Vero Insurance New Zealand Limited and subsidiaries

Consolidated financial report
for the financial year ended 30 June 2022

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Consolidated financial report

for the financial year ended 30 June 2022

Contents **Page**

Directors' report

The Board of Directors presents the Directors' report together with the financial report of Vero Insurance New Zealand Limited (the **Company**) and of the **Group**, being the Company and its subsidiaries, for the financial year ended 30 June 2022.

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

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

Non-executive
K A Armstrong
D M Flacks (Chairman)
A R Gerry (resigned 11 May 2022)
D F McTaggart

Executive
J J Higgins
S B Johnston

Registered office
Level 13
Vero Centre
48 Shortland Street
Auckland 1010
New Zealand

Auditor
KPMG
18 Viaduct Harbour Avenue
Auckland 1010
New Zealand

Dividends
During the financial year, the Company paid dividends totalling $151,287,000 (2021: $157,539,000) attributable to the owners of the Company. Further details of dividends paid are set out in Note 3 to the financial statements.

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

Review of operations
The net profit after income tax for the year ended 30 June 2022 was $151,782,000 for the Group compared with net profit after income tax of $177,315,000 for the previous year ended 30 June 2021. The net profit after income tax for the year ended 30 June 2022 was $112,768,000 for the Company compared with net profit after income tax of $151,928,000 for the previous year ended 30 June 2021.

Events subsequent to reporting date
There is, at the date of this Report, no matter or circumstance that has arisen since 30 June 2022 that has significantly affected, or may significantly affect:

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

Directors' report (continued)

Information on Directors in office at the date of this report

Kate Armstrong

LLB, BA

Director since 2020, Ms Armstrong is a lawyer who has significant experience in the financial services sector, including investments, insurance and banking. She has been closely involved in the design and operation of customer and remediation programmes, and was previously on the Board of the Financial Services Council. Ms Armstrong is also a director of Vero Liability Insurance Limited, a wholly-owned subsidiary of Vero Insurance New Zealand Limited, and Asteron Life Limited, a related company.

David M Flacks

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

Director since 2013 and appointed as Chairman in 2019. Mr Flacks is an experienced governance and regulatory professional having been a senior corporate lawyer for many years. Mr Flacks is chair of a number of company boards. He is also a director of Vero Liability Insurance Limited, a wholly-owned subsidiary of Vero Insurance New Zealand Limited, and Asteron Life Limited, a related company.

Douglas F McTaggart

BECON (Hons), MA, PHD, DUNIV, FAICD, SF FIN

Director since 2018, Dr McTaggart has an extensive background in financial markets and has deep academic and commercial experience. He is well-versed in operating in a rapidly changing regulatory environment and engaging effectively with regulators and government stakeholders. He is a former Chief Executive Officer of QIC, Under Treasurer of the Queensland Department of Treasury, and was a director of UGL Limited (September 2012–August 2015). Dr McTaggart is also a director of Vero Liability Insurance Limited, AA Insurance Limited, Suncorp Group Limited, Asteron Life Limited, AA Finance Limited and related holding companies comprising Suncorp New Zealand. He has also been appointed to the Board of The Lottery Corporation.

Steve B Johnston

B.Bus (Management), B.Bus (Public Administration)

Director and Suncorp Group Limited Chief Executive Officer and Managing Director since 2019. Mr Johnston joined Suncorp Group Limited in 2006 and has held various executive positions, most recently as Acting Group Chief Executive Officer. Prior to this, he was the Group Chief Financial Officer with responsibility for financial reporting and management, legal and company secretariat, taxation, investor relations, corporate affairs and sustainability. Mr Johnston is also a director of Asteron Life Limited, a related company.

Directors' report (continued)

Information on Directors in office at the date of this report (continued)

James J Higgins

BA (Psychology), B Bus (Accountancy), GradDipCA

Director and Suncorp New Zealand Chief Executive Officer since 2020. Mr Higgins has been with Suncorp since 2008, and was Suncorp New Zealand Chief Financial Officer immediately prior to his appointment as Chief Executive Officer. He has strong commercial, financial and operational experience, having worked in audit, assurance and forensic accounting prior to joining Suncorp, where he managed claims response to significant events, including Cyclone Yasi and the Canterbury Earthquake Sequence. Mr Higgins is also a director of Vero Liability Insurance Limited and AA Insurance Limited, subsidiaries of Vero Insurance New Zealand Limited, Asteron Life Limited, AA Finance Limited and other related companies comprising Suncorp New Zealand.

This financial report of the Company was approved for issue by the Board on 4 August 2022.

Signed in accordance with a resolution of the Directors.

D.M Fields

Director

Director

Corporate governance statement

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

Board

The role of the Board of Directors is to provide effective governance over the operations of the Company to ensure that systems and processes are in place and maintained to achieve business objectives, ensure compliance with applicable laws, manage risks and protect the interests of stakeholders including its ultimate parent Suncorp Group Limited, customers, employees, suppliers and local communities in which it operates.

The Board responsibilities include approving the strategic direction of the Company, approving the Company's budget and major operating and capital expenditure, monitoring executive management's performance, and approving the Company's risk policies, Risk Appetite Statement and Internal Capital Adequacy Assessment Process (**ICAAP**).

The Directors of the Company are appointed by the parent Board. Factors that are taken into account when considering a new appointment to the Board include the size of the Board, its composition and diversity, mix of competencies, qualities and skills held by existing Directors and how the skills of a new Director may be utilised for the effective and prudent management of the Company and how the candidate's attributes will balance and complement the future requirements of the Board. Other key considerations include culture fit and an understanding of the business of the Company and the environment in which it operates. The Board considers it important to maintain an appropriate mix of long-serving Directors with established knowledge of the Company's business and corporate history, and new Directors who bring a fresh perspective to the Board.

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

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

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

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

Membership

There are five Directors in office, three being independent non-executive Directors (Kate Armstrong, David Flacks, and Douglas McTaggart) and two being executive Directors (Steve Johnson, Chief Executive and Managing Director of Suncorp Group, and James Higgins, Suncorp New Zealand Chief Executive Officer). The Directors' Report includes brief details of the qualifications and experience of the Directors.

Board Audit and Risk Committee (BARC)

The role of the BARC is to assist the Board in fulfilling its statutory and fiduciary responsibilities with respect to the financial and operating environment, risk management systems and processes and ensuring a sound risk culture that maintains a focus on appropriate customer outcomes.

The BARC responsibilities include reviewing financial information, monitoring financial and tax risks, appointing the external auditor and safeguarding the independence of the external auditor, internal audit and the appointed actuary, monitoring material risks and compliance with risk management policies including compliance with applicable laws and regulations.

Membership

All non-executive Directors and Suncorp Group Limited Managing Director are members of the BARC.

Corporate governance statement (continued)

Management Committees

The Board has delegated the day-to-day operation and management of the Company to the Suncorp New Zealand (**SNZ**) Chief Executive Officer (**CEO**). To assist in these duties, management committees have been established by the CEO under their delegated authority to monitor and oversee key risks. Management committees in place are: Non-Financial Risk Committee (**NFRC**), Asset and Liability Committee (**ALCO**). General Insurance Risk Committee (**GIRC**),Customer Conduct Committee (**CCC**) and Reserving Committee (**RC**).

Corporate Governance

The Company is part of the Suncorp Group and complies with Suncorp Group policies and requirements, except where these are inconsistent with the requirements of New Zealand law or regulatory requirements, or where the Board considers that they are not in the best interests of the Company. The Company has also adopted New Zealand specific policies, standards and guidelines where appropriate. Key policies in place include: the Code of Conduct, Conflict of Interest Policy, Business Continuity Management Policy, Enterprise Risk Management Framework (**ERMF**), the Whistleblower Policy, Product Management Policy, Investment Governance Policy, Securities Trading Policy, Diversity and Inclusion Policy, Safety and Wellbeing Policy and the Responsible Banking and Investment Policy.

The Company's corporate governance policies, practices and processes are contained in the Company's Risk Management Programme (**RMP**) which has been approved by the Reserve Bank of New Zealand.

Strategy and Culture

The Company's purpose is building futures and protecting what matters.

The Company's ambition is to be the number one choice for New Zealanders because of its digital capability and seamless partnership model.

The Company's strategy **–** aligned to the Suncorp Group strategy **–** is focused on connecting New Zealanders to products, services and experiences that enhance and protect their financial wellbeing. This will be done by building strong and trusted relationships, modern digital assets and technology infrastructure, and an engaged and high performing workforce. The Company's priorities for the next three years (FY22-24) are: customer growth, digital and data transformation, delivering best in class claims, and new ways of working.

Delivery of the strategy will be enabled by an engaged and future-fit workforce, and a culture focused on caring for others, being courageous and doing the right thing.

All employees have balanced performance scorecards that include customer, risk, financial, and people focused deliverables and the performance assessment process looks for demonstration of the Company's target cultural behaviours.

Corporate Responsibility

The Company believes its growth and success is only possible within a healthy and sustainable economy, society and environment. Suncorp seeks to deliver both financial and non-financial value to its customers, partners and communities. This means addressing the environmental, social, economic and governance risks and opportunities that the Company faces as a business. The Company's corporate responsibility framework is based on four key principles: trust and transparency; responsible financial services; resilient people and communities; and sustainable growth.

Corporate governance statement (continued)

Action on Climate Change

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

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

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

Community Involvement

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

This year, the Company has continued its community partnership with Shine – a charity whose mission is to make New Zealand domestic violence free. Shine will form the focus of the Company's fundraising efforts in the coming year.

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

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

Diversity and Inclusion

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

The Suncorp New Zealand Sustainability & Diversity Committee assists the Company in delivering these objectives by:

- Developing and overseeing a diversity strategy for the SNZ businesses
- Recommending initiatives to support greater gender diversity, gender pay equality, mature age employees, cultural diversity and inclusivity
- Tracking progress via agreed targets and regular scorecards
- Promoting and championing diversity

The Company's Sustainability and Diversity Committee is chaired by the SNZ CEO.

KPMG

Independent Auditor's Report

To the Shareholder of Vero Insurance New Zealand Limited

Report on the audit of the Company and Group financial statements

Opinion

In our opinion, the financial statements of Vero Insurance New Zealand Limited (the 'Company') and its subsidiaries (the 'Group') on pages 13 to 72:

i. present fairly in all material respects the Company's and Group's financial position as at 30 June 2022 and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the Company and Group statements of financial position as at 30 June 2022;
- the Company and Group statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies.

Basis for opinion

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

We are independent of the Company and Group 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.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the company and group financial statements* section of our report.

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

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 Company and Group in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholder as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the Company and Group financial statements as a whole and we do not express discrete opinions on separate elements of the Company and Group financial statements.

KPMG

The key audit matter	How the matter was addressed in our audit

Outstanding claims liabilities and associated reinsurance and other recoveries

Outstanding claims liability	**$775 million (Group)**	**$515 million (Company)**
Reinsurance and other recoveries	**$302 million (Group)**	**$225 million (Company)**

Refer to Notes 11 and 19 to the financial statements.

The valuation of outstanding claims liabilities and related reinsurance assets involved a high level of judgement in estimating future payments for claims incurred, including case estimates for reported claims and those incurred but not yet reported to the Company and Group.

Outstanding claims liabilities related to the Canterbury and Kaikoura earthquakes have greater levels of uncertainty, as disclosed in Note 19 to the financial statements. This uncertainty can include:

– Litigation, where the range of possible ultimate claim costs is substantial;

– The number and size of new over-cap claims; and

– Less information on claims managed by co-insurers and the Earthquake Commission, with management judgement required to make an allowance for any as yet unreported claims.

Valuation of reinsurance assets involves a high degree of uncertainty due to the dependence on the estimate of related claims costs. Valuation of reinsurance and other recoveries is affected by the same uncertainties.

We involved our actuarial specialists and performed audit procedures, which included:

— Testing key controls over claim payments and case estimates, including IT general and application controls.

— Selecting a sample of case estimates and claim payments to check the accuracy of the claims information, including through the use of data analytics.

— Challenging the appropriateness of the Group's actuarial methods and key assumptions for the classes of business that were deemed to have higher claims estimations risks, including separate consideration of claims relating to the Canterbury and Kaikoura earthquakes, and the ongoing impact of COVID-19 on the methods and key assumptions.

— We performed independent reprojections of management's calculation of outstanding claims liability for a sample of classes of business.

— We assessed the selection of methods and key assumptions applied in the valuation of outstanding claims liabilities. We challenged the actuarial methods and key assumptions by:

- Analysing the accuracy of previous estimates;
- Comparing key assumptions to the broader insurance industry, previous periods and current period claims experience;
- Sample testing of the key qualitative claims information that is used by the Group's actuarial team to form their valuation assumptions;
- Analysing appropriateness of adjustments made due to COVID-19.

— Assessing the Group's estimation of risk margins to identify possible management bias.

— We evaluated the Group's actuarial methodologies for consistency with those used in the industry and with prior periods.

The key audit matter	How the matter was addressed in our audit
	— Testing material reinsurance contracts to check that recoveries recognised in the financial statements align with the terms of those contracts and the amount of the respective outstanding claims liability.

