Pacific International Insurance Pty Limited

(Registration Number 169 311 193)

Annual Financial Statements

for the year ended 30 June 2022

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General Information

Country of Incorporation and Domicile	Australia
ACN number	169 311 193
Registration Date	01 August 2014
Nature of Business and Principal Activities	The company is a for profit entity and the principal activities during the financial year were the sale of general insurance policies in Australia and New Zealand.
Directors	Mr Jonathon Michael Broome (Independent Non-Executive Director - Chairman of the Board) Mr Paul William Roberts (Independent Non-Executive Director - Chairman of the Risk Committee) (Appointed 1 July 2021) Mr Roland Covac Lange (Executive Director - CEO) Mr Brad Howard Hogan (Executive Director) Mr Louis Fivas (Independent Non-Executive - Chairman Audit Committee)
Shareholder	Badger Holdings Australia Pty Ltd
Registered Office	Suite 21, Level 1 OTP House 10 Bradford Close Kotara, NSW 2289
Level of Assurance	These financial statements have been audited in compliance with the applicable requirements of the Corporations Act 2001.
Company Secretary	FG Claughton

Directors' Report

The directors present their report, together with the financial statements of the company, being the Australian Company including its New Zealand branch, for the year ended 30 June 2022.

1. Review of financial results and activities

Principal business activities

The company is a for profit entity and the principal activities during the financial year were the sale of general insurance policies in Australia and New Zealand. There were no major changes during the year.

Operating results

The company generated a profit after tax for the year ended 30 June 2022 of $2,179,627 (2021: loss of $1,741,974).

The company's net written premiums increased from $44,116,754 in the prior year to $68,473,512 for the year ended 30 June 2022.

Company cash flows from operating activities increased from an inflow of $4,731,363 in the prior year to an inflow of $19,887,322 for the year ended 30 June 2022.

In addition, the COVID-19 pandemic had a range of effects on the Company’s business and financial performance in the current year. The most significant impact was to the frequency of claims. Due to less travelling the claims frequency and severaty for motor vehicle claims reduced significantly.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Events after reporting date

All events subsequent to the date of the annual financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the company.

4. Authorised and issued share capital

The company issued 4,000,000 ordinary shares on the 31st December 2021, 2,400,000 on the 8th of April 2022, 1,565,000 on the 16th of June 2022 and a further 1,035,000 shares on the 30th June 2022 at the par value of $1 each.

5. Significant matters and affairs during the year

Pacific acquired 100% of the shares in Blue Badger Insurance Australia Pty Ltd “BBIA” during the year. It was then decided to purchase the business operations, including the brand and customer base, from BBIA to make it a direct product of Pacific. Blue Badge declared a dividend to Pacific in anticipation of deregistration since it disposed of all its assets and liabilities as part of the sale of business to Pacific. The investment in subsidiary was thus impaired at year end.

6. Dividend

No dividend was declared or paid to the shareholder during the year.

7. Directors

The directors of the company during the year and up to the date of this report are as follows:
Mr Jonathon Michael Broome (Independent Non-Executive Director - Chairman of the Board)
Mr Paul William Roberts (Independent Non-Executive Director - Chairman of the Risk Committee) (Appointed 1 July 2021)
Mr Roland Covac Lange (Executive Director - CEO)
Mr Brad Howard Hogan (Executive Director)
Mr Louis Fivas (Independent Non-Executive - Chairman Audit Committee)

8. Secretary

The company designated secretary is FG Claughton.

9. Shareholder

There have been no changes in ownership during the current financial year.

The shareholder and its interest at the end of the year is:

	Holding
Badger Holdings Australia Pty Ltd	100.00%

10. Future developments and results

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

11. Environmental matters

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state of territory.

12. Indemnification and insurance of officers and auditors

The Company paid a premium in respect of a contract insuring the Directors of the Company (as named above) against the liability incurred as such a Director to the extent permitted by the Corporations Act 2001.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contract.

13. Auditor's Independence Declaration

The lead auditor's independence declaration in accordance with section 307C of the Corporations Act 2001, for the year ended 30 June 2022 has been received and can be found on page 6 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

JBroome

Mr Jonathon Michael Broome
(Independent Non-Executive Director - Chairman of the Board)

28 September 2022
Date

Mr Roland Covac Lange
(Executive Director - CEO)

28 September 2022
Date

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Pacific International Insurance Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Pacific International Insurance Pty Limited for the financial year ended 30 June 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Andrew Reeves
Partner

Sydney
28 September 2022

Pacific International Insurance Pty Limited

(Registration Number 169 311 193)

Annual Financial Statements for the year ended 30 June 2022

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2022 $	2021 $
Gross written premium	6	143,185,029	54,133,957
Less: Reinsurance premiums ceded and reinsurance paid		(74,711,517)	(10,017,202)
Net written premiums		**68,473,512**	**44,116,755**
Change in provision for unearned premiums		**(16,287,846)**	**(16,072,903)**
Gross amount	23	(42,472,464)	(3,240,029)
Reinsurer's share		26,184,618	(12,832,874)
Net earned premiums		**52,185,666**	**28,043,852**
Commission from reinsurers		22,745,552	7,399,424
Dividends received		4,810,230	14,289
Interest income		159,173	360,338
Other income	7	3,776,212	2,386,463
Net income		**83,676,833**	**38,204,366**
Net claims incurred		**(25,900,789)**	**(15,601,057)**
Gross amount	8	(45,786,228)	(24,508,352)
Reinsurer's share		19,885,439	8,907,295
Acquisition costs	9	(28,039,062)	(6,177,726)
Administration expenses	10	(28,521,638)	(19,027,203)
Finance costs		(73,901)	(50,860)
Profit / (loss) before tax		**1,141,443**	**(2,652,480)**
Income tax credit	12	1,038,184	910,506
Profit / (loss) for the year		**2,179,627**	**(1,741,974)**
Other Comprehensive Income			
Unrealised foreign currency translation difference		(238,859)	(68,461)
Market value adjustment - unrealised equities		(617,983)	215,426
Total comprehensive income / (loss)		**1,322,786**	**(1,595,009)**

Statement of Financial Position

	Notes	2022 $	2021 $
Assets			
Cash and cash equivalents	13	32,148,664	23,937,218
Trade and other receivables	14	27,306,784	20,530,028
Investments	15	23,390,625	5,603,404
Loans to related parties	16	4,210,992	6,484,547
Reinsurance share of insurance liabilities	23	28,954,166	7,452,819
Deferred acquisition costs	18	25,084,122	2,746,879
Property, plant and equipment	19	2,824,149	3,078,240
Right-of-use assets	24	910,229	1,239,373
Intangible assets	20	5,458,220	1,368,127
Deferred tax assets	21	4,127,355	1,494,552
Total assets		**154,415,306**	**73,935,187**
Equity and liabilities			
Liabilities			
Trade and other payables	22	10,121,287	7,062,011
Current tax liabilities	17	1,620,011	-
Insurance liabilities	23	100,576,213	39,504,705
Deferred reinsurance income		4,301,583	912,017
Deferred income		754,193	209,427
Employee benefits		1,620,593	839,407
Lease liabilities	24	962,534	1,271,513
Total liabilities		**119,956,414**	**49,799,080**
Equity			
Issued capital	25	39,436,944	30,436,944
Accumulated loss		(4,247,798)	(6,427,425)
Other non-distributable reserves		(730,254)	126,588
Total equity		**34,458,892**	**24,136,107**
Total equity and liabilities		**154,415,306**	**73,935,187**

Statement of Changes in Equity

	Issued capital $	Foreign currency translation reserve $	Market value adjustment - unrealised equities	Accumulated loss $	Total $
Balance at 1 July 2020	25,436,944	(20,377)	-	(4,685,450)	20,731,117
Changes in equity					
Loss for the year	-	-	-	(1,741,975)	(1,741,975)
Other comprehensive income	-	(68,461)	215,426	-	146,965
Total comprehensive income for the year	-	(68,461)	215,426	(1,741,975)	(1,595,010)
Issue of equity	5,000,000	-	-	-	5,000,000
Balance at 30 June 2021	**30,436,944**	**(88,838)**	**215,426**	**(6,427,425)**	**24,136,107**
Balance at 1 July 2021	30,436,944	(88,838)	215,426	(6,427,425)	24,136,107
Changes in equity					
Profit for the year	-	-	-	2,179,627	2,179,627
Other comprehensive income	-	(238,859)	(617,983)	-	(856,842)
Total comprehensive income for the year	-	(238,859)	(617,983)	2,179,627	1,322,785
Issue of equity	9,000,000	-	-	-	9,000,000
Balance at 30 June 2022	**39,436,944**	**(327,697)**	**(402,557)**	**(4,247,798)**	**34,458,892**
Notes	**25**				

