liabilities

	Note	2022 $	After reclassification 2021 $
Future policy benefits		(128,369,492)	(106,749,747)
Future expenses		(119,026,719)	(83,729,155)
Future taxes		(22,595,474)	(23,003,438)
Future reinsurance		(46,245,360)	(34,399,478)
Future profit margins		(35,899,709)	(30,743,425)
Future premiums		376,284,797	307,381,719
Net life insurance contract assets and reinsurance contract liabilities (including deferred tax)		24,148,043	28,756,476
Deferred tax liability *	5, 25	7,145,525	5,798,232
Net policy liabilities (excluding deferred tax)	25	31,293,568	34,554,708

* Comparative information as at 1 April 2020 and 31 March 2021 has been reclassified, refer to Note 25 for more information.

(d) Reconciliation of life insurance contract assets

	Note	2022 $	After reclassification 2021 $
Opening balance as at 1 April		63,155,954	51,856,729
New life insurance assets and liabilities acquired		18,617,023	10,427,991
Adjustment for experience differences		(11,379,573)	871,234
Life insurance contract assets at reporting date (including deferred tax)		70,393,404	63,155,954
Deferred tax liability *	5, 25	7,145,525	5,798,232
Life insurance contract assets at reporting date (excluding deferred tax)	25	77,538,929	68,954,186

(e) Reconciliation of reinsurance contract liabilities

	Note	2022 $	2021 $
Opening balance as at 1 April		34,399,478	21,462,684
Increase / (decrease) in liabilities ceded under reinsurance contracts		11,845,883	12,936,794
Gross reinsurance contract liabilities at reporting date		46,245,361	34,399,478

NOTE 16: LIFE INSURANCE CONTRACT ASSETS AND REINSURANCE CONTRACT LIABILITIES (CONTINUED)

(f) Life insurance risk

The risk under any one insurance contract is the possibility that an insured event occurs and there is uncertainty about the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This occurs when the frequency or severity of claims and benefits exceeds the estimates. Insurance events are random and the actual number of claims and the amount of benefits paid will vary each period from estimates established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population to reduce the variability of the expected outcome. The Company manages insurance risk through underwriting strategy, claims handling, reinsurance arrangements and insurance contract terms and conditions.

The life insurance business of the Company involves a number of non financial risks concerned with the pricing, acceptance and management of the mortality, morbidity and longevity risks accepted from policyholders.

Variable	Impact of movement in underlying variable
Expense risk	An increase in the level or inflationary growth of expenses over assumed levels will decrease profit and equity.
Mortality rates	For insurance contracts providing death benefits, greater mortality rates would lead to higher levels of claims, increasing associated claims cost and therefore reducing profit and equity.
Morbidity rates	The cost of health-related claims depends on the incidence of policyholders becoming totally and permanently disabled or suffering serious illness. Higher than expected incidence would increase claim costs, reducing profit and equity.
Discontinuances	The impact of the discontinuance rate assumption depends on a range of factors including the type of contract and the duration in force. For example, an increase in discontinuance rates at earlier durations of life insurance contracts usually has a negative effect on profit and equity. However, due to the interplay between the factors, there is not always an adverse outcome from an increase in discontinuance rates.

NOTE 16: LIFE INSURANCE CONTRACT ASSETS AND REINSURANCE CONTRACT LIABILITIES (CONTINUED)

Sensitivity analysis

The liabilities included in the reported results are calculated using certain assumptions about key variables as disclosed above. Sensitivity analysis is conducted to assess the movements in any key variable will impact the profit and equity.

A change in actual experience relative to that expected will affect the period's expected profit and loss disclosed below.

For the period ended the following adverse percentage changes in respect of the listed assumptions would result in the presented decreases in future margins and profit, before and after reinsurance:

	Impact on future margins	Impact on profit and equity		Impact on future margins	Impact on profit and equity	
		Before reinsurance	After reinsurance		Before reinsurance	After reinsurance
	$	$	$	$	$	$
	2022	2022	2022	2021	2021	2021
Expenses + 10%	(1,360,538)	(14,099)	(14,099)	(1,572,445)	(15,213)	(15,213)
Mortality + 10%	(3,426,951)	(182)	(159)	(3,256,815)	(177)	(156)
Morbidity + 10%	(312,701)	(35,771)	(9,549)	(299,824)	(34,810)	(7,064)
Discontinuances + 10%	(6,936,535)	(23,736)	(20,224)	(7,341,440)	(21,368)	(18,181)

Risk management

Insurance risks are controlled through the use of underwriting procedures and adequate premium rates and policy charges. Tight controls are also maintained over claims management practices to ensure the correct and timely payment of insurance claims.