Other information

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

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

Use of this independent auditor's report

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

Responsibilities of the Directors for the company and group financial statements

The Directors, on behalf of the Company and Group, are responsible for:

- the preparation and fair presentation of the company and group financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of Company and Group financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the company and group financial statements

Our objective is:

- to obtain reasonable assurance about whether the Company and Group financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

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

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

A further description of our responsibilities for the audit of these Company and Group financial statements is located at the External Reporting Board (XRB) website at:
http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

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

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

For and on behalf of

KPMG

KPMG
Auckland

5 August 2022

Statement of comprehensive income
for the financial year ended 30 June 2022

	Note	Consolidated		Company	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000
Premium revenue	4	**2,004,756**	1,805,553	**1,260,565**	1,174,371
Outwards reinsurance premium expense	12	**(246,640)**	(233,907)	**(174,751)**	(166,237)
Net premium revenue		**1,758,116**	1,571,646	**1,085,814**	1,008,134
Claims expense	5	**(1,185,358)**	(948,287)	**(729,709)**	(548,749)
Reinsurance and other recoveries revenue	4, 5	**172,798**	84,350	**116,655**	41,103
Net incurred claims	5	**(1,012,560)**	(863,937)	**(613,054)**	(507,646)
Acquisition costs	13	**(355,825)**	(343,379)	**(299,176)**	(291,039)
Other underwriting expenses		**(162,932)**	(137,498)	**(83,453)**	(70,780)
Underwriting expenses		**(518,757)**	(480,877)	**(382,629)**	(361,819)
Reinsurance commission revenue	4	**14,821**	11,907	**6,535**	5,487
Underwriting result		**241,620**	238,739	**96,666**	144,156
Investment (loss)/gain on insurance funds	4.1	**(6,892)**	4,023	**(1,695)**	2,422
Investment expense on insurance funds		**(1,442)**	(1,259)	**(705)**	(637)
Insurance trading result		**233,286**	241,503	**94,266**	145,941
Investment (loss)/gain on shareholder funds	4.1	**(20,520)**	11,080	**44,314**	48,635
Investment expense on shareholder funds		**(1,258)**	(1,274)	**(625)**	(684)
Loss on defined benefit funds		**(1,372)**	(1,615)	**(1,351)**	(1,579)
Share of joint venture gain		**(4)**	55	**-**	-
Finance costs	27	**(1,032)**	(1,071)	**(44)**	(58)
Other income/(expenses)	6	**2,756**	(6,015)	**(600)**	(845)
Profit before tax		**211,856**	242,663	**135,960**	191,410
Income tax (expense)	7.1	**(60,074)**	(65,348)	**(23,192)**	(39,482)
Profit for the financial year		**151,782**	177,315	**112,768**	151,928
Other comprehensive loss					
Items that will not be reclassified subsequently to profit or loss					
Actuarial gain on defined benefit funds		**11,661**	21,589	**11,833**	21,637
Income tax (expense)	7.1	**(3,314)**	(6,059)	**(3,314)**	(6,059)
Total other comprehensive income/(loss)		**8,347**	15,530	**8,519**	15,578
Total comprehensive income for the financial year		**160,129**	192,845	**121,287**	167,506
Profit for the financial year attributable to:					
Owner of the Company		**132,350**	161,534	**112,768**	151,928
Non-controlling interests		**19,432**	15,781	**-**	-
Profit for the financial year		**151,782**	177,315	**112,768**	151,928
Total comprehensive income for the financial year attributable to:					
Owner of the Company		**140,753**	177,080	**121,287**	167,506
Non-controlling interests		**19,376**	15,765	**-**	-
Total comprehensive income for the financial year		**160,129**	192,845	**121,287**	167,506

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

KPMG

Statement of financial position
as at 30 June 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000	Company 2022 $'000	Company 2021 $'000
Assets					
Cash and cash equivalents	8	**108,309**	77,497	**85,978**	62,720
Receivables and other assets	9	**815,901**	734,976	**493,739**	453,796
Investment securities	10	**1,174,711**	1,145,773	**615,761**	626,581
Reinsurance and other recoveries receivable	11	**301,718**	231,644	**224,929**	165,921
Deferred reinsurance premiums	12	**239,323**	191,522	**173,809**	137,011
Deferred acquisition costs	13	**160,263**	148,641	**136,824**	126,744
Current tax asset	7.3	**-**	-	**8,961**	3,106
Property, plant and equipment and leases	27	**37,304**	34,902	**2,203**	3,065
Investment in subsidiaries	14	**-**	-	**37,304**	37,304
Investment in joint venture	15	**245**	250	**-**	-
Deferred tax assets	7.4	**14,290**	25,245	**8,251**	14,759
Intangible assets	16	**27,204**	27,555	**22,441**	22,441
Total assets		**2,879,268**	2,618,005	**1,810,200**	1,653,448
Liabilities					
Payables and other liabilities	17	**466,152**	432,048	**302,575**	284,006
Current tax liabilities	7.3	**3,029**	2,521	**-**	-
Unearned premium liabilities	18	**1,053,716**	925,293	**624,277**	551,415
Outstanding claims liabilities	19.1	**774,983**	643,245	**515,017**	407,730
Provisions	30	**19,964**	40,251	**5,280**	8,975
Defined benefit fund liabilities	20.1	**12,070**	23,002	**12,434**	23,528
Deferred tax liabilities	7.4	**46,845**	45,178	**38,311**	35,488
Total liabilities		**2,376,759**	2,111,538	**1,497,894**	1,311,142
Net assets		**502,509**	506,467	**312,306**	342,306
Equity					
Share capital	21	**217,629**	217,629	**217,629**	217,629
Capital notes	21	**59,191**	59,191	**59,191**	59,191
Retained profits		**174,080**	184,614	**35,486**	65,486
Total equity attributable to owner of the Company		**450,900**	461,434	**312,306**	342,306
Non-controlling interest		**51,609**	45,033	**-**	-
Total equity		**502,509**	506,467	**312,306**	342,306

The Board of Directors of Vero Insurance New Zealand Limited approved these financial statements for issue on 4 August 2022.

For, and on behalf of the Board

D.M Fl...

Director

Director

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

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Statement of changes in equity
for the financial year ended 30 June 2022

Consolidated	Note	Equity attributable to owners of the Company				
		Share capital and capital notes $'000	Retained profits $'000	Total $'000	Non-controlling interest $'000	Total Equity $'000
Balance as at 1 July 2020		276,820	165,124	441,944	42,068	484,012
Profit for the financial year		-	161,534	161,534	15,781	177,315
Total other comprehensive (loss)/income		-	15,546	15,546	(16)	15,530
Total comprehensive income for the financial year		-	177,080	177,080	15,765	192,845
Transactions with owners						
Dividends paid	3	-	(157,539)	(157,539)	(12,800)	(170,339)
Other			(51)	(51)	-	(51)
Balance as at 30 June 2021		**276,820**	**184,614**	**461,434**	**45,033**	**506,467**
Balance as at 1 July 2021		**276,820**	**184,614**	**461,434**	**45,033**	**506,467**
Profit for the financial year		**-**	**132,350**	**132,350**	**19,432**	**151,782**
Total other comprehensive income/(loss)		**-**	**8,403**	**8,403**	**(56)**	**8,347**
Total comprehensive income for the financial year		**-**	**140,753**	**140,753**	**19,376**	**160,129**
Transactions with owners						
Dividends paid	3	**-**	**(151,287)**	**(151,287)**	**(12,800)**	**(164,087)**
Other		**-**	**-**	**-**	**-**	**-**
Balance as at 30 June 2022		**276,820**	**174,080**	**450,900**	**51,609**	**502,509**

Company	Note	Share capital and capital notes $'000	Retained profits $'000	Total $'000
Balance as at 1 July 2020		276,820	55,570	332,390
Profit for the financial year		-	151,928	151,928
Total other comprehensive loss		-	15,578	15,578
Total comprehensive income for the financial year		-	167,506	167,506
Transactions with owner				
Dividends paid	3	-	(157,539)	(157,539)
Other			(51)	(51)
Balance as at 30 June 2021		**276,820**	**65,486**	**342,306**
Balance as at 1 July 2021		**276,820**	**65,486**	**342,306**
Profit for the financial year		**-**	**112,768**	**112,768**
Total other comprehensive income		**-**	**8,519**	**8,519**
Total comprehensive income for the financial year		**-**	**121,287**	**121,287**
Transactions with owner				
Dividends paid	3	**-**	**(151,287)**	**(151,287)**
Other		**-**	**-**	**-**
Balance as at 30 June 2022		**276,820**	**35,486**	**312,306**

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

KPMG

Statement of cash flows
for the financial year ended 30 June 2022

	Note	Consolidated		Company	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000
Cash flows from operating activities					
Premiums received		**2,034,066**	1,830,616	**1,286,465**	1,176,144
Claims paid		**(1,053,384)**	(926,201)	**(622,186)**	(550,220)
Interest received		**25,425**	24,231	**16,038**	15,515
Dividends received		**2,074**	1,492	**50,200**	48,300
Reinsurance and other recoveries received		**115,034**	176,546	**69,197**	124,447
Outward reinsurance premiums paid		**(246,125)**	(226,513)	**(170,395)**	(161,652)
Net movement in shared property reinstatement advances		**(96)**	(58)	**-**	(17)
Acquisition costs paid		**(362,651)**	(346,165)	**(312,746)**	(299,907)
Income tax paid*		**(50,258)**	(114,336)	**(23,029)**	(73,654)
Finance costs paid	27	**(1,032)**	(1,071)	**(44)**	(58)
Net movement in goods and services tax and levies		**(32,638)**	14,402	**(29,924)**	9,020
Underwriting and other operating expenses paid		**(127,926)**	(168,762)	**(63,096)**	(83,049)
Net cash from operating activities	24	**302,489**	264,181	**200,480**	204,869
Cash flows from investing activities					
Proceeds from sale of investment securities		**1,579,779**	1,321,110	**1,051,301**	902,413
Payments for purchase of investment securities		**(1,678,752)**	(1,371,550)	**(1,076,923)**	(922,866)
Proceeds from sale of plant and equipment and computer software		**441**	407	**161**	253
Payments for purchases of plant and equipment and capitalised software costs		**(3,911)**	(6,830)	**-**	-
Net cash used in investing activities		**(102,443)**	(56,863)	**(25,461)**	(20,200)
Cash flows from financing activities					
Dividends paid to owners of the Company		**(151,287)**	(157,539)	**(151,287)**	(157,539)
Dividends paid to non-controlling interests		**(12,800)**	(12,800)	**-**	-
Repayment of lease liabilities		**(5,147)**	(4,886)	**(474)**	(536)
Net cash used in financing activities		**(169,234)**	(175,225)	**(151,761)**	(158,075)
Net increase in cash and cash equivalents		**30,812**	32,093	**23,258**	26,594
Cash and cash equivalents at the beginning of the financial year		**77,497**	45,404	**62,720**	36,126
Cash and cash equivalents at the end of the financial year	8	**108,309**	77,497	**85,978**	62,720

* Income tax paid includes cash flows from tax offsets/transfers with related parties.

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

Notes to the financial statements

1. Reporting entity

Vero Insurance New Zealand Limited (the **Company**) is a company incorporated and domiciled in New Zealand. Its registered office is Level 13 Vero Centre, 48 Shortland Street, Auckland.

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2022 comprise the Company and its subsidiaries (the **Group**) and were issued by the Board of Directors on 4 August 2022.

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

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

2. Basis of preparation

The Company and the Group are for-profit entities and the consolidated financial statements have been prepared on the historical cost basis unless the application of fair value measurements are required by the relevant accounting standards such as the measurement of financial instruments at fair value through profit or loss and the measurement of outstanding claims liabilities, reinsurance recoveries and defined benefit superannuation funds.

Significant accounting policies applied in the preparation of these financial statements are set out in Note 31. There have been no significant changes in accounting policies.

The reporting period is from 1 July 2021 to 30 June 2022.

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

The accompanying statements of financial position have been prepared using the liquidity format of presentation. Where it is not specified, disclosures relate to the Group.

These financial statements have been prepared on a going concern basis.

2.1 Statement of compliance

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

2.2 New or amended standards which became mandatory and were adopted during the financial year

In April 2021, the International Financial Reporting Standards Interpretations Committee (**IFRIC**) released guidance on Configuration or Customisation costs in Cloud Computing Arrangement. The decision concluded that where a customer does not control a Software-as-a-Service (**SaaS**) product, configuration or customisation costs are required to be expensed rather than capitalised. Following on from the IFRIC agenda decision, management have performed an assessment of the impact on current and historical projects that include SaaS components, and concluded that the impact of the guidance is not material to the Group.

There were no new or amended standards which became mandatory and were adopted during the financial year.

Notes to the financial statements (continued)

2.3 Comparative information

Certain amounts in the comparative information within the related party note have been restated or reclassified to conform to changes in the current financial year.

2.4 Use of estimates and judgements

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

Significant estimates, judgments and assumptions are discussed in the following notes:

- Outstanding claims liabilities and assets arising from reinsurance contracts (refer to Notes 11, 19.1, 19.4)
- Provisions and contingent liabilities (refer to Note 30)
- Defined benefit fund liabilities (refer to Note 20)

COVID-19 impact on the use of estimates and assumptions

The Group has considered the impact from COVID-19 in its assumptions for measuring net outstanding claims liabilities. In determining the adequacy of outstanding claims liabilities at the reporting date, the Group has reviewed the assumptions in calculating the outstanding claims liability including policyholder behaviours during and post COVID-19 lockdowns, the severity of claims post COVID-19 lockdown, and how experience to date from the COVID-19 outbreak varies from existing assumptions about pandemic risk and how those risks are managed. As a result of this assessment, it was determined that there was no significant increase in uncertainty from COVID-19 on the assumptions used in determining the outstanding claims liabilities at reporting date (refer to Note 19.1).

COVID-19 financial reporting considerations in the preparation of the consolidated financial statements

Given the increased economic uncertainties from COVID-19, the Group has continued to monitor its financial reporting procedures and governance practices consistent with those applied in the preparation of the financial statements for the year ended 30 June 2021. In addition to standard financial year end reporting practices, the Group has:

- Critically assessed estimates, judgements and assumptions used in the preparation of the consolidated financial statements, including updating the Group's outlook on economic conditions from COVID-19;
- Determined the impact COVID-19 has had on the consolidated financial statements and updated these disclosures accordingly; and
- Assessed the carrying value of the Group's assets and liabilities at reporting date. Where there is a significant use of estimates and judgements in determining the carrying value of the Group's assets and liabilities, the procedures in determining the carrying value of these assets and liabilities are summarised below.

Notes to the financial statements (continued)

2.4 Use of estimates and judgements (continued)

Outstanding claims liabilities and assets arising from reinsurance contracts

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

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

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

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

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

Details regarding actuarial estimates and judgements are detailed in Notes 5, 11 and 19. In particular details of the uncertainties that exist in measuring gross incurred claims arising from the Canterbury and Kaikoura earthquakes are explained in Note 19.1.

Estimates of reinsurance and other recoveries receivable are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as credit risk. Details of the uncertainties that exist in measuring reinsurance recoveries arising from the Canterbury and Kaikoura earthquakes are explained in Note 19.1.

The Group has considered the impact from COVID-19 in its assumptions for measuring net outstanding claims liabilities. In determining the adequacy of outstanding claims liabilities at the reporting date, the Group has reviewed the assumptions in calculating the outstanding claims liability including policyholder behaviours during and post COVID-19 lockdowns, the severity of claims post COVID-19 lockdowns, and how experience to date from the COVID-19 outbreak varies from existing assumptions about pandemic risk and how those risks are managed. As a result of this assessment, it was determined that there was no significant increase in uncertainty from COVID-19 on the assumptions used in determining the outstanding claims liabilities at reporting date (refer to Note 19.1).

The current economic conditions include a higher inflationary outlook driven by COVID-19, supply chain issues and the Russia / Ukraine conflict. The impact of higher inflation has been considered within actuarial calculations.

Notes to the financial statements (continued)

2.4 Use of estimates and judgements (continued)

Impairment of goodwill

The Group assesses whether goodwill is impaired at least annually. The assessment involves estimations of the recoverable amount of the cash-generating units (**CGUs**) to which the goodwill is allocated.

The ongoing economic uncertainty from the COVID-19 pandemic has impacted the cash flow forecasts and estimates and assumptions inherent in the goodwill impairment test. The results of the annual impairment test determined the goodwill allocated to the CGUs is recoverable and no impairment loss was required (refer to Note 16.2).

Valuation of financial instruments

The Group's investment securities are invested in high-quality liquid assets which are valued using inputs from observable market data as shown in the Group fair value hierarchy disclosure in Note 25.2. The Group has ensured that the valuation of its investment securities reflects market participants' assumptions based on information available at the measurement date. The valuation of the investment securities reflects economic uncertainty (volatility).

