Asteron Life Limited

Financial report
for the financial year ended 30 June 2023

Asteron
Life

Asteron Life Limited

Financial report

for the financial year ended 30 June 2023

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Directors' report

The Board of Directors presents the Directors' report together with the financial report of Asteron Life Limited (the **Company**) for the financial year ended 30 June 2023.

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
A J Barrass (appointed 1 September 2022)
D M Flacks (Chairman)
K L Jorgensen (appointed 1 September 2022)
D F McTaggart (resigned 13 March 2023)
L J Tanner (appointed 13 March 2023)

Executive
S B Johnston
J J Higgins

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

Auditor
KPMG
18 Viaduct Harbour Avenue
Auckland 1010
New Zealand

Dividends

During the financial year, the Company paid dividends totalling $30,100,000 (2022: $37,500,000). Further details of dividends paid are set out in Note 3 to the financial statements.

Principal activities

The principal activities of the Company during the course of the financial year were the underwriting of life insurance and the administration of long term savings products. There has been no significant change in the nature of these activities during the year.

Review of operations

The Company recorded a net profit after income tax for the year ended 30 June 2023 of $53,071,000 compared with a net profit after income tax of $22,843,000 for the year ended 30 June 2022.

Events subsequent to reporting date

There is, at the date of this Report, no matter or circumstance that has arisen since 30 June 2023 that has significantly affected, or may significantly affect:

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

Directors' report (continued)

Information on Directors in office at the date of this report

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 Insurance New Zealand Limited and its wholly owned subsidiary Vero Liability Insurance Limited.

Alison Barrass

BSc, PGDipBus, University of Southampton, University of Auckland

Director since 2022. An experienced governance professional, Ms Barrass is a director of a number of company boards. Ms Barrass has a broad range of skills, including knowledge and expertise in the fast-moving consumer goods (FMCG) sector and in governance, leadership and marketing-led innovation. She primarily works with New Zealand based businesses that are investing significantly in digitisation and/or international growth. Ms Barrass is also a director of Vero Insurance New Zealand Limited and its wholly owned subsidiary Vero Liability Insurance Limited.

David M Flacks

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

Director since 2015 and appointed as Chairman in 2019. Mr Flacks is an experienced governance and regulatory professional having been a senior corporate lawyer for many years. He is chair of a number of company boards. Mr Flacks is also a director of Vero Insurance New Zealand Limited and its wholly owned subsidiary Vero Liability Insurance Limited.

Kate Jorgensen

MTF, BBus (Accountancy), CA, CMInstD

Director since 2022, Ms Jorgensen has significant financial, audit and commercial experience and has held several senior leadership positions within the telecommunications, infrastructure and construction industries in New Zealand. Kate's background as an experienced Audit and Risk Committee member who maintains excellent financial disciplines help give confidence to stakeholders. Ms Jorgensen is also a director of Vero Insurance New Zealand Limited and its wholly owned subsidiary Vero Liability Insurance Limited.

Lindsay J Tanner

BA (Hons), LLB (Hons), MA (Melb)

Director since 2023. Mr Tanner has worked at the highest levels of government and business in Australia for over 35 years, including as Minister for Finance and Deregulation from 2007 to 2010, where he played a significant role in regulatory reform in the financial services sector. He also served as Minister for the Future Fund during the Global Financial Crisis. He began his professional career as a lawyer representing consumers in disputed personal injury and motor insurance claims. Mr Tanner is also a director of Vero Insurance New Zealand Limited and its wholly owned subsidiary Vero Liability Insurance Limited, Suncorp Group Limited and related holding companies comprising Suncorp New Zealand.

Directors' report (continued)

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

Steve B Johnston

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

Director and Suncorp Group Limited Chief Executive Officer & 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 Vero Insurance New Zealand Limited.

James J Higgins

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

Director and Suncorp New Zealand Chief Executive Officer. 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 Insurance New Zealand Limited, Vero Liability Insurance Limited and AA Insurance Limited, AA Finance Limited and other related companies comprising Suncorp New Zealand.

The financial report of the Company was approved for issue by the Board on 1 August 2023.

Signed in accordance with a resolution of the Directors.

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 life insurance industry and their duties as Directors.

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

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

Membership

There are seven Directors in office, five being independent non-executive Directors (Kate Armstrong, Alison Barrass, David Flacks, Kate Jorgensen and Lindsay Tanner) and two being executive Directors (Steve Johnson, Chief Executive and Managing Director of Suncorp Group, and James Higgins, Director and Suncorp New Zealand Chief Executive Officer). The Directors' Report includes brief details on 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.

Corporate governance statement (continued)

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

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**), Life Insurance Risk Committee (**LIRC**), and Customer Conduct Committee (**CCC**).

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 NZ 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 Whistle-blower Policy, Product Management Policy, Investment Governance Policy, Securities Trading Policy, Diversity and Inclusion Policy, the Safety and Wellbeing Policy and the Sustainable Insurance 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 as part of Suncorp Group is to be the leading Trans-Tasman insurer (that is recognised globally).

The Company's strategy aligned to the Suncorp Group strategy is to create a sustainably growing and stronger New Zealand insurance business with connected customer experiences. Key strategic imperatives include operational transformation of the business (through simplification, automation and partnering), developing stronger core insurance pricing and underwriting capabilities, exploring new growth opportunities, developing ESG capabilities including a Net Zero Transition Plan, and improving the overall operational resilience and agility of the business.

Key enablers are delivering our people strategy (creating an environment for people to thrive and a workforce reimagined), continuing to improve our agile ways of working and building people capabilities in agile and adaptive leadership, 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 sustainability 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 approach to climate change is strategically linked to Suncorp's purpose of building futures and protecting what matters. This approach is underpinned by the Suncorp Climate Change Action Plan which has been adopted by the Board of the Company. The Climate Change Action Plan addresses Suncorp's climate change commitments 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. The plan has four key pillars:

1. Reducing our climate impact
2. Supporting the net-zero transition
3. Integrating and lifting capability
4. Partnering with purpose

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. As a climate reporting entity under the new climate disclosure regime in New Zealand, the Company will publish its first climate statement alongside financial reporting for FY24.

Community Investment
Suncorp's Workplace Giving Programme empowers employees to make a difference to causes they feel passionate about, and Suncorp employees have a range of opportunities to give by volunteering time, fundraising, and payroll giving.

Shine is a key community partner for Suncorp New Zealand and the recipient of funds donated both through employee payroll giving, as well as Shine's annual fundraiser, 'Light it Orange.' Shine was founded in 1990 and endeavours to make NZ homes violence-free. They are a leading NZ charity specialising in domestic violence, directly helping thousands of adult and child victims every year to become safe and stay safe through their frontline services.

The 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. Events such as tree planting, removing invasive weeds in shared community spaces and beach clean-ups are some examples of how our people have contributed to worthwhile causes.

Diversity & Inclusion
The Company's goal is to be one of the most inclusive places to work in Australia and New Zealand, because our people, customers and communities all benefit from a fairer and more inclusive culture.

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 Suncorp NZ Sustainability and Diversity Committee is chaired by the Suncorp New Zealand Chief Executive Officer.

Independent Auditor's Report

To the shareholder of Asteron Life Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Asteron Life Limited (the 'Company') on pages 14 to 70 present fairly, in all material respects the Company's financial position as at 30 June 2023 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 issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 30 June 2023;
- the statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies.

Basis for opinion

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

We are independent of the Company in accordance with Professional and Ethical Standard 1 *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 financial statements* section of our report.

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

Emphasis of matter

We draw attention to Note 2.3 to the financial statements which describes the correction of errors in the prior period financial statements relating to policy assets. The combined impact of these errors was an $8,248,000 understatement of the prior year reported profit and policy assets. Our opinion is not modified in respect of this matter.

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 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 financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements

The key audit matter	How the matter was addressed in our audit
Valuation of the following: – **Policy assets ($147.9 million);** – **Policy liabilities ceded under reinsurance ($9.5 million);** – **Change in insurance contract liabilities ($54.2 million); and** – **Change in policy liabilities ceded under reinsurance (-$4.4 million)**	
Refer to Note 15 to the financial statements. The valuation of Policy assets and Policy liabilities ceded under reinsurance is a key audit matter due to the judgement required in projecting expected cash flows long into the future. All forward looking assumptions are inherently more uncertain due to global economic uncertainty, driven by geopolitical affairs, natural disasters, inflation, increasing interest rates and aftermath of the COVID-19. The net movement in Policy assets and Policy liabilities ceded under reinsurance is a function of the same valuation uncertainties, being the year-on-year movement in the valuation. This movement includes the release of profit from expected cash flows. Specific audit and actuarial expertise is required to evaluate complex actuarial methodologies and assumptions. Key assumptions involved in the valuation include: – Discount rate and inflation	Our audit procedures included: – Assessing the operating effectiveness of controls around the authorisation and set-up of new policies, validity-checks of claims and authorisation of claim payments. – Evaluating the key IT systems and the design and operating effectiveness of IT system controls. – Evaluating the key controls over the integrity of the base data used in the valuation process. The base data is projected over the expected life of the policy. – Assessing the appropriateness of any valuation model changes and the change control processes surrounding any changes, including changes resulting in a re-statement to the prior period position. – Using our actuarial specialist to challenge the actuarial methods and key assumptions used in the valuation by comparing key assumptions and expected experience to: • Actual historical experience • Observable market data, including industry average and experience for certain classes of business and assumptions; and • Actuarial and accounting standard requirements – Assessing the historical accuracy of the estimate by testing the “analysis of profit”, which compares the Company’s expected profit to actual profit. This included challenging the consistency of the analysis compared with our understanding of the business and emerging claims and lapse experience.

The key audit matter	How the matter was addressed in our audit
– Future expenses and indexation – Mortality – Disability – Discontinuance – Bonuses and future participating bonuses	– Obtaining and inspecting correspondence with regulators, including the Reserve Bank of New Zealand, during the period and considering any impact on the valuation. – Checking that information in the actuarial supporting documentation from the Company is consistent with the information disclosed in the financial statements.
Valuation of the following: **– Outstanding claims liabilities ($186.1 million); and** **– Reinsurance recoveries receivable ($62.9 million)**	
Refer to Notes 11 and 14 to the Financial Report. The valuation of outstanding claims liabilities, including reinsurance recoveries receivable involves judgement given the inherent uncertainty over the final claims settlement for claims incurred but not reported to the Company. All forward looking assumptions are inherently more uncertain due to global economic uncertainty, driven by geopolitical affairs, natural disasters, inflation, increasing interest rates and aftermath of the COVID-19. Judgement arises over the estimate of claims that have been incurred at reporting date but have not yet been reported to the Company and claims that have been reported but there is uncertainty over the amount which will be settled. The estimate relies on the quality of underlying data, including historic claims data, the application of complex and subjective actuarial models and methodologies, and judgements and assumptions about the future events.	We involved our actuarial specialists and performed audit procedures, which included: – Assessing the effectiveness of controls to validate claims and authorise payments. – For a sample of claims which have been reported to the Company but not yet paid, checking that the claims estimate is based on the latest available information and that the reinsurers' share of the claim is calculated correctly. – Checking the credit ratings of reinsurers for any indication that the reinsurers may not have the ability to settle their claims. – Evaluating the key controls over the integrity of the data used in the estimation process. – Assessing the historical accuracy of the estimate by testing the "analysis of profit" which compares the Company's expected profit to actual profit. We challenged the consistency of the analysis compared with our understanding of the business and emerging claims and lapse experience. – Checking that information in the actuarial supporting documentation from the Company is consistent with the information disclosed in the financial statements, including the disclosures around estimation uncertainty in Note 2.4.