Underwriting management procedures

Underwriting is managed by a separate department with underwriting limits in place to enforce appropriate risk selection criteria. The Company provides appropriate training and development of underwriting staff. Individual policies carrying insurance risk are underwritten on their merits and are generally not issued without having been examined and underwritten individually.

Claims management procedures

Claims are managed through a dedicated claims team, with appropriate training and development of staff to ensure procedures are adhered to. Claims are managed to ensure timely and correct payment in accordance with policy conditions. Claims experience is reviewed regularly and appropriate actuarial reserves are established.

Reinsurance management procedures

The Company holds appropriate reinsurance arrangements to limit exposure to individual and catastrophe risks. All reinsurance arrangements are approved by the Directors of the Company.

NOTE 16: LIFE INSURANCE CONTRACT ASSETS AND REINSURANCE CONTRACT LIABILITIES (CONTINUED)

Terms and conditions of life insurance contracts

The nature of the terms of the insurance contracts written by the Company is such that certain external variables can be identified on which related cash flows for claim payments depend. The tables below provide an overview of the key variables upon which the amount of related cash flows are dependent.

Type of contract	Details of contract workings	Nature of compensation for claims	Key variables affecting future cashflows
Life insurance contracts with fixed and guaranteed terms (term life and disability including renewable term).	Guaranteed benefits paid on death, permanent and temporary disablement that are fixed and guaranteed and not at the discretion of the issuer.	Benefits, defined by the insurance contract are determined by the contract and not directly affected by the performance of underlying assets or the performance of the contracts as a whole.	Mortality, morbidity, discontinuances and expenses.

Concentration of insurance risk

The Company aims to maintain a portfolio of policyholders with a broad spread of insurance risk types, ages, sexes, occupation classes and geographical locations for the individual risk business. The Company uses reinsurance to limit the insurance risk exposure for any one individual.

(g) Interest rate risk

The Company is additionally exposed to interest rate risk through revaluations in its life insurance contract assets and reinsurance contract liabilities, as well as investments in New Zealand Government securities (refer note 2(c)).

The table below illustrates the sensitivity of this year's future margins and profit to changes in discount rate movement at year end, considering only the impacts due to revaluations of life insurance contract assets and reinsurance contract liabilities.

	Impact on future margins $ 2022	Impact on profit and equity $ 2022	Impact on future margins $ 2021	Impact on profit and equity $ 2021
Interest + 1%	(3,420,358)	(1,323,899)	(3,111,446)	(1,963,226)

(h) Statutory fund

The Company established the Rimu Statutory Fund ('the RSF') on 1 May 2013. The RSF is the sole statutory fund held by the Company.

The Company operates solely in the life insurance business. The RSF relates solely to the life insurance business of the Company. All of the current and future policies are non participating, risk based term insurance and are classified as "life policies" under section 84 of the Insurance (Prudential Supervision) Act 2010. None of the Company's policies are "investment linked" in character and all of the Company's policies are similar in nature.

The Company's shareholders' access to the retained earnings of the RSF is restricted by the Insurance (Prudential Supervision) Act 2010. The Company shareholders' entitlement to monies held in the RSF is subject to the distribution and transfer restrictions on the Insurance (Prudential Supervision) Act 2010. Any distribution of the shareholders' capital or retained profits will only be made after advice from the Company's appointed Actuary is received regarding the effect of such a distribution. No distribution will be made if it would cause the solvency margin of RSF to drop below the minimum margin target set by the Company's Board, or if such distribution was otherwise in breach of Insurance (Prudential Supervision) Act 2010.

NOTE 16: LIFE INSURANCE CONTRACT ASSETS AND REINSURANCE CONTRACT LIABILITIES (CONTINUED)

Disaggregated Information

The disaggregated information for the Company's shareholder fund and sole statutory fund, the Rimu Statutory Fund ('the RSF') is presented below. The Company does not have any life investment contracts on issue or any investment linked business.

