POLICE HEALTH PLAN LIMITED

GENERAL PURPOSE FINANCIAL REPORT

30 JUNE 2023

Table of Contents

Police Health Plan Limited

Statement of Service Performance

Year ended 30 June 2023

Vision

Enabling the lifelong health of our members.

Mission

Providing solutions for our members to live healthy lives.

Values

Police Health Plan

The Police Health Plan provides health insurance coverage to our Police Welfare Fund members. The Plan provides cost effective benefits and lifelong value to our member policy holders. The Plan's objectives are to:

1. Maintain long-term sustainable financial strength and solvency with a target of 4.0 times.
2. Provide lifelong value to policy holders through affordable premiums and benefits.
3. Maintain reputation and trust with policy holders and regulators.

Financial Performance

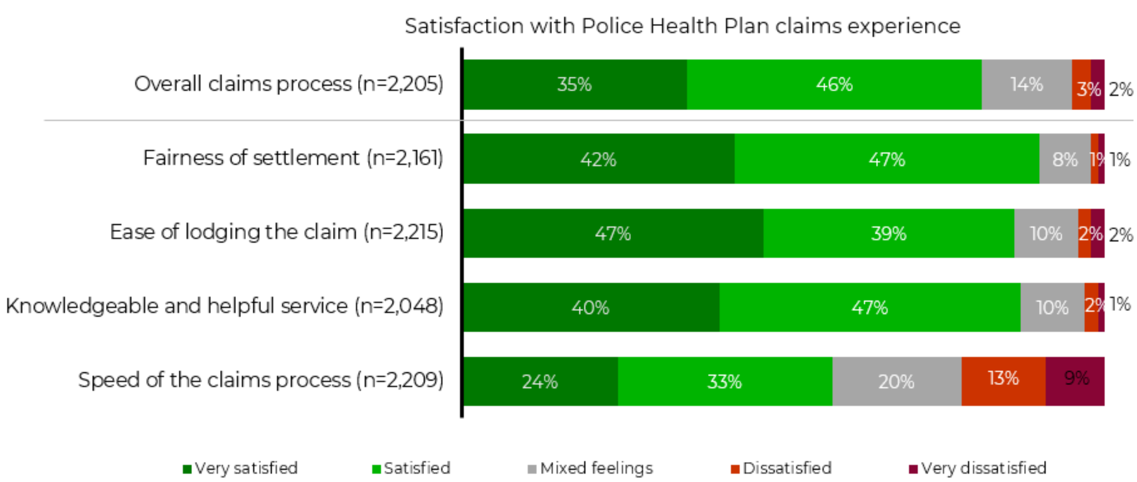
	2022	2023
Premium Income	$47.78 million	$49.14 million
Claims Paid	$41.35 million	$49.13 million
Loss Ratio	87%	100%
Average claims per day	$159,000	$189,000
Membership	35,026	36,197

Solvency and Credit Rating

	2022	2023
Actual Solvency Capital	$40.57 million	$38.03 million
Minimum Solvency Capital	$8.55 million	$7.69 million
Solvency Margin	$32.05 million	$30.34 million
Solvency Ratio	4.76	4.94
AM Best Credit Rating	A- (Excellent)	A- (Excellent)

Policy Holder Satisfaction with Police Health Plan claims experience

2023

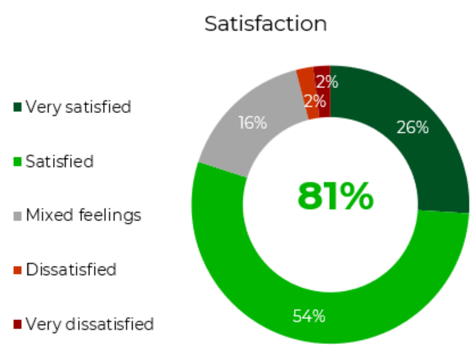


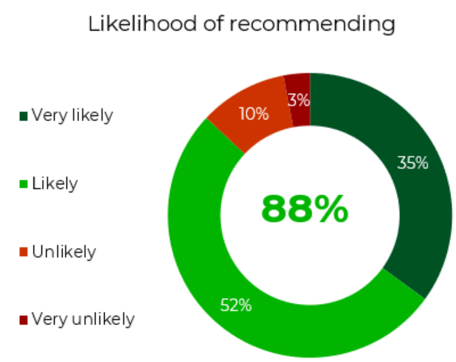
2022

There was no equivalent survey question in the 2022 Member Survey

Policy Holder Satisfaction with and likelihood of recommending Police Health Plan

2023





2022

There was no equivalent survey question in the 2022 Member Survey

Regulation and Compliance

The Police Health Plan is licenced to provide health insurance by the Reserve Bank of New Zealand and complies with the Insurance Prudential Supervision Act 2010 and Reserve Bank insurer guidelines.