Other information

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

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

Use of this independent auditor's report

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

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objective is:

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

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

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

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

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/

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

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

For and on behalf of

KPMG

KPMG
Auckland

2 August 2023

Statement of comprehensive income
for the financial year ended 30 June 2023

	Note	2023	2022 Restated*
		$'000	**$'000**
Premium revenue	5	**287,374**	277,687
Outwards reinsurance premium expense		**(50,028)**	(46,833)
Net premium revenue		**237,346**	230,854
Investment revenue/(loss)	5	**23,899**	(45,312)
Net revenue		**261,245**	185,542
Claims expense	6	**(153,326)**	(130,199)
Reinsurance recoveries revenue	5	**41,255**	31,078
Net claims expense	6	**(112,071)**	(99,121)
Policy acquisition expenses	6	**(61,774)**	(46,780)
Policy maintenance expenses	6	**(59,364)**	(55,201)
Investment management expenses	6	**(1,097)**	(1,102)
Change in insurance contract liabilities	6,15.1	**54,244**	35,350
Change in policy liabilities ceded under reinsurance	6,15.1	**(4,421)**	(5,876)
Change in investment contract liabilities	6,15.1	**(11,699)**	13,764
Change in unvested policyholder liabilities	6,15.1	**328**	2,885
Finance (expense)/income	22	**(95)**	25
Total management expenses and policy liability movements		**(83,878)**	(56,935)
Net claims and expenses	6	**(195,949)**	(156,056)
Profit before tax		**65,296**	29,486
Income tax expense	7.1	**(12,225)**	(6,643)
Profit for the financial year attributable to owner of the Company	4, 26	**53,071**	22,843
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains on defined benefit funds		**548**	497
Income tax expense	7.1	**(106)**	(212)
Total other comprehensive income		**442**	285
Total comprehensive income for the financial year attributable to owner of the Company		**53,513**	23,128

*Refer to Note 2.3

KPMG

Statement of financial position
as at 30 June 2023

	Note	2023	2022 Restated*
		$'000	$'000
Assets			
Cash and cash equivalents		**5,971**	7,655
Trade and other receivables	8	**19,587**	29,296
Related party receivables	23.2	**557**	140
Other assets	8	**1,218**	1,078
Current tax receivable	7.3	**7,210**	2,919
Investment securities	9	**530,450**	544,002
Reinsurance recoveries receivable	11	**62,867**	59,580
Policyholder loans		**4,045**	4,151
Policy assets	15.1	**147,920**	93,687
Policy liabilities ceded under reinsurance	15.1	**9,454**	13,875
Property, plant and equipment	22	**2,668**	541
Deferred tax assets	7.4	**7,423**	7,784
Defined benefit schemes surplus	13	**959**	844
Total assets		**800,329**	765,552
Liabilities			
Payables and other liabilities	12	**11,751**	6,043
Related party payables	23.2	**5,004**	4,615
Derivative liabilities	10	**37**	5,319
Outstanding claims liabilities	14	**186,128**	181,542
Deferred tax liabilities	7.4	**135,143**	129,037
Defined benefit fund liabilities	13	**5,331**	5,474
Total liabilities		**343,394**	332,030
Net assets		**456,935**	433,522
Equity			
Share capital	16	**255,104**	255,104
Retained profits	26	**201,831**	178,418
Total equity	26	**456,935**	433,522

*Refer to Note 2.3

The Board of Directors of Asteron Life Limited approved these financial statements for issue on 1 August 2023.

For and on behalf of the Board

Director D.M Fl[illegible]

Director

KPMG

Statement of changes in equity
for the financial year ended 30 June 2023

	Note	Share Capital $'000	Retained Profits $'000	Total Equity $'000
Balance as at 1 July 2021		255,104	192,790	447,894
Profit for the financial year (Restated*)	4	-	22,843	22,843
Total other comprehensive income		-	285	285
Total comprehensive income for the financial year		-	23,128	23,128
Transactions with owner				
Dividends paid	3	-	(37,500)	(37,500)
Balance as at 30 June 2022 (Restated*)		255,104	178,418	433,522
Balance as at 1 July 2022		**255,104**	**178,418**	**433,522**
Profit for the financial year	4	-	**53,071**	**53,071**
Total other comprehensive income		-	**442**	**442**
Total comprehensive income for the financial year		-	**53,513**	**53,513**
Transactions with owner				
Dividends paid	3	-	**(30,100)**	**(30,100)**
Balance as at 30 June 2023		**255,104**	**201,831**	**456,935**

*Refer to Note 2.3

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Statement of cash flows
for the financial year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Premiums received		**296,576**	276,960
Reinsurance premiums paid		**(50,056)**	(46,850)
Policy payments		**(174,768)**	(139,748)
Reinsurance and other recoveries received		**43,808**	28,371
Operating expenses paid		**(42,895)**	(49,749)
Agents commission and bonuses paid		**(66,418)**	(53,088)
Distributions reinvested		**(220)**	(136)
Interest received		**7,189**	10,683
Finance (expense)/income		**(95)**	25
Income tax paid*	7.3	**(10,155)**	(18,654)
Net movement in goods and services tax		**1,745**	(271)
Net cash from operating activities	19	**4,711**	7,543
Cash flows from investing activities			
Proceeds from the sale of investments		**273,073**	272,462
Purchase of investments		**(248,871)**	(237,928)
Repayments of policy loans		**105**	642
Net cash from investing activities		**24,307**	35,176
Cash flows used in financing activities			
Repayment of lease liabilities		**(600)**	(1,741)
Dividends paid	3	**(30,100)**	(37,500)
Net cash used in financing activities		**(30,700)**	(39,241)
Net increase in cash and cash equivalents		**(1,682)**	3,478
Cash and cash equivalents at the beginning of the financial year		**7,655**	4,177
Cash and cash equivalents at end of the financial year		**5,973**	7,655

* Income tax paid includes cash flows from tax offsets and transfers

KPMG

Notes to the financial statements

1. Reporting entity

Asteron Life Limited (the **Company**) is a company incorporated and domiciled in New Zealand. Its registered office is at Level 13 Asteron Centre, 55 Featherston Street, Wellington and the head office is at Level 13 Vero Centre, 48 Shortland Street, Auckland.

The financial statements of the Company as at and for the financial year ended 30 June 2023 were issued by the Board of Directors on 1 August 2023.

The Company is a profit-oriented entity in the business of underwriting life insurance and the administration of long term savings products within New Zealand.

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

2. Basis of preparation

The Company is a for-profit entity and the financial statements have been prepared on the historical cost basis unless the application of fair value measurements are required by the relevant accounting standards such as the measurement of financial instruments at fair value through profit or loss, defined benefit superannuation funds and other actuarially determined balances.

Significant accounting policies applied in the preparation of these financial statements are set out in Note 28. There have been no significant changes to accounting policies.

The reporting period is from 1 July 2022 to 30 June 2023.

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

The accompanying statement of financial position has been prepared using the liquidity format of presentation.

2.1 Statement of compliance

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

There were no new accounting standards adopted in the current financial year.

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Notes to the financial statements (continued)

2.3 Correction of errors

During the financial year, the Company discovered two errors with respect to the calculation of the prior year policy assets. As a consequence, the reported profit and policy assets have been understated. The errors have been corrected by restating the affected financial statement line items for the prior period. These errors had no impact on any reporting periods ending prior to 30 June 2022.

The first error related to the treatment of sum insured indexation as at 30 June 2022, which is a benefit available on certain policies issued by the Company which increase future benefits in line with inflation. The benefit indexation rate assumed for the first year was 6.9% which was reduced by 50% as management considered the elevated inflation level would see a reduction in customer take up of this benefit. This reduced take up assumption was modelled by reducing the indexation rate whereas the full indexation rate should have been applied with the assumed reduction in take up rates reducing future planned profits. As a consequence, the reported profit and policy assets have been understated by $11,265,000.

The second error relates to the 6.9% indexation rate not being correctly allowed for in the calculation of the prior year disability income policy liability at 30 June 2022. As a consequence, the reported profit and policy assets have been overstated by $3,017,000.

The combined impact of these errors was a $8,248,000 understatement of the prior year reported profit and policy assets.

The following tables illustrates the impacts on the Company's financial statements.

Statement of comprehensive income

	Impact of correction of error		
	As previously reported	Change	As restated
	$'000	$'000	$'000
Change in insurance contract liabilities	27,102	8,248	35,350
Total management expenses and policy liability movements	(65,183)	8,248	(56,935)
Net claims and expenses	(164,304)	8,248	(156,056)
Profit before tax	21,238	8,248	29,486
Income tax expense	(6,643)	-	(6,643)
Profit for the financial year attributable to owner of the Company	14,595	8,248	22,843
Total comprehensive income for the financial year attributable to owner of the Company	14,880	8,248	23,128

Statement of financial position

	Impact of correction of error		
	As previously reported	Change	As restated
	$'000	$'000	$'000
Assets			
Policy assets	85,439	8,248	93,687
Total assets	757,304	8,248	765,552
Equity			
Share capital	255,104	-	255,104
Retained profits	170,170	8,248	178,418
Total equity	425,274	8,248	433,522

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Notes to the financial statements (continued)

2.4 Use of estimates and judgements

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

Significant estimates, judgements and assumptions are discussed in the following Notes:

- policy assets, outstanding claims liabilities and policy liabilities ceded under reinsurance (refer to Notes 11, 14 and 15.3)
- reinsurance recoveries receivable (refer to Note 11)

A number of issues are driving the global economic uncertainty, including geopolitical affairs, natural disasters, inflation, increasing interest rates and aftermath of the COVID-19 pandemic. This evolving global uncertainty has resulted in emergence of risks in the form of changes in consumer behaviour, disrupted supply chains, staff shortages and increased market volatility. The estimation and judgement in the preparation of Company's financial statements, where relevant, is disclosed in the notes to the Company's financial statements.

Policy assets, outstanding claim liabilities, policy liabilities ceded under reinsurance and reinsurance recoveries receivable

Policy liabilities arising from life insurance contracts are computed at each reporting date using statistical and mathematical methods. The valuations are prepared by suitably qualified personnel on the basis of recognised actuarial methods and with due regard to the actuarial principles laid down in actuarial standards and guidance. The methodology takes into account the risks and uncertainties of the particular classes of business written.

The key factors that affect the estimation of these liabilities are:

- The cost of providing benefits and administering these insurance contracts;
- Mortality and morbidity experience on individual and group life insurance products; including enhancements to benefits of policyholders and amounts arising from regulatory changes;
- Persistency experience, which affects the Company's ability to recover the cost of acquiring new business over the lives of the contracts; and
- In addition, factors such as interest rates, taxes, the performance of the capital markets and general economic conditions affect the level of these liabilities.

The uncertainties surrounding these assumptions means that it is likely that the actual observed claims incidence will vary from the liability estimated at the reporting date.

Details regarding actuarial estimates and judgements are detailed in Note 15.3.

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. Impairment is recognised where there is objective evidence that the Company may not receive amounts due to it and these amounts can be reliably measured. Impairment is measured as the difference between the carrying amount and present value of estimated future cash flows.

2.4 Use of estimates and judgements (continued)

Financial risk management

The Company 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 Company 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.

3. Dividends

	2023		2022	
	¢ per share	**$'000**	**¢ per share**	**$'000**
Ordinary shares				
Dividends paid	**19**	**30,100**	23	37,500
Total dividends recognised in equity	**19**	**30,100**	23	37,500

Dividend per share for the year ended 30 June 2023 was calculated based on the 162,342,450 shares on issue at the time of the dividends.

4. Sources of operating profit

	2023	2022 Restated*
	$'000	**$'000**
Profit for the financial year arose from:		
Planned margins of revenues over expenses released	**36,408**	33,489
Difference between actual and assumed experience	**(6,286)**	1,173
Investment earnings on assets in excess of policyholder liabilities	**22,949**	(11,819)
Profit for the financial year	**53,071**	22,843

*Refer to Note 2.3

FY22 profit has been restated to include the effect of reclassifying changes to CPI take-up assumptions as a non-economic assumption change. This resulted in a $11.3m decrease in policy liabilities.
The participating policyholders' profit, as included in the movement in policyholder liabilities for the year ended 30 June 2023, was $0.2 million (2022: $2.5 million loss).

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Notes to the financial statements (continued)

5. Revenue

	2023 $'000	2022 $'000
Insurance income		
Premiums received or receivable	**290,775**	281,655
Premiums recognised as a change in gross policy liabilities (Note 15.1)	**(3,401)**	(3,968)
Premium revenue	**287,374**	277,687
Reinsurance recoveries revenue	**41,255**	31,078
Total insurance revenue	**328,629**	308,765
Investment income		
Interest income:		
Interest bearing securities	**7,033**	10,183
Other	**257**	266
Dividends	**9,869**	4,108
Net gain/(loss) on financial assets at fair value through profit or loss:		
Investments	**1,427**	(48,184)
Derivatives	**5,313**	(11,685)
Investment revenue	**23,899**	(45,312)
Total revenue	**352,528**	263,453

Premiums recognised as a change in policy liabilities pertain to the component of premium that relate to life investment contracts.