	Shareholder Fund $ 2022	Rimu Statutory Fund $ 2022	Total $ 2022	Shareholder Fund $ 2021	Rimu Statutory Fund $ 2021	Total $ 2021
Summary Income Statement						
Net premium income	-	22,556,596	22,556,596	-	12,434,575	12,434,575
Investment revenue	2,497	186,763	189,260	1,217	140,130	141,347
Net claims expense	-	(3,102,428)	(3,102,428)	-	(1,704,279)	(1,704,279)
Net movement in life insurance and reinsurance	-	(3,261,140)	(3,261,140)	-	(637,120)	(637,120)
All other net income / (net expense)	(4,350)	(16,657,387)	(16,661,737)	(353)	(9,162,746)	(9,163,099)
Profit / (loss) before income tax expense	(1,853)	(277,596)	(279,449)	864	1,070,560	1,071,424
Income tax expense	-	(214,946)	(214,946)	-	(507,302)	(507,302)
Net profit / (loss) after income tax expense	(1,853)	(492,542)	(494,395)	864	563,258	564,122
Summary Balance Sheet						
Assets						
Investments backing insurance policy liabilities	309,503	12,998,365	13,307,868	1,061,356	10,812,390	11,873,746
Life insurance contract assets	-	77,538,929	77,538,929	-	68,954,186	68,954,186
Other assets	-	3,386,548	3,386,548	-	2,799,370	2,799,370
Total assets	309,503	93,923,842	94,233,345	1,061,356	82,565,946	83,627,302
Liabilities						
Reinsurance contract liabilities	-	46,245,361	46,245,361	-	34,399,478	34,399,478
Other liabilities	-	10,513,153	10,513,153	-	10,508,598	10,508,598
Total liabilities	-	56,758,514	56,758,514	-	44,908,076	44,908,076
Net assets	309,503	37,165,328	37,474,831	1,061,356	37,657,870	38,719,226
Share capital						
Opening balance as at 1 April	3,255,036	19,029,417	22,284,453	3,255,036	19,029,417	22,284,453
Balance as at reporting date	3,255,036	19,029,417	22,284,453	3,255,036	19,029,417	22,284,453
Retained earnings						
Opening balance as at 1 April	(2,193,680)	18,628,453	16,434,773	(1,494,544)	18,065,195	16,570,651
Operating profit / (loss)	(1,853)	(492,542)	(494,395)	864	563,258	564,122
Dividends paid	(750,000)	-	(750,000)	(700,000)	-	(700,000)
Transfers between the Funds	-	-	-	-	-	-
Balance as at reporting date	(2,945,533)	18,135,911	15,190,378	(2,193,680)	18,628,453	16,434,773
Total equity	309,503	37,165,328	37,474,831	1,061,356	37,657,870	38,719,226

NOTE 17: SHARE CAPITAL

Share capital

Ordinary share capital and preference share capital is classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Costs which are not directly attributable to the issue of new shares are shown as an expense and included in administrative expenses in the statement of comprehensive income.

Pinnacle Life Custodial Services Limited, holds all of the Company's share capital in trust for its ultimate beneficial shareholders at reporting date.

		2022		2021	
	Note	Number	$	Number	$
Ordinary shares	(a)	9,127,014	20,425,523	7,689,514	15,684,417
Series A convertible preference shares	(b)	-	-	937,500	2,762,819
Series B convertible preference shares	(c)	-	-	500,000	1,978,287
Series C convertible preference shares	(d)	666,667	1,858,930	666,667	1,858,930
		9,793,681	22,284,453	9,793,681	22,284,453

	Ordinary shares	
	Number	$
Balance as at 1 April 2020	7,689,514	15,684,417
Balance as at 31 March 2021	7,689,514	15,684,417
Shares issued:		
26 May 2022: Conversion of Series A convertible preference shares into ordinary shares	937,500	2,762,819
26 May 2022: Conversion of Series B convertible preference shares into ordinary shares	500,000	1,978,287
Balance as at 30 June 2022	9,127,014	20,425,523

	Series A convertible preference shares		Series B convertible preference shares		Series C convertible preference shares	
	Number	$	Number	$	Number	$
Balance as at 1 April 2020	937,500	2,762,819	500,000	1,978,287	666,667	1,858,930
Balance as at 31 March 2021	937,500	2,762,819	500,000	1,978,287	666,667	1,858,930
Shares converted:						
26 May 2022	(937,500)	(2,762,819)	(500,000)	(1,978,287)	-	-
Balance as at 30 June 2022	-	-	-	-	666,667	1,858,930

(a) Ordinary shares

Ordinary shares are fully paid and have no par value. The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company, and rank equally with regards to the Company's residual assets.

On 26 May 2022 the Company converted all Series A and B convertible preference shares into ordinary shares.