The Police Health Plan is registered as a financial service provider (FSP39863), complies with the Financial Markets Conduct Act and the Financial Markets Authorities view on conduct and guidelines for governance.

POLICE HEALTH PLAN LIMITED
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
UNDERWRITING ACTIVITIES			
Premium revenue		49,136,424	47,779,082
Claims expense	2	(48,791,887)	(42,134,839)
TOTAL REVENUE		344,537	5,644,243
REVENUE FROM EXCHANGE TRANSACTIONS			
Investment income		1,560,885	(2,728,538)
INVESTMENT INCOME PLUS UNDERWRITING ACTIVITIES		1,905,422	2,915,705
EXPENDITURE			
Employee benefit expense	7	(1,644,419)	(1,439,811)
Professional Fees	8	(473,551)	(437,256)
IT Expenses		(1,572,366)	(398,010)
Insurance and Other Fees		(191,173)	(298,380)
Communications		(217,194)	(215,566)
Depreciation & Amortisation	11	(8,838)	(9,916)
Administration		(148,705)	(96,020)
Property & Premises Expenses		(50,916)	(60,000)
District, Regional & Board Expenses		(115,363)	(100,983)
Marketing		(13,766)	(36,669)
TOTAL EXPENDITURE		(4,436,291)	(3,092,611)
TOTAL SURPLUS/(DEFICIT) FOR THE YEAR		(2,530,869)	(176,906)

POLICE HEALTH PLAN LIMITED
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Note	Accumulated Revenue and Expense	Share Capital	Total Equity
2023				
Opening balance at 1 July 2022		40,559,411	1,000	40,560,411
Total Surplus/(Deficit) for the Year		(2,530,869)	-	(2,530,869)
Closing balance 30 June 2023		38,028,542	1,000	38,029,542
2022				
Opening balance at 1 July 2021		40,736,317	1,000	40,737,317
Total Surplus/(Deficit) for the Year		(176,906)	-	(176,906)
Closing balance 30 June 2022		40,559,411	1,000	40,560,411

POLICE HEALTH PLAN LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	2023 $	2022 $
CURRENT ASSETS			
Cash and Cash Equivalents	13a	273,275	4,952,832
Investments	10	46,592,763	45,275,279
Trade & Other Receivables from exchange transactions		136,540	245,821
Prepayment	12	12,234	-
TOTAL CURRENT ASSETS		47,014,812	50,473,933
NON CURRENT ASSETS			
Property, Plant & Equipment	11	18,692	20,131
Prepayment	12	1,088,855	-
TOTAL NON CURRENT ASSETS		1,107,547	20,131
TOTAL ASSETS		48,122,359	50,494,064
CURRENT LIABILITIES			
Provision for Claims	3	9,129,707	8,955,000
Unearned Premium Liability	3	530,861	641,903
Unexpired Risk on Premiums Received in Advance	3	117,937	105,000
Trade & other Payables under exchange transactions		213,994	136,563
Employee Benefits		100,319	95,188
TOTAL CURRENT LIABILITIES		10,092,818	9,933,654
TOTAL LIABILITIES		10,092,818	9,933,654
NET ASSETS/EQUITY			
Accumulated Revenue and Expense		38,028,542	40,559,411
Share Capital		1,000	1,000
TOTAL NET ASSETS/EQUITY		38,029,542	40,560,411
TOTAL NET ASSETS/EQUITY AND LIABILITIES		48,122,359	50,494,064

Director
3 October 2023

Director
3 October 2023

POLICE HEALTH PLAN LIMITED
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Was Provided From:			
Receipts From Members		49,265,219	47,693,069
Interest Income		140,719	39,350
		49,405,938	47,732,419
Cash Was Applied To:			
Claims Paid		(48,734,799)	(42,735,839)
Payments To Suppliers, Members & Employees		(5,343,297)	(2,617,075)
		(54,078,096)	(45,352,914)
NET CASH INFLOW FROM OPERATING ACTIVITIES	9	(4,672,158)	2,379,504
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Was Applied To:			
Payments for Purchase of Property, Plant & Equipment		(7,399)	(10,910)
		(7,399)	(10,910)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(7,399)	(10,910)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(4,679,557)	2,368,595
Opening Cash and Cash Equivalents	13a	4,952,832	2,584,238
		273,275	4,952,832

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. BASIS OF ACCOUNTING

Note 1a. Reporting entity

Police Health Plan Limited (the "Company") is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993. The Company provides health insurance to members of the New Zealand Police and their families.