Notes to the financial statements (continued)

6. Net claims and expenses

	2023	2022 Restated*
	$'000	**$'000**
Claims expenses		
Death and terminal illness	**90,524**	79,443
Disability	**56,697**	43,284
Annuities	**816**	970
Maturities	**1,795**	2,271
Surrenders and withdrawals	**17,206**	21,194
Claims handling expenses	**1,049**	840
Gross claims expenses	**168,087**	148,002
Less: Savings product claims disclosed as a change in policy liabilities (Note 15.1)	**(14,761)**	(17,803)
Total claims expense	**153,326**	130,199
Reinsurance recoveries	**(41,255)**	(31,078)
Net claims expense	**112,071**	99,121
Acquisition expenses		
Management expenses	**23,784**	20,541
Commission expenses	**37,990**	26,239
Total acquisition expenses	**61,774**	46,780
Maintenance expenses		
Management expenses	**31,002**	28,535
Commission expenses	**28,362**	26,666
Total maintenance expenses	**59,364**	55,201
Investment management expenses	**1,097**	1,102
Change in insurance policy liabilities (Note 15.1)	**(54,244)**	(35,350)
Change in policy liabilities ceded under reinsurance (Note 15.1)	**4,421**	5,876
Change in investment contract liability benefits (Note 15.1)	**11,699**	(13,764)
Change in unvested policy liabilities (Note 15.1)	**(328)**	(2,885)
Finance income/(expense)	**95**	(25)
Net claims and expenses	**195,949**	156,056
Included within net claims and expenses are the following specific items:		
Movement in provision for expected credit losses (Note 8)	**(97)**	2

*Refer to Note 2.3

Notes to the financial statements (continued)

7. Income tax

7.1 Income tax expense

	2023	2022 Restated*
	$'000	$'000
Profit before tax	65,296	29,486
Prima facie income tax at 28%	18,283	8,257
Movement in income tax expense due to:		
Difference due to life insurance tax basis	(2,636)	(4,616)
Non-taxable gains on revaluation of financial assets	(2,349)	3,847
Non-deductible expenditure	16	16
Non-taxable dividends	(717)	(364)
Imputation credits	(456)	(427)
Other	(51)	(32)
Adjustment for prior years	135	(38)
Income tax expense	12,225	6,643
Income tax expense recognised in profit consists of:		
Current tax expense		
Current year	5,699	8,276
Adjustments for prior financial years	165	(38)
Total current tax	5,864	8,238
Deferred tax expense		
Current year	6,391	(1,595)
Adjustments for prior financial years	(30)	-
Total deferred tax	6,361	(1,595)
Income tax expense	12,225	6,643
Income tax expense recognised in other comprehensive income		
Income tax expense recognised on actuarial gains on defined benefit funds	106	212

*Refer to Note 2.3

7.2 Imputation credits

	2023	2022
	$'000	$'000
SGHNZ ICA Group		
Imputation credits available for use in subsequent reporting	554,351	523,929

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.

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Notes to the financial statements (continued)

7.3 Current tax

	2023 $'000	2022 $'000
Balance at the beginning of the financial year	**2,919**	(7,497)
Income tax paid net of refunds	**10,149**	18,654
Current year tax on operating profit (Note 7.1)	**(5,699)**	(8,276)
Adjustment for prior financial years (Note 7.1)	**(165)**	38
Transfers between related parties (from tax offsets)	**6**	-
Balance at the end of the financial year	**7,210**	2,919

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.

	2023 $'000	2022 $'000
Deferred tax assets are attributable to:		
Defined benefit scheme deficit	**1,492**	1,533
Leases	**88**	-
Trade creditors and other payables	**680**	588
Investments	**-**	796
Deferred tax losses carried forward*	**5,163**	4,867
Total deferred tax assets	**7,423**	7,784
Deferred tax liabilities are attributable to:		
Deferred tax liability in policyholder liabilities (Note 15.2)	**(134,363)**	(128,934)
Leases	**-**	(103)
Investments	**(780)**	-
Total deferred tax liabilities	**(135,143)**	(129,037)
Net deferred tax liability	**(127,720)**	(121,253)
Expected to crystallise within 12 months	**(65)**	1,311
Expected to crystallise in greater than 12 months	**6,708**	6,370
Policyholder liabilities	**(134,363)**	(128,934)
Net deferred tax liability	**(127,720)**	(121,253)
Movements		
Deferred tax assets		
Balance at the beginning of the financial year	**7,784**	2,774
Charged to profit or loss (Note 7.1)	**(255)**	5,222
Recognised in other comprehensive income	**(106)**	(212)
Balance at the end of the financial year	**7,423**	7,784
Deferred tax liabilities		
Balance at the beginning of the financial year	**(129,037)**	(125,410)
Charged to profit or loss (Note 7.1)	**(6,106)**	(3,627)
Balance at the end of the financial year	**(135,143)**	(129,037)

During the period, tax losses arose on the policyholder base, over which a deferred tax asset was recognised. These tax losses relate solely to the policyholder base and may not be allocated to the shareholder base in current or future periods.

Notes to the financial statements (continued)

7.5 Deferred tax on policy liabilities

Life insurance policy liabilities represent the net present value of estimated future cash flows and planned profit margins. Using the margin on services methodology, planned after tax profit margins are recognised in the statement of comprehensive income over the period services are provided to policyholders. Life insurance companies are not taxed on pre-tax net holding profit. They are taxed on both the business activity of the life insurer base and the growth and value of the policyholders' investments.

Taxable temporary differences, largely in respect of deferred acquisition costs, embedded within policy liabilities, which can be reliably measured, have been recognised and disclosed separately from the underlying policy liabilities.

8. Receivables

	2023 $'000	2022 $'000
Trade and other receivables		
Premiums due	**833**	346
Trade and investment receivables	**201**	124
Amounts due from reinsurers	**17,123**	22,962
Other receivables[1]	**1,799**	6,330
Provision for expected credit losses	**(369)**	(466)
Total trade and other receivables	**19,587**	29,296
Other assets		
Accrued income	**1,189**	1,048
Prepaid expenses	**29**	30
Total other assets	**1,218**	1,078
Total receivables	**20,805**	30,374
Current	**19,745**	29,934
Non-current	**1,060**	440
Total receivables	**20,805**	30,374
Movements in provision for expected credit losses		
Balance at the beginning of the financial year	**466**	464
Provision increase during the financial year	**-**	2
Provision decrease during the financial year	**(97)**	-
Balance at the end of the financial year	**369**	466

1. Floating rate interest bearing collateral was held in relation to the interest rate swaps with Bank of New Zealand and Westpac Banking Corporation as disclosed in Note 10 and was subject to ISDA Credit Support Annex and other standard industry terms. The collateral was subject to interest based on the daily official cash rate. Four of the interest rate swaps matured and five were early exited during the financial year ended 30 June 2023, whereby the collateral was settled, resulting in a nil position for the financial year ended 30 June 2023 (2022: $0.78m of collateral liability was offset by $6.63m of collateral asset on interest rate swaps).

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Notes to the financial statements (continued)

9. Investment securities

	2023 $'000	2022 $'000
Financial assets at fair value through profit or loss		
Interest bearing securities	**188,710**	193,377
Unit trusts	**341,740**	350,625
Total investment securities	**530,450**	544,002

10. Derivative assets / liabilities

	2023			2022		
	Notional value	Fair value		Notional value	Fair value	
	$'000	Asset $'000	Liability $'000	$'000	Asset $'000	Liability $'000
Forward foreign exchange contracts	**611**	**-**	**37**	1,239	-	7
Interest rate swaps	**-**	**-**	**-**	159,000	-	5,312
Total derivatives	**611**	**-**	**37**	160,239	-	5,319

The interest rate swap contracts entered into with Bank of New Zealand and Westpac Banking Corporation have been closed out, the notional value is nil for the financial year 2023 (2022: $41,000,000 and $118,000,000).

11. Reinsurance recoveries receivable

	2023 $'000	2022 $'000
Reinsurance recoveries receivable	**62,867**	59,580
Current	**16,222**	14,409
Non-current	**46,645**	45,171
Total reinsurance recoveries receivable	**62,867**	59,580

12. Payables and other liabilities

	2023 $'000	2022 $'000
Trade creditors and accruals	**6,550**	3,588
Provisions (Note 25.1)	**564**	602
Amounts due to reinsurers	**1,656**	1,683
Lease liabilities (Note 22)	**2,981**	170
Total payables and other liabilities	**11,751**	6,043
Current	**9,967**	6,043
Non-current	**1,784**	-
Total payables and other liabilities	**11,751**	6,043

Notes to the financial statements (continued)

13. Defined benefit fund surplus / (liabilities)

The Company 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.

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

	2023			2022		
	Surplus $'000	**Deficit $'000**	**Net $'000**	**Surplus $'000**	**Deficit $'000**	**Net $'000**
Vero & Asteron New Zealand Staff Pension Scheme	**-**	**(5,331)**	**(5,331)**	-	(5,474)	(5,474)
Guardian Assurance Superannuation Plan	**959**	**-**	**959**	844	-	844
Total net defined benefit liability	**959**	**(5,331)**	**(4,372)**	844	(5,474)	(4,630)
Non-current	**959**	**(5,331)**	**(4,372)**	844	(5,474)	(4,630)
Total net defined benefit liability	**959**	**(5,331)**	**(4,372)**	844	(5,474)	(4,630)

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. 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 Company. 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 Company will need to increase contributions to offset this shortfall;
  - Mortality risk – The risk that the members of the fund will live longer than assumed, increasing the number of pension payments and thereby requiring additional Company contributions; and
  - Legislative risk – The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

Notes to the financial statements (continued)

13.1 Defined benefit superannuation funds (continued)

- Other Suncorp Group entities participate in the funds, the amounts included in these financial statements relate to the Company's share in relation to the members that are attributable to the Company. The Company is not liable for any deficits or contributions attributable to other Suncorp Group entities.
- There were no fund amendments, curtailments or settlements during the year.

a) Present value of superannuation commitments

	2023 $'000	2022 $'000
Fair value of fund assets at the end of the financial year	**29,137**	31,617
Defined benefit obligations at the end of the financial year	**(28,740)**	(34,442)
Asset ceiling	**(3,065)**	-
Adjustments for contributions tax	**(1,704)**	(1,805)
Net liability recognised in the statement of financial position	**(4,372)**	(4,630)

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

b) Reconciliation of movements

	2023 $'000	2022 $'000
Changes in the fair value of fund assets		
Balance at the beginning of the financial year	**31,617**	35,515
Interest income	**1,122**	686
Actual return on plan assets less interest income	**(1,021)**	(1,880)
Benefits paid	**(2,509)**	(2,628)
Premiums and expenses paid	**(72)**	(76)
Balance at the end of the financial year	**29,137**	31,617
Changes in the present value of defined benefit obligations		
Balance at the beginning of the financial year	**(34,442)**	(38,511)
Current service cost	**(72)**	(68)
Interest expense	**(1,227)**	(751)
Actuarial (losses)/gains arising from changes in demographic assumptions	**-**	(150)
Actuarial gains arising from changes in financial assumptions	**4,309**	2,795
Actuarial (losses)/gains arising from liability experience	**111**	(461)
Benefits paid	**2,509**	2,628
Premiums and expenses paid	**72**	76
Balance at the end of the financial year	**(28,740)**	(34,442)
Effect of the asset ceiling		
Change in effect of asset ceiling (excluding interest)	**3,065**	-
Balance at the end of the financial year	**3,065**	-

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Notes to the financial statements (continued)

13.1 Defined benefit superannuation funds (continued)

c) Categories of fund assets

	2023	2022
	%	%
Major categories of fund assets as a percentage of total fund assets		
Equity	**30.5**	30.7
Fixed income	**59.2**	58.7
Other	**6.2**	6.3
Cash	**4.1**	4.3
	100.0	100.0

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

A review of the strategic asset allocation was completed in January 2023. There have been no material changes to asset allocations.

d) Principal actuarial assumptions

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

	2023	2022
	%	%
Vero & Asteron New Zealand Staff Pension Scheme		
Discount rate (gross of tax)	**4.5**	3.7
Future salary increases	**2.0**	2.0
Guardian Assurance Superannuation Plan		
Discount rate (gross of tax)	**4.4**	3.7

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.

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

	2023	2022
Vero & Asteron New Zealand Staff Pension Scheme	**10**	10
Guardian Assurance Superannuation Plan	**9**	10

Notes to the financial statements (continued)

13.1 Defined benefit superannuation funds (continued)

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:

	2023		2022	
	Increase	Decrease	Increase	Decrease
	$'000	$'000	$'000	$'000
Discount rate movement (100 basis points) *	**(2,197)**	**2,561**	(3,029)	3,597
One year movement in life expectancy	**1,265**	**(1,247)**	1,665	(1,626)

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 the section above.

For the Vero & Asteron New Zealand Staff Pension Scheme other Suncorp Group entities also participate in the fund. The most recent statutory review was carried out as at 31 March 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 member's salaries, a contribution toward scheme expenses and additional lump sum contributions to eliminate the deficit. The employers contributed $142,000 (inclusive of contribution tax) to reimburse the scheme for its administration expenses during the year ended 30 June 2023.

For the Guardian Assurance Superannuation Plan the most recent statutory review was carried out as at 31 March 2021 and on the basis of that review no employer contributions are currently required.