(b) Series A convertible preference shares

The Series A convertible preference shares have the following terms and rights: Each share has a par value of $3.20 per share; Each share will convert one for one to ordinary shares on conversion; Convertible at any time by the holder; by the Company only on occurrence of an IPO or successful trade sale; The holder can decline the offer to convert if the implied value is below $3.20 at the time that the conversion offer is made by the Company; Carry a fixed non cumulative dividend of 32 cents per share (less dividend withholding tax), with the Company holding full discretion over the payment of the dividend; On a winding up of the Company they will rank for payment ahead of ordinary shares with regards to the Company's residual assets; and Carry no voting rights at meetings of the Company.

(c) Series B convertible preference shares

The Series B convertible preference shares have the following terms and rights: Each share has a par value of $4.00 per share; Each share will convert one for one to ordinary shares on conversion; The holder can convert at any time, whereas the Company can only convert 5 years after the issue date of the Series B convertible preference shares, on occurrence of an IPO or successful trade sale; Carry a fixed non cumulative dividend of 40 cents per share (less dividend withholding tax), with the Company holding full discretion over the payment of the dividend; On a winding

NOTE 17: SHARE CAPITAL (CONTINUED)

up of the Company they will rank for payment ahead of ordinary shares with regards to the Company's residual assets; and Carry no voting rights at meetings of the Company.

(d) Series C convertible preference shares

The Series C convertible preference shares have the terms and rights identical to that of the Series A convertible preference shares, with the exception of the following: each share has a par value of $3.00 per share; the holder can decline the offer to convert if the implied value is below $3.00 at the time that the conversion offer is made by the Company; and the shares carry a fixed non cumulative dividend of 30 cents per share (less dividend withholding tax), with the Company holding full discretion over the payment of the dividend.

NOTE 18: CAPITAL MANAGEMENT

The Company considers its capital to comprise its ordinary share capital, accumulated retained earnings and solvency capital.

The Company's capital management objectives are to:

- Maintain an 'actual solvency capital' that exceeds the 'minimum solvency capital' requirements per the 'Solvency Standard for Life Insurance Business' issued by the Reserve Bank of New Zealand ('RBNZ') per the on going licensing requirements of the Company's licence to carry on insurance business in New Zealand issued by the RBNZ on 29 April 2013 under section 19 of the Insurance (Prudential Supervision) Act 2010 ('IPSA').
- Maintain a strong capital base to protect life insurance contract policyholders;
- Maintain a strong credit rating; and
- Ensure equity holder objectives are met, the primary purpose of which is to ensure the Company's continued ability to provide a consistent return to its equity shareholders through a combinations of capital growth and distributions.

The Company manages its capital by considering the capital needs of the business, the risks that the Company is exposed to and projections of the solvency capital margin. In making decisions to adjust its capital structure, either through altering its dividend policy, or new share issue, the Company takes into consideration not only its short term position but also its long term operational and strategic objectives.

During the reporting period, the Company has maintained compliance with all externally imposed capital and licensing requirements.

Solvency requirements under the Insurance (Prudential Supervision) Act 2010

Separate to the life insurance contract assets and liabilities recognised in the financial statements, life insurance companies are required to maintain sufficient capital to meet solvency requirements. These are amounts required to provide protection against the impact of fluctuations and unexpected adverse circumstances on the life insurance businesses. The methodology and bases for determining the solvency requirement are in accordance with the requirements of the Insurance (Prudential Supervision) Act 2010.

The Company's minimum solvency capital required to be retained to meet the requirements of the Solvency Standard for Life Insurance Business and the solvency margin above this requirement is shown below.

	Shareholder Fund $ 2022	Rimu Statutory Fund $ 2022	Total $ 2022	Shareholder Fund $ 2021	Rimu Statutory Fund $ 2021	Total $ 2021
Solvency capital						
Actual solvency capital	309,503	34,682,577	34,992,080	1,061,356	36,154,798	37,216,154
Minimum solvency capital	1,548	26,762,747	26,764,295	5,307	30,727,757	30,733,064
Excess solvency margin	307,955	7,919,830	8,227,785	1,056,049	5,427,041	6,483,090
Excess solvency ratio	200.00	1.30	1.31	200.00	1.18	1.21

NOTE 19: RETAINED EARNINGS

	Note	2022 $	2021 $
Opening balance as at 1 April		16,434,773	16,570,651
Profit for the reporting period		(494,395)	564,122
Other comprehensive income		-	-
Dividends		(750,000)	(700,000)
Balance as at reporting date		15,190,378	16,434,773

Distributions

Dividends to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved but not distributed at reporting date.