The financial statements are those of the Company for the year ended 30 June 2023. The financial statements were authorised for issue by the directors on 3 October 2023. The registered office is Level 11 Findex House, 57 Willis Street, Wellington.

For the purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP"), the Company is a Tier 1 Public Benefit Entity, and its primary objective is to provide health insurance to members of the New Zealand Police.

The Company is a subsidiary of Police Welfare Fund Limited and is part of New Zealand Police Association Group. Its equity has been provided in order to serve this primary objective rather than for a financial return to equity holders.

The Company is an FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013, and the financial statements are compliant with this act.

The financial report is a general-purpose financial report which has been prepared in accordance with the Financial Reporting Act 2013.

The Company is required to be fully licensed under section 19 of the Insurance (Prudential Supervision) Act 2010. The Company was licensed by the Reserve Bank of New Zealand on the 7th of May 2013.

Note 1b. Statement Of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”). They comply with Public Benefit Entity Accounting Standards (“PBE Standards”) as applicable for Tier 1 not-for-profit public benefit entities.

The financial statements have been prepared using historical cost. They are presented in New Zealand Dollars, which is the Company’s functional and presentational currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar, unless otherwise stated.

Apart from the change disclosed in Note 1d there have been no other changes in accounting policy that materially affect the financial statements. All accounting policies have been applied on a consistent basis with the prior year.

NOTE 1. BASIS OF ACCOUNTING continued

Note 1c. Critical accounting judgements, estimates and assumptions

Key judgements and estimates made in compiling these financial statements are highlighted in the notes and summarised below. Significant change in any of these could have a material impact on the financial statements at 30 June 2023.

NOTE 3	Insurance contract liabilities	Page 13
NOTE 4	Actuarial information	Page 16

Note 1d. Changes in accounting policies

(a) Changes due to the initial application of a new, revised, and amended PBE Standard

(i) PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 Financial instruments are effective from 1 January 2022 and was adopted by the company on that date.

PBE IPSAS 41 introduces a new recognition and measurement requirements for financial assets and restricts the ability to measure financial assets at amortised cost to only those assets that are held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In addition, measurement of financial assets at fair value through other comprehensive revenue and expense is also restricted.

PBE IPSAS 41 and the application of the ECL model has had an immaterial impact on the entity measurement and recognition of financial instruments, as financial assets that were recognised as loans and receivables are now recognised as amortised cost.

(ii) PBE FRS 48 Service Performance Reporting

PBE FRS 48 Service Performance Reporting is effective for periods from 1 January 2022 and was adopted by the company on that date.

PBE FRS 48 requires specific disclosures for the reporting of service performance information which have been provided in the statement of service performance.

Note 1e. Accounting Policies

Premium Revenue

Health Plan premiums are recognised from the attachment date being the date on which the insurer accepts the risk of the insured and is spread over the period of insurance cover. Premiums are paid in advance and accordingly at reporting date, the advance portion is recorded in the statement of financial position as an 'Unearned Premium Liability'.

Investment Income

Investment income comprises interest income on financial assets and fair value gains on financial assets at fair value through surplus or deficit. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method.

Income Tax

The Company is a Sickness, Accident & Death Benefit Fund and is exempt from income tax under section CZ18 of the Income Tax Act 2007.

NOTE 1. BASIS OF ACCOUNTING continued

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Goods and services tax (GST)

The statement of comprehensive revenue and expense and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, except for receivables and payables which include GST invoiced.

Other accounting policies

Other significant accounting policies adopted in the preparation of these financial statements are provided throughout the notes to the financial statements.