The Company intends to contribute $28,000 to the defined benefit funds in the financial year ending 30 June 2024 in line with the actuaries' latest recommendations.

14. Outstanding claims liabilities

	2023	2022
	$'000	$'000
Outstanding claims liabilities	**186,128**	181,542
Current	**77,498**	77,023
Non-current	**108,630**	104,519
Total outstanding claims liabilities	**186,128**	181,542

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Notes to the financial statements (continued)

15. Life policy liabilities

15.1 Net policy liabilities/(assets)

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

	Liability/(Asset)				Asset	Net
	Insurance contracts	Investment contracts	Unvested policyholders benefit	Total gross policy liabilities	Gross policies ceded under reinsurance	Net policy liabilities
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 30 June 2021	(241,436)	188,868	24,714	(27,854)	19,751	(47,605)
Movement in policy liabilities reflected in profit or loss (Restated*)	(35,350)	(13,764)	-	(49,114)	(5,876)	(43,238)
Contributions and premiums recognised in policy liabilities	-	3,968	-	3,968	-	3,968
Withdrawal and claim expense recognised in policy liabilities	-	(17,803)	-	(17,803)	-	(17,803)
Movement in unvested policyholder benefits	-	-	(2,884)	(2,884)	-	(2,884)
Balance as at 30 June 2022 (Restated*)	(276,786)	161,269	21,830	(93,687)	13,875	(107,562)
Current	(30,151)	-	-	(30,151)	7,422	(37,573)
Non-current	(246,635)	-	21,830	(224,805)	6,454	(231,259)
Investment contract	-	161,269	-	161,269	-	161,269
Balance as at 30 June 2022 (Restated*)	**(276,786)**	**161,269**	**21,830**	**(93,687)**	**13,875**	**(107,562)**
Movement in policy liabilities reflected in profit or loss	**(54,244)**	**11,699**	**-**	**(42,545)**	**(4,421)**	**(38,124)**
Contributions and premiums recognised in policy liabilities	**-**	**3,401**	**-**	**3,401**	**-**	**3,401**
Withdrawals and claims expense recognised in policy liabilities	**-**	**(14,761)**	**-**	**(14,761)**	**-**	**(14,761)**
Movement in unvested policyholder benefits	**-**	**-**	**(328)**	**(328)**	**-**	**(328)**
Balance as at 30 June 2023	**(331,030)**	**161,608**	**21,502**	**(147,920)**	**9,454**	**(157,374)**
Current	**(31,010)**	**-**	**-**	**(31,010)**	**8,293**	**(39,303)**
Non-current	**(300,020)**	**-**	**21,502**	**(278,518)**	**1,161**	**(279,679)**
Investment contract	**-**	**161,608**	**-**	**161,608**	**-**	**161,608**
Balance as at 30 June 2023	**(331,030)**	**161,608**	**21,502**	**(147,920)**	**9,454**	**(157,374)**

*Refer to Note 2.3

Notes to the financial statements (continued)

15.2 Components of life insurance contract liabilities

	Note	2023	2022 Restated*
		$'000	$'000
Best estimate liability			
Value of future policy benefits [1]		**1,575,245**	1,577,848
Value of future expenses		**1,056,664**	1,019,791
Balance of future premiums		**(3,205,778)**	(3,125,983)
Total best estimate liability		**(573,869)**	(528,344)
Value of future profits			
Policyholder bonuses		**11,543**	10,859
Shareholder profit margins		**356,205**	355,758
Total value of future profits		**367,748**	366,617
Deferred tax liability in policyholder liabilities	7.4	**(134,363)**	(128,934)
Net insurance policy liabilities net of deferred tax		**(340,484)**	(290,661)
Life insurance reinsurance ceded		**9,454**	13,875
Gross insurance contract policy liabilities		**(331,030)**	(276,786)
Policy liabilities subject to capital guarantee		**8,811**	9,250

*Refer to Note 2.3

Notes

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

15.3 Actuarial policies and methods for the life insurance business

a) Life liability estimation process

The effective date of the actuarial valuation of policy liabilities and solvency requirements is 30 June 2023. The actuarial valuation was prepared by Mr John Smeed, Appointed Actuary, FIA FNZSA. The Appointed Actuary is satisfied as to the accuracy of the data upon which policy liabilities have been determined.

Policy liabilities for life insurance contracts are amounts which, when taken together with investment earnings are required to meet the payment of future benefits and expenses and incorporate profit margins on existing business to be released when earned in future periods.

Policy liabilities for life investment contracts are determined as the fair value of the financial instrument.

b) Disclosure of assumptions

The valuations included in the reported results are calculated using assumptions about certain key underlying variables. The assumptions are determined by the Appointed Actuary based on the results of annual investigations into the experience of the Company's in force business, industry experience data and data provided by the Company's reinsurers.

Policy liabilities have been calculated in accordance with the New Zealand Society of Actuaries Professional Standard No. 20 *Determination of Life Insurance Policy Liabilities* (**PS20**).

The actuarial standards require the policy liabilities for life insurance contracts to be calculated in a way which allows for the systematic release of planned margins as services are provided to policy owners. Policy liabilities for investment contracts are calculated as the fair value of the liability.

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Notes to the financial statements (continued)

b) Disclosure of assumptions (continued)

The profit carriers used and the method of valuation applied for the major product groups in order to achieve the systematic release of planned margins are as follows:

Business type	Method	Profit carrier
Lump sum risk business	Projection	Premiums
Disability income business	Projection	Premiums
Traditional non-participating business	Projection	Claims payments
Traditional participating business	Projection	Bonuses
Annuity	Projection	Annuity payments

Discount Rates

Where the value of benefits under a life insurance contract is not contractually linked to the performance of the assets held, risk-free discount rates derived from the government bond curve are used to determine the present value of the liabilities. A discount rate based on the market return on the backing assets is applied where the value of benefits is contractually linked to the performance of the assets.

The risk-free discount rates (before tax) applied for all life insurance business, with the exception of contracts with discretionary participating features, vary between 4.0% and 5.51% (2022: 3.39% - 4.56%).

The discount rate for business with discretionary participating features is based on the market yield on backing assets. This yield was 5.12% (2022: 4.25%) gross of tax and investment expenses.

Inflation

Allowance for future inflation of 2.10% per annum (2022: 2.10%) is assumed. This level is consistent with long term expectations.

Future expenses and indexation

Future investment expenses have been assumed to be at the same percentage of assets under management as currently applies to the actual assets backing the liabilities. Future maintenance expenses per policy have been assumed at current levels increased by the rate of inflation set out above. For contracts which provide for the increase of future benefits in line with inflation, the benefit indexation rate has been assumed to be 6.7% for the first year (2022: 6.9%), 4.4% for the second year (2022: 2.10%) and 2.10% thereafter (2022: 2.10%). It is further assumed that the benefit indexation will be taken up by a percentage of the eligible policyholders, determined in line with the Company's recent experience. This take-up rate is assumed to be 80% in first year (2022: 50%) and 95% thereafter.

Rates of taxation

Rates of taxation have been assumed to be at 28% (2022: 28%)

The rate of GST has been assumed to be 15% (2022: 15%).

Asset mix

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

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Notes to the financial statements (continued)

b) Disclosure of assumptions (continued)

Mortality

Mortality rates for risk products, which vary by sex, age and smoking status, have been based on the Company's recent experience. Further adjustments are applied for direct marketing products and for some closed products on the observed experience for this business. The rates shown in the following table are aggregate rates before smoker/non-smoker adjustments.

	2023	2022
Males	62.1% - 109% GR08-10	62.1% - 109% GR08-10
Females	62.1% - 109% GR08-10	62.1% - 109% GR08-10

GR08-10 are the Graduated Mortality Tables issued by Gen Re based upon New Zealand market experience.

Mortality rates for some direct marketed products are based on NZ population mortality tables and have been set at 75%-95% NZ90-92 (2022: 71.5%-95%) for males and 85%-110% NZ90-92 (2022: 77%-105%) for females.

Annuitant mortality rates, which vary by age and sex, have been based on industry experience. They are set at 73% (2022: 73%) of the IM80 and IF80 UK tables of the immediate annuity tables published by The Institute of Actuaries allowing for future mortality improvement.

Disability

Disability income benefit incidence and termination rates were based on the graduated morbidity tables for disability income business prepared by KPMG at the request of the Financial Services Council of Australia (FSC-KPMG ADI 2007-2011). In each case the rates were adjusted by factors dependent on the Company's recent experience and the nature of benefits. Claim incidence and termination rates are as shown below.

Incidence between 72% and 327% ADI 2007-2011 (2022: Incidence between 72% and 327% ADI 2007-2011).

Termination between 68% and 99% ADI 2007-2011 (2022: Termination between 68% and 99% ADI 2007-2011).

Claim rates for lump sum disability benefits were based on various tables reflecting New Zealand and Australian experience, adjusted by factors dependent on group experience and the nature of benefits.

Voluntary discontinuance

Future rates of discontinuance for the major classes of business assumed, varied by duration and class of business, were in the order of:

	2023 %	2022 %
Lump sum risk	1 – 28	1 – 28
Disability income	3 – 13	3 – 15
Conventional	2.5	2.5

Higher discontinuances are assumed for policyholders aged over 60. Higher discontinuances are assumed where premium rates have recently been increased.

Notes to the financial statements (continued)

b) Disclosure of assumptions (continued)

Bonuses
Future bonuses in policy liabilities are those supported by the supporting assets together with the current premium rates and other assumptions.

Bonus rates and interest crediting rates are reviewed at least once a year after taking into consideration the investment experience of the underlying assets, other experience of the business such as the experience of lapse and mortality, the reasonable expectation of the policyholders and equity among different lines of products. The actual bonus rates and interest crediting rates declared may include a certain degree of smoothing. Terminal bonus rates vary by duration and product lines.

Future participating benefits
For participating business, the Company's policy is to set reversionary bonus rates such that over long periods together with terminal bonuses where applied, the returns to policy owners are commensurate with the investment returns achieved on relevant assets, together with other sources of profit arising from this business. Distributions are split between policy owners and shareholders with the valuation allowing for shareholders to share in distributions up to the maximum allowable rate of 20%. In applying the policy owners' share of retained profits to provide bonuses, consideration is given to equity between generations of policy owners and equity between the various classes in force.

c) Processes used to select assumptions

An explanation of the method used to determine the individual applied assumptions is described below.

Mortality and morbidity
An appropriate base table of mortality is chosen for the type of product being written. An investigation into the actual experience of the Company is performed and statistical methods are used to adjust the rates reflected in the table to a best estimate of expected mortality based on the investigation results and industry benchmarks. A similar process is adopted for morbidity.

Lapse
An investigation into the actual experience of the Company is performed and statistical methods are used to determine an appropriate lapse rate. Allowance is made for any trends in the data to arrive at a best estimate of future lapse rates.

d) Effects of changes in actuarial assumptions from 30 June 2022 to 30 June 2023

	2023	
	Future profit increase/(decrease) $'000	**Policy liability increase/(decrease) $'000**
Assumption category		
Discount rates (risk business)	(18,644)	1,207
Mortality and morbidity	(2,450)	-
Lapse and surrender rates	5,986	-
Maintenance expenses	(8,556)	16
Inflation rate	11,399	(22,781)
Other/model changes	(1,706)	-
Total	(13,971)	(21,558)

Note the overall impact from movements in discount rates on risk business includes offsetting impacts amongst sub products, particularly between level premium life business and stepped business. Not included is the impact on the outstanding claims and claim expenses reserves (+$3.0m) and premium smoothing reserve (-$2.7m).

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Notes to the financial statements (continued)

e) Sensitivity analysis

Life insurance and investment contracts are affected by the same subset of variables (mainly arising from financial risks and risks associated with events in human life like death or diseases) and as a result are presented together in this Note.

The tables below illustrate the sensitivity of reported profit or loss to changes in assumptions that have a material effect on it. Note that for morbidity the sensitivity analysis for the IP component is an increase in incidence, with no change in assumed terminations.