During the year, the Company declared/paid the following dividends:

	Note	2022 ¢ per share	2022 $	2021 ¢ per share	2021 $
Series A convertible preference shares					
- 30 June 2021 (2021: 30 June 2020)		8.0	75,000	8.00	75,000
- 30 September 2021 (2021: 30 September 2020)		8.0	75,000	-	-
- 31 December 2021 (2021: 31 December 2020)		8.0	75,000	16.00	150,000
- 31 March 2022 (2021: 31 March 2021)		8.0	75,000	8.00	75,000
			300,000		300,000
Series B convertible preference shares					
- 30 June 2021 (2021: 30 June 2020)		10.0	50,000	10.00	50,000
- 30 September 2021 (2021: 30 September 2020)		10.0	50,000	-	-
- 31 December 2021 (2021: 31 December 2020)		10.0	50,000	20.00	100,000
- 31 March 2022 (2021: 31 March 2021)		10.0	50,000	10.00	50,000
			200,000		200,000
Series C convertible preference shares					
- 30 June 2021 (2021: 30 June 2020)		7.5	50,000	7.50	50,000
- 30 September 2021 (2021: 30 September 2020)		7.5	50,000	-	-
- 31 December 2021 (2021: 31 December 2020)		7.5	50,000	15.00	100,000
- 31 March 2022 (2021: 31 March 2021)		7.5	50,000	7.50	50,000
- 30 June 2022		7.5	50,000	-	-
			250,000		200,000

The Company did not declare or pay the 30 September 2020 dividends on series A, B, and C Convertible preference shares as a result of restrictions imposed on licensed insurers by the Reverse Bank of New Zealand as a result of the COVID-19 pandemic. The 30 September 2020 dividends were instead paid in conjunction with the 31 December 2020 dividends on series A, B, and C Convertible preference shares.

NOTE 20: RELATED PARTY TRANSACTIONS AND BALANCES

Related parties

The Company had related party dealings with the following related parties during the year:

Related party	*Relationship*
Pinnacle Life Custodial Services Limited	Company shareholder
Jack Porus	Director, ultimate beneficial company shareholder and Series A convertible preference share holder
Noel Vaughan	Director, ultimate beneficial company shareholder and Series B convertible preference share holder
The Glaister Ennor Partnership	Common ultimate beneficial owners (shareholders/partners), a Partnership in which Jack Porus is a partner.
Spencers Chartered Accountants & Advisers Limited	A company in which Andrew Spencer is a shareholder.
Greenstone Financial Services NZ Limited	Company shareholder and Series C convertible preference share holder and distributor of Pinnacle Life's insurance products

NOTE 20: RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Transactions

The Company undertook the following transactions with the above related parties during the year:	Note	2022 $	2021 $
Michael Murphy			
- directors fees		(40,000)	(40,000)
Noel Vaughan			
- directors fees		(40,000)	(40,000)
Spencers Chartered Accountants & Advisers Limited			
- director fees and consulting fees		(67,922)	(61,410)
The Glaister Ennor Partnership			
- Legal fees and directors fees		(104,849)	(193,595)
Greenstone Financial Services NZ Limited			
- Policy acquisition / distribution expense		(6,516,932)	(3,045,395)
- Policy maintenance / administration expense		(1,642,642)	(619,217)
- directors fees		(104,599)	(40,000)

Balances

The Company has the following receivable/ (payable) balances with the above related parties as at year end:	Note	2022 $	2021 $
Noel Vaughan		-	-
Spencers Chartered Accountants & Advisers Limited		-	-
The Glaister Ennor Partnership		2,260	-
Greenstone Financial Services NZ Limited			
- Policy acquisition/distribution and maintenance/administration expense payable		(691,174)	(447,578)

No related party balances were impaired or written off during the year (2021: $Nil).

Life insurance policies held by related parties of the Company

Director, Jack Lee Porus (2021: Directors, Jack Lee Porus), has a life insurance policy (2021: have life insurance policies) with the Company. These policies were entered into and issued on an arm's length basis.

Key management compensation

Key management includes the directors and the CEO and General Manager of Operations of the Company.

Compensation received by key management personnel of the Company:	Note	2022 $	2021 $
Short-term employee benefits		885,864	492,087
Directors fees		330,145	226,711
		1,216,009	718,798

No other compensation was paid or payable to key management personnel of the Company.

NOTE 21: CREDIT RATING

A.M. Best rates Pinnacle Life Limited 'B' financial strength (outlook 'positive' (2021: 'stable')) and a bb+ issuer credit rating (outlook 'positive' (2021: 'stable')) at 22 April 2022 (2021: 19 March 2021).