Provisions and contingent liabilities

The Group has assessed the carrying value of its employee benefits liability at reporting date for changes in assumptions including potential changes to employee behaviours and trends in taking annual and long service leave as result of COVID-19. The results concluded there were no significant changes to the Group's employee benefits liability from COVID-19. Per review of the Group's exposures at reporting date, details of the Group's provisions, employee benefit liabilities and contingent liabilities are set out in Note 30.

Financial risk management

The Group has adopted prudent practices to manage liquidity risk and to ensure an adequate level of liquidity is maintained to meet obligations as they fall due across a wide range of operating circumstances. The Group was well placed heading into the market dislocation following the COVID-19 pandemic and has continued to maintain funding and liquidity metrics comfortably above regulatory minimums.

Notes to the financial statements (continued)

3. Dividends

	2022		2021	
	¢ per share/note	$'000	¢ per share/note	$'000
Ordinary shares				
Dividends	**93.10**	**148,400**	97.24	155,000
Capital notes				
Coupon payments	**487.74**	**2,887**	428.95	2,539
Total dividends recognised in equity attributable to owners of the Company		**151,287**		157,539

4. Revenue

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Insurance income				
Gross written premium	**2,133,179**	1,870,476	**1,333,427**	1,186,431
Movement in unearned premium	**(128,423)**	(64,923)	**(72,862)**	(12,060)
Premium revenue	**2,004,756**	1,805,553	**1,260,565**	1,174,371
Reinsurance and other recoveries revenue	**172,798**	84,350	**116,655**	41,103
Reinsurance commission revenue	**14,821**	11,907	**6,535**	5,487
Total insurance income	**2,192,375**	1,901,810	**1,383,755**	1,220,961
Investment (loss)/gain				
Interest income	**24,653**	24,048	**15,502**	15,455
Dividend income				
Other entities	**2,073**	1,492	**-**	-
Related parties (Note 28.2)	**-**	-	**50,200**	48,300
Net loss on financial assets at fair value through profit or loss	**(54,138)**	(10,437)	**(23,083)**	(12,698)
Total investment (loss)/gain	**(27,412)**	15,103	**42,619**	51,057
Total revenue	**2,164,963**	1,916,913	**1,426,374**	1,272,018

The Group gross written premium figures presented above are net of premium reversals for customer remediation of $7,321,000 (2021: $12,398,000) and premium add-back for customer hardship and rebates release of $1,021,000 (2021: premium reversal $3,864,000). The Company gross written premium figures presented above are net of premium reversals for customer remediation of $1,279,000 (2021: $502,000) and premium add-back for customer hardship and rebates release of $100,000 (2021: premium reversal $1,834,000). These amounts are included as part of the customer remediation and customer hardship and rebates provisions included within Note 30.

4.1 Investment Income

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Investment (loss)/gain on insurance funds	**(6,892)**	4,023	**(1,695)**	2,422
Investment (loss)/gain on shareholder funds	**(20,520)**	11,080	**44,314**	48,635
Total investment income	**(27,412)**	15,103	**42,619**	51,057

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Notes to the financial statements (continued)

5. Net incurred claims

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

	Consolidated			Company		
	Current Year $'000	Prior Year $'000	Total $'000	Current Year $'000	Prior Year $'000	Total $'000
Year ended 30 June 2022						
Gross incurred claims and related expenses						
Undiscounted	**1,211,499**	**(976)**	**1,210,523**	**739,415**	**(1,374)**	**738,041**
Discount and discount movement	**(12,773)**	**(12,392)**	**(25,165)**	**(4,301)**	**(4,031)**	**(8,332)**
Gross incurred claims discounted	**1,198,726**	**(13,368)**	**1,185,358**	**735,114**	**(5,405)**	**729,709**
Reinsurance and other recoveries						
Undiscounted	**(156,250)**	**(27,558)**	**(183,808)**	**(105,087)**	**(17,280)**	**(122,367)**
Discount and discount movement	**3,314**	**7,696**	**11,010**	**1,318**	**4,394**	**5,712**
Reinsurance and other recoveries discounted	**(152,936)**	**(19,862)**	**(172,798)**	**(103,769)**	**(12,886)**	**(116,655)**
Net incurred claims	**1,045,790**	**(33,230)**	**1,012,560**	**631,345**	**(18,291)**	**613,054**
Year ended 30 June 2021						
Gross incurred claims and related expenses						
Undiscounted	972,196	(21,210)	950,986	569,177	(19,308)	549,869
Discount and discount movement	(2,987)	288	(2,699)	(1,015)	(105)	(1,120)
Gross incurred claims discounted	969,209	(20,922)	948,287	568,162	(19,413)	548,749
Reinsurance and other recoveries						
Undiscounted	(74,728)	(10,923)	(85,651)	(41,427)	(345)	(41,772)
Discount and discount movement	436	865	1,301	67	602	669
Reinsurance and other recoveries discounted	(74,292)	(10,058)	(84,350)	(41,360)	257	(41,103)
Net incurred claims	894,917	(30,980)	863,937	526,802	(19,156)	507,646

Details of the uncertainties that exist in measuring gross incurred claims and reinsurance recoveries arising from the Canterbury and Kaikoura earthquakes are explained in Note 19.1.

6. Profit before tax

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Profit before tax is arrived at after charging the following specific items:				
Expected credit losses expense	**381**	82	**201**	-
Contributions to defined contribution superannuation schemes	**2,330**	1,822	**-**	-
Depreciation on property, plant and equipment	**6,595**	6,472	**827**	998
Employee benefits	**93,065**	77,266	**-**	-
Gain on disposal of property, plant and equipment	**(143)**	(121)	**(127)**	(96)
Software amortisation cost (Note 16.3)	**1,842**	836	**-**	85
Other expenses	**(2,756)**	6,015	**600**	845

Other expenses comprise the compensation portion of the customer remediation provision as detailed in Note 30.

Notes to the financial statements (continued)

7. Income tax

7.1 Income tax expense

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Profit before tax	**211,856**	242,663	**135,960**	191,410
Prima facie income tax @ 28% (2021: 28%)	**59,320**	67,946	**38,068**	53,595
Movement in income tax expense due to:				
Non-deductible expenditure	**73**	96	**2**	-
Non-taxable related party dividends	**-**	-	**(6,440)**	(5,908)
Capital notes distribution	**(782)**	(684)	**(782)**	(684)
Imputation credits	**(167)**	(134)	**(7,616)**	(7,616)
Tax exempt revenue	**1,664**	(1,963)	**-**	-
Adjustment for prior financial years	**(34)**	88	**(40)**	95
Income tax expense	**60,074**	65,348	**23,192**	39,482
Income tax expense recognised in profit consists of:				
Current tax expense/(credit)				
Current year	**50,750**	63,161	**17,237**	33,874
Adjustment for prior financial years	**16**	310	**(63)**	379
	50,766	63,471	**17,174**	34,253
Deferred tax expense/(credit)				
Current year	**9,358**	2,099	**5,995**	5,513
Adjustment for prior financial years	**(50)**	(222)	**23**	(284)
	9,308	1,877	**6,018**	5,229
Income tax expense	**60,074**	65,348	**23,192**	39,482
Income tax expense recognised in other comprehensive loss				
Income tax expense on actuarial losses on defined benefit funds	**3,314**	6,059	**3,314**	6,059

7.2 Imputation credits

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
SGHNZL ICA Group	**523,929**	459,197	**523,929**	459,197
Subsidiaries outside the SGHNZL ICA Group	**16,116**	12,396	**-**	-
Imputation credits available for use in subsequent reporting periods	**540,045**	471,593	**523,929**	459,197

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

Notes to the financial statements (continued)

7.3 Current tax

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Balance at the beginning of the financial year	**(2,521)**	(53,386)	**3,106**	(36,295)
Income tax paid net of refunds	**51,368**	112,354	**25,500**	72,450
Current year tax on operating profit (Note 7.1)	**(50,750)**	(63,161)	**(17,237)**	(33,874)
Adjustment for prior financial years (Note 7.1)	**(16)**	(310)	**63**	(379)
Transfers between related parties	**(1,110)**	1,982	**(2,471)**	1,204
Balance at the end of the financial year	**(3,029)**	(2,521)	**8,961**	3,106

7.4 Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Deferred tax assets are attributable to:				
Depreciable assets	**1,424**	1,804	**606**	1,006
Defined benefit scheme	**3,379**	6,588	**3,482**	6,588
Employee Benefits	**3,693**	3,371	**-**	**-**
Leases	**1,078**	925	**26**	27
Provisions	**1,704**	7,749	**1,478**	2,513
Payables and other liabilities	**3,012**	4,808	**2,659**	4,625
Total deferred tax assets	**14,290**	25,245	**8,251**	14,759
Deferred tax liabilities are attributable to:				
Investments	**1,432**	(230)	**-**	-
Deferred acquisition costs	**(44,873)**	(41,619)	**(38,311)**	(35,488)
Risk margins	**(3,404)**	(3,329)	**-**	-
Total deferred tax liabilities	**(46,845)**	(45,178)	**(38,311)**	(35,488)
Net deferred tax liabilities	**(32,555)**	(19,933)	**(30,060)**	(20,729)
Movements				
Deferred tax assets				
Balance at the beginning of the financial year	**25,245**	32,635	**14,759**	24,541
Movement recognised in profit or loss	**(7,641)**	(1,331)	**(3,195)**	(3,723)
Recognised in other comprehensive loss	**(3,314)**	(6,059)	**(3,314)**	(6,059)
Balance at the end of the financial year	**14,290**	25,245	**8,251**	14,759
Deferred tax liabilities				
Balance at the beginning of the financial year	**(45,178)**	(44,632)	**(35,488)**	(33,982)
Movement recognised in profit or loss	**(1,667)**	(546)	**(2,823)**	(1,506)
Balance at the end of the financial year	**(46,845)**	(45,178)	**(38,311)**	(35,488)

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Notes to the financial statements (continued)

8. Cash and cash equivalents

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Cash at bank and on hand	**15,946**	16,419	**9,039**	10,674
Shared property reinstatement deposits (Note 17)	**42**	138	**-**	-
Cash held within investment portfolios	**92,321**	60,940	**76,939**	52,046
Total cash and cash equivalents	**108,309**	77,497	**85,978**	62,720

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

9. Receivables and other assets

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Trade and other receivables				
Premiums due	**771,696**	680,955	**456,106**	407,997
Amounts due from related parties (Note 28.2)	**4,861**	1,581	**7,649**	3,716
Prepaid expenses	**1,224**	1,265	**-**	-
Amounts due from reinsurers	**29,657**	44,200	**22,979**	36,879
Provision for expected credit losses	**(11)**	(37)	**-**	(30)
Total trade and other receivables	**807,427**	727,964	**486,734**	448,562
Other assets				
Accrued income	**4,225**	4,995	**2,755**	3,291
Investment receivables	**-**	-	**-**	43
Other assets	**4,249**	2,017	**4,250**	1,900
Total other assets	**8,474**	7,012	**7,005**	5,234
Total receivables and other assets	**815,901**	734,976	**493,739**	453,796
Current	**815,901**	734,976	**493,739**	453,796
Total receivables and other assets	**815,901**	734,976	**493,739**	453,796
Movements in provision for expected credit losses				
Balance at the beginning of the financial year	**(37)**	(37)	**(30)**	(30)
Provision released during the financial year	**26**	**-**	**30**	**-**
Balance at the end of the financial year	**(11)**	(37)	**-**	(30)

Notes to the financial statements (continued)

10. Investment securities

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Financial assets at fair value through profit or loss				
Interest bearing securities	**1,016,764**	1,006,815	**615,761**	626,581
Unit trusts	**157,947**	138,958	**-**	-
Total investment securities	**1,174,711**	1,145,773	**615,761**	626,581

11. Reinsurance and other recoveries receivable

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Expected future reinsurance and other recoveries undiscounted	**314,767**	233,549	**231,472**	166,752
Discount to present value	**(13,049)**	(1,905)	**(6,543)**	(831)
Total reinsurance and other recoveries receivable	**301,718**	231,644	**224,929**	165,921
Current	**205,790**	155,375	**171,375**	129,216
Non-current	**95,928**	76,269	**53,554**	36,705
Total reinsurance and other recoveries receivable	**301,718**	231,644	**224,929**	165,921

Details of the uncertainties that exist in measuring reinsurance recoveries arising from the Canterbury and Kaikoura earthquakes are explained in Note 19.1.

12. Deferred reinsurance premiums

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Balance at the beginning of the financial year	**191,522**	179,987	**137,011**	132,058
Reinsurance premium liability incurred	**294,441**	245,442	**211,549**	171,190
Reinsurance premium charged to profit or loss	**(246,640)**	(233,907)	**(174,751)**	(166,237)
Balance at the end of the financial year	**239,323**	191,522	**173,809**	137,011

13. Deferred acquisition costs

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Balance at the beginning of the financial year	**148,641**	142,367	**126,744**	121,116
Acquisition costs deferred	**352,626**	337,746	**302,721**	291,180
Amortisation charged to profit or loss	**(355,825)**	(343,379)	**(299,176)**	(291,039)
Reinsurance commission recognised in profit or loss	**14,821**	11,907	**6,535**	5,487
Balance at the end of the financial year	**160,263**	148,641	**136,824**	126,744

KPMG

Notes to the financial statements (continued)

14. Investment in subsidiaries

	Company	
	2022 $'000	2021 $'000
Shares in subsidiaries	**37,304**	37,304

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

		Company	
		2022	2021
Trading subsidiaries	**Principal activity**	%	%
AA Insurance Limited	General Insurance	**68**	68
Vero Liability Insurance Limited	General Insurance	**100**	100

15. Investment in joint venture

			Consolidated	
	2022	2021	2022	2021
Share of interest in joint venture	%	%	$'000	$'000
AA Home Limited	**50**	50	**245**	250

The Group has a joint venture interest in AA Home Limited. AA Home Limited is incorporated in New Zealand and its principal activity is the provision of home repair services to customers. The balance date for AA Home Limited is 30 June.

16. Intangible assets

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

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Goodwill	**21,902**	21,902	**22,441**	22,441
Computer software	**5,302**	5,653	**-**	-
Total intangible assets	**27,204**	27,555	**22,441**	22,441

16.1 Goodwill

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
At 1 July				
Cost	**27,067**	27,067	**27,543**	27,543
Accumulated impairment	**(5,165)**	(5,165)	**(5,102)**	(5,102)
Balance at the beginning of the financial year	**21,902**	21,902	**22,441**	22,441
At 30 June				
Cost	**27,067**	27,067	**27,543**	27,543
Accumulated impairment	**(5,165)**	(5,165)	**(5,102)**	(5,102)
Balance at the end of the financial year	**21,902**	21,902	**22,441**	22,441

Notes to the financial statements (continued)

16.2 Impairment testing for cash-generating units containing goodwill

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

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
AA Insurance	**13,235**	13,235	**13,410**	13,410
AMP General	**8,667**	8,667	**9,031**	9,031
Carrying amount of goodwill	**21,902**	21,902	**22,441**	22,441

The carrying amount of each CGU, including the allocated goodwill, is compared to its recoverable amount determined based on a value-in-use basis. If the recoverable amount is lower, the goodwill is written down. If the recoverable amount is lower than the carrying amount of the CGU after the write down of the goodwill, the assets within the CGU are to be impaired on a proportional basis.