	2023			2022		
		Profit/(loss) after tax			Profit/(loss) after tax	
	Change in variable	Before reinsurance $'000	After reinsurance $'000	Change in variable	Before reinsurance $'000	After reinsurance $'000
Change in discount rates	+1%	(4,891)	(4,891)	+1%	(7,828)	(7,828)
	-1%	3,103	3,103	-1%	5,059	5,059
Change in mortality and morbidity	+10%	(6,591)	(3,067)	+10%	(16,453)	(13,086)
	-10%	6,591	3,067	-10%	6,587	2,850
Change of expense assumption	+10%	(827)	(827)	+10%	(771)	(771)
	-10%	827	827	-10%	771	771

16. Share capital

	2023		2022	
	Shares	Shares	Shares	Shares
	No. (000)	$'000	No. (000)	$'000
Issued and fully paid ordinary shares	182,342	209,230	182,342	209,230
Preference shares	45,000	45,000	45,000	45,000
Shareholder contribution under equity settled employee share plans	-	874	-	874
Total share capital	227,342	255,104	227,342	255,104
Movements in issued and fully paid ordinary shares				
Balance at the beginning of the financial year	182,342	209,230	182,342	209,230
Balance at the end of the financial year	182,342	209,230	182,342	209,230

As at 30 June 2023, the Company had 182,342,450 ordinary shares issued to Suncorp Group New Zealand Limited (2022: 182,342,450). The Company does not have authorised capital or par value in respect of its issued shares which all rank equally and are fully paid.

The dividends on the redeemable preference shares are payable at the discretion of the Company. Similarly, the redeemable preference shares are redeemable at the discretion of the Company. In the event of liquidation of the Company, the holder of the redeemable preference shares does not participate in any distribution of profits or assets of the Company.

Each ordinary and preference share is entitled to one vote.

Notes to the financial statements (continued)

17. Capital management

17.1 Capital management policies and objectives

The Company is part of the Suncorp Group. The capital 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 independently capitalised to meet internal and external requirements. The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in the capital needs and risk profile of the Suncorp Group.

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

The Company is required to maintain a minimum solvency margin of at least $0 for each of the shareholder and statutory funds, i.e. actual solvency capital as determined under the Solvency Standard should be at or above the minimum solvency capital level. The Company is also required to retain a minimum fixed capital of at least $5 million. Fixed capital is the minimum amount of Actual Solvency Capital (as defined in the Solvency Standard) that the Company is required to hold at all times.

The Company satisfied all externally imposed capital requirements which it was subject to during the year ended 30 June 2023.

The Company has embedded in its capital management framework the necessary tests to ensure continuous and full compliance with the Solvency Standard.

The Board Audit and Risk Committee oversees capital computations and maintains optimal capital structure by advising the Board on dividend payments and share issues. In addition, the Company manages its required level of capital through analysis and optimisation of the Company's product and asset mix, reinsurance program, catastrophe exposure and investment strategy.

17.2 Capital composition

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

17.3 Regulatory capital

Regulatory capital is made up of two components, actual solvency capital and minimum solvency capital with the difference representing the solvency margin. The calculation of the solvency margin for the Company is detailed below:

	2023			2022		
	Statutory Fund $'000	Shareholder Fund $'000	Total $'000	Statutory Fund $'000	Shareholder Fund $'000	Total $'000
Actual solvency capital	**418,943**	**6,017**	**424,960**	385,965	6,577	392,542
Minimum solvency capital	**392,882**	**261**	**393,143**	350,097	394	350,491
Solvency margin	**26,061**	**5,756**	**31,817**	35,868	6,183	42,051
Solvency ratio	**1.07**	**23.03**	**1.08**	1.10	16.68	1.12

Notes to the financial statements (continued)

18. Credit rating

The Company holds a credit rating of AA- from Standard & Poor's (2022: AA-).

19. Notes to the statement of cash flows

	2023	2022 Restated*
	$'000	**$'000**
Profit for the financial year	**53,071**	22,843
Non-cash items		
Investment income - changes in fair value of financial assets	**(6,740)**	59,869
Non-cash investment income	**(10,089)**	(4,244)
Change in policy liabilities (including unvested)	**(38,452)**	(46,122)
Movement in defined benefit funds through profit	**290**	217
Deferred tax movement for defined benefit scheme	**(106)**	-
Depreciation expense	**1,285**	741
Change in assets and liabilities		
Decrease/(increase) in receivables net of investment receivables	**3,558**	(2,126)
(Decrease)/Increase in reinsurance recoveries receivable	**(3,287)**	4
(Increase)/decrease in other assets	**(140)**	217
Increase in outstanding claims liabilities	**4,586**	8,227
Increase/(decrease) in payables net of investment payables	**9,919**	(6,237)
Increase/(decrease) in tax balances	**2,176**	(12,011)
Decrease in policy liabilities due to premiums and claims	**(11,360)**	(13,835)
Net cash from operating activities	**4,711**	7,543

20. Financial instruments

20.1 Measurement

Investments and derivatives are recognised and measured at fair value and therefore their carrying value equates to their fair value.

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

Financial assets and liabilities that are not recognised and measured at fair value include cash and cash equivalents, policyholder and other loans, trade and other receivables, related party receivables and payables, and payables and other liabilities. The basis of recognition and measurement of these financial assets and liabilities is described in Note 28.

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Notes to the financial statements (continued)

20.2 Fair value hierarchy

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

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

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

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
As at 30 June 2023				
Assets				
Investment securities	**70,095**	**460,352**	**3**	**530,450**
Total	**70,095**	**460,352**	**3**	**530,450**
Liabilities				
Derivatives	**-**	**(37)**	**-**	**(37)**
Total	**-**	**(37)**	**-**	**(37)**
As at 30 June 2022				
Assets				
Investment securities	50,027	493,974	1	544,002
Total	50,027	499,293	1	544,002
Liabilities				
Derivatives	-	(5,319)	-	(5,319)
Total	-	(5,319)	-	(5,319)

There have been no material transfers between levels of the fair value hierarchy during the financial year ended 30 June 2023.

Notes to the financial statements (continued)

20.3 Accounting classification

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

		At amortised cost		
	Financial assets/liabilities mandatorily at fair value through profit and loss $'000	Financial assets $'000	Financial liabilities $'000	Carrying amounts $'000
As at 30 June 2023				
Cash and cash equivalents	**-**	**5,971**	**-**	**5,971**
Trade and other receivables and loans	**-**	**19,587**	**-**	**19,587**
Related party receivables	**-**	**557**	**-**	**557**
Other assets	**-**	**1,218**	**-**	**1,218**
Policyholder loans	**-**	**4,045**	**-**	**4,045**
Investment securities	**530,450**	**-**	**-**	**530,450**
Total	**530,450**	**31,378**	**-**	**561,828**
Payables and other liabilities	**-**	**-**	**(11,751)**	**(11,751)**
Related party payables	**-**	**-**	**(5,004)**	**(5,004)**
Derivatives	**(37)**	**-**	**-**	**(37)**
Total	**(37)**	**-**	**(16,755)**	**(16,792)**
As at 30 June 2022				
Cash and cash equivalents	-	7,655	-	7,655
Trade and other receivables and loans	-	29,296	-	29,296
Related party receivables	-	140	-	140
Other assets	-	1,078	-	1,078
Policyholder loans	-	4,151	-	4,151
Investment securities	544,002	-	-	544,002
Total	544,002	42,320	-	586,322
Payables and other liabilities	-	-	(6,043)	(6,043)
Related party payables	-	-	(4,615)	(4,615)
Derivatives	(5,319)	-	-	(5,319)
Total	(5,319)	-	(10,658)	(15,977)

Notes to the financial statements (continued)

20.4 Master netting or similar arrangements

The Company is party to certain interest rate swap agreements with New Zealand based financial institutions which are settled on a net basis. The financial asset and liability positions under these contracts are offset within the statement of financial position. The table below shows the impact of this offsetting:

	Gross amounts $'000	Offsetting applied $'000	Net amount presented in the statement of financial position $'000	Related cash collateral which are not offset $'000	Net exposure $'000
As at 30 June 2023					
Financial liabilities					
Interest rate swaps	-	-	-	-	-
As at June 2022					
Financial liabilities					
Interest rate swaps	(5,319)	-	(5,319)	5,850	538

Four interest rate swaps matured and five were early exited during the financial year 30 June 2023, and the collateral was settled, resulting in a nil position as at 30 June 2023.

21. Risk management

21.1 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 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

Notes to the financial statements (continued)

21.1 Risk management overview (continued)

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.

An integral part of managing all risk 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.

Notes to the financial statements (continued)

21.1 Risk management overview (continued)

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 Risk) and Strategic Risk.

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

21.2 Insurance risk management

a) Policies and practices for mitigating insurance risk

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

- pricing, including pricing strategies, technical pricing and pricing adequacy reviews;
- roles and responsibilities for pricing, the development and approval of new products and changes to existing products;
- processes that identify and respond to changes in the internal and external environment impacting insurance products;
- underwriting, including processes to consider aggregate exposures from a portfolio perspective to determine the actual exposure to particular risks or an event, monitoring of significant accumulation and concentration of risk, and guidelines around the utilisation of reinsurance in pricing and underwriting;
- delegated authorities (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.

The concentration of insurance risk is also managed by ensuring an appropriate mixture of individual and group insurance business split between mortality, morbidity and annuity benefit payments. Exposure to risk of large claims for individual lives is managed through monitoring of the Company's in-force business and the mix of new business written each year.

b) Terms and conditions of insurance business

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

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

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Notes to the financial statements (continued)

21.2 Insurance risk management (continued)

Type of contract	Details of contract workings	Nature of compensation for claims	Key variables affecting the timing and uncertainty of future cash flows
Long term non-participating life insurance contracts with fixed and guaranteed terms. (Term and Life Disability).	Guaranteed benefits paid on death, ill health or maturity benefits are fixed and guaranteed and not at the discretion of the insurer.	Benefits, defined by the insurance contract, are not directly affected by the performance of underlying assets or the performance of the contracts as a whole.	Mortality, morbidity, market interest rates, lapses and expenses.
Long term insurance contracts with discretionary participating benefits. (Endowment and Whole of Life).	These policies include a defined initial guaranteed sum assured which is payable on death. The guaranteed amount increases throughout the duration of the policy by the addition of regular bonuses annually which, once added, are not removed.	Benefits arising from the discretionary participation feature are based on the performance of specified pool of contracts or a specified type of contract.	Mortality, morbidity, market earning interest rates, lapses and expenses.
Non-discretionary participating investment contracts without guaranteed returns.	The gross value of premiums received is invested in units and the investment account is the value of the units. Investment management fees are deducted from policyholders annually based on the average value of funds under management.	The investment return is calculated with reference to the earnings on assets backing the investment contracts less any applicable management fees.	Market risk, interest rates and expenses.

21.3 Credit risk

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

Key sources of credit risk	How are these managed
Investments in financial instruments	Investments in financial instruments in the investment portfolios are held in accordance with the investment mandates. Credit limits have been established within these mandates to ensure counterparties have appropriate credit ratings. A framework is in place that sets and monitors investment strategies and arrangements.
Reinsurance recoveries receivables	Credit risk with respect to reinsurance programs is minimised by placement of cover with a number of reinsurers with strong credit ratings and in line with the Company's applicable risk appetite statement. Eligible recoveries under reinsurance arrangements are monitored and managed internally and by specialised reinsurance brokers operating in the international reinsurance market.

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21.3 Credit risk (continued)

The Company has no specific concentration of risk with a single counterparty arising from the use of financial instruments in managing its investment portfolios other than normally arise through dealings on recognised exchanges and off exchange dealings (over the counter contracts). The counterparties to over-the-counter contracts are limited to companies with strong credit ratings from a recognised credit rating agency. These counterparties are normally banks operating in New Zealand. With the interest rate swaps matured, there are no longer over the counter contracts held with counterparties for the financial year ending 30 June 2023.

For investment linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any credit risk in those assets. Unit linked assets totalling $3.0 million (2022: $2.7 million) are therefore not included in the two below sets of schedules. Policyholder loans are fully secured by the policy values on which the loans are made. As the shareholder has no direct exposure to any credit risk on the policyholder loans, these assets are excluded from the two below sets of schedules.

There has been no material change in the credit risk faced by the Company or processes for managing the risk during the period. The Aggregate Risk Exposures Policy, prescribes processes and requirements to comply with APRA Prudential Standard 3PS221 *Aggregate Risk Exposures.* SNZ has reporting obligations to the Suncorp Group for breaches of limits prescribed in the Policy. Currently the limits apply to aggregate exposures to each of the Australian major banks.