The financial strength rating scale used by A.M. Best is:

A++, A+ (Superior)	B, B- (Fair)	D (Poor)	F (In Liquidation)
A, A- (Excellent)	C++, C+ (Marginal)	E (Under Regulatory Supervision)	S (Suspended)
B++, B+ (Good)	C, C- (Weak)		

NOTE 22: CAPITAL AND LEASING COMMITMENTS

There were no material commitments at reporting date (2021: $Nil).

NOTE 23: CONTINGENT LIABILITIES

There were no material contingent liabilities at reporting date (2021: $Nil).

NOTE 24: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since reporting date that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to reporting date, of the Company, or

(b) the results of those operations, or

(c) the state of affairs, in financial years subsequent to reporting date, of the Company.

NOTE 25: PRIOR PERIOD RECLASSIFICATION

During the period ended 30 June 2022, the Company identified that the presentation of its life insurance contract assets was net of tax and have now reclassified the tax component from life insurance contract assets to deferred tax liabilities. This resulted in reclassifications in the following financial statement lines:

- 'Net movement in life insurance contract assets' and 'Tax expense' in the Statement of comprehensive income
- 'Life insurance contract assets' and 'Deferred tax liabilities' in the Statement of financial position

The net impact on 'net profit', 'net assets' and 'total equity' was $Nil as the variances required a gross up of the above mentioned financial statement lines.

In accordance with the disclosure requirements of NZ IAS 8 *Accounting Policies. Changes in Accounting Estimates and Errors,* the reclassifications have been corrected by restating comparative amounts for each of the affected financial statement lines for prior periods. The following summarises the Impact on the Company's financial statements:

- the opening 'Life insurance contract assets' and 'Deferred tax liabilities' were understated by $221,945 as at 1 April 2020;
- the 'Net movement in life insurance contract assets' and 'Tax benefit' in the Statement of comprehensive income had been overstated by $818,435; and
- the closing 'Life insurance contract assets' and 'Deferred tax liabilities' were understated by $1,040,380 as at 31 March 2021.

NOTE 25: PRIOR PERIOD RECLASSIFICATION (CONTINUED)

(a) Statement of financial position as at 1 April 2020

	Note	2020 Reported $	2020 Reclassification	2020 After reclassification $
Assets				
Cash and cash equivalents	6	5,059,014	-	5,059,014
Receivables	7	1,658,465	-	1,658,465
Financial assets at fair value through profit and loss	8	5,099,265	-	5,099,265
Other assets	9	102,103	-	102,103
Current tax assets		273,366	-	273,366
Life insurance contract assets	16, 25	56,432,567	221,945	56,654,512
Plant and equipment	10	33,544	-	33,544
Right of use assets	11	165,825	-	165,825
Intangible assets	12	574,918	-	574,918
Total assets		69,399,067	221,945	69,621,012
Liabilities				
Payables	13	3,048,965	-	3,048,965
Provisions	14	144,791	-	144,791
Other liabilities	15	1,195,261	-	1,195,261
Lease liabilities	11	169,836	-	169,836
Reinsurance contract liabilities	16	21,462,684	-	21,462,684
Deferred tax liabilities	5, 25	4,522,426	221,945	4,744,371
Total liabilities		30,543,963	221,945	30,765,908
Net assets		38,855,104	-	38,855,104
Equity				
Share capital	17	22,284,453	-	22,284,453
Retained earnings	19	16,570,651	-	16,570,651
Total equity		38,855,104	-	38,855,104

NOTE 25: PRIOR PERIOD RECLASSIFICATION (CONTINUED)

(b) Statement of comprehensive income for the year ended 31 March 2021

	Note	2021 Reported $	2021 Reclassification $	2021 After reclassification $
Revenue and other income				
Gross premium revenue	3	21,574,157	-	21,574,157
Gross reinsurance ceded	3	(9,139,582)	-	(9,139,582)
Gross reinsurance profit share income	3	-	-	-
Net premium revenue		12,434,575	-	12,434,575
Interest income	3	141,347	-	141,347
Fair value loss on financial assets at fair value through profit and loss		(541,917)	-	(541,917)
Total revenue		12,034,005	-	12,034,005
Less: expenses				
Claims expense		(5,028,605)	-	(5,028,605)
Reinsurance recoveries		3,324,326	-	3,324,326
Net claims expense		(1,704,279)	-	(1,704,279)
Net movement in life insurance contract assets and reinsurance contract liabilities	16	(1,455,555)	818,435	(637,120)
Operating expenses	4	(8,621,182)	-	(8,621,182)
Total expenses		(11,781,016)	818,435	(10,962,581)
Profit before income tax		252,989	818,435	1,071,424
Tax benefit / (expense)	5	311,133	(818,435)	(507,302)
Net profit after income tax		564,122	-	564,122
Other comprehensive income for the year		-	-	-
Total comprehensive income		564,122	-	564,122