Statement of Cash Flows

	Notes	2022 $	2021 $
Net cash flows from operations	30	**14,991,820**	**4,407,597**
Dividends received		4,810,230	14,289
Interest paid		(73,901)	(50,860)
Interest received		159,173	360,338
Net cash flows from operating activities		**19,887,322**	**4,731,363**
Cash flows (used in) / from investing activities			
Proceeds from sales of property, plant and equipment		22,238	10,519
Purchase of property, plant and equipment		(57,747)	(486,877)
Proceeds from sales of intangible assets		137,700	-
Purchase of intangible assets		(4,796,734)	(390,924)
Purchase of right of use assets		(158,684)	(1,577,674)
(Increase) / decrease in investments		(17,787,220)	7,621,528
(Increase) / decrease in loans to related parties		2,273,555	(1,930,842)
Cash flows (used in) / from investing activities		**(20,366,892)**	**3,245,730**
Cash flows from financing activities			
Proceeds from issuing shares		9,000,000	5,000,000
Increase in lease liabilities		(308,978)	1,271,513
Cash flows from financing activities		**8,691,022**	**6,271,513**
Net increase in cash and cash equivalents		**8,211,447**	**14,248,608**
Cash and cash equivalents at beginning of the year		23,937,218	9,688,609
Cash and cash equivalents at end of the year	**13**	**32,148,665**	**23,937,217**

Accounting Policies

1. General information

Pacific International Insurance Pty Limited ('the company') is a for profit entity and the principal activities during the financial year were the sale of general insurance policies in Australia and New Zealand.

The company is incorporated as a Public company and domiciled in Australia. The address of its registered office is Suite 21, Level 1, OTP House, 10 Bradford Close, Kotara, NSW, 2289.

2. Basis of preparation and summary of significant accounting policies

Statement of compliance

In the opinion of the directors, the Company is not publicly accountable. The financial statement is a general purpose financial statement which has been prepared in accordance with Australian Accounting Standards – Simplified Disclosures, and interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

These financial statements are the first general purpose financial statements prepared in accordance with Australian Accounting Standards – Simplified Disclosures. In the prior year the financial statements were general purpose financial statements prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements. There was no impact on the recognition and measurement of amounts recognised in the statements of financial position, profit and loss and other comprehensive income and cash flows of the Company as a result of the change in the basis of preparation.

The financial statements are only prepared for the Company as a single entity in accordance with the exemption provided by AASB10 Consolidated Financial Statements based on the following conditions:

- it is a wholly-owned subsidiary of Badger Holdings Australia Pty Ltd, its immediate holding company; and
- its immediate holding company, prepared consolidated financial statements and comply with International Financial Reporting Standards.

Basis of preparation

The financial statements have been prepared on the basis of historical cost principles, as modified by certain exceptions noted in the financial report, with the principal exceptions being the measurement of all investments and derivatives at fair value and the measurement of the outstanding claims liability and related reinsurance and other recoveries at present value.

The balance sheet is prepared with the assets and liabilities presented broadly in order of liquidity. The assets and liabilities comprise both current amounts (expected to be recovered or settled within 12 months after the reporting date) and non-current amounts (expected to be recovered or settled more than 12 months after the reporting date).

The presentation currency used for the preparation of this financial report is Australian dollars, which is the functional currency of the Company. Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated into Australian dollars using the reporting date exchange rates. Resulting exchange differences are recognised in profit and loss.

Accounting Policies

2.1 Basis of measurement

The financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

2.2 Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria have been met for each of the Company's activities as described below.

Gross earned premium

Direct premium revenue comprises amounts charged to policy holders. The earned portion of premiums, including unclosed business, is recognised as income. Premium is earned from the date of attachment of the risk, over the contract period based on the pattern of the risks underwritten.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Other income

Other income arises from revenue generated through the training division in the New Zealand Branch. Training is provided to students over a three year period and quarterly assessments are performed by an external assessor for competency appraisal. Revenue is recognised as the performance obligation is fulfilled, which is over the contract period on a monthly straight line basis.

2.3 Reinsurance

Reinsurance are amounts paid to reinsurers and are recorded as a reinsurance expense and are recognised in the statement profit or loss and other comprehensive income.

Reinsurance and other recoveries on paid claims, reported claims not yet paid, claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) are recognised as revenue.

2.4 Expenses

Claims expense

Claims expense represents payments made on claims and the movement in the outstanding claims liability as described in note 3(l). Current year claims relate to loss events that occurred during the current financial year. Prior year claims represent the movement on estimates held for claims that occurred in all previous financial periods.

Policy acquisition expenses

Acquisition costs (which include commission expense) are the costs associated with obtaining and recording insurance contracts. Acquisition costs are capitalised when they relate to the acquisition of new business or the renewal of existing business and are amortised on the same basis as the earning pattern of the premium, over the period of the insurance contract to which they relate.

Other operating expenses

Other operating expenses are all other expenses incurred in the operation of the Company.

2.5 Income tax and deferred tax

The income tax expense or benefit for the year is the taxation payable on the current year's taxable income adjusted for any non-deductible items on assessable taxable income. The income tax expense or benefit also includes changes in deferred tax assets or liabilities.

Deferred income tax is provided in full and is recognised on temporary differences between the tax bases of assets and liabilities and their carrying values in the financial statements.

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

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by reporting date, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

2.6 Goods and services tax (GST)

All balances are presented net of goods and services tax (GST), except for receivables and payable which are presented inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

2.7 Cash and cash equivalents

Cash comprises cash in bank and on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

2.8 Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and impairment losses.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent additions

Additions to property, plant and equipment are capitalised if it is probable that the future economic benefits will flow to the Company and the cost of these can be measured reliably. All other costs are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income in the period the cost has been incurred.

Depreciation

Depreciation is charged over the estimated useful lives of the plant, property and equipment in the Statement of Profit or Loss and Other Comprehensive Income.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Measurement base	Depreciation rate
Furniture, Fixtures and Fittings		
Australia	Diminishing value basis	11% - 60%
New Zealand	Diminishing value basis	11% - 60%
Leasehold improvements		
Australia	Cost basis	10%
New Zealand	Diminishing value basis	30%
Motor vehicles		
Australia	Cost basis	25%
New Zealand	Diminishing value basis	30% - 36%
Computers		
Australia	Cost basis	25% - 33%
New Zealand	Diminishing value basis	48% - 60%
Buildings		
Australia	Cost basis	2.50%

Office equipment		
Australia	Cost basis	25%
New Zealand	Diminishing value basis	11.40% - 67%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

2.9 Intangible assets

Intangible assets is carried at cost, less accumulated amortisation and impairment losses.

The amortisation rates used for each class of intangible asset are shown below:

Intangible asset class	Measurement base	Amortisation rate
Underwriting rights	Finite life	25%
Blue Badge brand & customer list	Finite life	25%
Computer software	Finite life	25% - 33%
PD Insurance domain	Finite life	25%

2.10 Non derivative financial instruments

Non derivative financial instruments comprise investments, trade and other receivables, related party receivables, loans to other related parties, cash and cash equivalents and related party payables. Non derivative financial assets except for investments are classified as loans and receivables.

Investments are initially recognised at fair value with the transaction costs being expensed in the statement of profit or loss and other comprehensive income. Subsequent to initial recognition investments are valued at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income. Interest income is recognised in the statement of profit or loss and other comprehensive income as earned.

Other non derivative financial instruments are recognised initially at fair value plus any attributable transactions costs. Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised costs using the effective interest method, less any impairment losses.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Asset-backed securities are instruments whose cash flow is based on the cash flows of the pool of underlying assets managed separately.

2.11 Premium receivables

Premium receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, insurance receivables are measured at cost less any impairment.

2.12 Impairment

The carrying amounts of the Company's assets, property, plant and equipment, intangible assets and financial assets are reviewed at each balance date to determine if there is any indication of impairment. If any such impairment exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

2.13 Outstanding claims liability

Outstanding claims liabilities are recognised when contracts are entered into and loss events have occurred and are based on the estimated ultimate cost of the claims incurred but not settled at the year-end date, together with related claims handling costs and reduction for the expected value of salvage and reinsurance recoveries.

A central estimate is made of the present value of claims reported but not paid and incurred but not enough reported. A risk margin is added to this central estimate to allow for the inherent uncertainty in the central estimate.

Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these claims cannot be known with certainty at the balance date. The liability is calculated at the reporting date using projection techniques based on historical data, trends and current assumptions. The liability is discounted for the time value of money, where material using the risk free government stock rate. Changes in claims that have occurred, but which have not been settled, are reflected by adjusting the liability. The liability is derecognised when the claim is discharged or withdrawn.