	Credit Rating						
	AAA $'000	AA $'000	A $'000	BBB $'000	Non-investment grade $'000	Not Rated $'000	Total $'000
As at 30 June 2023							
Cash and cash equivalents	**-**	**3,370**	**-**	**-**	**-**	**-**	**3,370**
Loans and trade and other receivables	**-**	**17,069**	**-**	**-**	**-**	**2,402**	**19,471**
Related party receivables	**-**	**-**	**557**	**-**	**-**	**-**	**557**
Other assets	**-**	**-**	**-**	**-**	**-**	**1,218**	**1,218**
Reinsurance recoveries receivable	**-**	**62,867**	**-**	**-**	**-**	**-**	**62,867**
Investment securities	**154,293**	**18,562**	**7,688**	**8,167**	**-**	**-**	**188,710**
Policy liabilities ceded under reinsurance	**-**	**9,454**	**-**	**-**	**-**	**-**	**9,454**
Total	**154,293**	**111,322**	**8,245**	**8,167**	**-**	**3,620**	**285,647**
As at 30 June 2022							
Cash and cash equivalents	-	5,236	-	-	-	-	5,236
Loans and trade and other receivables	-	22,807	-	-	-	640	23,447
Related party receivables	-	-	-	-	-	140	140
Other assets	-	-	-	-	-	1,078	1,078
Reinsurance recoveries receivable	-	59,580	-	-	-	-	59,580
Investment securities	139,625	35,211	11,763	6,778	-	-	193,377
Policy liabilities ceded under reinsurance	-	13,875	-	-	-	-	13,875
Total	139,625	136,709	11,763	6,778	-	1,858	296,733

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Notes to the financial statements (continued)

21.3 Credit risk (continued)

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

		Past due but not impaired					
	Neither past due nor impaired $'000	0-3 mths $'000	3-6 mths $'000	6-12 mths $'000	>12 mths $'000	Impaired $'000	Total $'000
As at 30 June 2023							
Loans and receivables	**4,634**	**12,969**	**56**	**753**	**1,059**	**-**	**19,471**
As at 30 June 2022							
Loans and receivables	9,175	10,221	3,419	192	440	-	23,447

Other loans receivables

No provisions have been recognised for impaired or past due but not impaired loans (2022: $nil).

Derivatives

The Company uses derivatives for portfolio management purposes. They are used as an alternative where longer duration physical assets are not readily available, in order to achieve a desired level of total exposure as a means to hedge against market movements. Total exposure is the sum of the market value of the physical assets plus the equivalent physical asset value attributed to the derivatives.

Deliberate gearing up or leverage exposure to an asset class is not permitted.

The most commonly used derivatives by the Company are interest rate swaps and foreign currency forward contracts. Derivatives are valued on a market-to-market basis such that the statement of comprehensive income and the statement of financial position reflect all unrealised gains and losses on derivatives.

The Company has a risk management statement which describes the controls used to manage the risks associated with the use of derivatives. Limits are set on the effective exposure implied by the use of derivatives and on transaction levels and aggregate counterparty exposure. The limits and criteria on which they are set are regularly reviewed, while all review, monitoring and control processes are independent of portfolio activity.

21.4 Liquidity risk

The Company is exposed to daily calls on its available cash resources from maturing policies and policy claims and surrenders. Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. The Directors agree limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover maturities, claims and surrenders at unexpected levels of demand. Liquidity risk is also managed by placing limits on the percentage of liquid shareholder and participating investment assets.

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

The following table summarises the maturity profile of the Company's financial liabilities based on the remaining undiscounted contractual obligations. It also includes the maturity profile for life insurance and life investment contract policy liabilities based on the discounted estimated timing of net cash outflows.

Notes to the financial statements (continued)

21.4 Liquidity risk (continued)

This table shows the estimated timing of future net cash outflows resulting from insurance contract liabilities. This includes estimated future surrenders, death/disability claims and maturity benefits, offset by expected future premiums or contributions and reinsurance recoveries. All values are discounted to the current date using the assumed future investment earning rate for each product.

For investment-linked business the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any risk in those assets. Therefore, the table in this section shows the investment contract liability portion in policy liabilities separately without any maturity profile analysis.

	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	No term $'000	Investment contracts $'000	Total $'000
As at 30 June 2023						
Payables and other liabilities	**8,725**	**-**	**-**	**-**	**45**	**8,770**
Related party payables	**5,004**	**-**	**-**	**-**	**-**	**5,004**
Lease liabilities	**1,197**	**1,784**	**-**	**-**	**-**	**2,981**
Outstanding claims liabilities	**77,555**	**50,818**	**57,812**	**-**	**(57)**	**186,128**
Policy assets	**(31,012)**	**(56,698)**	**(243,322)**	**21,501**	**161,609**	**(147,922)**
Total	**61,469**	**(4,096)**	**(185,510)**	**21,501**	**161,597**	**54,961**
As at 30 June 2022						
Payables and other liabilities	5,828	-	-	-	45	5,873
Related party payables	4,615	-	-	-	-	4,615
Lease liabilities	170	-	-	-	-	170
Outstanding claims liabilities	76,332	48,755	55,764	-	691	181,542
Policy assets (Restated*)	(30,151)	(63,934)	(182,701)	21,829	161,270	(93,687)
Total	56,794	(15,179)	(126,937)	21,829	162,006	98,513

*Refer to Note 2.3

21.5 Market risk

The Company takes on exposure to market risks including currency risk, fair value and cash flow interest rate risk, and price risk. Market risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements. The market risks that the Company primarily faces are equity risk and interest rate risk due to the nature of its investments and liabilities.

For all the assets backing life insurance contracts that are sensitive to equity risk, the Company has developed investment guidelines to manage the Company's exposure to equity price risk primarily by setting benchmarks for asset mix.

Investment activity for the Company is undertaken in accordance with investment mandates agreed by the Directors of the Company. The mandates stipulate the investment allocation mix, the match of investment assets and liabilities and the use of derivatives.

The Company monitors the sensitivity of reported profit to market risk by assessing the expected change in the values of assets which would affect the profit.

For investment linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to risk in those assets. The assets that back the unit linked liabilities are therefore not included in the tables shown below.

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Notes to the financial statements (continued)

21.5 Market risk (continued)

A number of issues are driving the global economic uncertainty, including geopolitical affairs, natural disasters, inflation, increasing interest rates and aftermath of the COVID-19 pandemic. This evolving global uncertainty has resulted in emergence of 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.

a) Interest rate risk

The Company manages some of its exposure to interest rate risk by matching assets to liabilities. Separate asset/liability matching analyses are employed for separate categories of products within each business. Although this 'hedging' is not reflected in the accounting policies adopted or in the presentation of the results and statement of financial position included in these financial statements, it does mitigate the Company's exposure to such risk to some extent. The Company seeks to manage significant exposure to interest rate risk while maximising the return to participating policyholders and shareholders. Derivatives may be held to enable the matching of asset and liability to further mitigate exposure to interest rate movements.

The substantial proportion of both interest bearing and non-interest-bearing assets are investments held in respect of policy liabilities. The management of the risks associated with policy liabilities, including the interest rate risk, is subject to the requirements of the Reserve Bank of New Zealand Solvency Standard for Life Insurance Business. This includes satisfying solvency requirements, which in turn includes consideration of how assets and liabilities are matched. The Company enters into interest rate swap contracts for the purpose of extending the duration (weighted average time to maturity) of the fixed interest investments held to match the duration of the underlying policy liabilities that they back.

A change in interest rate impacts the fair value of the Company's fixed rate and interest-bearing assets and liabilities, and its interest rate swaps. Fair value changes impact on profit or loss or equity only where the instruments are carried at fair value.

For investment linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to risk in those assets. The assets that back the unit linked liabilities are therefore not included in the table below.

Fair value sensitivity due to changes in interest rates (based on the assets held at balance date) on the Company's fixed rate assets and interest rate swaps is disclosed below.

Details of the Company's solvency are disclosed in Note 17.3.

The following table shows the sensitivity to movements in the underlying interest rates of the interest-bearing assets/(liabilities) to which the Company is exposed. The exposure of derivative financial instruments to interest rate risk is on the notional value of the derivative contracts as disclosed in the table below.

(Note: the analysis of interest rate sensitivity for interest-bearing investment assets has been analysed with respect to movements in yields rather than direct movements in market value).

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Notes to the financial statements (continued)

21.5 Market risk (continued)

	2023			2022		
	Exposure $'000	Change in variable	Profit/(loss) after tax and equity $'000	Exposure $'000	Change in variable	Profit/(loss) after tax and equity $'000
Fixed interest bearing investment securities	188,710	+1%	(10,275)	193,377	+1%	(10,058)
		-1%	11,541		-1%	11,143
Interest rate swaps	-	n/a	-	159,000	+1%	(2,008)
		n/a	-		-1%	2,008
Total	188,710			352,377		

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 Company is exposed to currency risk in that future movements in the New Zealand dollar against currencies of the countries in which foreign investments are held will affect the cash flows and the market values of these investments.

The Company also invests in certain New Zealand Dollar denominated unit trusts that have underlying exposures to other foreign currencies. The Company has no direct exposure to foreign currency risk associated with these investments.

The table below shows assets denominated in overseas currencies after allowing for the effect of forward foreign exchange contracts.

The carrying amounts and profit or loss sensitivity to movements in the currencies of the Company's overseas financial assets are denominated in the following currencies.

	2023			2022		
	Exposure $'000	Change in variable	Profit/(loss) after tax and equity $'000	Exposure $'000	Change in variable	Profit/(loss) after tax and equity $'000
AUD	-	+10%	-	-	+10%	-
		-10%	-		-10%	-

c) Credit spread risk

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

The table below presents a sensitivity analysis on how credit spread movements could affect profit or loss for the exposure as at the balance date.

Sensitivity of the Company's credit exposure to a +/- 100 basis points (2022:100 basis points) change in yield is as follows:

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21.5 Market risk (continued)

	2023			2022		
	Exposure $'000	Change in variable %	Profit (loss) after tax and equity $'000	Exposure $'000	Change in variable %	Profit (loss) after tax and equity $'000
Discounted securities, corporate bonds and derivatives	47,276	+1%	(1,476)	62,153	+1%	(4,420)
		-1%	1,476		-1%	4,420
Government and local government securities	141,433	+1%	(9,773)	125,911	+1%	(8,318)
		-1%	9,773		-1%	8,318
Total	188,709			188,064		

d) Equity price risks

For all the assets backing life insurance contracts that are sensitive to equity risk, the Company has developed investment guidelines to manage the Company's exposure to equity price risk primarily by setting benchmarks for asset mix.

The following table shows the sensitivity to movements in the value of the equity assets to which the Company is directly exposed.

	2023			2022		
	Exposure $'000	Change in variable	Profit/(loss) after tax and equity $'000	Exposure $'000	Change in variable	Profit/(loss) after tax and equity $'000
Domestic equities/unit trusts	11,478	+5%	413	10,612	+5%	382
		-5%	(413)		-5%	(382)
International equities/unit trusts	8,504	+5%	306	7,968	+5%	287
		-5%	(306)		-5%	(287)
Fixed interest/unit trusts	184,030	+5%	6,625	196,167	+5%	7,062
		-5%	(6,625)		-5%	(7,062)
Total	204,012			214,747		

21.6 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 17.

Notes to the financial statements (continued)

22. Property, plant and equipment and leases

	2023	2022
	$'000	**$'000**
Right of use asset	**2,668**	542
Property, plant and equipment and leases	**2,668**	542

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

	2023	2022
	Real Estate $'000	**Real Estate $'000**
Right of use asset at the beginning of the financial year	**542**	2,237
Depreciation charge for the year	**(1,285)**	(741)
Additions to ROU assets	**3,412**	-
Derecognition of ROU assets*	**-**	(954)
Right of use asset at the end of the financial year	**2,669**	542
Lease liability at the end of financial year	**2,981**	170
Current	**1,197**	170
Non-current	**1,784**	-
Lease liability at the end of financial year	**2,981**	170

Interest expense on the lease liabilities of $95,000 was recognised as Finance expense in the statement of comprehensive income (30 June 2022: $25,000 Finance income).

Total cash outflow for lease liabilities presented in the statement of cash flows was $600,000 (30 June 2022: $1,741,000).

*The derecognition relates to the Asteron building (Wellington) rent abatement for 30 June 2022.

Notes to the financial statements (continued)

23. Related parties

23.1 Controlling entities

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

23.2 Transactions and balances

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

	2023 $'000	2022 $'000
Service and administration fees received		
Fellow subsidiaries of the ultimate parent	**1,097**	1,792
Service and administration fees paid		
Parent	**192**	402
Fellow subsidiaries of the ultimate parent	**50,230**	44,140
Premiums received		
Fellow subsidiaries of the ultimate parent	**780**	759
Premiums paid		
Fellow subsidiaries of the ultimate parent	**99**	97
Employer contributions paid to superannuation schemes		
Other Related Parties	**25**	25
Group tax loss offsets/tax transfers received		
Fellow subsidiaries of the ultimate parent	**-**	137
Group tax loss offsets/tax transfers paid		
Parent	**5**	364
Dividends paid		
Parent Company	**30,100**	37,500

The "Other" entity category presented in the table above and the following table includes managed superannuation schemes.