Note 1f. Financial reporting standards not yet effective

At the date of authorisation of the financial statements of the Company for the year ended 30 June 2023, the following PBE Standards were in issue but not yet effective:

Standard	Effective Date	Effective for the Company
PBE IFRS 17 Insurance Contracts	1 January 2023	30 June 2024

PBE IFRS 17 Insurance Contracts

PBE IFRS 17 Insurance Contracts was issued in July 2019 by New Zealand Accounting Standards Board of the External Reporting Board as a replacement for *PBE IFRS 4 Insurance Contracts*, with amendments to PBE IFRS 17 issued in Aug 2020. The final standard will be effective for annual periods beginning on or after 1 January 2023. Therefore, this standard will be adopted by the Company for the first time for its financial reporting period ended 30 June 2024.

PBE IFRS 17 requires a current measurement model where estimates are remeasured each reporting period. Under the general measurement model, contracts are measured using the building blocks of discounted probability-weighted cash flows, an explicit risk adjustment, and a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. However, an optional, simplified premium allocation approach is permitted for eligible short-duration contracts.

Impact of adoption of new standards

We continue to evaluate the impact of PBE IFRS 17 and refine the new financial reporting processes, systems and controls that will underpin our PBE IFRS 17 results. Whilst PBE IFRS 17 is not expected to change the underlying fundamentals of our insurance business, our cash generation or our capital strength, it is expected to change how we report on our insurance business. We remain on track to report under PBE IFRS 17 for the first time for the year ended 30 June 2024 and restated comparative information for 2023 will be provided.

NOTE 2. CLAIMS EXPENSE

The claims expense represents payments made on claims and the movements in the outstanding claims and unexpired risk provisions (as described below).

	2023 $	2022 $
Claims incurred relating to risks borne in current financial year	(48,586,371)	(42,072,839)
Claims incurred relating to risks borne in previous financial years	(92,219)	(1,000)
Movement in provision for claims handling costs	(28,585)	(6,000)
Movement in provision for ACC recoveries	7,034	-
Movement in risk margin	(91,746)	(56,000)
Net Claims incurred	(48,791,887)	(42,135,839)
Claims Incurred	(48,791,887)	(42,135,839)

NOTE 3. INSURANCE CONTRACT LIABILITIES

		2023 $	2022 $
Provision for claims	3a	9,129,707	8,955,000
Unearned premium liability	3c	530,861	641,903
Provision for unexpired risk	3d	117,937	105,000
		9,778,505	9,701,903
Assets backing insurance contract liabilities		46,592,763	45,275,279

Police Health Plan hold an investment portfolio with ANZ Investments as security over their insurance liabilities. The carrying value of investments that back general insurance liabilities are the fair value of these assets. Assets backing insurance liabilities have been determined as the investment portfolio as it is highly liquid, and funds can be withdrawn on demand in order to meet insurance contract liabilities.

POLICIES

Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract. The Company has determined that all health insurance policies provided by Police Health Plan Limited to members are insurance contracts.

Acquisition costs

Acquisition costs are those incurred in acquiring and recording insurance contracts that will give rise to future benefits from premiums. The Company's acquisition costs do not directly relate to future premium revenue and so are immediately expensed.

NOTE 3. INSURANCE CONTRACT LIABILITIES continued

Note 3a. Provision for outstanding claims

	2023	2022
	$	$
Central estimate of outstanding claims liability	8,103,410	6,942,000
Claims handling costs	202,585	174,000
Claims previusly declined	-	1,100,000
ACC Recoveries	(81,034)	(74,000)
Risk margin	904,746	813,000
Closing balance	9,129,707	8,955,000

As a result of an internal policy review in 2021, Police Health Plan identified in 2022 historic claims that were declined incorrectly and were required to be paid under the Insurance Law Reform Act. As of June 2023, the provision for claims previously declined has been extinguished.

POLICIES

The liability for outstanding claims comprises claims incurred but not settled at the reporting date, whether reported or not. A central estimate is made of claims reported but not paid, claims incurred but not reported and claims incurred but not adequately reported. The claims provision includes expected claim payments plus associated claims handling costs. In addition, a risk margin is added to reflect the inherent uncertainty in the estimates of claims.