The Company’s insurance portfolio has experienced several impacts as a result of COVID-19. There is a risk that the associated economic factors could be more severe than estimated and, as a result, the development of the claims over time could result in the ultimate cost of those claims being higher than the current outstanding claims liability established. The impact of COVID-19 on claims experience is expected to materially differ between classes of business and, for certain classes, potentially impact across more than one accident year.

The motor portfolio has been impacted through favourable claim frequency as a result of mobility restrictions introduced in March 2020 to slow the spread of COVID-19. In respect of other classes of business, where the effect of COVID-19 on insurance liabilities is quantifiable and reflected in the data, the impact has been appropriately captured within the outstanding claims liability.

2.14 Deferred acquisition costs

Acquisition costs incurred in obtaining and recording insurance contracts are deferred in recognition when they represent future benefits. Deferred acquisition costs are only recognised if they can be reliably measured and are expected to give rise to future benefits. Deferred acquisition costs are amortised over the expected pattern of the incidence of risk under the insurance contract.

2.15 Unearned premium reserve and liability adequacy testing

The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income.

A liability adequacy test is performed to assess whether there are any deficiencies in the unearned premium reserve due to expected future claims. The amount of these expected future claims is estimated using the present value of future claims and expenses plus an additional risk margin to reflect the inherent uncertainty in those cash flows. This is compared to the unearned premium reserve and deferred acquisition costs. Any deficiency is recognised in the Statement of Profit or Loss and Other Comprehensive Income by writing down any deferred acquisition costs first with the remaining amount recognised in the Statement of Financial Position as an unexpired risk liability.

The liability adequacy test is performed at the level of portfolio contracts that are subject to broadly similar risks and are managed together as a single portfolio. No deficiency was recognised in 2022, 2021, 2020 or 2019.

2.16 Employee benefits

Provision is made for the Company’s liability for employee benefits arising from services rendered by employees to the balance date. Employee benefits that are expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave which will be settled in one year, have been measured reliably at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the Company to an employee superannuation fund and are charged as expenses when employees have rendered service entitling them to the contributions.

2.17 Insurance risk and sensitivity

The Company has insurance contracts which transfer insurance risk from the policy holder to the Company. The insurance risk taken on by the Company is the possibility that an insured event occurs, when that event will occur and the uncertainty surrounding the amount of any resulting claim. These risks are unpredictable. The Company has estimated in these financial statements the likely amounts which are expected to be paid out both with respect to claims incurred and expected future claims. The Company takes a conservative approach to this estimation process. The Company is however still at risk that the carrying amounts of insurance liabilities and assets recognised in the financial statements will be exceeded by the amount of the actual claim. This could occur when there are more claims than expected or where a claim is greater than the severity expected.

The Company's objective is to minimise this insurance risk to within acceptable levels through the policies which manage its insurance risk. The Company's policies to manage this risk include the diversification of risk and a reinsurance programme. The Company has developed an underwriting strategy which diversifies the types of insurance contracts written. Within each type of insurance written the Company's policy is to ensure that there is a sufficient volume of contracts to reduce the variability in the expected outcome. The Company also cedes reinsurance. The reinsurance programme is an excess of loss and quota share arrangement whereby cover is provided on the basis of claims notified on policies issued or renewed during the period of cover.

The profit or loss is sensitive to changes in any variables. The key assumption in determining the Incurred But Not Enough Reported (IBNER) claims is the future loss ratio and the Statement of Profit or Loss and Other Comprehensive Income is sensitive to this variable (refer to Note 23.6 - Sensitivity analysis).

2.18 Asset backing of policy liabilities

The assets backing general reinsurance and direct insurance liabilities are those assets required to cover the technical insurance liabilities (outstanding claims and unearned premium) plus an allowance for solvency.

2.19 Investments

The Company values financial assets and any assets backing insurance activities at fair value with any resultant unrealised profits and losses recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The valuation methodology of assets valued at fair value are summarised below:

- Cash assets and bank overdrafts are carried at face value of the amounts deposited or drawn.
- Fixed interest securities are initially recognised at cost on the date the Company commits to purchase the investment. The subsequent fair value is taken as the quoted price of the investment.

The fair value of financial instruments classified as fair value through profit or loss is their quoted bid price at the reporting date. Purchases and sales are accounted for on the date of settlement, and any realised net gains or losses upon sale are recognised in the Statement of Profit or Loss and Other Comprehensive Income excluding any interest or dividend income.

The Company's investments are designated at fair value through other comprehensive income or loss, and for the vast majority of the investments, the fair value is determined based on observable market data. This measurement basis has not changed as a result of COVID-19.

2.2 Foreign currency transactions

Transactions in foreign currency that are settled in the accounting period are translated at the settlement rate. Transactions in foreign currency that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the balance sheet date, are translated to Australian Dollars at the foreign exchange rate ruling at that date. These foreign exchange differences arise from a foreign operation in New Zealand, when settled subsequent to balance date, are recognised in other comprehensive income.

2.20 Coronavirus (COVID-19) pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these financial statements. The Company has developed various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2022 about future events that the Directors believe are reasonable in the circumstances.

There is a considerable degree of judgement involved in preparing these forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Company. Accordingly, actual economic conditions may be different from those forecast since anticipated events may not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements. The significant accounting estimates particularly impacted by these associated uncertainties are predominantly related to the valuation of the outstanding claims liability, recoverable amount assessments of non-financial assets, fair value measurement of investments and expected credit losses for both non insurance and insurance-related receivables.

The impact of the COVID-19 pandemic on each of these accounting estimates is discussed further below. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

2.21 New and amended Accounting Standards adopted by the Company

The Company has initially adopted the following Accounting Standards and amendments from 1 July 2021:

AASB 1060	General Purpose Financial Statements - Simplified Disclosures for For-profit and Not-for-profit Tier 2 Entities
AASB 2020-2	Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-profit Private Sector Entities.

The above standard and amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current future periods.

A number of other new standards are also effective from 1 July 2021 but they do not have a material effect on the Company's financial statements.

2.22 New Accounting Standards and Interpretations for application in future periods

As at the date of this financial report, there are a number of new and revised accounting standards published by the Australian Accounting Standards Board for which the mandatory application dates fall after the end of this current reporting year.

None of these standards have been early adopted and applied in the current reporting year.

Title	Description	Operative Date	Note
AASB 17	Insurance Contracts	1 January 2023	B
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	A
AASB 2021-5	Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	C

TABLE NOTE

(A) These changes are not expected to have a significant financial and disclosure impact.

The Australian Accounting Standards and amendments detailed in the table above are not mandatory for the Company until the operative dates stated, however, early adoption is permitted. The Company currently plans to apply the standards and amendments detailed above for the reporting periods beginning on or after the operative dates set out above.

(B) AASB 17 Insurance Contracts

AASB 17, the new accounting standard for insurance contracts, was adopted by the Australian Accounting Standards Board on 19 July 2017 subsequent to being issued by the IASB on 18 May 2017. Since the standard was issued, various implementation matters have been raised by stakeholders and the IASB has considered these concerns and suggested targeted amendments to the standard. One of the changes to the standard, in addition to several others, is an agreed effective date for periods beginning 1 January 2023, with early adoption permitted. The first applicable reporting period will be for the year ending 30 June 2024.

The first applicable reporting period for the Company is expected to be the year ending 30 June 2024. The standard introduces a new general measurement model for accounting for insurance contracts, with the application of a simplified approach (similar to AASB 1023) permitted in certain circumstances.

Accounting Policies

The Company has completed an impact assessment of the new standard and has determined that the Company is expected to be eligible to apply the simplified approach to the insurance contracts issued by the Company (based on the current portfolio mix). It is expected that there will be a number of changes in presentation of the financial statements and disclosures.

Given the complexity and differing interpretations around key requirements of the standard, the final impact of certain requirements may not be determined until global interpretations and regulatory responses to the new standard are finalised.

(C) These changes are not expected to have a significant financial impact, but will result in an additional disclosure.

AASB 2021-5 (target amendments to AASB 112 Income taxes)

The Australian Accounting Standards Board have adopted targeted amendments in AASB 112 as issued by the IASB in IAS 12 with an effective date of 1 January 2023 with comparatives adjusted.

The targeted amendments clarify how companies should account for deferred tax on certain transactions, which has an impact for the Company with regards to how the deferred tax associated with leases should be treated on initial recognition. The targeted amendments require that the deferred tax impacts are recognised at the same point as the initial recognition of the right-of-use asset and lease liability of the lease under AASB 16. Whilst the financial impact is not expected to be significant there will be additional disclosures of the deferred tax impact on initial recognition of a lease.