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

- Cash flows are projected from the financial forecasts prepared by the business units covering a three-year period, extended to five years based on specific assumptions for the fourth and fifth year;
- A terminal growth rate of 2.5% (2021: 2.5%) is used to extrapolate cash flows beyond the five-year projections, which does not exceed the long-term average growth rate for the industry;
- The weighted average cost of capital of 7.95% (2021: 7.2%) is used as the post-tax discount rate.

At 30 June 2022, the recoverable amount exceeds carrying amount of each CGU including the goodwill, therefore no impairment loss has been recognised in profit or loss (2021: $nil). Based on information available and market conditions at 30 June 2022, a reasonably possible change to any of the key assumptions made in this assessment would not cause the CGU's recoverable amount to be less than its carrying amount.

16.3 Software

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
At 1 July				
Cost	**66,995**	61,904	**58,896**	58,896
Accumulated amortisation and impairment	**(61,342)**	(60,506)	**(58,896)**	(58,811)
Balance at the beginning of the financial year	**5,653**	1,398	**-**	85
Additions	**1,491**	5,091	**-**	-
Amortisation charge	**(1,842)**	(836)	**-**	(85)
Balance at the end of the financial year	**5,302**	5,653	**-**	-
At 30 June				
Cost	**68,486**	66,995	**58,896**	58,896
Accumulated amortisation and impairment	**(63,184)**	(61,342)	**(58,896)**	(58,896)
Balance at the end of the financial year	**5,302**	5,653	**-**	-

KPMG

Notes to the financial statements (continued)

17. Payables and other liabilities

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Trade creditors and accruals	**101,324**	109,793	**73,938**	85,517
GST payable	**65,233**	56,622	**28,393**	25,441
Investment payables	**908**	16,805	**-**	13,402
Amounts due to reinsurers	**244,159**	195,843	**189,959**	148,805
Shared property reinstatement advances (Note 8)	**42**	138	**-**	-
Amounts due to related parties (Note 28.2)	**11,399**	11,488	**8,745**	8,826
Lease liability (Note 27)	**43,087**	41,359	**1,540**	2,015
Total payables and other liabilities	**466,152**	432,048	**302,575**	284,006
Current	**428,506**	395,640	**301,459**	282,466
Non-current	**37,646**	36,408	**1,116**	1,540
Total payables and other liabilities	**466,152**	432,048	**302,575**	284,006

18. Unearned premium liabilities

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Balance at the beginning of the financial year	**925,293**	860,370	**551,415**	539,355
Premiums written during the financial year (Note 4)	**2,133,179**	1,870,476	**1,333,427**	1,186,431
Premiums earned during the financial year (Note 4)	**(2,004,756)**	(1,805,553)	**(1,260,565)**	(1,174,371)
Balance at the end of the financial year	**1,053,716**	925,293	**624,277**	551,415

18.1 Liability adequacy test

The liability adequacy test has been conducted using the central estimate of the premium liabilities, together with an appropriate margin for uncertainty. The test is based on prospective information and so is dependent on assumptions and judgements.

The liability adequacy test which was performed as at 30 June 2022 identified a surplus for the Group and Company (30 June 2021: surplus).

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Net central estimate of present value of expected future cash flows from future claims	**696,990**	602,514	**390,569**	331,483
Risk margin of the present value of expected future cash flows	**19,593**	19,325	**13,009**	11,111
	716,583	621,839	**403,579**	342,594
Risk margin percentage	**2.8**	3.2	**3.3**	3.4
Probability of sufficiency	**60.0**	60.0	**60.0**	60.0

18.1 Liability adequacy test (continued)

The probability of sufficiency applied for the purpose of the liability adequacy test at 60% differs from the probability of sufficiency determined for the outstanding claims liability at 90%. The reason for this difference is that the former is in effect an impairment test used only to test the sufficiency of net premium liabilities whereas the latter is a measurement accounting policy used in determining the carrying value of the outstanding claims liability carried on the balance sheet.

19. Outstanding claims liabilities

19.1 Gross outstanding claims liabilities

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Gross central estimate - undiscounted	**707,609**	561,467	**469,844**	359,090
Discount to present value	**(25,886)**	(4,241)	**(10,120)**	(1,524)
Claim handling expenses	**32,651**	30,150	**17,644**	16,792
Risk margin	**60,609**	55,869	**37,649**	33,372
Gross outstanding claims liabilities	**774,983**	643,245	**515,017**	407,730
Current	**580,418**	474,076	**432,870**	347,313
Non-current	**194,565**	169,169	**82,147**	60,417
Gross outstanding claims liabilities	**774,983**	643,245	**515,017**	407,730

There is still uncertainty with regards to the estimation of gross outstanding claims liabilities and related reinsurance recoveries for the November 2016 Kaikoura earthquakes and the 2010 and 2011 Canterbury earthquake claims, despite continued progress in the settlement of these claims. The key uncertainties remaining are litigation risk and the number and size of new over-caps.

At 30 June 2022, the central estimate of gross outstanding claims liabilities, plus the net risk margin, attributed to the Kaikoura earthquakes totals $75 million and $75 million for the Group and Company, respectively (2021: $80 million and $80 million respectively). The equivalent figures for the Canterbury earthquakes totals $67 million and $58 million for the Group and Company, respectively (2021: $77 million and $68 million respectively).

The central estimate represents actuarial estimates, as at 30 June 2022, of what the Group and Company ultimately has left to pay, prior to receiving any reinsurance recoveries in relation to these claims. Given the nature of the uncertainties associated with the remaining earthquake claims the actual claims experience may deviate, perhaps substantially, from the central estimate as at 30 June 2022.

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

There is no longer an explicit, additional amount being held for uncertainty around COVID-19 (2021: $0.9 million). The risk margin is considered to adequately allow for pandemic risks, including COVID-19 uncertainty.

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

Notes to the financial statements (continued)

19.2 Reconciliation of movement in discounted outstanding claims liabilities

	Note	Consolidated		Company	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000
Net outstanding claims liabilities at the beginning of the financial year		**411,601**	339,545	**241,809**	205,000
Prior periods					
Payments net of reinsurance and other recoveries		**(251,901)**	(190,692)	**(170,535)**	(138,554)
Movement in discounting		**7,675**	1,586	**3,833**	532
Margin release on prior periods		**(32,995)**	(29,034)	**(17,186)**	(16,477)
Incurred claims due to changes in assumptions and experience		**(11,979)**	745	**(7,774)**	(1,457)
Change in discount rate		**(11,593)**	(1,410)	**(3,747)**	(196)
Change in claims handling expense rate		**-**	(23)	**-**	(23)
Change in inflation assumption		**13,252**	(1,736)	**5,262**	(518)
Movement in risk margins		**2,410**	(1,108)	**1,321**	(1,017)
Current period					
Net ultimate incurred costs		**1,045,790**	894,917	**631,345**	526,802
Payments net of reinsurance recoveries		**(698,995)**	(601,189)	**(394,240)**	(332,283)
Net outstanding claims liabilities at end of the financial year		**473,265**	411,601	**290,088**	241,809
Reinsurance and other recoveries receivable	11	**301,718**	231,644	**224,929**	165,921
Gross outstanding claims liabilities		**774,983**	643,245	**515,017**	407,730

19.3 Claims development tables

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

Consolidated	Accident year											2022
Accident year	**Prior $'000**	**2013 $'000**	**2014 $'000**	**2015 $'000**	**2016 $'000**	**2017 $'000**	**2018 $'000**	**2019 $'000**	**2020 $'000**	**2021 $'000**	**2022 $'000**	**Total $'000**
Estimate of ultimate claims cost:												
At end of accident year		**27,357**	**28,346**	**29,590**	**32,328**	**31,563**	**31,232**	**37,205**	**35,991**	**35,991**	**43,878**	**43,878**
One year later		**27,371**	**29,103**	**32,625**	**31,316**	**30,973**	**33,874**	**37,758**	**31,446**	**35,464**		**35,464**
Two years later		**29,349**	**29,340**	**31,779**	**29,830**	**28,628**	**32,917**	**38,623**	**30,252**			**30,252**
Three years later		**28,041**	**27,469**	**31,996**	**28,408**	**28,908**	**33,363**	**37,850**				**37,850**
Four years later		**27,269**	**27,092**	**32,049**	**27,641**	**29,399**	**31,864**					**31,864**
Five years later		**28,656**	**27,776**	**30,841**	**27,210**	**29,529**						**29,529**
Six years later		**28,162**	**27,689**	**30,344**	**26,589**							**26,589**
Seven years later		**27,698**	**26,974**	**30,316**								**30,316**
Eight years later		**27,841**	**26,860**									**26,860**
Nine years later		**27,729**										**27,729**
Current estimate of cumulative claims cost	**578,715**	**27,729**	**26,860**	**30,316**	**26,589**	**29,529**	**31,864**	**37,850**	**30,252**	**35,464**	**43,878**	**899,046**
Payments	**564,666**	**26,862**	**26,752**	**28,636**	**25,239**	**25,848**	**24,751**	**24,923**	**17,476**	**15,591**	**8,266**	**789,010**
Outstanding claims - undiscounted	**14,048**	**868**	**108**	**1,680**	**1,350**	**3,681**	**7,113**	**12,928**	**12,775**	**19,873**	**35,611**	**110,036**
Discount to present value	**(801)**	**(22)**	**(5)**	**(126)**	**(117)**	**(329)**	**(687)**	**(1,173)**	**(1,366)**	**(2,004)**	**(3,307)**	**(9,936)**
Outstanding claims - long tail	**13,248**	**845**	**103**	**1,554**	**1,233**	**3,352**	**6,427**	**11,755**	**11,409**	**17,869**	**32,303**	**100,100**
Outstanding claims - short tail												**279,906**
Claims handling expenses												**32,651**
Risk margin												**60,609**
Total net outstanding claims liabilities												**473,265**
Reinsurance and other recoveries receivable												**301,718**
Total gross outstanding claims liabilities												**774,983**

Notes to the financial statements (continued)

19.3 Claims development tables (continued)

Company	Accident year											2022
Accident year	**Prior $'000**	**2013 $'000**	**2014 $'000**	**2015 $'000**	**2016 $'000**	**2017 $'000**	**2018 $'000**	**2019 $'000**	**2020 $'000**	**2021 $'000**	**2022 $'000**	**Total $'000**
Estimate of ultimate claims cost:												
At end of accident year		7,997	9,407	8,561	8,887	6,934	6,818	9,285	7,079	8,492	10,166	10,166
One year later		6,793	9,105	7,150	7,136	6,443	7,000	9,916	6,597	6,912		6,912
Two years later		6,659	8,641	7,880	6,670	6,248	6,729	11,807	6,171			6,171
Three years later		6,631	7,847	7,944	6,642	6,201	7,113	11,847				11,847
Four years later		6,426	7,624	7,856	6,663	6,362	7,450					7,450
Five years later		7,200	8,455	8,038	7,034	6,636						6,636
Six years later		7,202	8,454	8,001	7,076							7,076
Seven years later		7,195	8,487	7,966								7,966
Eight years later		7,341	8,487									8,487
Nine years later		7,343										7,343
Current estimate of cumulative claims cost	409,469	7,343	8,487	7,966	7,076	6,636	7,450	11,847	6,171	6,912	10,166	489,523
Payments	398,728	7,338	8,486	7,918	6,986	6,367	7,214	9,239	5,752	5,381	3,068	466,477
Outstanding claims - undiscounted	10,741	5	1	48	90	269	236	2,608	420	1,531	7,098	23,047
Discount to present value	(645)	-	-	(2)	(3)	(9)	(8)	(87)	(14)	(50)	(250)	(1,068)
Outstanding claims - long tail	10,096	5	1	46	87	260	228	2,521	406	1,481	6,848	21,979
Outstanding claims - short tail												212,816
Claims handling expenses												17,644
Risk margin												37,649
Total net outstanding claims liabilities												290,088
Reinsurance and other recoveries receivable												224,929
Total gross outstanding claims liabilities												515,017

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

19.4 Actuarial Assumptions and Methods

a) Assumptions

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

	Consolidated		Company	
	2022	**2021**	**2022**	**2021**
Weighted average term to settlement (years)	**1.00**	0.92	**0.47**	0.50
Economic inflation rate	**5.8%**	1.8%	**6.4%**	1.4%
Superimposed inflation rate	**1.2%**	1.5%	**0.0%**	0.1%
Discount rate	**3.5%**	0.8%	**3.3%**	0.5%
Claim handling expense ratio	**8.2%**	8.0%	**6.9%**	6.8%
Risk margin	**14.7%**	15.7%	**14.9%**	15.9%

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

a) Assumptions (continued)

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

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

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

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

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

The assumptions regarding uncertainty for each class are applied to the net central estimates, and the results aggregated, allowing for diversification in order to arrive at an overall provision, which is intended to have a 90% (2021: 90%) probability of sufficiency (**POS**).

A net risk margin at an approximate 90% POS (2021: 90%) has been included in the net outstanding claims provision in respect of the 2010 and 2011 Canterbury earthquakes. The net risk margin takes into account the retention and limits of the 2010 and 2011 Suncorp Group catastrophe programmes; the timing of cash flows and the currency exchange rates that are likely over the future payment period.

b) Impact of changes in assumptions

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

		Consolidated		Company	
	Movement in variables	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Weighted average term to settlement - years	+0.5	**(7,879)**	(5,124)	**(4,361)**	(1,224)
	-0.5	**7,750**	5,061	**4,296**	1,218
Inflation rate	+1%	**(3,972)**	(3,542)	**(1,243)**	(1,176)
	-1%	**3,975**	3,546	**1,250**	1,182
Discount rate	+1%	**4,070**	3,599	**1,275**	1,182
	-1%	**(4,145)**	(2,828)	**(1,293)**	(577)
Claim handling expense ratio	+1%	**(4,375)**	(3,810)	**(2,715)**	(2,264)
	-1%	**4,375**	3,810	**2,715**	2,264
Risk margin	+1%	**(4,127)**	(3,565)	**(2,535)**	(2,094)
	-1%	**4,127**	3,565	**2,535**	2,094

Notes to the financial statements (continued)

c) Actuarial information

John Smeed, of Finity Consulting Pty Limited, is the Appointed Actuary for Vero Insurance New Zealand Limited (**VINZL**) and AA Insurance Limited (**AAIL**). Mr Smeed is a Fellow of the New Zealand Society of Actuaries. Mr Smeed has no financial interest in the Group. Adam Follington, of The Quantium Group Pty Limited is the Appointed Actuary for Vero Liability Insurance Limited (**VLIL**). Mr Follington is a Fellow of the New Zealand Society of Actuaries. Mr Follington has no financial interest in the Group.