Note 3b. Reconciliation of movement in provision for claims

	2023	2022
	$	$
Opening balance	8,955,000	9,556,000
Amounts utilised during the year	(7,740,131)	(7,180,000)
Movement in ACC Recoveries	(7,034)	-
Movement in Risk margin	91,746	(56,000)
Movement in Claims Handling Costs	28,585	(6,000)
Amounts provided during the year	7,801,542	6,641,000
Closing balance	9,129,707	8,955,000

Note 3c. Reconciliation of movement in unearned premiums liability

	2023	2022
	$	$
Opening balance	641,903	658,526
Premiums written during year	49,025,382	47,762,459
Premiums earned during year	(49,136,424)	(47,779,082)
Closing balance	530,861	641,903

NOTE 3. INSURANCE CONTRACT LIABILITIES continued

Note 3d. Provision for unexpired risk

	2023 $	2022 $
Expected future cashflows for claims and expenses	595,227	635,903
Risk margin	53,571	111,000
Less Unearned Premium	(530,861)	(641,903)
Closing Balance	117,937	105,000

Reconciliation of movement in provision for unexpired risk	$	$
Opening Balance	105,000	109,000
Reversal of Opening Balance	(105,000)	(109,000)
Risk Margin	117,937	105,000
Closing Balance	117,937	105,000

POLICIES

A liability adequacy test is performed to assess whether there is any deficiency in the unearned premium liability arising from expected claims and administration costs during the period covered by the unearned premium. The test is performed on all the policies as a whole as risks are broadly similar and are managed together as a single portfolio. The central estimate of claims and administration expenses is calculated. In addition, a risk margin is added to reflect the inherent uncertainty in estimating the claims.

The total is compared with the unearned premium liability. Any deficiency is recognised as an expense in determining the surplus or deficit before tax in the Statement of comprehensive revenue and expense after first writing down any deferred acquisition costs. The deficiency in excess of deferred acquisition costs is recognised in the Statement of Financial Position as an unexpired risk provision.

NOTE 4. ACTUARIAL INFORMATION

The estimate of outstanding claims as at 30 June 2023 has been determined by John Smeed FIAA, a Fellow of the New Zealand Society of Actuaries and was presented to the directors of Police Health Plan Limited in a report dated 29 September 2023. There were no qualifications to the report. The calculation of the provision for outstanding claims complies with both *PBE IFRS 4: Insurance Contracts*, and the *Professional Standard 30 – Valuation of General Insurance Claims*, of the New Zealand Society of Actuaries. The actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the provision.

Outstanding Claims Provision

The central estimate has been calculated using the payment per member (PPM) method to determine the pattern of claims development in 2023 (2022: Adjusted Chain Ladder Method).

Estimation of outstanding claims liabilities includes an allowance for claims incurred but not reported, claims incurred but not adequately reported, unpaid reported claims and future claims handling costs associated with paying claims. An explicit allowance has been made for expected ACC recoveries.

A risk margin has been added to reflect the inherent uncertainty in the central estimate. A risk margin of 11% of the outstanding claims was established at 30 June 2023 (30 June 2022: 10%). Key assumptions between 2023 and 2022 have changed due to the change in approach.

Key assumptions in 2023:

a. Future pattern of claims development will be similar to historical patterns depending on the type of claim and development month
b. Monthly seasonality factors used for claims incurred. These are calculated from three years of historical experience and range from 66% to 117%.
c. Membership numbers are the actual membership as reported by Police Health Plan.
d. No discounting was applied due to the short-term nature of heath.

Key assumptions in 2022:

e. Future patterns of claims development will be similar to historical patterns (apart from the periods in 2020 and 2021 when claims and claims development was affected by the COVID 19 lockdown).
f. ACC recoveries have been estimated based on past patterns of payments made on outstanding cases at year end. This includes an adjustment for recovery (98%) and a management fee of 25%
g. A 2.5% loading for claims management expenses on expected future claims.
h. A risk margin of 10%
i. Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function. Direct claims handling costs were determined to be approximately 2.0% of the underlying claims amounts based on an analysis of administration expenses and this was increased to 2.5% to allow for indirect costs.
j. Expected future payments are not discounted due to the short tail nature of the liabilities.

Claims handline costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function. Claims handling costs were determined to be approximately 2.5% (30 June 2022: 2.5%) of the underlying claims amounts based on an analysis of administration expenses.

As at 30 June 2023, the expected settlement date for claims included in the liability for outstanding claims is, on average, 3.2 months (30 June 2022: no more than 2 to 3 months). Accordingly, expected future payments are not discounted due to the short-term nature of the liabilities.