AASB 9 Financial Instruments

AASB 9 Financial Instruments (AASB 9) applies to annual reporting periods beginning on or after 1 January 2018. The Company is allowed to apply the temporary exemption from AASB 9 as it has not previously adopted any version of AASB 9 and its activities are predominantly connected with insurance, as prescribed by AASB 4 Insurance Contracts (i.e. at 31 December 2015, the carrying amount of the Company's insurance liabilities was significant compared to the total carrying amount of all its liabilities and the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities was greater than 90 per cent). The Company, having met the relevant criteria, has deferred the adoption of AASB 9. The Company's investments consist of term deposits and are currently held at amortised cost as they are investments that are considered to be held-to-maturity. The adoption of AASB 9 is unlikely to result in any change to classification of the investments as they will continue to meet the classification criteria for amortised cost.

The following additional disclosure, required by AASB 9 for eligible insurers, presents the fair value and the change in the fair value of the Company's financial assets as at 30 June 2022, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (Non-SPPI):

	Fair value	Changes in fair value
Short-term investments	84,493,455	-

Trade and other receivables are financial assets which are in the scope of AASB 9 and are SPPI assets. These assets amounted to $31,517,776 at 30 June 2022. These assets are measured at their present value less any impairment loss for any doubtful debts which approximates fair value.

The following additional disclosure, required by AASB 9 for eligible insurers, presents the credit risk ratings of SPPI financial assets at 30 June 2021:

Accounting Policies

Financial assets	Credit risk	Fair value	Changes in fair value
AA+ to A+	Low	84,493,455	-
Unrated	Low	31,517,776	-
		116,011,231	**-**

Reinsurance receivables at 30 June 2022 have the following credit risk rating: AA+ to A+ with moderate credit risk $28,954,166 (2021: $7,452,819).

3. Critical accounting estimates and judgements

The preparation of the financial statements in conformity with Australian Accounting Standards requires management to make judgements and estimates with respect to assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Outstanding claims liability

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

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

Long-tail classes of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNER reserves. Short-tail claims are typically reported soon after the claim event, and hence, estimates are more certain.

In calculating the estimated cost of unpaid claims, the Company uses a variety of estimation techniques, generally based upon statistical analysis of historical and industry experience that assumes that the development pattern of the current claims will be consistent with past experience and/or general industry benchmarks as appropriate. Allowance is made, however, for changes or uncertainties that may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims. The ultimate net outstanding claims provision also includes an additional risk margin to allow for the uncertainty within the estimation process.

4. Financial Risk Management policies and procedures

The Company's operations are exposed to a number of key risks including financial and insurance risk. The Company's policies and procedures in managing these risks are set out below.

The Company's financial condition and operating activities are affected by the following core risks - strategic, balance sheet and market, interest, credit, liquidity, solvency, counterparty, insurance, concentration, operational and governance risk.

Risk Management roles and responsibilities

The Board has the responsibility for setting and maintaining an appropriate risk management framework, which is included in the "Group Risk Management Strategy" and risk appetite for the Company. Management has implemented risk management policies, procedures and controls to manage the risk and regularly reports to the Board Audit Committee and the Board on the current status of the risk management framework.

The key risks addressed by the risk management framework include:

Strategic risk - the risk of internal or external events impacting on the Company leading to failed business, policy holder or shareholder objectives.

Balance sheet and Market risk - the risk arises from adverse movements in; interest rates, foreign exchange rates and general market volatilities and its impact on the market value of the company's assets and liabilities.

Interest rate risk - The risk of loss of current and future earnings and unfavourable movements in the value of interest bearing assets and liabilities from changes in interest rates.

Liquidity risk - the risk that the Company will not be able to meet its cash flow requirements in the future. Liquidity risk arises from the requirement to settle claim payments and other financial obligations in the timely manner.

Solvency Risk - the risk that the Company has insufficient capital to meet its regulatory requirements or to maintain its ongoing business operations.

Counterparty Risk - the risk that one party to a financial instrument will cause a financial loss to the Company.

Credit Risk - rises from receivables due from policy owners, the placement of reinsurance and investments in financial instruments.

Insurance risk - The risk associated with inadequate underwriting guidelines or claims processes including the risks that arises through the groups reinsurance arrangements.

Asset / Counterparty Concentration Risk - risk of loss to the Company from large exposures to one or a few counterparties that a significant holding or commitment to the company.

Insurance Concentration risk - The amalgamation of insurance risks held by the Company to a particular insured, industry or potential event or events.

Concentration risk - the amalgamation of risks held by the Company to a particular counterparty, geographic region or industry.

Operational risk - the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events.

Governance Risks - the risk of loss to the Company from ineffective control or oversight of its operations at management and board level leading to inadequate decision making processes.

Accounting Policies

Contagion risk - The risk arising from the failure or inability of a related party to provide services as required by the Company.

The objectives for managing insurance risk

The Company's policies and procedures, processes and controls are designed to manage risk. These systems address all material risks, financial and non-financial likely to be faced by the Company. The Board, aided by the Board Risk Committee and the Board Audit Committee, directs and monitors implementation, practice and performance throughout the organisation. The Company has adopted the AS/NZS ISO 31000:2009 Standard Approach to Risk Management.

The process involves establishing the context of the risk and risk assessment through:

- Risk identification
- Risk analysis
- Risk evaluation
- Risk treatment
- Monitoring and review
- Communication and consultation

Key processes and controls used to mitigate any identified risks are:

- Established policies, procedures and controls around the acceptance, underwriting and pricing of insurance risks;
- Maintenance and use of computer systems to provide up to date and reliable information on the risks that the Company is exposed to;
- Use of reinsurance to preserve the Company's capital by reducing the Company's exposure to the costs of large claims;
- Processes around the development and approval of new product proposal with approval required from the Board of Directors;
- Investment that ensures that the Company's funds are invested with secure financial institutions;
- Use of an independent internal auditor, reporting to the Board Audit Committee to review compliance with Board approved policies; and
- Board appointed external actuarial involved on both the pricing of new products and the establishment of claims reserves.

Terms and conditions of insurance policies

The terms and conditions attaching to insurance policies affect the level of risk accepted by the company. There are no special terms and conditions in any non standard contracts that have a material impact on the financial statements.

Concentration of risk

The Company's exposure to concentrations of insurance risk is mitigated by diverse geographical locations of the risks underwritten. The reinsurance policies purchased minimise the exposure of the Company to large claims losses.

Credit risk

Credit risk is the risk that one party to a financial instrument or contract will cause financial loss to the other party by failing to discharge an obligation.

The key sources of credit risk are premiums receivables and investments in financial instruments.

Accounting Policies

5. Financial Instruments

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Credit risk

The Company's credit risk arises predominantly from investment activities, reinsurance activities, premium debtors and dealings with other intermediaries. The significant concentrations of credit risk are outlined below.

	2022	2021
Financial Assets		
Cash and cash equivalents	32,148,664	23,937,218
Investments	23,390,625	5,603,404
	55,539,288	**29,540,622**
Loans and receivables		
Trade and other receivables	27,306,784	20,530,028
Related party receivables	4,210,992	6,484,547
Reinsurance and other recoveries	28,954,166	7,452,819
	60,471,942	**34,467,394**
Total financial assets	**116,011,230**	**64,008,016**

Pacific International Insurance Pty Limited received a financial strength rating of B++ (Good) from the USA rating agency A.M. Best on the 11th of February 2022. The credit rating is an indication of the Company's current and future claims paying ability (Refer to Note 23.8 - Liability Adequacy Test).

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

	2022	2021
Credit exposure by credit rating		
AA to A-	84,493,455	36,993,441
Unrated	31,517,776	27,014,575
Total	**116,011,231**	**64,008,016**
Financial liabilities		
Trade and other payables	10,121,287	7,062,011
	10,121,287	**7,062,011**
Total financial liabilities	**10,121,287**	**7,062,011**

Accounting Policies

Liquidity risk

The maturity table, based on the expected cash flows is presented below for the purposes of disclosing the cash flows that are actually expected to occur over the life of the Company's financial assets and liabilities.