NOTE 25: PRIOR PERIOD RECLASSIFICATION (CONTINUED)

(c) Statement of financial position as at 31 March 2021

	Note	2021 Reported $	2021 Reclassification	2021 After reclassification $
Assets				
Cash and cash equivalents	6	5,166,220	-	5,166,220
Receivables	7	1,630,611	-	1,630,611
Financial assets at fair value through profit and loss	8	6,707,526	-	6,707,526
Other assets	9	15,388	-	15,388
Current tax assets		33,686	-	33,686
Life insurance contract assets	16, 25	67,913,806	1,040,380	68,954,186
Plant and equipment	10	39,776	-	39,776
Right of use assets	11	83,001	-	83,001
Intangible assets	12	996,908	-	996,908
Total assets		82,586,922	1,040,380	83,627,302
Liabilities				
Payables	13	3,753,618	-	3,753,618
Provisions	14	167,720	-	167,720
Other liabilities	15	1,208,113	-	1,208,113
Lease liabilities	11	87,080	-	87,080
Reinsurance contract liabilities	16	34,399,478	-	34,399,478
Deferred tax liabilities	5, 25	4,251,687	1,040,380	5,292,067
Total liabilities		43,867,696	1,040,380	44,908,076
Net assets		38,719,226	-	38,719,226
Equity				
Share capital	17	22,284,453	-	22,284,453
Retained earnings	19	16,434,773	-	16,434,773
Total equity		38,719,226	-	38,719,226

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Independent Auditor's Report to the Shareholders of Pinnacle Life Limited

Opinion

We have audited the financial statements of Pinnacle Life Limited (the "Entity") which comprise the statement of financial position as at 30 June 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 15 month then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Entity's financial position as at 30 June 2022 and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for Opinion

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

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

Other than in our capacity as auditor, we have no relationship with or interests in the Entity, except that partners and employees of our firm may deal with the Entity on normal terms within the ordinary course of trading activities of the business of the Entity.

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

Key Audit Matters

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

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>
Valuation of Valuation of insurance contract assets and liabilities

As at 30 June 2022 Pinnacle's insurance contract assets and liabilities amounted to NZ$77.5 million and NZ$46.2 million respectively, calculated on the basis of actuarial assumptions and methods as disclosed in note 16 and 25.

Significant management judgement is involved, including assumptions that have been identified as having a high estimation uncertainty include:
• Appropriateness of the key assumptions (including mortality, morbidity and lapse experience) used in the actuarial valuations and allowing for reinsurance, Pinnacle's experience vs. market experience and the potential impact of COVID-19 on insurance contract liabilities;
• Recognition and amortisation of deferred acquisition costs;
• Appropriateness of allowances for discretions and professional judgement; and
• Completeness and accuracy of data used for the valuation models.

This was a key audit matter due to the size of the balance (being 82.3% of total assets and 81.5% of liabilities), and the specific audit and actuarial expertise required to evaluate the judgemental actuarial methodologies and assumptions.
</td><td>
In conjunction with our actuarial specialists our procedures included, but were not limited to:
• assessing the valuation methodology, valuation process and the valuation model to ensure compliance with respect to actuarial standards;
• validating the assumptions used by management and comparing valuation assumptions (discount rates, lapse rates, mortality, morbidity, terminations and expense ratios) to the results of experience studies or other sources of assumptions for reasonableness;
• assessing for reasonableness management's analysis of the change in reserves and analysis of profit;
• assessing management's expense allocation basis, including the allocation to statutory funds and determination of policy liability;
• assessing the mathematical accuracy of key calculations in the actuarial model, and performing sensitivity analysis to assess impact of changes to key assumptions;
• re-performance of reconciliation of actuarial data to source documentation;
• assessing the competency and objectivity of the Appointed Actuary;
• discussions with the Appointed Actuary and Management;
• assessing the appropriateness of key controls in relation to the application of actuarial valuation methodology, selection of key assumptions and the collection and analysis of data;
• assessing the appropriateness of the disclosures in notes 16 and 25 to the financial statements.
</td></tr>
</table>

Other Information

The Board of Directors on behalf of the Entity are responsible for the other information. The other information may include the Chairman and CEO report, Summary Financials, Director Appointments and Statutory Disclosures, but does not include the financial statements and our auditor's report there on.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the

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financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Directors' for the Financial Statements

The Board of Directors of the Entity are responsible on behalf of the Entity for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalent to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS') and for such internal control as the Board of Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

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evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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

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

We have complied with the relevant ethical requirements regarding independence. There are not any relationships or matter that may reasonably be thought to bear on our independence.