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

The outstanding claims reserves disclosed for the Group have been calculated in accordance with the New Zealand Society of Actuaries Professional Standard No. 30 "Valuations of General Insurance Claims".The effective date of the respective Appointed Actuaries' advice is 30 June 2022.

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

In particular, the Appointed Actuaries are satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liabilities.There were no qualifications contained in their respective actuarial advice. The key assumptions used in the compilations of the reserves as at 30 June 2022 have been outlined above.

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

20. Defined benefit fund liabilities

20.1 Defined benefit superannuation funds

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

Notes to the financial statements (continued)

20.1 Defined benefit superannuation funds (continued)

The following tables summarise the deficit position for each defined superannuation benefit fund

Consolidated	2022			2021		
	Surplus $'000	Deficit $'000	Net $'000	Surplus $'000	Deficit $'000	Net $'000
Vero & Asteron New Zealand Staff Pension Scheme	**-**	**(9,767)**	**(9,767)**	-	(19,694)	(19,694)
RIG Superannuation Fund	**-**	**-**	**-**	-	(1,536)	(1,536)
Commercial Union General Insurance Staff Pension Scheme	**-**	**(2,303)**	**(2,303)**	-	(1,772)	(1,772)
Total net defined benefit liability	**-**	**(12,070)**	**(12,070)**	-	(23,002)	(23,002)
Non-current	**-**	**(12,070)**	**(12,070)**	-	(23,002)	(23,002)
Total net defined benefit liability	**-**	**(12,070)**	**(12,070)**	-	(23,002)	(23,002)

Company	2022			2021		
	Surplus $'000	Deficit $'000	Net $'000	Surplus $'000	Deficit $'000	Net $'000
Vero & Asteron New Zealand Staff Pension Scheme	**-**	**(10,131)**	**(10,131)**	-	(20,220)	(20,220)
RIG Superannuation Fund	**-**	**-**	**-**	-	(1,536)	(1,536)
Commercial Union General Insurance Staff Pension Scheme	**-**	**(2,303)**	**(2,303)**	-	(1,772)	(1,772)
Total net defined benefit liability	**-**	**(12,434)**	**(12,434)**	-	(23,528)	(23,528)
Non-current	**-**	**(12,434)**	**(12,434)**	-	(23,528)	(23,528)
Total net defined benefit liability	**-**	**(12,434)**	**(12,434)**	-	(23,528)	(23,528)

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

- Members receive regular pension payments or deferred pension payments. The amount of pension payable upon retirement of active members is determined based on final pensionable salary and pensionable service. Partial or full commutation of the pension may be allowed.
- The Financial Markets Conduct Act 2013 (**FMCA**), which replaced the Superannuation Schemes Act 1989 governs the superannuation industry and provides the framework within which superannuation funds operate. The FMCA requires an actuarial valuation to be performed for each defined benefit superannuation fund at least every three years.
- The Trustees of each fund are responsible for the governance of the fund. The Trustees have a legal obligation to act solely in the best interests of fund beneficiaries. The Trustees have the following roles:
  - Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
  - Management and investment of the fund assets; and
  - Compliance with superannuation law and other applicable regulations.
- The Financial Markets Authority licenses and supervises regulated superannuation funds.
- There are a number of risks to which each fund exposes the Group. The more significant risks relating to the defined benefit superannuation funds are:
  - Investment risk – The risk that investment returns will be lower than assumed and the Group will need to increase contributions to offset this shortfall.
  - Mortality risk – The risk that the members of the fund will live longer than assumed, increasing the number of pension payments and thereby requiring additional Group contributions.
  - Legislative risk – The risk that legislative changes could be made which increase the cost of providing the defined benefits.

Notes to the financial statements (continued)

20.1 Defined benefit superannuation funds (continued)

- Other Suncorp Group entities participate in the funds and the amounts included in these financial statements relate to the Group's share in relation to the members that are attributable to the Group. The Group is not liable for any deficits or contributions attributable to other Suncorp Group entities.
- There were no curtailments or settlements during the year. There was a plan amendment during the year with the merger of the RIG Superannuation Fund into the Commercial Union General Insurance Staff Pension Scheme. The merger was approved by the Trustees of the Schemes and the Financial Markets Authority. Assets and defined benefit scheme members were transferred effective 9th June 2022 from RIG Superannuation Fund to Commercial Union General Insurance Staff Pension Scheme.

a) Present value of defined superannuation commitments

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Fair value of fund assets at the end of the financial year	**47,549**	53,107	**46,177**	51,356
Defined benefit obligations at the end of the financial year	**(54,913)**	(67,140)	**(53,763)**	(65,710)
Adjustment for contributions tax	**(4,706)**	(8,969)	**(4,848)**	(9,174)
Net liability recognised in the statements of financial position	**(12,070)**	(23,002)	**(12,434)**	(23,528)

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

b) Reconciliation of movements

	Consolidated		Company	
Changes in the fair value of plan assets	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Balance at the beginning of the financial year	**53,107**	49,898	**51,356**	47,770
Interest income	**1,040**	455	**1,004**	434
Actual return on plan assets less interest income	**(2,450)**	6,354	**(2,063)**	6,724
Contributions by Group companies	**393**	466	**373**	445
Contributions by plan participants	**3**	5	**3**	5
Benefits paid	**(4,353)**	(3,768)	**(4,318)**	(3,733)
Premiums and expenses paid	**(191)**	(303)	**(178)**	(289)
Balance at the end of the financial year	**47,549**	53,107	**46,177**	51,356

	Consolidated		Company	
Changes in the present value of defined benefit fund obligations	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Balance at the beginning of the financial year	**(67,140)**	(79,205)	**(65,710)**	(77,464)
Current service cost	**(548)**	(703)	**(528)**	(677)
Interest expense	**(1,329)**	(738)	**(1,300)**	(721)
Contributions by plan participants	**(3)**	(5)	**(3)**	(5)
Actuarial gains arising from changes in demographic assumptions	**249**	1,296	**238**	1,221
Actuarial gains/(losses) arising from changes in financial assumptions	**10,010**	9,133	**9,715**	8,843
Actuarial losses arising from liability experience	**(696)**	(989)	**(671)**	(929)
Benefits paid	**4,353**	3,768	**4,318**	3,733
Premiums and expenses paid	**191**	303	**178**	289
Balance at the end of the financial year	**(54,913)**	(67,140)	**(53,763)**	(65,710)

Notes to the financial statements (continued)

c) Categories of fund assets

Major categories of fund assets as a percentage of total fund assets	Consolidated 2022 %	Consolidated 2021 %	Company 2022 %	Company 2021 %
Equity	**47.5**	48.1	**47.4**	48.1
Fixed Income	**26.7**	27.2	**26.8**	27.3
Investments in managed funds	**13.7**	13.7	**13.7**	13.6
Cash	**12.1**	11.0	**12.1**	11.0
	100.0	100.0	**100.0**	100.0

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

A review of the strategic asset allocation was completed in December 2020. The assets for the Vero and Asteron scheme were adjusted in accordance with the recommendation. This took effect in March 2021.

d) Principal actuarial assumptions

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

	Consolidated 2022 %	Consolidated 2021 %	Company 2022 %	Company 2021 %
Vero & Asteron New Zealand Staff Pension Scheme				
Discount rate	**3.70**	2.13	**3.70**	2.13
Future salary increases	**2.0 pa**	2.0 pa	**2.0 pa**	2.0 pa
RIG Superannuation Fund				
Discount rate	**n/a**	1.65	**n/a**	1.65
Future salary increases	**n/a**	n/a	**n/a**	n/a
Commercial Union General Insurance Staff Pension Scheme				
Discount rate	**3.64**	1.90	**3.64**	1.90
Future salary increases	**2.0 pa**	2.0 pa	**2.0 pa**	2.0 pa

Mortality assumptions are based on the New Zealand Life Tables 2017-2019 with a two-year age setback and an age related future mortality improvement scale, starting from 2018 (the mid-point of the period on which the base Life Table was produced). A two-year offset is used to reflect the lower mortality expected of pensioners relative to the overall New Zealand population.

d) Principal actuarial assumptions (continued)

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

	Consolidated 2022	Consolidated 2021	Company 2022	Company 2021
Vero & Asteron New Zealand Staff Pension Scheme	**10**	12	**10**	12
RIG Superannuation Fund	**-**	8	**-**	8
Commercial Union General Insurance Staff Pension Scheme	**8**	10	**8**	10

e) Sensitivity analysis

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

Consolidated	2022		2021	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Discount rate movement (100 basis points)	**(4,894)**	**5,846**	(6,861)	8,363
Future salary increases (100 basis points)	**367**	**(335)**	728	(664)
One year movement in life expectancy	**1,702**	**(1,704)**	2,378	(2,364)

Company	2022		2021	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Discount rate movement (100 basis points)	**(4,753)**	**5,672**	(6,659)	8,100
Future salary increases (100 basis points)	**323**	**(297)**	664	(609)
One year movement in life expectancy	**1,676**	**(1,677)**	2,338	(2,325)

f) Funding

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

For the Vero & Asteron New Zealand Staff Pension Scheme other Suncorp Group entities also participate in the fund. The most recent statutory review was carried out as at 31 March 2020. The employers are currently contributing at a rate of 20% of active members' salaries (inclusive of contribution tax). The actuarial recommendation is 26% of active members' salaries, a contribution to scheme expenses and additional lump sum contributions to eliminate the deficit. The employers contributed $143,000 (inclusive of contribution tax) to reimburse the scheme for its administration expenses during the year ended 30 June 2022. No additional employer contributions were made during the year ended 30 June 2022.

For the RIG Superannuation Fund, the most recent statutory review was carried out as at 31 March 2019 and based on the review no employer contributions were required. Following the events of early 2020 the FMA recommended that all scheme trustees review their funding positions. An interim review dated December 2020 identified that the fund was in deficit and recommended the Company recommence contributions to restore the Fund's financial position. No employer contributions were made during the year ended 30 June 2022. With the merger of RIG Superannuation Fund to Commercial Union General Insurance Staff Pension Scheme, there was no statutory review completed as at 31 March 2022

For the Commercial Union General Insurance Staff Pension Scheme the most recent statutory review was carried out as at 31 March 2020 and, on the basis of that review, the actuary recommended Company contributions of 32% of active members salaries and making additional lump sum contributions to eliminate the deficit. The employers contributed $106,000 during the year ended 30 June 2022.

The Group, via AA Insurance Limited and a related entity Suncorp NZ Employees Limited, intends to contribute $372,000 to the defined superannuation benefit funds in the financial year ending 30 June 2023, being 20% of active members' salaries in the Vero & Asteron New Zealand Staff Pension Scheme.

Notes to the financial statements (continued)

21. Share capital and capital notes

	Company		Company	
	2022 Shares/ Notes No. (000)	2022 Shares/ Notes $'000	2021 Shares/ Notes No. (000)	2021 Shares/ Notes $'000
Issued and fully paid ordinary shares	**159,393**	**211,318**	159,393	211,318
Shareholder contribution under equity settled employee share plans	**-**	**6,311**	-	6,311
Total share capital	**159,393**	**217,629**	159,393	217,629
Capital notes	**592**	**59,191**	592	59,191
Total capital notes	**592**	**59,191**	592	59,191
Total share and capital notes		**276,820**		276,820

21.1 Share capital

The Company does not have authorised capital or par value in respect of its issued shares. All shares are fully paid. All shares rank equally with one vote attached to each fully paid ordinary share.

As at 30 June 2022, the Company had 159,392,655 ordinary shares with no par value issued to Suncorp Group Holdings (NZ) Limited (2021:159,392,655).

21.2 Capital notes

At 30 June 2022 the Company had 591,910 capital notes (2021: 591,910) with a face value of $59,191,000 issued to its parent Suncorp Group Holdings (NZ) Limited.

The capital notes are qualifying perpetual instruments and qualify as capital under the Solvency Standard for Non-life Business issued by the Reserve Bank of New Zealand. They are fully paid, perpetual, subordinated, unsecured securities.

The capital notes pay a distribution. Payments are floating rate, discretionary, non-cumulative, and scheduled to be paid quarterly, at the Company's discretion. They are calculated based on the sum of the three-month bank bill rate plus a 4% margin.

The Company has the option to redeem the instruments following a regulatory or tax event or if certain other requirements are met.

In the event of the winding-up of the Company, the rights of the holders will rank equally, and in priority to the rights of the ordinary shareholders only.

22. Capital management

22.1 Capital management policies and objectives

The Group is part of the Suncorp Group. The capital management strategy of the Suncorp Group is to optimise shareholder value, having regard to the need to hold sufficient capital to protect the interests of policy holders, and comply with relevant regulatory requirements, by managing the level, mix and use of capital resources. The primary objective is to ensure there are sufficient capital resources to maintain and grow the business, in accordance with risk appetite. The Suncorp Group's Internal Capital Adequacy Assessment Process (**ICAAP**) provides the framework to ensure that the Suncorp Group as a whole, and each regulated entity, is capitalised to meet internal and external requirements. The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in the capital needs and risk profile of the Suncorp Group.

The Company and its two general insurance subsidiaries, Vero Liability Insurance Limited and AA Insurance Limited, are licensed insurance companies in accordance with the IPSA. All three companies manage their capital in accordance with the requirements of IPSA and the Solvency Standard for Non-life Insurance Business (the **Solvency Standard**) issued by the Reserve Bank of New Zealand.

KPMG

22.1 Capital management policies and objectives (continued)

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

The Group and Company satisfied all externally imposed capital requirements which they were subject to during the year ended 30 June 2022.

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

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

22.2 Capital composition

The Group and Company manage their capital by considering both regulatory and economic capital. The primary source of capital used by the Company is total equity attributable to owners. Total equity attributable to owners is included in the definition of "capital" in the Solvency Standard.