	At call		1 year or less		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Financial Assets						
Cash and cash equivalents	32,148,664	23,937,218	-	-	32,148,664	23,937,218
Investments	-	-	23,390,625	5,603,404	23,390,625	5,603,404
	32,148,664	**23,937,218**	**23,390,625**	**5,603,404**	**55,539,288**	**29,540,622**
Loans and receivables						
Trade and other receivables	-	-	27,306,784	20,530,028	27,306,784	20,530,028
Related party receivables	-	-	4,210,992	6,484,547	4,210,992	6,484,547
Reinsurance and other recoveries	-	-	28,954,166	7,452,819	28,954,166	7,452,819
	-	**-**	**60,471,942**	**34,467,394**	**60,471,942**	**34,467,394**
Total financial assets	**32,148,664**	**23,937,218**	**83,862,566**	**40,070,798**	**116,011,231**	**64,008,016**
Financial liabilities						
Trade and other payables	-	-	10,121,287	7,062,011	10,121,287	7,062,011
Related party payables	-	-	-	-	-	-
Loan payable	-	-	-	-	-	-
	-	**-**	**10,121,287**	**7,062,011**	**10,121,287**	**7,062,011**
Total financial liabilities	**-**	**-**	**10,121,287**	**7,062,011**	**10,121,287**	**7,062,011**

Interest rate risk and sensitivity analysis on foreign exchange and interest

Cash, related party loans and interest bearing liabilities are held at fair value through profit or loss and subject to fixed interest rates. Related party receivables and payables are non-interest bearing. Other trade receivables and payables are also non-interest bearing.

Notes to the Annual Financial Statements

	2022 $	2021 $
6. Gross written premium		
Gross written premium comprises:		
Motor	34,336,970	32,905,961
Professional Indemnity	12,022,553	9,510,565
Liability and Warranty	5,168,652	1,956,605
Industrial Specialised Risk	3,154,812	6,410,180
Home content	470,640	705,962
Pet Insurance	4,770,011	780,669
Travel	66,797,263	1,864,015
Consumer credit	16,464,128	-
Total revenue	**143,185,029**	**54,133,957**
7. Other income		
Admin fees received from related parties	-	464,346
COVID cash flow relief	-	50,000
Insurance licence fee	3,154,717	1,493,678
Rent received	11,314	22,114
Other income	482,495	160,805
Training income (New Zealand Branch)	127,686	195,520
Total other income	**3,776,212**	**2,386,463**
8. Claims expense		
Claims paid	24,369,899	18,313,870
Claims estimate (decrease) / increase	4,410,981	1,088,452
IBNR movement	14,201,439	3,046,338
Claims handling expense	2,803,909	2,059,692
	45,786,228	**24,508,352**
9. Acquisition costs		
Commission	25,935,370	4,483,070
Referral fees	2,103,692	1,694,656
	28,039,062	**6,177,726**

Notes to the Annual Financial Statements

10. Administration expenses

Administration expenses comprise:

		2022 $	2021 $
Admin and management fees paid to related parties		2,685,704	1,635,211
Amortisation		568,940	538,190
Auditors remuneration	11	221,758	217,275
Bank charges		463,244	444,080
Consulting and legal fees		832,751	907,306
Depreciation		777,429	582,399
Donations		24,546	12,661
Employee benefit expenses		7,625,843	7,157,787
Impairment of investment in Blue Badge Pty Ltd	15	4,624,260	-
Insurance		242,082	155,511
Insurance regulator levies		27,082	27,968
Marketing		5,585,233	3,876,543
Other expenses		2,948,456	2,406,420
Printing and stationery		38,939	45,968
Profit share		738,834	47,906
Reinsurance broker fees		647,024	414,358
Rental of premises		28,534	124,452
Repairs and maintenance		25,353	26,943
Staff training		30,156	62,547
Telephone and internet		249,054	199,572
Training fees		18,510	36,971
Travel costs		117,907	107,135
Total other expenses		**28,521,638**	**19,027,203**

11. Auditors remuneration

	2022 $	2021 $
Audit services - KPMG	**221,758**	**217,275**

12. Income tax (credit)

12.1 Income tax recognised in profit or loss:

	2022 $	2021 $
Current tax		
Current year	1,622,870	(58,555)
Deferred tax		
Deferred tax	(2,661,054)	(851,951)
Total income tax credit	**(1,038,184)**	**(910,506)**

Notes to the Annual Financial Statements

12.2 The income tax for the year can be reconciled to the accounting profit / (loss) as follows:

	2022 $	2021 $
Profit / (loss) before tax from operations	1,141,443	(2,652,479)
Prima facie (tax benefit) / tax on profit / (loss) from ordinary activities before income tax at 30% AU, 28% NZ	(1,029,539)	(906,515)
Tax effect of		
- Cash flow boost	-	(15,000)
- Change in tax rate	-	105,922
- Entertainment (non-deductable)	-	1,257
- Franking credits (amounts derived from tax credits rebates	-	1,730
- Non-refundable carry forward tax offsets	-	(5,768)
- Correction of prior year income tax provision	(8,645)	-
- Prior year expense not accounted via profit or loss	-	13,790
- Tax losses deducted	-	(105,922)
Tax charge	**(1,038,184)**	**(910,506)**

13. Cash and cash equivalents

	2022 $	2021 $
Cash		
Cash on hand	130	130
Balances with banks	32,148,534	23,937,088
	32,148,664	**23,937,218**

14. Trade and other receivables

Trade and other receivables comprise:

	2022 $	2021 $
Trade receivables	26,565,038	19,978,953
Sundry debtors	8,004	-
Prepaid expenses	315,464	543,946
Interest accrual	46,020	7,129
Claims float receivable	372,258	-
Total trade and other receivables	**27,306,784**	**20,530,028**

Notes to the Annual Financial Statements

15. Investments

15.1 Investments comprise the following balances

	2022 $	2021 $
Bank and cash		
Term deposits at banks	14,900,321	2,888,019
	14,900,321	2,888,019
Listed shares		
Listed shares in National Australia Bank	547,252	257,349
Listed shares in Commonwealth Bank Of Australia	286,615	314,544
Listed shares in Westpac Banking Corporation	434,285	278,490
Listed shares in Australia and New Zealand ANZ Bank Group	422,954	268,692
Listed shares in Betashare ETF's - Dividend and Property index	461,879	517,669
Listed shares in Vanguard Investment ETF's - Dividend and Property index	956,156	1,078,641
Listed shares in ANZ Preference Shares - PI	226,062	-
Listed shares in Auckland International Airport NPV - AIA	40,565	-
Listed shares in Goodman Group NPV - GMG	414,780	-
Listed shares in CBA Preference Shares	152,407	-
	3,942,955	2,715,385
Bonds		
Listed shares in ANZ Floating Bond - AU3FN0068763	2,250,521	-
Listed shares in ANZ Fixed Bond - AU3CB0289221	2,262,050	-
	4,512,571	-
Unlisted shares		
Unlisted shares in Blue Badge International Australia Pty Ltd	34,777	-
	34,777	-
	23,390,625	**5,603,404**

The term deposits at the banks bear interest rates that range between 0.25% p.a. and 0.50% p.a. and have terms from 10 months to 12 months.

15.2 Movements in impairment of investments are as follows:

	2022 $	2021 $
Unlisted shares in Blue Badge International Australia Pty Ltd		
Unlisted shares acquired	4,659,038	-
Impairment raised	(4,624,260)	-
At the end of the year	**34,777**	**-**

Notes to the Annual Financial Statements

16. Loans to related parties

Loans to related parties comprise the following balances

	2022 $	2021 $
Badger Australia Holdings Pty Ltd	2,220,862	4,519,276
Badger Australia Holdings Pty Ltd tax consolidated entries	1,965,130	1,965,130
Blue Badge Insurance Australia Pty Ltd	25,000	-
The Hogan Family NZ Trust	-	141
	4,210,992	**6,484,547**

Blue Badge Insurance Australia Pty Ltd and The Hogan Family Trust are interest free and are payable on demand.

The loan to Badger Australia Holdings Pty Ltd carried interest at 5% during the previous financial year. The interest rate was adjusted to 1.65% from the 1st of July 2021. Interest is payable on a monthly basis. The capital is payable after five years in June 2026.