Aggregate amounts receivable from or payable to related parties as at 30 June 2023 and 30 June 2022 are shown in the table below:

	2023 $'000	2022 $'000
Amounts receivable from		
Parent	**46**	-
Subsidiaries of ultimate parent	**511**	-
Other	**-**	140
Total amounts receivable from related parties	**557**	140
Amounts payable to		
Parent	**-**	414
Subsidiaries of ultimate parent	**5,004**	4,201
Total amounts payable to related parties	**5,004**	4,615

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

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Notes to the financial statements (continued)

23.3 Key management personnel

The Key Management Personnel (**KMP**) compensation is provided by the Company or by a related party of the ultimate parent entity. Remuneration provided other than by a Suncorp Group entity located in New Zealand is not included in this disclosure. This applies to S B Johnston and D F McTaggart for the years ended 30 June 2023 and 30 June 2022 and L J Tanner for the year ended 30 June 2023. 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 KMPs of the Company. The KMP compensation is as follows:

	2023 $'000	2022 $'000
Short-term employee benefits	**6,572**	6,791
Post employment benefits	**181**	209
Long-term benefits	**253**	222
Share based payment	**955**	765
Total compensation	**7,961**	7,987

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 Company or related companies which are operated in the normal course of business.

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Notes to the financial statements (continued)

24. Auditor's remuneration

	2023 $'000	2022 $'000
During the year, the auditor of the Company was paid for the following services:		
Audit fees - current year		
Audit of annual accounts of the Company	**1,344**	516
Other Assurance fees		
Solvency returns	**140**	100
Total auditor's remuneration	**1,484**	616

Excluded from above are auditor disbursements which are considered a pass through of expenses incurred.

The audit fee for financial year ended 30 June 2023 included fees associated with the audit of the NZ IFRS 17 transition.

25. Provisions and contingent liabilities

25.1 Provisions

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

The below provision is included within Payables and other liabilities (refer Note 12).

	2022 $'000	Additions $'000	Amounts used $'000	Unused amounts reversed $'000	Other $'000	2023 $'000
Customer remediation	602	504	(494)	(47)	-	564
Total	602	504	(494)	(47)	-	564
Current	602	-	-	-	-	564
Total	602	-	-	-	-	564

Customer remediation

The requirement for anticipated customer remediation has been assessed across the Company. 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 Company's obligations. It is possible that the final 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.

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Notes to the financial statements (continued)

25.2 Contingent Liabilities

There are possible legal and other claims against the Company (other than claims under contracts of insurance), the aggregate amount of which cannot be readily quantified. The Company does not consider the outcome of any such possible claims, either individually or in aggregate, to have a material effect on its financial position. The directors are of the opinion that no provisions are required in respect of such possible matters, as any amount cannot be reliably measured and an outflow of future economic benefits is not probable.

Under the terms of its contracts with advisers, the Company has agreed that it would acquire the entitlement of individual advisers to future income streams from renewal commission for business in-force as at 16 April 2021, should the advisers themselves be unable to find an approved buyer within 6 months of the date that the agreement ends. For in-force business written since 16 April 2021, the entitlement of individual advisers to future income streams from renewal commission if an approved buyer is not found within 6 months of the date that the agreement ends, is ceded to the Company at no cost. The liability for future renewal commission is contained in the Company's policy liabilities, and therefore these potential transactions do not result in any change to the Company's net assets or profit and loss. In practice these transactions are not frequent and management do not consider that the consequent acceleration of the timing of underlying cash flows is material.

26. Statutory funds

The Company has established a statutory fund as required under IPSA. The effective date of establishing the statutory fund was 1 July 2012. The shareholder's access to the retained profits and shareholder's capital in the statutory fund is restricted by the IPSA. The shareholder's entitlement to monies held in the statutory fund is subject to the distribution and transfer restrictions of the IPSA.

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Notes to the financial statements (continued)

26. Statutory funds (continued)

	Participating business $'000	Non Participating business $'000	Total Statutory Fund $'000	Shareholder Fund $'000	Total $'000
As at 30 June 2023					
Shareholder retained profits					
Shareholder opening retained profits (Restated*)	**5,600**	**163,711**	**169,311**	**9,107**	**178,418**
Operating profit	**299**	**52,651**	**52,951**	**120**	**53,071**
Transfer of retained profits between funds	**(25)**	**(28,975)**	**(29,000)**	**29,000**	**-**
Movement in employee defined benefit funds deficit (net of income tax)	**-**	**-**	**-**	**442**	**442**
Dividends paid	**-**	**-**	**-**	**(30,100)**	**(30,100)**
Shareholder closing retained profits	**5,874**	**187,387**	**193,262**	**8,569**	**201,831**
Share capital and transfers					
Share capital	**-**	**255,104**	**255,104**	**-**	**255,104**
Total shareholder equity	**-**	**255,104**	**255,104**	**-**	**255,104**
Components of shareholder interest in statutory funds					
Shareholder retained profits	**5,874**	**187,387**	**193,261**	**8,569**	**201,830**
Share capital	**-**	**255,104**	**255,104**	**-**	**255,104**
Shareholder funds	**5,874**	**442,491**	**448,365**	**8,569**	**456,934**
As at 30 June 2022					
Shareholder retained profits					
Shareholder opening retained profits	5,865	167,947	173,812	18,978	192,790
Operating profit (Restated*)	(265)	23,264	22,999	(156)	22,843
Transfer of retained profits between funds	-	(27,500)	(27,500)	27,500	-
Movement in employee defined benefit funds deficit (net of income tax)	-	-	-	285	285
Dividends paid	-	-	-	(37,500)	(37,500)
Shareholder closing retained profits	5,600	163,711	169,311	9,107	178,418
Share capital and transfers					
Share capital	-	255,104	255,104	-	255,104
Total shareholder equity	-	255,104	255,104	-	255,104
Components of shareholder interest in statutory funds					
Shareholder retained profits	5,600	163,711	169,311	9,107	178,418
Share capital	-	255,104	255,104	-	255,104
Shareholder funds	5,600	418,815	424,415	9,107	433,522

*Refer to Note 2.3

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

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Notes to the financial statements (continued)

27. Disaggregated information

	Statutory Fund $'000	Shareholder Fund $'000	Total $'000
As at 30 June 2023			
Investment assets	**518,874**	**11,576**	**530,450**
Other assets	**1,218**	**-**	**1,218**
Life insurance contract liabilities	**(331,030)**	**-**	**(331,030)**
Life investment contract liabilities	**161,608**	**-**	**161,608**
Other liabilities	**338,016**	**5,378**	**343,394**
Retained profits directly attributable to shareholders	**193,260**	**8,571**	**201,831**
For the financial year ended 30 June 2023			
Premium revenue	**287,374**	**-**	**287,374**
Investment revenue	**23,899**	**-**	**23,899**
Claims expense	**153,326**	**-**	**153,326**
Other operating expenses	**83,878**	**-**	**83,878**
Investment losses allocated to policyholders	**17,262**	**-**	**17,262**
Profit before tax	**65,296**	**-**	**65,296**
Profit after tax	**52,951**	**120**	**53,071**
Transfer of retained profits between funds	**(29,000)**	**29,000**	**-**
As at 30 June 2022 (Restated*)			
Investment assets	531,657	12,345	544,002
Other assets	1,078	-	1,078
Life insurance contract liabilities	(268,539)	-	(268,539)
Life investment contract liabilities	161,270	-	161,270
Other liabilities	326,546	5,484	332,030
Retained profits directly attributable to shareholders	161,063	9,107	170,170
For the financial year ended 30 June 2022 (Restated*)			
Premium revenue	277,687	-	277,687
Investment revenue	(45,357)	45	(45,312)
Claims expense	130,199	-	130,199
Other operating expenses	56,935	-	56,935
Investment revenues paid or allocated to policyholders	(30,900)	-	(30,900)
Profit before tax	29,441	45	29,486
Profit after tax	22,999	(156)	22,843
Transfer of retained profits between funds	(27,500)	27,500	-

*Refer to Note 2.3

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Notes to the financial statements (continued)

28. Significant accounting policies

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

28.1 Principles of life insurance business

Under IPSA and related regulations, the Company has established separate statutory and shareholder funds. The shareholder's entitlement to monies held in the statutory fund is subject to the distribution and transfer restrictions of IPSA.

The Company's significant activity is the selling and administration of life insurance and life investment contracts. The business is comprised of life and disability insurance and investments. In relation to the Company's life insurance business, which is conducted by the Company, assets, liabilities, revenues and expenses are recognised in the financial statements irrespective of whether they relate to policyholders or the shareholder. A policyholder is one who holds a policy of insurance with the Company.

a) *Life insurance contracts*

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). Insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness. The insured benefit is either not linked or only partly linked to the market value of the investments held by the entity, and the financial risks are substantially borne by the entity.

The insurance operations of the Company are conducted within separate funds and are reported in aggregate in the profit or loss in the statement of comprehensive income, statement of financial position and statement of cash flows of the Company.

b) *Life investment contracts*

Life investment contracts are all contracts that do not involve the acceptance of significant insurance risk. They include investment-linked contracts where the benefit amount is directly linked to the market value of the investment held in the particular investment-linked fund. While the underlying assets are registered in the name of the entity and the investment-linked policy owner has no direct access to the specific assets, the contractual arrangements are such that the investment-linked policyholder bears the risks and rewards of the fund's investment performance. The Company derives fee income from the administration of investment-linked policies and funds.

Policy contracts that include both investment and insurance elements are separated into these two elements when practicable and when components can be reliably measured and reported accordingly.

28.2 Foreign currency

Transactions denominated in foreign currencies are initially translated to New Zealand dollars at the spot exchange rates ruling at the date of the transaction. Foreign currency monetary assets and liabilities at the end of the reporting period are translated to New Zealand dollars at the spot rates of exchange current on that date. The resulting differences on monetary items are recognised in the profit 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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Notes to the financial statements (continued)

28.3 Revenue and expense recognition

a) *Premium revenue*

Premium revenue relates to risk bearing life insurance contracts. The components of premium revenue that relate to life investment contracts are in the nature of deposits and are recognised as a movement in policy liabilities.

Life insurance premiums with no due date are recognised as revenue on a cash received basis. Premiums with a regular due date are recognised on an accruals basis.

b) *Claims expense*

Insurance claims are recognised when the liability to the policyholder under the policy contract has been established or upon notification of the insured event, depending on the type of claim.

The component of a life insurance contract claim that relates to the bearing of risks is treated as a claim expense. Other life insurance claim amounts and all life investment contract amounts paid to policyholders are in the nature of withdrawals and are recognised as a decrease in policy liabilities.

c) *Outwards reinsurance expense*

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) *Life insurance reinsurance recoveries income*

Policy claims recoverable from reinsurers are recognised as revenue in line with the recognition of the claim expense.

e) *Investment revenue and expense*

Interest income and expense are recognised in profit or loss using the effective interest method.

Dividends and distribution income are recognised when the right to receive income is established net of any imputation credits.

f) *Fee income and other revenue*

Fees and other income are recognised over time (e.g. annual fees) or at a point in time, when a promised service is performed.

g) *Basis of expense apportionment for the Company's life insurance business*

The Company's life insurance business expenses comprise direct expenses (where they are directly attributable to life insurance and life investment products) and indirect expenses (all other expenses relating to the acquisition, maintenance and investment management activities associated with life insurance and life investment contracts which are recorded in cost centres and have been incurred in relation to more than one business activity).

Life business expenses are classified as follows:

Acquisition expenses

The fixed and variable costs of acquiring new business, including commissions and similar distribution costs and costs of accepting, issuing and initially recording policies.

Investment management expenses

The costs involved with buying and selling investments and the ongoing management costs of an investment portfolio.

Maintenance expenses

All other costs are considered to be maintenance costs incurred to administer existing life insurance and life investment contracts.

Notes to the financial statements (continued)

28.4 Income tax

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

From 1 July 2010, life insurers have been subject to a new tax regime. Two tax bases are maintained; the shareholder base where tax is payable on premiums plus investment income from shareholder funds, less claims, expenses and change in reserves; and the policyholder base where tax is payable on net investment income from policyholder funds. The life insurer pays tax on both bases at the prevailing company rate of 28% (2022: 28%). As the life insurer is taxed as proxy for the policyholder, returns to policyholders are tax exempt.

Income and deductions are recognised using ordinary tax principles, with the addition of special rules to deal with the unique timing and allocation issues inherent with life insurance products.

Transitional provisions are included in the new regime for life risk business in force at 30 June 2010 which allow these policies to continue to be taxed similar to that incurred under the previous rules. The transitional provisions apply to stepped premium term policies in force at 1 July 2010 for a period of 5 years, and for level premium term policies in force at 1 July 2010 for the remainder of the duration of the policy. For stepped premium term policies, the transitional provisions expired on 30 June 2015.