Regulatory capital

Regulatory capital is made up of two components, actual solvency capital and minimum solvency capital with the difference representing the solvency margin. The calculation of the solvency margin for the Group, being the Company and its two general insurance subsidiaries Vero Liability Insurance Limited and AA Insurance Limited (**Licensed Insurer Group**), and the Company is detailed below:

	Licensed Insurer Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Actual solvency	**458,116**	452,689	**244,312**	267,802
Minimum solvency capital	**256,129**	241,483	**149,192**	142,331
Solvency margin	**201,987**	211,206	**95,120**	125,471
Solvency ratio	**1.79**	1.87	**1.64**	1.88

Notes to the financial statements (continued)

23. Credit rating

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

	Credit Rating	
	2022	2021
Vero Insurance New Zealand Limited	AA-	A+
Vero Liability Insurance Limited	AA-	A+
AA Insurance Limited	AA-	A+

24. Notes to the statement of cash flows

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Profit for the financial year	151,782	177,315	112,768	151,928
Non-cash items				
Movement in financial assets at fair value through profit or loss	54,138	10,437	23,083	12,698
Depreciation and amortisation expense	8,437	7,308	827	1,083
Gains on disposal of plant and equipment	(143)	(121)	(127)	(96)
Share of joint venture gain	4	(55)	-	-
Movement in defined benefit fund	8,347	15,530	8,519	15,578
Change in assets and liabilities				
Increase in receivables and other assets	(80,924)	(7,713)	(39,986)	35,744
(Increase)/Decrease in reinsurance and other recoveries receivable	(70,074)	49,930	(59,008)	36,545
Increase in deferred reinsurance premiums	(47,801)	(11,535)	(36,798)	(4,953)
Increase in deferred acquisition costs	(11,622)	(6,274)	(10,080)	(5,628)
Increase in current tax assets	-	-	(5,855)	(3,106)
Decrease in deferred tax assets	10,955	7,390	6,508	9,782
Increase in payables and other liabilities	48,273	24,615	32,446	9,391
Increase in unearned premium liabilities	128,423	64,923	72,862	12,060
Increase/(Decrease) in current tax liabilities	508	(50,865)	-	(36,295)
Increase in outstanding claims liabilities	131,738	22,126	107,287	264
(Decrease) in defined benefit fund liabilities	(10,932)	(20,738)	(11,094)	(20,790)
Increase in deferred tax liabilities	1,667	546	2,823	1,506
(Decrease) in provisions	(20,287)	(18,638)	(3,695)	(10,842)
Net cash from operating activities	302,489	264,181	200,480	204,869

25. Financial instruments

25.1 Comparison of fair value to carrying amounts

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

Investments traded in an active market are valued at the closing quoted market price.

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

Financial assets and liabilities that are not recognised and measured at fair value include cash and cash equivalents, receivables and other assets and payables. The basis of recognition and measurement of these financial assets and liabilities is described in Note 31.

25.2 Fair value hierarchy

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

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

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

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Consolidated				
As at 30 June 2022				
Financial assets				
Investment securities	**25,846**	**1,148,865**	**-**	**1,174,711**
As at 30 June 2021				
Financial assets				
Investment securities	57,203	1,088,570	-	1,145,773
Company				
As at 30 June 2022				
Financial assets				
Investment securities	**20,805**	**594,956**	**-**	**615,761**
As at 30 June 2021				
Financial assets				
Investment securities	38,638	587,943	-	626,581

There have been no material transfers between Level 1 and Level 2 during the year ended 30 June 2022 for the Group or Company.

KPMG

Notes to the financial statements (continued)

25.3 Accounting classification

The carrying amount of financial assets and liabilities shown in the statements of financial position are as follows:

Consolidated

2022	Financial Assets at Fair Value $'000	Financial Assets at Amortised Cost $'000	Financial Liabilities at Amortised Cost $'000	Carrying amount $'000
Cash and cash equivalents	**-**	**108,309**	**-**	**108,309**
Receivables and other assets*	**-**	**815,901**	**-**	**815,901**
Investment securities	**1,174,711**	**-**	**-**	**1,174,711**
	1,174,711	**924,210**	**-**	**2,098,921**
Payables and other liabilities*	**-**	**-**	**(400,919)**	**(400,919)**
2021				
Cash and cash equivalents	-	77,497	-	77,497
Receivables and other assets*	-	734,976	-	734,976
Investment securities	1,145,773	-	-	1,145,773
	1,145,773	812,473	-	1,958,246
Payables and other liabilities*	-	-	(375,426)	(375,426)

Company

2022	Financial Assets at Fair Value $'000	Financial Assets at Amortised Cost $'000	Financial Liabilities at Amortised Cost $'000	Carrying amount $'000
Cash and cash equivalents	**-**	**85,978**	**-**	**85,978**
Receivables and other assets*	**-**	**493,739**	**-**	**493,739**
Investment securities	**615,761**	**-**	**-**	**615,761**
	615,761	**579,717**	**-**	**1,195,478**
Payables and other liabilities*	**-**	**-**	**(274,182)**	**(274,182)**
2021				
Cash and cash equivalents	-	62,720	-	62,720
Receivables and other assets*	-	453,796	-	453,796
Investment securities	626,581	-	-	626,581
	626,581	516,516	-	1,143,097
Payables and other liabilities*	-	-	(258,565)	(258,565)

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

Notes to the financial statements (continued)

26. Risk management

26.1 Risk management overview

The Company's Board has ultimate responsibility for risk management and is assisted by the Board Audit and Risk Committee (**BARC**) in its oversight of material risk categories and adherence to Board approved risk appetite and risk policies. The Company's subsidiaries which are licensed insurers, Vero Liability Insurance Limited and AA Insurance Limited, have their own respective Board Audit and Risk Committee which also perform this role. The Company's management apply the three lines of defence model for risk management as follows:

Line of Defence	Responsibility of	Accountable for
First	All employees	Identifying, assessing and managing risk within risk appetite and policy and framework requirements.
Second	Chief Risk Office of the Company	Owning and monitoring the application of risk frameworks, and measures and reports on risk performance and compliance. Is independent from the first line.
Third	Internal audit function	Independent assurance over internal controls and risk management practices.

The material risks managed by the Company include strategic, financial, insurance, and operational (including compliance) risks:

Key risks	Definition
Strategic risk	The risk that the Company's business model or strategy is not viable due to external change and the risk of failed execution of the strategy.
Financial – Credit, counterparty and contagion risk	The risk that the other party in an agreement will default / will not meet its contractual obligations in accordance with agreed terms. Contagion risk is the risk that problems impacting one entity within the Suncorp Group may compromise the financial position of other entities within the Suncorp Group.
Financial - Liquidity risk	The risk that the Company will be unable to service its cash flow obligations today or in the future.
Financial - Market/investment risk	The risk of unfavourable changes in foreign exchange rates, interest rates, equity prices, credit spreads, inflation, commodity prices, and market volatilities.
Financial - Asset and liability risk	The risk of adverse movements in the relative value of assets and liabilities due to changes in market factors (e.g. interest rates, inflation, FX), the variation in repricing profiles or from the different characteristics of the assets and liabilities.
Insurance risk	The risk that for any class of risk insured, the present value of actual claims payable will exceed the present value of actual premium revenues generated (net of reinsurance). This includes product design, pricing, reinsurance, underwriting, claims and reserving risks.
Operational risk	The risk of loss resulting from inadequate or failed internal processes and systems, errors by our people or from external events. This includes legal risk, but excludes strategic and reputational risks.
Compliance risk	Managing compliance risk ensures our legislative, regulatory and industry code obligations are met. Compliance risk must be considered as part of identifying and assessing operational risks. Compliance and operational risks management practices are embedded in the risk, obligations and controls assessment review process and the dynamic risk assessment process that supports the Company's objective to prevent and detect compliance breaches.

KPMG

Notes to the financial statements (continued)

26.1 Risk management overview (continued)

An integral part of managing all risks is managing conduct risk. The Company recognises that a strong organisational culture which aligns with our Being @ Suncorp Behaviours and our three Cultural Principles; Doing the Right Thing, Being Courageous, and Caring for Others,are key enablers to managing conduct risks and maximising the outcomes for our customers, shareholders and our people. The Company has implemented a Conduct Risk Management Programme to provide a structured approach to conduct related matters.

The Company has a number of Management Committees in place to execute specified responsibilities in the risk framework.

These committees include an Asset and Liability Committee (**ALCO**), a Non-Financial Risk Committee (**NFRC**), and a Customer Conduct Committee (**CCC**).

The primary role of the ALCO is to oversee the adequacy of balance sheets and regulatory capital of specified New Zealand registered Suncorp entities (including the Company) and oversee key financial risks to ensure that exposure is managed within the Board approved risk appetite or parameters.

The NFRC provides governance over the management of non-financial risks to ensure that exposure is managed within the Board approved risk parameters. Non-financial risks include Insurance Risk, Compliance Risk, Conduct Risk, Operational Risk (includes Project, Cyber and Technology risks) and Strategic Risk.

AAIL has a Management Risk Committee whose primary role is to oversee the management of financial and non-financial risks.

The CCC exists to assist senior management who oversee the management of conduct risk impacting on customers from an 'end-to-end' perspective, and make recommendations for improving customer outcomes and mitigating conduct risk.

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

- Note 26.2 Insurance risk management
- Note 26.3 to 26.5 Risk management for financial instruments: credit, liquidity and market risks. Financial instrument risk is not assessed on a look through basis.

26.2 Insurance risk management

a) Policies and practices for mitigating insurance risk

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

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

Concentration of insurance risk is mitigated through diversification over classes of insurance business, industry segments and the use of reinsurer coverage. In relation to the use of reinsurer coverage catastrophe and facultative reinsurance, contracts are purchased to ensure that any accumulation of losses from a single event or series of events is mitigated.

b) Terms and conditions of insurance business

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

KPMG

Notes to the financial statements (continued)

26.3 Credit risk

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

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

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

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

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

There has been no material change in the credit risk faced by the Group or Company or processes for managing the risk during the period. The Aggregate Risk Exposures Policy prescribes processes and requirements to comply with APRA Prudential Standard 3PS 221 'Aggregate Risk Exposures'. The Group has reporting obligations to the Suncorp Group for breaches of limits prescribed in the Policy. Currently the limits apply to aggregate exposures to each of the Australian major banks.

Notes to the financial statements (continued)

26.3 Credit risk (continued)

Consolidated							
	Credit Rating						
	AAA	AA	A	BBB	Non-investment grade	Not Rated	Total
2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	**-**	**102,309**	**6,000**	**-**	**-**	**-**	**108,309**
Interest bearing securities	**171,005**	**565,218**	**244,191**	**36,350**	**-**	**-**	**1,016,764**
Reinsurance and other recoveries	**-**	**153,230**	**113,132**	**2,316**	**-**	**33,040**	**301,718**
Accrued income	**-**	**-**	**-**	**-**	**-**	**4,225**	**4,225**
Premiums due	**-**	**-**	**-**	**-**	**-**	**771,696**	**771,696**
Amounts due from related parties	**-**	**4,861**	**-**	**-**	**-**	**-**	**4,861**
Amounts due from reinsurers	**-**	**9,392**	**20,119**	**142**	**-**	**4**	**29,657**
	171,005	**835,010**	**383,442**	**38,808**	**-**	**808,965**	**2,237,230**
2021							
Cash and cash equivalents	-	77,497	-	-	-	-	77,497
Interest bearing securities	180,439	495,426	294,551	36,399	-	-	1,006,815
Reinsurance and other recoveries	-	121,802	75,963	2,512	-	31,367	231,644
Accrued income	-	-	-	-	-	4,995	4,995
Premiums due	-	-	-	-	-	680,955	680,955
Amounts due from related parties	-	-	1,581	-	-	-	1,581
Amounts due from reinsurers	-	10,100	34,012	84	-	4	44,200
	180,439	704,825	406,107	38,995	-	717,321	2,047,687

26.3 Credit risk (continued)

Company

	Credit Rating						
	AAA	AA	A	BBB	Non-investment grade	Not Rated	Total
2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	**-**	**85,978**	**-**	**-**	**-**	**-**	**85,978**
Investment securities	**68,900**	**361,968**	**158,428**	**26,465**	**-**	**-**	**615,761**
Reinsurance and other recoveries	**-**	**117,535**	**86,904**	**2,321**	**-**	**18,169**	**224,929**
Accrued income	**-**	**-**	**-**	**-**	**-**	**2,755**	**2,755**
Premiums due	**-**	**-**	**-**	**-**	**-**	**456,106**	**456,106**
Amounts due from related parties	**-**	**7,649**	**-**	**-**	**-**	**-**	**7,649**
Amounts due from reinsurers	**-**	**5,598**	**17,239**	**138**	**-**	**4**	**22,979**
	68,900	**578,728**	**262,571**	**28,924**	**-**	**477,034**	**1,416,157**
2021							
Cash and cash equivalents	-	62,720	-	-	-	-	62,720
Investment securities	102,569	314,459	188,035	21,518	-	-	626,581
Reinsurance and other recoveries	-	88,620	58,299	2,507	-	16,495	165,921
Accrued income	-	-	-	-	-	3,291	3,291
Investment receivables	-	-	-	-	-	43	43
Premiums due	-	-	-	-	-	407,997	407,997
Amounts due from related parties	-	-	3,716	-	-	-	3,716
Amounts due from reinsurers	-	6,553	30,263	59	-	4	36,879
	102,569	472,352	280,313	24,084	-	427,830	1,307,148

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

Consolidated

		Past due but not impaired					
	Neither past due nor impaired	0-3 mths	3-6 mths	6-12 mths	>12 mths	Impaired	Total
2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Premiums due	**729,347**	**33,232**	**7,440**	**1,666**	**-**	**11**	**771,696**
2021							
Premiums due	650,874	25,688	3,740	616	-	37	680,955

Company

		Past due but not impaired					
	Neither past due nor impaired	0-3 mths	3-6 mths	6-12 mths	>12 mths	Impaired	Total
2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Premiums due	**415,979**	**31,500**	**7,311**	**1,316**	**-**	**-**	**456,106**
2021							
Premiums due	379,203	24,521	3,646	597	-	30	407,997

KPMG

26.4 Liquidity risk

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

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

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

There is no liquidity risk in respect of the capital notes issued by the Company as the notes are perpetual and do not include any provisions entitling the Holders to require the notes to be redeemed, although the terms of the notes do provide the Company the option to redeem if certain conditions are met.

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

Consolidated

2022	Carrying amount $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Amounts due to reinsurers	**244,159**	**244,159**	**-**	**-**	**244,159**
Trade creditors and accruals	**101,324**	**101,324**	**-**	**-**	**101,324**
Lease liability	**43,087**	**6,379**	**23,202**	**17,678**	**47,259**
Outstanding claims liabilities	**774,983**	**580,418**	**171,548**	**23,017**	**774,983**
Amounts due to related parties	**11,399**	**11,399**	**-**	**-**	**11,399**
	1,174,952	**943,679**	**194,750**	**40,695**	**1,179,124**
2021					
Amounts due to reinsurers	195,843	195,843	-	-	195,843
Trade creditors and accruals	109,793	109,793	-	-	109,793
Lease liability	41,359	5,900	22,293	17,437	45,630
Outstanding claims liabilities	643,245	474,076	156,047	13,122	643,245
Amounts due to related parties	11,488	11,488	-	-	11,488
	1,001,728	797,100	178,340	30,559	1,005,999

Notes to the financial statements (continued)

26.4 Liquidity risk (continued)

Company	Carrying amount	1 year or less	1 to 5 years	Over 5 years	Total
2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Amounts due to reinsurers	**189,959**	**189,959**	**-**	**-**	**189,959**
Trade creditors and accruals	**73,938**	**73,938**	**-**	**-**	**73,938**
Lease liability	**1,540**	**458**	**1,155**	**-**	**1,613**
Outstanding claims liabilities	**515,017**	**432,870**	**79,451**	**2,696**	**515,017**
Amounts due to related parties	**8,745**	**8,745**	**-**	**-**	**8,745**
	789,199	**705,970**	**80,606**	**2,696**	**789,272**
2021					
Amounts due to reinsurers	148,805	148,805	-	-	148,805
Trade creditors and accruals	85,517	85,517	-	-	85,517
Lease liability	2,015	519	1,613	-	2,132
Outstanding claims liabilities	407,730	347,313	57,074	3,343	407,730
Amounts due to related parties	8,826	8,826	-	-	8,826
	652,893	590,980	58,687	3,343	653,010

26.5 Market risk

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

The Group and Company's investment portfolio is split into insurance funds and shareholder funds.