17. Current tax assets and liabilities

	2022 $	2021 $
Balance at the beginning of the year	-	22,207
Income tax provision for the year	(1,620,011)	-
Tax refund received	-	(22,207)
Total tax asset per the statement of financial position	**(1,620,011)**	**-**

18. Deferred acquisition costs

	2022 $	2021 $
At the beginning of the year	2,746,879	2,650,873
Amortisation charged to income	(28,039,062)	(6,177,726)
Acquisition costs deferred	50,376,305	6,273,732
Net book value at the end of the year	**25,084,122**	**2,746,879**

19. Property, plant and equipment

Balances at year end and movements for the year

	Buildings $	Leasehold improvements $	Motor vehicles $	Fixtures and fittings $	Office equipment $	Computer equipment $	Total $
Reconciliation for the year ended 30 June 2022							
Balance at 1 July 2021							
At cost	2,234,706	383,367	141,947	311,011	134,311	360,188	**3,565,529**
Accumulated depreciation	(88,457)	(66,619)	(47,398)	(43,367)	(53,373)	(188,076)	**(487,289)**
Net book value	**2,146,249**	**316,748**	**94,550**	**267,644**	**80,938**	**172,112**	**3,078,240**
Movements for the year ended 30 June 2022							
Additions from acquisitions	-	8,137	-	9,844	467	39,299	**57,747**
Depreciation	(55,868)	(50,355)	(27,371)	(31,218)	(27,191)	(97,598)	**(289,601)**
Disposals	-	-	(21,210)	-	-	(1,028)	**(22,238)**
Property, plant and equipment at the end of the year	**2,090,381**	**274,530**	**45,969**	**246,270**	**54,214**	**112,785**	**2,824,148**
Closing balance at 30 June 2022							
At cost	2,234,706	391,176	120,582	320,654	133,962	395,817	**3,596,897**
Accumulated depreciation	(144,325)	(116,646)	(74,614)	(74,383)	(79,748)	(283,032)	**(772,748)**
Net book value	**2,090,381**	**274,530**	**45,968**	**246,271**	**54,214**	**112,785**	**2,824,149**

Notes to the Annual Financial Statements

Reconciliation for the year ended 30 June 2021	Buildings $	Leasehold improvements $	Motor vehicles $	Fixtures and fittings $	Office equipment $	Computer equipment $	Total $
Balance at 1 July 2020							
At cost	2,234,706	277,310	68,195	199,970	75,260	237,221	**3,092,662**
Accumulated depreciation	(32,589)	(28,013)	(34,142)	(19,566)	(33,269)	(100,416)	**(247,996)**
Net book value	**2,202,117**	**249,297**	**34,053**	**180,404**	**41,991**	**136,805**	**2,844,667**
Movements for the year ended 30 June 2021							
Additions from acquisitions	-	105,030	73,829	122,470	62,643	122,905	**486,877**
Depreciation	(55,868)	(37,579)	(13,243)	(26,062)	(22,434)	(87,598)	**(242,784)**
Disposals	-	-	(90)	(9,168)	(1,261)	-	**(10,519)**
Property, plant and equipment at the end of the year	**2,146,249**	**316,748**	**94,550**	**267,644**	**80,938**	**172,112**	**3,078,241**
Closing balance at 30 June 2021							
At cost	2,234,706	383,367	141,947	311,011	134,311	360,188	**3,565,529**
Accumulated depreciation	(88,457)	(66,619)	(47,398)	(43,367)	(53,373)	(188,076)	**(487,289)**
Net book value	**2,146,249**	**316,748**	**94,550**	**267,644**	**80,938**	**172,112**	**3,078,240**

Notes to the Annual Financial Statements

20. Intangible assets

	Underwriting rights $	Blue Badge brand & customer list $	Computer software $	PD Insurance domain $	Total $
Reconciliation for the year ended 30 June 2022					
Balance at 1 July 2021					
At cost	1,500,000	-	947,751	-	**2,447,751**
Accumulated amortisation	(750,000)	-	(329,624)	-	**(1,079,624)**
Net book value	**750,000**	**-**	**618,127**	**-**	**1,368,127**
Movements for the year ended 30 June 2022					
Acquisitions	-	4,659,038	-	137,696	**4,796,734**
Amortisation	(375,000)	-	(193,940)	-	**(568,940)**
Disposals	-	-	(137,700)	-	**(137,700)**
Intangible assets at the end of the year	**375,000**	**4,659,038**	**286,487**	**137,696**	**5,458,220**
Closing balance at 30 June 2022					
At cost	1,500,000	4,659,038	810,055	137,696	**7,106,788**
Accumulated amortisation	(1,125,000)	-	(523,568)	-	**(1,648,568)**
Net book value	**375,000**	**4,659,038**	**286,486**	**137,696**	**5,458,220**
Reconciliation for the year ended 30 June 2021					
Balance at 1 July 2020					
Cost	1,500,000	-	557,678	-	**2,057,678**
Accumulated amortisation	(375,000)	-	(167,285)	-	**(542,285)**
Net book value	**1,125,000**	**-**	**390,393**	**-**	**1,515,393**
Movements for the year ended 30 June 2021					
Other acquisitions	-	-	390,924	-	**390,924**
Amortisation	(375,000)	-	(163,190)	-	**(538,190)**
Intangible assets at the end of the year	**750,000**	**-**	**618,127**	**-**	**1,368,127**
Closing balance at 30 June 2021					
At cost	1,500,000	-	947,751	-	**2,447,751**
Accumulated amortisation	(750,000)	-	(329,624)	-	**(1,079,624)**
Net book value	**750,000**	**-**	**618,127**	**-**	**1,368,127**

Notes to the Annual Financial Statements

21. Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2022 $	2021 $
Deferred taxation assets:		
Employee benefits	300,057	249,364
Investments	-	-
Other accrued expenses	29,576	(154)
Unearned premium	663,900	459,000
Lease liability	278,221	370,885
Losses carried forward	1,999,562	1,002,917
	3,271,316	2,082,012
Deferred tax liabilities:		
Depreciating assets	-	-
Prepayments	(1,259)	(5,786)
Deferred Acquisition Cost	(278,700)	(220,200)
Right Of Use Asset	(263,272)	(361,474)
	(543,231)	(587,460)
Net deferred tax assets	**2,728,085**	**1,494,552**

22. Trade and other payables

Trade and other payables comprise:

	2022 $	2021 $
Trade payables	4,330,743	5,345,904
Accrued expenses	1,273,723	691,705
Accrued trade payables	842,314	-
Withholding Tax	2,444,968	286,895
Profit share provision	100,097	-
Claims float payable	372,258	-
GST payable	757,184	737,507
Total trade and other payables	**10,121,287**	**7,062,011**

23. Insurance liabilities

23.1 Insurance liabilities comprise:

	2022			2021		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Claims Estimates (OCR)						
Outstanding estimates	10,867,159	(3,883,155)	6,984,004	5,848,371	(831,933)	5,016,438
IBNR	20,639,994	(14,589,684)	6,050,310	6,411,861	(2,599,152)	3,812,709
Subtotal	31,507,153	(18,472,839)	13,034,314	12,260,232	(3,431,085)	8,829,147
Non RI recoveries	(2,850,682)	-	(2,850,682)	(2,217,629)	-	(2,217,629)
Outstanding claims provision	28,656,470	(18,472,839)	10,183,631	10,042,603	(3,431,085)	6,611,518
Reinsurance recovery on paid claims	-	(602,012)	(602,012)	-	(1,320,939)	(1,320,939)
Total claims estimates	**28,656,470**	**(19,074,851)**	**9,581,619**	**10,042,603**	**(4,752,024)**	**5,290,580**
Unearned Premium (UPR)	**71,919,742**	**(9,879,315)**	**62,040,427**	**29,462,102**	**(2,700,795)**	**26,761,307**
Total insurance liabilities	**100,576,212**	**(28,954,166)**	**71,622,046**	**39,504,705**	**(7,452,819)**	**32,051,886**

23.2 Outstanding estimates

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Opening balance	5,848,371	(831,933)	5,016,438	4,635,482	(2,240,511)	2,394,971
Change in previous year estimates	2,156,808	(88,053)	2,068,755	3,475,614	(1,804,838)	1,670,776
Previous year claims paid	(6,622,861)	598,249	2,068,755	(5,298,768)	1,351,857	1,670,776
Current year claims incurred	32,435,762	(7,228,048)	25,207,714	20,068,074	(2,940,001)	17,128,073
Current year claims paid	(22,950,921)	3,666,630	(19,284,291)	(17,032,031)	4,801,560	(12,230,471)
Outstanding claims closing balance	**10,867,159**	**(3,883,155)**	**6,984,004**	**5,848,371**	**(831,933)**	**5,016,438**

The outstanding claims liability is based on best available information at the time the financial statements are signed.

23.3 IBNR

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Opening balance	6,411,861	(2,599,152)	3,812,709	2,819,822	(1,357,106)	1,462,716
Correction of prior year movement	26,694	-	26,694	545,701	-	545,701
Movement for the year	14,201,439	(11,990,531)	2,210,907	3,046,338	(1,242,046)	1,804,292
IBNR closing balance	**20,639,994**	**(14,589,683)**	**6,050,310**	**6,411,861**	**(2,599,152)**	**3,812,709**

23.4 Unearned premium (UPR)

	2022			2021		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Opening balance	29,462,102	(2,700,795)	26,761,307	26,221,404	(8,546,445)	17,674,959
FX translation	(14,824)	-	(14,824)	668	-	668
Movement for the year	42,472,464	(7,178,520)	35,293,944	3,240,029	5,845,650	9,085,680
IBNR closing balance	**71,919,742**	**(9,879,315)**	**62,040,427**	**29,462,102**	**(2,700,795)**	**26,761,307**

23.5 Assumptions adopted in calculation of general insurance liabilities

The actuarial report was prepared by Aaron Cutter, who is a Fellow of the Institute of Actuaries of Australia and the New Zealand Society of Actuaries, and is employed by Finity Consulting Pty Ltd. The Actuary is satisfied as to the accuracy of the data upon which the calculation of insurance liabilities has been made and is satisfied that the accounting provisions held in respect of the insurance liabilities are adequate.