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

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stuart Alexander
Partner
Chartered Accountants
Sydney, 22 September 2022

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PINNACLE LIFE LIMITED

DIRECTORY

Company Number:	4187258
NZ Business Number:	9429030397248
Nature of Business:	Life insurer, the underwriting of non-participating, risk based term life insurance including modest additional covers for accident, sickness and disability.
Issued Capital:	9,127,014 Ordinary shares 0 Series A convertible preference shares 0 Series B convertible preference shares 666,667 Series C convertible preference shares
Directors:	Graeme Wayne BOOTH Brenard Jacobus GROBLER Jack Lee PORUS Andrew SPENCER Michael MURPHY (resigned on 31 March 2022) Noel Edmund VAUGHAN (resigned on 31 March 2022)
Registered Office:	27 Gillies Ave Newmarket, Auckland
Website:	www.pinnaclelife.co.nz
Statutory Fund:	Rimu Statutory Fund
Actuary:	Ben Coulter, FIAA, FNZSA
Reinsurer:	Hannover Life Re of Australasia
Bankers:	ASB Bank Limited Bank of New Zealand Limited Westpac New Zealand Limited
Solicitors:	Glaister Ennor
Accountants:	Baker Tilly Staples Rodway Auckland Limited
Auditors:	Deloitte

Gillian Vaughan
Pinnacle Life Limited
PO Box 1471
Auckland 1140

22 September 2022

Appointed actuary's review of actuarial information for Pinnacle Life Limited for the fifteen months ending 30 June 2022

Dear Gillian

This letter has been prepared for Pinnacle Life Limited (Pinnacle Life) to meet the requirements of Section 78 of the Insurance (Prudential Supervision) Act 2010 (the Act) in respect of Section 77 of the Act, which requires that each licensed insurer must ensure that the actuarial information contained in, or used in preparation of, the financial statements of the insurer is reviewed by the appointed actuary.

I have reviewed the following actuarial information to be included in the audited financial statements for Pinnacle Life as at 30 June 2022:

- information relating to Pinnacle Life's calculations of premiums, claims, reserves, dividends, insurance rates and technical provisions;
- information relating to assessments of the probability of uncertain future events occurring and the financial implications for the insurer if those events do occur;
- information specified in the Solvency Standard for Life Insurance Business 2014 (incorporating amendments to November 2018) as being actuarial information for the purposes of section 77 of the Act.

I have been provided with all the information and explanations that I have required to complete my review.

I am the appointed actuary to Pinnacle Life and I am a Partner of PricewaterhouseCoopers New Zealand. I have a relationship with Pinnacle Life as a policyholder, but I am not a shareholder and I do not have any other financial interest in Pinnacle Life.

In my opinion:

- the actuarial information contained in the financial statements has been appropriately included in those statements; and
- the actuarial information used in the preparation of the financial statements has been used appropriately; and
- Pinnacle Life is maintaining a solvency margin as required under Solvency Standard for Life Insurance Business 20142014 (incorporating amendments to November 2018) issued by the

Reserve Bank of New Zealand in respect of its Rimu Statutory Fund, as required by section 21(2)(c), and at a total level, as required by section 21(2)(b).

Reliances and limitations

This letter has been prepared for Pinnacle Life Limited (Pinnacle Life) and is provided in accordance with the terms set out in our engagement letter dated 22 April 2022.

Our responsibilities and liabilities are limited to Pinnacle Life and exist only in the context of their use of our letter. No liability or responsibility will be accepted by us in relation to the use of our letter for any other purpose. We will not accept any liability or responsibility to any third party recipients.

We have relied on information provided to us in the course of carrying out our work. We have carried out data validation and reasonableness checks but we have not verified all of the information provided to us, nor have we carried out anything in the nature of an audit. We have no reason to believe that the information provided to us is inconsistent, incomplete, inaccurate or misleading.

This letter must be read in its entirety. Individual sections of this letter could be misleading if considered in isolation from each other. If distributed, this letter must be distributed in its entirety.

This letter is not considered an actuarial report under Professional Standard 90 of the New Zealand Society of Actuaries.

Yours sincerely
PricewaterhouseCoopers Consulting (New Zealand) LP

Ben Coulter FNZSA
Appointed Actuary, Pinnacle Life Limited