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

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

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

COVID-19 has increased global market volatility and the market risk faced by the Company, however the investment portfolios have minimal equity exposure and largely invest in high credit quality fixed interest securities. There has been no material change to the policies and processes for managing the risks during the period as market volatility is expected over time.

Notes to the financial statements (continued)

a) Interest rate risk

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

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

The valuation of the outstanding claims liabilities includes the discounting to present value at balance date of expected future claim payments. Any assessment of the impact of changes in interest rates on investment income must include the offsetting adjustment to claims expense for changes in discount rates adopted in outstanding claims valuations. A movement of 100 basis points (2021: 100 basis points) is considered highly possible in the current environment and has been applied to the sensitivity analysis. This is disclosed in Note 19.4(b), represented by the impact of change in discount rate.

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

Although potential dividend payments on the capital notes issued by the Company reference an underlying floating interest rate to determine their quantum, as the payments are discretionary and non-cumulative there is no interest rate risk in respect of the capital notes.

The sensitivity of profit or loss after tax to movements in interest rates in relation to interest-bearing financial assets held at the balance date is shown in the table below. It is assumed that all residual exposures for the shareholder after tax are included in the sensitivity analysis, that the percentage point change occurs at the balance date and there are concurrent movements in interest rates and parallel shifts in the yield curves. A movement of 100 basis points (2021:100 basis points) is considered highly possible in the current envrionment and has been applied to the sensitivity analysis.

Consolidated	2022			2021		
	Exposure	Change in variable	Profit (loss) after tax & equity	Exposure	Change in variable	Profit (loss) after tax & equity
	$'000	%	$'000	$'000	%	$'000
Fixed interest bearing investment securities	486,224	+1	(7,892)	654,417	+1	(12,169)
		-1	8,280		-1	8,880
	486,224			654,417		

Company	2022			2021		
	Exposure	Change in variable	Profit (loss) after tax & equity	Exposure	Change in variable	Profit (loss) after tax & equity
	$'000	%	$'000	$'000	%	$'000
Fixed interest bearing investment securities	286,829	+1	(4,306)	430,080	+1	(7,942)
		-1	4,495		-1	5,210
	286,829			430,080		

Notes to the financial statements (continued)

a) Interest rate risk (continued)

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

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

b) Foreign exchange risk

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

All claim payments in relation to the Canterbury Earthquake claims are made in New Zealand dollars. However, the catastrophe reinsurance programme applicable to these events is denominated in Australian dollars.

The difference in currency used for paying claims and determining reinsurance recoveries means that movements in the AUD:NZD exchange rate can affect the net incurred claims position. Allowance is made for this foreign exchange risk through actuarial estimates of the net outstanding claims liability.

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

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

c) Credit spread risk

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

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

Sensitivity of the Group and Company's credit exposure to a +/- 100 basis point (2021: 100 basis points) change in yield is as follows:

Consolidated	2022			2021		
	Exposure	Change in variable	Profit (loss) after tax & equity	Exposure	Change in variable	Profit after tax & equity
	$'000	%	$'000	$'000	%	$'000
Interest bearing securities	**1,016,764**	**+1**	**(10,121)**	1,006,815	+1	(11,538)
		-1	**10,120**		-1	11,537
	1,016,764			1,006,815		

Company	2022			2021		
	Exposure	Change in variable	Profit (loss) after tax & equity	Exposure	Change in variable	Profit after tax & equity
	$'000	%	$'000	$'000	%	$'000
Interest bearing securities	**615,761**	**+1**	**(5,445)**	626,581	+1	(7,121)
		-1	**5,444**		-1	7,120
	615,761			626,581		

d) Equity price risks

The Group and Company hold investments that expose the Group to equity price risk. The profit or loss impact on equity price movement is determined by multiplying market value by the variable of +/- 500 basis points (2021: 500 basis points):

Consolidated	2022			2021		
	Exposure	Change in variable	Profit (loss) after tax & equity	Exposure	Change in variable	Profit (loss) after tax & equity
	$'000	%	$'000	$'000	%	$'000
Domestic equities in unit trusts	19,522	+5	703	17,416	+5	627
		-5	(703)		-5	(627)
Domestic fixed interest in unit trusts	73,852	+5	2,659	63,548	+5	2,288
		-5	(2,659)		-5	(2,288)
International equities in unit trusts	26,772	+5	964	24,722	+5	890
		-5	(964)		-5	(890)
International fixed interest in unit trusts	37,801	+5	1,361	33,272	+5	1,198
		-5	(1,361)		-5	(1,198)
	157,947			138,958		

26.6 Capital management

The Group and Company's capital management policies and objectives together with details of the amount of equity retained for the purpose of financial soundness are described in Note 22.

Notes to the financial statements (continued)

27. Property, plant and equipment and leases

	Consolidated		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Right of use asset	**32,402**	30,303	**1,445**	1,917
Other plant and equipment	**4,902**	4,599	**758**	1,148
Property, plant and equipment and leases	**37,304**	34,902	**2,203**	3,065

Right of use (**ROU**) assets and lease liabilities which are presented in the consolidated statement of financial position as 'Property, plant and equipment' and 'Payables and other liabilities' line items respectively, are presented in further detail below:

	Consolidated		Company	
	2022	2021	2022	2021
	Real Estate	Real Estate	Real Estate	Real Estate
	$'000	$'000	$'000	$'000
Right of use asset at the beginning of the financial year	**30,303**	33,627	**1,917**	2,352
Depreciation charge	**(4,776)**	(4,630)	**(472)**	(554)
Additions to right of use assets	**6,875**	1,315	**-**	119
Derecognition of right of use assets	**-**	(9)	**-**	-
Right of use asset at the end of the financial year	**32,402**	30,303	**1,445**	1,917
Lease liability at the end of the financial year	**43,087**	41,359	**1,540**	2,015
Current	**5,441**	4,951	**424**	475
Non-current	**37,646**	36,408	**1,116**	1,540
Lease liability at the end of the financial year	**43,087**	41,359	**1,540**	2,015

Interest expense on the lease liabilities for the Group and Company of $1,032,000 (2021:$1,071,000) and $44,000 (2021:$58,000) respectively was recognised as Finance costs in the consolidated statements of comprehensive income.

Total cash outflow for lease liabilities presented in the consolidated statements of cash flows for the Group and Company respectively was $5,147,000 (2021:$4,886,000) and $474,000 (2021:$536,000).

28. Related parties

28.1 Controlling entities

Vero Insurance New Zealand Limited is a wholly owned subsidiary of Suncorp Group Holdings (NZ) Limited. The ultimate parent entity of the Company is Suncorp Group Limited, a company incorporated in Australia. All members of the Suncorp Group are considered to be related parties of the Group and Company. This includes the subsidiaries of Vero Insurance New Zealand Limited identified in Note 14 and the joint venture of the Group in Note 15.

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

Notes to the financial statements (continued)

28.2 Transactions and balances

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

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Premiums received				
Fellow subsidiaries of the ultimate parent	**100**	114	**97**	98
Premiums paid				
Fellow subsidiaries of the ultimate parent	**289**	170	**-**	-
Reinsurance recoveries paid				
Subsidiaries	**-**	-	**8,407**	9,505
Service and administration fees received				
Subsidiaries	**-**	-	**1,338**	1,306
Fellow subsidiaries of the ultimate parent	**912**	357	**912**	353
Other related parties	**151**	186	**-**	-
Joint venture	**1,610**	1,455	**-**	-
Service and administration fees paid				
Subsidiaries	**-**	-	**718**	352
Fellow subsidiaries of the ultimate parent	**188,758**	175,227	**171,745**	158,356
Management services and profit shares paid				
Other related parties (Rasal)	**3,664**	3,229	**-**	-
Reinsurance premiums paid				
Fellow subsidiaries of the ultimate parent	**13,570**	12,385	**10,785**	9,807
Forward foreign exchange contract settlement payment				
Fellow subsidiaries of the ultimate parent	**53,649**	80,732	**53,649**	80,732
Employer contributions paid to superannuation schemes				
Other related parties	**186**	133	**181**	127
Group tax loss offsets/tax transfers paid				
Subsidiaries	**-**	-	**14**	54
Fellow subsidiaries of the ultimate parent	**30**	1,301	**30**	1,301
Other related parties	**1,420**	1,091		259
Group tax loss offsets/tax transfers received				
Parent	**168**	-	**168**	-
Fellow subsidiaries of the ultimate parent	**2,392**	410	**2,347**	410
GST transfers received				
Fellow subsidiaries of the ultimate parent	**12**	-	**12**	-
Dividends received				
Subsidiaries	**-**	-	**50,200**	48,300
Dividend paid				
Parent	**151,287**	157,539	**151,287**	157,539

Notes to the financial statements (continued)

28.2 Transactions and balances (continued)

Aggregate amounts receivable from or payable to related parties as at 30 June 2022 and 30 June 2021 are as follows:

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Amounts receivable from:				
Parent	**168**	-	**168**	-
Subsidiaries	**-**	-	**932**	917
Fellow subsidiaries of the ultimate parent	**4,693**	1,581	**6,549**	2,799
Total amounts receivable from related parties	**4,861**	1,581	**7,649**	3,716
Amounts payable to:				
Subsidiaries	**-**	-	**75**	79
Fellow subsidiaries of the ultimate parent	**8,808**	9,309	**8,670**	8,747
Other related parties	**2,591**	2,179	**-**	-
Total amounts payable to related parties	**11,399**	11,488	**8,745**	8,826

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

28.3 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, including any directors of the Company.

The Key Management Personnel (**KMP**) compensation is provided by Suncorp Group Limited or by a related party of the ultimate parent entity. Remuneration provided other than by a Suncorp Group entity located in New Zealand is not included in this disclosure. This applies to S B Johnston for the year ended 30 June 2021 and D F McTaggart for the years ended 30 June 2022 and 30 June 2021. They were remunerated by a related party of the ultimate parent outside of New Zealand and did not receive any compensation specifically related to their activities as a KMP of the Company. The KMP compensation is as follows:

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Short-term employee benefits	**13,426**	11,497	**6,791**	5,213
Post employment benefits	**209**	192	**209**	192
Long-term benefits	**222**	220	**222**	220
Termination benefits	**-**	579	**-**	579
Share based payment	**765**	673	**765**	673
Total Compensation	**14,622**	13,161	**7,987**	6,877

Compensation of KMP has been determined in accordance with their roles within Suncorp Group. In some cases where the employee holds roles across various entities within the Suncorp group, employee service contracts do not include any compensation, including bonuses, specifically related to the role of KMP of the Company and to allocate a figure may be misleading. In some cases, there is no link between KMP compensation and performance of the Company. Therefore, in such cases as there is no reasonable basis for allocating a KMP compensation amount to the Company, the entire compensation of the KMP has been disclosed above. KMP hold various insurance policies with the Group or related companies which are operated in the normal course of business and any claims are paid out as made on usual commercial terms.

KPMG

Notes to the financial statements (continued)

29. Auditor’s remuneration

	Consolidated		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
During the year the auditor of the Company was paid for the following services:				
Audit fees				
Audit of annual accounts of the Company	**601**	626	**601**	626
Audit of annual accounts of the Company’s subsidiaries	**246**	268	**-**	-
Other Assurance fees				
Assurance engagements on RBNZ solvency returns of the Company	**157**	155	**157**	155
Assurance engagements on RBNZ solvency returns of the Company's subsidiaries	**143**	140	**-**	-
Non audit fees				
Agreed upon procedure engagements over profit share calculations	**8**	8	**8**	8
Responsible Banking and Insurance Policy Review	**-**	47	**-**	41
Total auditor's remuneration	**1,155**	1,244	**766**	830

30. Provisions and contingent liabilities

a) Provisions

Provisions are recognised for present obligations arising from past events where a payment (or other economic transfer) is probable to settle the obligation and can be reliably estimated.

Consolidated

	Jun-21 $'000	Additions $'000	Amounts used $'000	Unused amounts reversed $'000	Jun-22 $'000
Annual Leave and other employee benefits	**12,577**	**15,450**	**(13,424)**	**(721)**	**13,882**
Customer remediation	**27,674**	**2,065**	**(14,548)**	**(9,109)**	**6,082**
Customer hardship and rebates	**-**	**1,616**	**(595)**	**(1,021)**	**-**
Total	**40,251**	**19,131**	**(28,567)**	**(10,851)**	**19,964**
Current	**40,251**	**19,131**	**(28,567)**	**(10,851)**	**19,964**
Total	**40,251**	**19,131**	**(28,567)**	**(10,851)**	**19,964**

	Jun-20 $'000	Additions $'000	Amounts used $'000	Unused amounts reversed $'000	Jun-21 $'000
Annual Leave and other employee benefits	11,197	13,488	(12,053)	(55)	12,577
Customer remediation	25,051	19,117	(13,201)	(3,293)	27,674
Customer hardship and rebates	22,641	-	(18,777)	(3,864)	-
Total	58,889	32,605	(44,031)	(7,212)	40,251
Current	58,889	32,605	(44,031)	(7,212)	40,251
Total	58,889	32,605	(44,031)	(7,212)	40,251

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Notes to the financial statements (continued)

a) Provisions (continued)

Company

	Jun-21 $'000	Additions $'000	Amounts used $'000	Unused amounts reversed $'000	Jun-22 $'000
Customer remediation	**8,975**	**1,598**	**(4,787)**	**(506)**	**5,280**
Customer hardship and rebates	**-**	**616**	**(516)**	**(100)**	**-**
Total	**8,975**	**2,214**	**(5,303)**	**(606)**	**5,280**
Current	**8,975**	**2,214**	**(5,303)**	**(606)**	**5,280**
Total	**8,975**	**2,214**	**(5,303)**	**(606)**	**5,280**

	Jun-20 $'000	Additions $'000	Amounts used $'000	Unused amounts reversed $'000	Jun-21 $'000
Customer remediation	16,049	1,652	(5,433)	(3,293)	8,975
Customer hardship and rebates	3,768	-	(1,934)	(1,834)	-
Total	19,817	1,652	(7,367)	(5,127)	8,975
Current	19,817	1,652	(7,367)	(5,127)	8,975
Total	19,817	1,652	(7,367)	(5,127)	8,975

Annual leave and other employee benefits

The provision is determined based on expected payments.

Customer remediation

The requirement for anticipated customer remediation has been assessed across the Group. Significant resources have been committed to a comprehensive program of work, to ensure that material issues are identified and addressed.