The new rules also extend the benefits of the Portfolio Investment Entity rules to people who save through life products.

Deferred income tax is provided in full and is recognised on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from revaluation of certain financial assets and liabilities, including derivative contracts, provision for employee entitlements, deferred acquisition costs and tax losses carried forward. The rates enacted or substantially enacted at the reporting date are used to determine deferred income tax. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

28.5 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 statement of financial position.

Notes to the financial statements (continued)

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

28.7 Non-derivative 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*

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. The Company has classified financial assets held in portfolios that match the average duration of a corresponding insurance or life investment policy liability, as assets backing life insurance and life investment policy liabilities.

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.

The Company recognises an allowance for expected credit losses (**ECL**) for all debt instruments not held at fair value through profit or loss. Further information on ECL and impairment provisioning is provided in Note 28.11.

c) *Derecognition of financial assets*

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

Notes to the financial statements (continued)

28.8 Derivative financial instruments

The Company holds derivative financial instruments to hedge the Company's assets and liabilities or as part of the Company's investment activities. Derivatives include exchange rate and interest rate related contracts and fixed interest options.

All derivatives are initially recognised at fair value on trade date. Transaction costs are recognised in profit or loss as incurred. Fair values are determined from quoted market prices where available; where quoted market prices are not available, discounted cash flow models, broker and dealer price quotations or option pricing models are used as appropriate. The fair value of derivative financial instruments also includes credit valuation adjustments to reflect credit risk for both the derivative counterparty and the Company. Derivatives are classified and accounted for as held for trading financial assets at fair value through profit or loss unless they qualify as a hedging instrument in an effective hedge relationship under hedge accounting. The Company has not adopted hedge accounting.

28.9 Assets backing life insurance and investment liabilities

Certain assets of the life business are assessed under *NZ IFRS4 Insurance Contracts* (those assets that are held to back life insurance and life investment contracts), and under NZ IFRS 9 (those assets not backing life insurance and life investment liabilities).

Financial assets backing life insurance and life investment contract liabilities
The Company has designated investment securities within the total statutory fund (participating and non-participating business), which are mandatorily measured at FVTPL, as backing policy liabilities.

Financial assets not backing life insurance and life investment contract liabilities
Financial assets held within shareholder funds do not back life insurance contract liabilities or life investment contract liabilities. These comprise investment securities which are mandatorily measured at FVTPL as the contractual cashflows of these financial assets are not SPPI.

28.10 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 hedging instruments; or
- designated as at fair value through profit or loss.

Financial liabilities arising from life investment contracts are measured at fair value based on future settlement amounts under the contract. Changes to the fair value are recognised in the profit or loss in the period in which they occur.

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

Notes to the financial statements (continued)

28.11 Impairment

The Company recognises an allowance 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, trade and other receivables, related party receivables, reinsurance recoveries receivable, and loans and other receivables (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 Company are assessed for indicators of impairment at each reporting date. Indicators include both internal and external factors. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised 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 purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable operational cash flows (cash generating units).

a) Calculation of recoverable amount for other assets

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

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

b) Reversal of impairment

An impairment loss for an asset is reversed in following periods if there are indications that the impairment loss previously recognised no longer exists or has decreased. The impairment loss is reversed, in the profit or loss, only to the extent that it increases the asset back to its original carrying amount before any impairment was recorded.

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Notes to the financial statements (continued)

28.12 Leases

a) Lease liabilities

Lease liabilities are measured at amortised cost using the effective interest method. Interest expense is recognised in the statement of comprehensive income in the 'Finance costs' line item. The lease liabilities are presented in the statement 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 right of use asset or where the right of use asset has a value of nil, then it has to be recognised in the statement of comprehensive income.

b) Right-of-use asset

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

The right of use asset is depreciated in accordance with the methods prescribed under NZ IAS 16 *Property, Plant and Equipment.* The depreciation is presented in the statement of comprehensive income in the 'Policy maintenance expenses' line item.

28.13 Employee benefit obligations

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

The defined benefit superannuation funds provide defined pension annuities and lump sum benefits based on years of service and final average salary.

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

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

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28.14 Provisions

A provision is a liability of uncertain timing or amount which is recognised in the statement of financial position when:

- the Company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount can be reliably estimated.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Company enters into financial arrangements to provide financial support, the Company considers these to be insurance arrangements or financial guarantees, as applicable. The Company treats the insurance arrangements as contingent liabilities until such time as it becomes probable that the Company will incur losses under the insurance arrangements. Financial guarantees are recognised at fair values, determined using cash flow forecasts to determine whether losses related to the financial guarantees have been incurred.

28.15 Deferred acquisition expenses

Deferred acquisition costs for life insurance contracts represent the fixed and variable costs of acquiring new business and include commissions, certain advertising and underwriting costs. These costs are implicitly deferred through Margin on Service (MoS) accounting and recognised in the statement of financial position as a reduction in life insurance contract liabilities. The amount deferred is subject to an overall limit such that the value of future profits at inception cannot be negative.

All other acquisition costs are expensed as incurred.

28.16 Policy liabilities

a) Determination of policy liabilities

Liabilities to policyholders in the statement of financial position are measured on the MoS basis in accordance with PS20. The movement in policy liabilities in the profit or loss is also calculated on a MoS basis.

b) Life insurance policy liabilities

Policy liabilities, arising from life insurance contracts, are measured at the net present value of estimated future cash flows in accordance with PS20. Policy liabilities are re-measured periodically and changes are recognised in profit or loss in a manner that allows for the systematic release of planned margins over a period that reflects the services provided, and premiums received from, the policyholders.

Expected future cash flows are reviewed to establish the present value of estimated future expenses for the Company of related products against the present value of estimated future revenues to test the adequacy of the policy liabilities.

Profit allocated to participating policyholders is recognised as an increase in policy liabilities. Both the element of this profit that has not yet been allocated to specific policyholders (i.e. unvested) and that which has been allocated to specific policyholders by way of bonus distributions (i.e. vested) are included within life insurance contract liabilities.

The significant assumptions applied in calculating these estimates and the process and methodology used for determining these assumptions are included in Note 15.3.

c) Life investment policy liabilities

Policy liabilities, arising from life investment contracts, are recognised at fair value through profit or, which is based on the valuation of the linked assets, subject to a minimum of current surrender value.

Notes to the financial statements (continued)

28.17 Contributed capital

a) Ordinary shares
Ordinary shares are recognised as equity.

b) Preference shares
The preference shares do not exhibit the characteristics of debt in their terms of issue, repayment, or dividend payment and are therefore classified as equity.

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

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

28.18 Contingent liabilities and assets

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

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

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

28.19 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.

Notes to the financial statements (continued)

28.20 New accounting standards and interpretations not yet adopted

As at the date of this financial report, there are several new or revised accounting standards published by the XRB that will be mandatory in future financial years. The new or revised accounting standards that are expected to have a material impact on the Company's financial statements are set out below. The Company has not early adopted these accounting standards.

NZ IFRS 17 *Insurance Contracts* (NZ IFRS 17)

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 is effective for the Company's financial statements for the reporting period beginning 1 July 2023.

a) Measurement models

NZ IFRS 17 introduces three new measurement models – the general model, the variable fee approach and premium allocation approach (PAA). 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 (PAA) is permitted in certain circumstances.

The Company has developed a model and methodology to assess eligibility of contracts to use the PAA. The Company expects to use all three measurement models across its life insurance contracts. Insurance contracts issued to policyholders and reinsurance contracts are measured separately.

Acquisition costs relating to insurance contracts issued to policyholders will be capitalised and amortised over the coverage period. Under NZ IFRS 17 certain expenses are not attributed to insurance and reinsurance contracts and will be accounted for outside of the insurance service result.

b) Onerous contracts

NZ IFRS 17 requires the identification of groups of onerous contracts at a granular level with a loss component recognised on initial recognition of the group of contracts. For contracts not measured under the PAA, an assessment is made at initial recognition to determine if they are onerous or have no significant possibility of becoming onerous. The Company has developed a framework for identifying indicators of possible onerous contracts using internal management information and has calculated the impact on transition to NZ IFRS 17. This will be assessed on an ongoing basis as part of the Company's reporting processes.

c) Discount rates

NZ IFRS 17 requires estimates of future cash flows of insurance contracts to be discounted to reflect the time value of money, the financial risks, and liquidity characteristics of the cash flows. This differs from the risk-free discount rates used under current accounting standards. To calculate the discount rate, a bottom-up approach will be applied, whereby the risk-free yield curve is adjusted to reflect the liquidity characteristics of the insurance cash flows through the addition of an illiquidity premium which will increase the discount rate. The Company has developed a framework to determine an illiquidity premium. The Company will present the financial impacts of discounting in the profit or loss, rather than disaggregate the impact between profit or loss and other comprehensive income.

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Notes to the financial statements (continued)

NZ IFRS 17 *Insurance Contracts* (NZ IFRS 17) (continued)

d) Risk Adjustment

The measurement of insurance contract liabilities includes a risk adjustment to reflect the compensation an entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risks as the entity fulfills insurance contracts. This is a new concept for Life Insurance compared to the NZ IFRS 4 accounting standard.

e) Contract Boundaries

The Company has assumed a contract boundary of one year for its yearly renewable term (YRT) business. YRT business represents the majority of the Company's inforce book.

Reinsurance contracts have contract boundaries which align with the natural expiry of expected renewals of the underlying contracts, irrespective of the contract boundary of the underlying contract. This is generally due to the compulsion for the ceding company to keep paying premiums and the reinsurer to continue to provide services in the event that the premium review produces no change in premiums.

f) Capital impacts

The Company has analysed the implications of implementing NZ IFRS 17 for changes to capital and solvency standards. Changes to capital management and dividend policy are currently being assessed subject to the final quantification of the impact of NZ IFRS 17. Stress tests will be performed to ensure they are appropriate for the Company's strategy.

g) Tax impacts

The current income tax settings for insurance have largely not changed for NZ IFRS 17. However there has been legislative change to align the income tax treatment of outstanding claims reserves to the treatment under NZ IFRS 17. Otherwise, differences between the income tax treatment and NZ IFRS 17 give rise to either temporary or permanent differences depending on the nature of the business to which they relate.

h) Presentation and disclosure

NZ IFRS 17 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 , reinsurance recoveries receivable, policyholder loans, policy assets/liabilities, policy liabilities ceded under reinsurance amounts due to reinsurers and outstanding claims liabilities.
- 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 insurance finance 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.

Notes to the financial statements (continued)

NZ IFRS 17 *Insurance Contracts* (NZ IFRS 17) (continued)

i) Transition approach

NZ IFRS 17 is to be applied retrospectively to all insurance contracts on the transition date unless it is impractical to do so, in which case a modified retrospective or fair value approach may be applied. The Company is currently performing an assessment on the transition approach for life insurance contracts.

j) Financial impact

The impact on the Company's reported equity/net assets on transition to IFRS 17 on 1 July 2022 is still to be quantified.

The NZ IFRS 17 requirements are complex and global interpretation of these requirements continues to evolve. The actual financial impact is subject to finalisation of key assumptions relating to the requirements of IFRS.

The accounting policy decisions have been made and the Company is continuing to progress with the implementation and testing of changes to finance systems and processes, actuarial and capital modelling and financial, regulatory and management reporting.

Climate-Related Disclosures

The New Zealand Government passed the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act in October 2021. This Act requires climate reporting entities to prepare climate disclosure statements in respect of climate-related risk.

Climate-related Disclosures Standards were issued by the External Reporting Board (XRB) in December 2022. The Company will be required to release its first disclosure in accordance with the XRB requirements for the year ending 30 June 2024.

29. Subsequent events

There were no material events post 30 June 2023 which would require adjustment to the amounts reflected in the 30 June 2023 financial statements or disclosures thereto.

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

To the Board of Directors of Asteron Life Limited

Background

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

The purpose of this report is to provide information to ALL'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 ALL'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

ALL'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, ALL's financial statements. The financial statements comprise the statements of financial position as at 30 June 2023, the statements of comprehensive income, changes in equity and cash flows for the year ended 30 June 2023, 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 ALL and its life funds (including statutory fund(s)) are maintained at the balance date.

I am an employee of Finity Consulting Pty Limited, and have been retained as Appointed Actuary of ALL 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;
  - ALL maintains a solvency margin in accordance with the Solvency Standard for Life Insurance Business 2014 for the purposes of section 21(2)(b) of the Act as at 30 June 2023;
  - ALL maintains, in respect of it Asteron Life Statutory Fund 1 and Life Fund a solvency margin in accordance with the Solvency Standard for Life Insurance Business 2014 for the purposes of section 21(2)(c) of the Act as at 30 June 2023

John Smeed

Appointed Actuary

19 July 2023