The key assumptions which have the greatest effect on the net outstanding claims liabilities are:

	2022	2021
Inflation rate implicit	Implicit	Implicit
Discount rate	1.89%	0.00%
Claims handling expense rate	10%	10%
Future loss ratios	13% - 75%	13% - 76%
Risk margin	9.70%	10.00%
Weighted average expected term to settlement	0.44 years	0.47 years

23.6 Sensitivity analysis

The impact of changes in key variables on the outstanding claims provision is summarised in the table below:

	Movement in outstanding claims	Loss before taxation	Loss after taxation	Equity
5% Increase in loss ratios across all portfolios	492,864	648,579	454,005	33,966,028
10% additional IBNR development for March 2022 onwards	997,007	144,436	101,105	33,461,885
2% reduction in motor recovery rates	549,778	591,665	414,165	33,909,114

Note: The table highlights what the result would be in the event that the variable movement is realised.

Process for determining the risk margin

The risk margin was determined by allowing for uncertainty taking into account the following:

i. Independent risks, comprising variation in future claims costs due to the randomness inherent in the insurance process and random variation in the historical claims costs affecting the parameters selected for use in the actuarial models.

ii. External systemic risk, comprising variation in future claims costs due to risks external to the modelling process, for example, catastrophic events or changes in the legislative environment.

iii. Internal systemic risk which represents variation in future claims costs due to the models not being fully representative of the underlying insurance process and due to errors in the data on which the models are based.

The risk margin is intended to achieve a provision which will have 75% probability of sufficiency.

23.7 Claims development

The following table shows the development of outstanding claims relative to the ultimate claims costs for the eight most recent years:

	Prior $000s	2016 $000s	2017 $000s	2018 $000s	2019 $000s	2020 $000s	2021 $000s	2022 $000s	Total $000s
At the end of accident year	-	2,319	1,650	2,118	1,398	3,681	16,957	23,197	51,320
One year later	28,097	1,932	1,530	2,044	1,512	3,081	16,481		54,677
Two years later	27,202	1,953	1,411	2,379	1,326	3,117			37,388
Three years	25,785	1,975	1,285	2,627	1,258				32,930
Four years	25,232	1,903	1,272	2,548					30,955
Five years	24,952	1,881	1,268						28,101
Six years	24,674	1,879							26,553
Seven years later	24,569								24,569
Central estimate of ultimate incurred claims at 30 June 2022	24,569	1,879	1,268	2,548	1,258	3,117	16,481	23,197	74,317
Payments to 30 June 2022	24,569	1,879	1,268	2,548	1,258	3,099	15,872	15,409	65,902
Net undiscounted outstanding claims liability	-	-	-	-	-	18	610	7,786	8,414
Discount to present value	-	-	-	-	-	-	(11)	(78)	(89)
Net discounted outstanding claims liability	-	-	-	-	-	18	599	7,708	8,325
Claims handling costs	-	-	-	-	-	5	62	895	962
Risk margin	-	-	-	-	-	2	75	819	896
Net outstanding claims liability	-	-	-	-	-	25	736	9,422	10,183

Notes to the Annual Financial Statements

	2022 $	2021 $

23.8 Liability adequacy test

A liability adequacy test was performed for 30 June 2022 which indicates a surplus of $5,978,632 (2021: $7,611,435). The test were based on the following assumptions:

	2022	2021
Central estimate of the present value of expected future cash flows ($)	21,600,998	14,965,275
Component of the present value of expected future cash flows related to risk margin ($)	2,550,325	1,962,478
The percentage risk margin adopted in determining the present value of expected future cash flows (%)	11.8%	13.9%
The probability of adequacy intended to be achieved through the adoption of the risk margin (%)	75%	75%

24. Lease liabilities

24.1 Lease liabilities comprise:

	2022	2021
Lease - Kotara, Australia	435,576	756,618
Lease - Auckland, New Zealand	526,958	514,895
	962,534	**1,271,513**
Non-current liabilities	472,724	830,983
Current liabilities	545,552	440,530
	1,018,276	**1,271,513**

24.2 Additional disclosures

	2022	2021
Lease obligation payable within 12 months	592,806	501,723
Lease obligation payable after 12 months	555,807	876,875
Total undiscounted lease liabilities	1,148,613	1,378,597

Notes to the Annual Financial Statements

	2022 $	2021 $
24.3 Amounts recognised in the statement of financial position		
Right-of-use assets		
Buildings	910,229	1,239,373
Assets which have not been separately disclosed in right-of-use assets on the face of the Statement of Financial Position		
Suite 21, Level 1, OTP House, 10 Bradford Close, Kotara 2289		
Cost price on 01/09/2020	998,450	998,450
Less: Depreciation	(578,050)	(262,750)
	420,400	**735,700**
Part Level 16, AIA Building, 5-7 Byron Avenue, Takapuna, Auckland		
Cost price on 01/11/2020	579,224	579,224
Cost price on 01/11/2021 - Signage	155,819	-
Less: Depreciation	(245,214)	(75,551)
	489,829	**503,673**
24.4 Amounts recognised in the statement of profit or loss and other comprehensive income		
Depreciation	(487,828)	(339,616)
Interest expense	(66,455)	(50,407)
	(554,283)	**(390,023)**
24.5 Amounts recognised in the statement of cash flows		
Total cash outflow for leases	(308,978)	1,271,513
25. Issued capital		
Authorised and issued share capital		
Issued		
29,823,199 (2021: 20,823,199) fully paid ordinary shares at $1 each	29,823,199	20,823,199
901 Class E shares at $1	901	901
Share premium Class E shares	9,612,844	9,612,844
	39,436,944	**30,436,944**

26. Fair value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions.

Fair value is also an exit price regardless of whether that process is directly observable or estimated using another valuation technique.

This note provides information about how the Company determines fair value of various financial assets and financial liabilities.

Fair value hierarchy

The Company's financial assets and liabilities are carried at fair value on the Statement of Financial Position in accordance with AASB 13 Fair Value Measurement. AASB 13 requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

The table below separates the total investment balance by hierarchy category:

	LEVEL 1 $	LEVEL 2 $	LEVEL 3 $	**TOTAL** **$**
2022				
Interest-bearing investments	32,148,664	-	4,210,992	**36,359,656**
Growth investments	23,390,625	-	-	**23,390,625**
	55,539,288	**-**	**4,210,992**	**59,750,280**
2021				
Interest-bearing investments	23,937,218	-	6,484,547	**30,421,765**
Growth investments	5,603,404	-	-	**5,603,404**
	29,540,622	**-**	**6,484,547**	**36,025,170**

The valuation methodology of assets valued at fair value are summarised below:
- Cash and cash equivalents and term deposit investments are carried at face value of the amounts deposited or drawn.

As at 30 June 2022 and 30 June 2021 all cash and cash equivalents and term deposit investments held by the were categorised as Level 1 securities.

The valuation methodology of liabilities at fair value is summarised below:
- The fair value of all interest bearing liabilities is calculated using their quoted market price in active markets (fair value hierarchy level 1), except for the AUD convertible.
- Trade and other payables are stated at fair value of the consideration to be paid in the future for goods and services received, inclusive of GST. The amounts are discounted where the time value of money effect is material.