The provision for customer remediation represents management's best estimate of the amount required to discharge the Group's obligations at reporting date. It is possible that the outcome could be below or above the provision, if the actual outcome differs to the assumptions used in estimating the provision. Remediation processes may change over time as facts emerge and such changes could result in a change to the final exposure.

b) Contingent liabilities

There are outstanding legal and other claims and possible claims against the Group (other than claims under contracts of insurance), the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The directors are of the opinion that provisions are not required in respect of these matters as the amounts are not capable of reliable measurement.

The Financial Markets Authority (**FMA**) has been investigating the Company in relation to ongoing customer remediation activities. As at 30 June 2022, no enforcement action had taken place, and communications are ongoing.

31. Significant accounting policies

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

Notes to the financial statements (continued)

31.1 Basis of consolidation

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

a) Subsidiaries

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

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

b) Non-controlling interests

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

31.2 Business combinations

The acquisition method of accounting is used to account for business combinations by the Group. The cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred, and equity instruments issued by the Group at the acquisition date. Acquisition-related costs are expensed in the period in which they are incurred.

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

31.3 Transactions eliminated on consolidation

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

31.4 Foreign currency

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

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31.5 Revenue and expense recognition

a) Premium revenue

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

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

b) Claims expense

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

c) Reinsurance

Reinsurance commission revenue

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

Reinsurance and other recoveries revenue

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

Outwards reinsurance expense

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

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

d) Investment revenue

Interest income on financial assets or liabilities at amortised cost is recognised in profit or loss using the effective interest method. Interest income and expense on financial assets or liabilities at fair value are recognised in profit or loss when earned or incurred.

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

Investment revenue is classified as either investment income on insurance funds or shareholder funds. Investment income on insurance funds represents revenue derived from financial assets backing general insurance liabilities as detailed in Note 31.10(d) while investment income from shareholder funds represents revenue from financial assets that do not back general insurance liabilities.

31.6 Income tax

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

Deferred income tax is provided in full and is recognised on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the financial statements (continued)

31.6 Income tax (continued)

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

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

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

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

a) Goods and services tax

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

Net earned premium is net of the GST component of premium. Receivables and payables are stated inclusive of GST where applicable. The net amount of GST recoverable from, or payable to, the tax authority is included as an asset or liability in the statements of financial position.

31.7 Cash and cash equivalents

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

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

31.8 Receivables and other assets

Amounts due from policyholders, intermediaries and other receivables are initially recognised at fair value, being the amounts receivable. They are subsequently measured at amortised cost, using the effective interest method, less any impairment losses. Any impairment charge is recognised in the profit or loss. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts receivable according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. Non-current receivables are discounted using interest rates on government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash inflows.

31.9 Payables and other liabilities

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

31.10 Financial assets

The Company determines whether each financial asset's contractual cash flows are solely principal payments and interest (**SPPI**) and how the financial asset is managed.

a) Financial assets at fair value through profit or loss

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

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

Financial assets where contractual cash flows are not SPPI are classified at fair value through profit or loss (**FVTPL**). Assets that are SPPI but managed on a fair value basis are also classified at FVTPL. Where financial assets other than FVTPL back liabilities at fair value through profit or loss, this would create an accounting mismatch and the financial assets can be designated as at FVTPL to remove this mismatch.

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

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

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

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

b) Financial assets at amortised cost

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

An allowance for expected credit losses (**ECL**) is recognised for all debt instruments not held at fair value through profit or loss. Further information on ECL and impairment provisioning is provided in Note 31.12.

c) Derecognition of financial assets

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

d) General insurance activities

Certain assets are assessed under NZ IFRS 4 *Insurance Contracts* (those assets that are held to back general insurance liabilities), and under NZ IFRS 9 (those assets not backing general insurance liabilities).

Financial assets backing general insurance liabilities

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

d) **General insurance activities (continued)**

The Group has designated financial assets held in portfolios intended to match the average duration of a corresponding insurance liability as assets backing general insurance liabilities. These financial assets include investment securities and are mandatorily measured at FVTPL.

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

Financial assets not backing general insurance liabilities

Financial assets that do not back general insurance liabilities include investments and receivables. These investments are mandatorily measured at FVTPL. Receivables are measured at amortised cost.

31.11 Financial liabilities

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

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

a) Financial liabilities at fair value through profit or loss

A financial liability at fair value through profit or loss is a financial liability within the following categories:

- held for trading;
- derivative; or
- at fair value through profit or loss.

b) Financial liabilities at amortised cost

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

31.12 Impairment

An allowance is recognised for expected credit losses (**ECL**) for all debt instruments not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash inflows from the sale of collateral held or other credit enhancements (if any) that are integral to the contractual terms.

For cash and cash equivalents, receivables and other assets, and reinsurance and other recoveries (the debtors), the Company applies a simplified approach in calculating ECL. Under the simplified approach the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company determines the ECL based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors (i.e., probability of default) and the economic environment.

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

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

Notes to the financial statements (continued)

31.12 Impairment (continued)

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

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

a) Calculation of recoverable amount

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

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

b) Reversal of impairment

An impairment loss for an asset other than goodwill is reversed in following periods if there are indications that the impairment loss previously recognised no longer exists or has decreased. The impairment loss is reversed in the profit or loss only to the extent that it increases the asset back to its original carrying amount before any impairment was recorded. An impairment loss recognised for goodwill is not reversed.

31.13 Leases

a) Lease liabilities

Lease liabilities are measured at amortised cost using the effective interest method. Interest expense is recognised in the statements of comprehensive income in the 'Finance costs' line item. The lease liabilities are presented in the statements of financial position in the 'Payables and other liabilities' line item.

The lease liabilities are remeasured when there is a change in the contractual cash flow (i.e. due to a change in an index, rate or term). Any remeasurements result in a corresponding adjustment to the ROU asset or where the ROU asset has a value of nil, then it has to be recognised in the statements of comprehensive income.

b) Right-of-use asset

The ROU asset is measured at cost and represents the amount equal to the lease liability on initial recognition, along with any lease payments made at or before the commencement date less any lease incentives received. The ROU asset is presented in the statements of financial position in the 'Property, plant and equipment' line item.

The ROU asset is depreciated in accordance with the methods prescribed under NZ IAS 16 *Property, Plant and Equipment* over the period of the lease on a straight line basis. The depreciation is presented in the statements of comprehensive income in the 'Other underwriting expense' line item.

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31.14 Property, plant and equipment

a) Recognition and initial measurement

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

Property, plant and equipment is initially measured at cost, which comprises:

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

b) Subsequent measurement

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

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

c) Depreciation

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

The following depreciation rates have been used:

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

d) Retirement

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

31.15 Intangibles

a) Initial recognition and measurement

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

Expenditure on internally generated goodwill and brands is recognised in the profit or loss as an expense as incurred. Intangibles comprise computer software and goodwill.

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Notes to the financial statements (continued)

b) Subsequent expenditure

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

c) Amortisation

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

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

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

d) Goodwill

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

31.16 Employee benefit obligations

a) Short term employee benefits

Annual leave

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

Sick leave

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

Short term bonus plans

A liability is recognised for short term bonus plans when a constructive obligation exists.

Other leave and non-monetary benefits

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

Notes to the financial statements (continued)

b) Post-employment benefits (superannuation)

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

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

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

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

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

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

c) Other long term employee benefits

Long service leave

A liability for long service leave is recognised in the Statements of Financial Position. The liability is measured as the value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Annual Leave

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

d) Termination benefits

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

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31.17 Deferred insurance activities

a) Deferred acquisition costs (DAC)

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

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

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

b) Deferred reinsurance premiums

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

31.18 Outstanding claims liabilities

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

Standard actuarial methods are applied to all classes of business to assess the net central estimate of outstanding claims liabilities. The outstanding claims liability is heavily dependent on assumptions and judgements. The details of actuarial assumptions and the process for determining the risk margins are set out in Note 19.4.

31.19 Unearned premium liabilities

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

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

31.20 Contributed capital

a) Ordinary shares

Ordinary shares are recognised as equity.

b) Capital notes

Capital notes are recognised as equity where there is no contractual obligation to deliver cash or another financial asset in settlement of the notes. Capital notes are measured based on the consideration received net of issue costs. Interest paid in respect of capital notes recognised in equity is recognised as distributions from equity.

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Notes to the financial statements (continued)

c) Transaction costs

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

d) Capital contributions to subsidiaries

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

e) Dividends

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

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

31.21 Interest in joint venture

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The interest in the joint venture is accounted for using the equity method. It is initially recognised at cost, which includes transaction cost. Subsequent to initial recognition, the financial statements include the Group's share of the profit or loss of the joint venture, until the date on which joint control ceases.

31.22 Contingent liabilities and contingent assets

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

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

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

31.23 Changes in accounting estimates and errors

a) Estimates

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

b) Errors

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

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

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

KPMG

Notes to the financial statements (continued)

31.24 New accounting standards and interpretations not yet adopted

NZ IFRS 17 Insurance Contracts (NZ IFRS 17) is a new accounting standard for all types of insurance contracts and replaces NZ IFRS 4 Insurance Contracts. NZ IFRS 17 was issued in August 2017 and following stakeholder feedback, amendments were approved in August 2020 to address implementation issues identified. A further amendment was approved in January 2022 to add a transition option that permits an entity to apply a classification overlay relating to comparative information about financial assets presented on initial application of NZ IFRS 17 and NZ IFRS 9 Financial Instruments at the same time. NZ IFRS 17 is effective for the Group's financial statements for the reporting period beginning on 1 July 2023.

NZ IFRS 17 introduces three new measurement models. The general model measures insurance contracts based on the fulfilment cash flows (the present value of estimated future cash flows with an explicit risk adjustment for non-financial risk) and the contractual service margin (the unearned profit that will be recognised as services are provided over the coverage period). A modified version of the general model (variable fee approach) is applied to insurance contracts with direct participation features, and a simplified measurement model (premium allocation approach) is permitted in certain circumstances. The premium allocation approach is similar to the current measurement model used for general insurance.

The measurement model requirements are applied at an aggregated level rather than at an individual contract level. Contracts are initially aggregated into portfolios (comprised of contracts subject to similar risks that are managed together) and then divided into groups based on the expected profitability of contracts and the periods in which the contracts are written. Contracts may not be grouped if they are written more than 12 months apart. Under the level of aggregation requirements, the identification and measurement of contracts that are expected to be loss making will be performed at a lower granularity than occurs for the liability adequacy test under NZ IFRS 4, with any loss component recognised on initial recognition of the group of contracts.

Based on the current insurance business, the Group expects to be eligible to use the premium allocation approach for all its general insurance contracts. Applying the NZ IFRS 17 measurement models:

- Insurance contracts issued to policyholders and reinsurance contracts held are measured separately.
- Discount rates are required to reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts. This differs from the risk-free discount rates used under NZ IFRS 4. The Group is currently developing and testing its framework and models to determine discount rates and expects to apply the bottom-up approach, whereby a risk-free yield curve is adjusted to reflect the liquidity characteristics of the insurance cash flows through the addition of an illiquidity premium. The Group expects to present the financial impacts of discounting in the profit or loss, rather than disaggregate the impact between profit or loss and other comprehensive income.
- The risk adjustment reflects the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risks as the entity fulfills insurance contracts. This differs from the risk margin used under NZ IFRS 4 which reflects the inherent uncertainty in the central estimate of estimated future cash flows. The Group is currently developing and testing its framework and models for determining the risk adjustment and expects to use a confidence level approach.
- Acquisition costs that form part of the fulfilment cash flows of groups of insurance contracts measured using the premium allocation approach can either be immediately expensed or included within the insurance contract balance and amortised over the coverage period. For general insurance contracts applying the premium allocation approach, the Group expects to amortise acquisition costs over the coverage period.

NZ IFRS 17 also introduces significant changes to the presentation and disclosure of insurance contracts which include:

- The separate disclosure of assets and liabilities related to insurance contracts issued and reinsurance contracts held, replacing current balance sheet items such as premiums due, reinsurance and other recoveries receivable, deferred reinsurance premiums, deferred acquisition costs, amounts due to reinsurers, unearned premium liabilities and outstanding claims liabilities.

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

- The presentation of insurance revenue and insurance service expense gross of reinsurance. Insurance service expense includes claims expenses, non-reinsurance recoveries and expenses that are directly attributable to the fulfilment of insurance contracts. The reinsurance result is disclosed separately and is included in the insurance service result. The financial impact of changes to discount rates and the unwinding of the discounting of insurance and reinsurance assets and liabilities will be presented as part of the investment result rather than the insurance service result.
- Additional disclosures to provide information on amounts recognised for insurance contracts and the nature and extent of risk arising from insurance contracts.

NZ IFRS 17 is to be applied retrospectively to all insurance contracts on the transition date unless it is impracticable to do so, in which case a modified retrospective or fair value approach may be applied. The Group expects to use the full retrospective approach for general insurance contracts.

The Suncorp Group has established a project team to assess and implement the requirements of NZ IFRS 17. A detailed business impact assessment of the standard has been completed, and the Suncorp Group is progressing with implementation and testing of changes to finance systems and processes and actuarial modelling.

The NZ IFRS 17 requirements are complex and global interpretation of these requirements is evolving. Regulators are considering their response to the new standard which is likely to result in changes to the capital and reporting prudential standards and tax legislation or guidance. The Suncorp Group continues to closely monitor all these developments and to assess the impacts of the standard and other regulations on the Group. The financial impact of adopting NZ IFRS 17 is not reasonably estimable at the date of this report.

32. Subsequent events

There were no material events post 30 June 2022 which would require adjustment to the amounts reflected in the 30 June 2022 financial statements or disclosures thereto.

KPMG

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

To the Board of Directors of Vero Insurance New Zealand Limited

Background

This report has been prepared by John Smeed, FNZSA, FIA, Appointed Actuary of Vero Insurance New Zealand Limited ("VINZL") under section 78 of the Insurance (Prudential Supervision) Act 2010 (the Act).

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

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

Directors' responsibility for the financial statements

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

Appointed Actuary's responsibility

My responsibility is to review the actuarial information in, or used in the preparation of, VINZL's financial statements. The financial statements comprise the statements of financial position as at 30 June 2022, the statements of comprehensive income, changes in equity and cash flows for the year ended 30 June 2022, and a summary of significant accounting policies and other explanatory information.

My review involves

- Ascertaining the completeness of the actuarial information;
- Evaluating the accuracy and appropriateness of the actuarial information; and
- Providing an opinion on whether the solvency margins for VINZL are maintained at the balance date.

I am an employee of Finity Consulting Pty Limited, and have been retained as Appointed Actuary of VINZL under a contract with Suncorp New Zealand Services Limited. I have no conflicts of interest.

Opinion

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

- I have obtained all information that is relevant to the preparation of the financial statements; and
- In my opinion and from an actuarial perspective:
  - The actuarial information contained in the company's financial statements has been appropriately included;
  - The actuarial information contained in the company's financial statements has been used appropriately: and
  - VINZL maintains a solvency margin in accordance with the Solvency Standard for Non-life Insurance Business 2014 for the purposes of section 21(2)(b) of the Act as at 30 June 2022.

John Smeed

Appointed Actuary

28 July 2022