27. Related parties

27.1 Group companies

AI Insurance Holdings Pty Ltd	AI Insurance Holdings Pty Ltd (AI) is an underwriting agency that traditionally only placed business with the Hollard Insurance Company Pty Ltd. As part of the restructure AI took over the business of Rapid Solutions Pty Ltd. AI sold all of its assets to Pacific International Insurance Pty Ltd. AI is now in run off and it's AFSL has been cancelled and all products are now distributed through Pacific's own AFSL.
Badger Australia Holdings Pty Ltd	Badger Australia Holdings Pty Ltd (Badger) became the 100% shareholder of Pacific International Insurance Pty Ltd as part of the group restructure. Badger is an investment holding company with almost no trading activities. Badger has injected additional share capital into Pacific International Insurance Pty Ltd to stimulate growth.
Badger Software Pty Ltd	Badger Software Pty Ltd is the development company of the proprietary policy administration and claims system for the Badger Group. Badger Software Pty Ltd provides the full end to end development for all products and services that the group offer and the platform that Pacific International Insurance Pty Ltd uses for its policy administration and claims management.
Blue Badge Insurance Australia Pty Ltd	Blue Badge Insurance Australia Pty Ltd (BBIA) is an underwriting agency doing car insurance for people with disability. Pacific acquired 100% of the shares in BBIA during the year. The Company then went on to purchase the business including the brand name and customer list from the agency to make this a direct product of Pacific.
PD Insurance Agency Pty Ltd	PD Insurance Agency Pty Ltd is an underwriting agency that owned the Progressive Direct (PD) brand. As part of the restructure, Pacific International Insurance Pty Ltd bought 30% of the shares in 2019. These shares were sold to Badger Australia Holdings Pty Ltd during 2020. PD Insurance is now a direct product of Pacific.
Rapid Admin Pty Ltd	Rapid Admin Pty Limited was de-registered on the 8th July 2021.
Rapid Solutions Holding Pty Ltd	Rapid Solutions Holdings Pty Limited was de-registered on the 8th July 2021.
Rapid Solutions Pty Ltd	Rapid Solutions Pty Ltd was de-registered on the 8th July 2021.
Rapid Training Pty Ltd	Rapid Training Pty Ltd offers accredited training to the pest control industry and is considered a "value add" opportunity for Pacific. The Company charged Pacific International Insurance Pty Ltd a risk mitigation fee for training provided in the past to its insured clients.

27.2 Other related parties

Badger International (Pty) Ltd SA	Badger International (Pty) Ltd is a holding company in South Africa that also provides administrative services.
Badger Holdings Pty Ltd SA	Badger Holdings Pty Ltd SA is a holding company in South Africa that also provides administrative services.
Dotsure Insurance Limited	Dotsure Insurance Limited is a holding company in South Africa that also provides administrative services.

Notes to the Annual Financial Statements

27.3 Related party transactions and balances

	AI Insurance Holdings Pty Ltd	Badger Australia Holdings Pty Ltd	Dotsure Insurance Limited	Badger International (Pty) Ltd SA	Badger Software Pty Ltd	Blue Badge Insurance Australia Pty Ltd	Badger Holdings Pty Ltd SA	Rapid Solutions Pty Ltd	Rapid Training Pty Ltd	Total $
Year ended 30 June 2022										
Related party transactions										
Dividends received	-	-	-	-	-	(4,660,000)	-	-	-	**(4,660,000)**
Interest received	-	(51,970)	-	-	-	-	-	-	-	**(51,970)**
Admin and management fees paid	-	-	97,584	668,201	1,472,976	-	446,943	-	-	**2,685,704**
Impairment of investment	-	-	-	-	-	4,624,260	-	-	-	**4,624,260**
Rent paid	-	-	-	-	-	12,000	-	-	-	**12,000**
Profit share (received) / paid	-	-	-	-	-	52,000	-	-	-	**52,000**
Total related party transactions	**-**	**(51,970)**	**97,584**	**668,201**	**1,472,976**	**28,260**	**446,943**	**-**	**-**	**2,661,995**
Outstanding balances for related party transactions										
Amounts receivable	-	3,223	-	-	-	-	-	45,863	26,087	**75,173**
Total outstanding balances for related party transactions	**-**	**3,223**	**-**	**-**	**-**	**-**	**-**	**45,863**	**26,087**	**75,173**
Outstanding loan accounts										
Amounts receivable	-	2,220,862	-	-	-	25,000	-	-	-	**2,245,862**
Total outstanding loan accounts	**-**	**2,220,862**	**-**	**-**	**-**	**25,000**	**-**	**-**	**-**	**2,245,862**

Notes to the Annual Financial Statements

	AI Insurance Holdings Pty Ltd	Badger Australia Holdings Pty Ltd	Dotsure Insurance Limited	Badger International (Pty) Ltd SA	Badger Software Pty Ltd	Blue Badge Insurance Australia Pty Ltd	Badger Holdings Pty Ltd SA	Rapid Solutions Pty Ltd	Rapid Training Pty Ltd	Total $
Year ended 30 June 2021										
Related party transactions										
Admin fees received	(297,247)	-	-	-	-	(167,099)	-	-	-	**(464,346)**
Interest received	-	(227,432)	-	-	-	-	-	-	-	**(227,432)**
Admin and management fees paid	-	-	-	967,449	666,913	-	-	-	-	**1,634,363**
Rent paid	-	-	-	-	-	40,500	-	-	-	**40,500**
Profit share (received) / paid	-	-	-	-	-	(240,000)	-	-	-	**(240,000)**
Total related party transactions	**(297,247)**	**(227,432)**	**-**	**967,449**	**666,913**	**(366,599)**	**-**	**-**	**-**	**743,085**
Outstanding balances for related party transactions										
Amounts payable	-	-	-	(292,993)	(57,962)	(20,922)	-	-	-	**(371,877)**
Amounts receivable	4,629	-	-	22,114	132	56,871	-	64,364	476	**148,586**
Total outstanding balances for related party transactions	**4,629**	**-**	**-**	**(270,879)**	**(57,830)**	**35,949**	**-**	**64,364**	**476**	**(223,291)**
Outstanding loan accounts										
Amounts receivable	-	4,519,276	-	-	-	-	-	-	-	**4,519,276**
Total outstanding loan accounts	**-**	**4,519,276**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,519,276**

28. Capital management and solvency

The Company considers share capital, retained earnings and reserves to be capital. The Company aims to retain a sufficient level of capital to achieve a 2:1 solvency coverage ratio to maintain its claims paying ability. The minimum capital requirement imposed by the Australian Prudential Regulatory Authority (APRA) is a minimum of $16,690,000. As at year end the Company had a surplus capital of $10,404,000 above the APRA requirement.

Post migration the Minimum Solvency Capital requirement for the Company is outlined below.

As at year end the Company solvency margin is:

	2022 $000s	2021 $000s
Actual Solvency Capital	27,094	24,710
Prudential / minimum capital requirement	(16,690)	(8,380)
Solvency margin	**10,404**	**16,330**
Solvency ratio	**162.34%**	**294.87%**

The methodology for determining the Solvency Margin is in accordance with the requirements of the Prudential Standards for a General Insurance business as published by the Australian Prudential Regulation Authority.

29. Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2022 (30 June 2021: None).

Notes to the Annual Financial Statements

	2022 $	2021 $
30. Cash flows from operating activities		
Profit / (loss) for the year	**2,179,630**	**(1,741,982)**
Adjustments for:		
Income tax expense	(1,012,792)	1,015,782
Finance income	(159,173)	(374,626)
Finance costs	73,901	50,860
Depreciation and amortisation expense	1,346,369	1,119,275
Bad debt	-	-
Dividends received	(4,810,230)	-
Gains and losses on foreign exchange realised in profit or loss	(856,842)	146,965
Change in operating assets and liabilities:		
Adjustments for increase in trade accounts receivable	(6,776,756)	(6,345,751)
Adjustments for increase in trade accounts payable	3,059,276	1,236,710
Adjustments for increase / (decrease) in deferred income	3,934,331	(723,029)
Adjustments for employee benefits	781,186	(590,186)
Adjustments for reinsurers' share of insurance liabilities	(21,501,347)	3,334,138
Adjustments for deferred acquisition costs	(22,337,243)	(96,007)
Adjustments for insurance liabilities	61,071,508	7,375,449
Net cash flows from operations	**14,991,820**	**4,407,597**

31. Events after the reporting date

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Directors' Responsibilities and Approval

The Directors of the Company declare that:

1 the financial statements and notes for the year ended 30 June 2022 are in accordance with the Corporations Act 2001 and:

a. comply with Accounting Standards, which, as stated in basis of preparation Note 2 to the financial statements, constitutes explicit and unreserved compliance with Australian Accounting Standards (AASBs); and

b. give a true and fair view of the financial position and performance of the Company;

2 In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

JBroome

Mr Jonathon Michael Broome
Independent Non-Executive
Director - Chairman of the Board

28 September 2022
Date

Mr Roland Covac Lange
Executive Director (CEO)

28 September 2022
Date

Independent Auditor's Report

To the shareholders of Pacific International Insurance Pty Limited

Opinion

We have audited the ***Financial Report*** of Pacific International Insurance Pty Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards - Simplified Disclosures Framework* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2022;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code)* that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

Other Information is financial and non-financial information in Pacific International Insurance Pty Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards - Simplified Disclosures Framework* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG	Andrew Reeves Partner
	Sydney 28 September 2022