NOTE 4. ACTUARIAL INFORMATION continued

Unexpired risk provision and liability adequacy test

A liability adequacy test was performed to determine whether the unearned premium liability is adequate to cover the present value of the expected future cash flows arising from rights and obligations under current insurance contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate. The future cash flows are future claims, associated claims handling costs and other administration costs relating to the business.

If the present value of the expected future cash flows plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs then the unearned premium liability is deemed to be deficient.

The unexpired risk liability has been calculated as the projected premium deficiency for current in-force business until the next policy billing date on or after 4 July 2023.

The calculation of the risk margin has been based on an analysis of volatility of historical claims experience within the time period covered by the unearned premiums. A risk margin of 9% of the present value of expected future cash flows has been applied at 30 June 2023 (30 June 2022: 17.5%). The risk margin was determined with the objective of achieving at least 75% probability of sufficiency of the unexpired risk liability.

Key assumptions:

a. Future patterns of loss ratios will be similar to historical patterns.

NOTE 5. SOLVENCY AND CAPITAL ADEQUACY

The Company is a not-for-profit organisation. As a consequence of its legal structure the Company has no recourse to external capital and therefore internally generated capital is of paramount importance. The Company's capital is equal to the equity reserves as disclosed in the financial statements.

The Directors' policy for managing capital is to have a strong capital base to establish security for members and enable the Company to conduct its business whilst maintaining financial soundness.

Police Health Plan Limited calculates its capital adequacy requirements using the Draft Capital Adequacy Standard issued by The Reserve Bank of New Zealand for non-life business insurance under the Insurance (Prudential Supervision) Act 2011.

The Reserve Bank Capital Adequacy Standard has been constructed for the purpose of determining a minimum amount of capital required to support business plans and maintain financial soundness.

A calculation at 30 June 2023 showed Police Health Plan Limited had assets in excess of the level specified by the Reserve Bank of New Zealand Standard. Accordingly, the Directors consider the current level of capital is sufficient for the requirement of maintaining financial soundness.

	2023	**2022**
	$	**$**
Actual Solvency Capital	38,029,542	40,562,077
Minimum Solvency Capital	7,690,895	8,515,057
Solvency Margin	30,338,647	32,047,020
Solvency Ratio	4.94	4.76

NOTE 6. CREDIT RATING

On 6 June 2023 A.M. Best Co. confirmed the assignment of a financial strength rating of A- (outlook implication Stable) (2022: A-) and an issuer credit rating of A- (outlook implication Stable) (2022: A-) for Police Health Plan Limited.

NOTE 7. EMPLOYEE BENEFIT EXPENSE

	2023 $	2022 $
Salaries and Wages	1,461,143	1,372,912
Contributions to Defined Contribution Plans	53,415	38,557
Other Staff Costs	129,861	28,342
	1,644,419	1,439,811

POLICIES

Employee Benefit Expense

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised when they accrue to employees, being when services are provided by employees.

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the surplus or deficit as incurred.

Short term employee benefits liability

Liabilities for wages and salaries including non-monetary benefits and annual leave recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid.

The long service leave obligation is made up of actual untaken service leave at reporting date plus 50% of future entitlements for staff who will become entitled to long service leave within the next 12 months.

NOTE 8. AUDITORS REMUNERATION

The following fees (disclosed in professional services) were paid to the Audit Firm, BDO Wellington:

	2023 $	2022 $
Audit Fees	66,149	63,560

NOTE 9. RECONCILIATION BETWEEN NET SURPLUS AND OPERATING CASHFLOW

	Note	2023 $	2022 $
Net Surplus/(Deficit) for the Year		(2,530,869)	(176,906)
Non Cash Items			
Unrealised loss / (gain) on movement in investments		(1,317,480)	2,878,758
Depreciation & Amortisation		8,838	9,916
		(1,308,642)	2,888,674
Movement in Working Capital Items			
(Increase) Decrease in Debtors		109,279	124,958
(Increase) Decrease in Prepayments		(1,101,090)	-
Increase (Decrease) in Employee Benefit Liability		5,131	70,551
Increase (Decrease) in Creditors		77,431	60,850
Increase (Decrease) in Claims Provision		174,707	(601,000)
Increase (Decrease) in Unexpired Premium Liability		(111,042)	(16,623)
Increase (Decrease) in Unexpired Risk		12,937	29,000
		(832,647)	(332,264)
Cash Inflow(Outflow) From Operations		(4,672,158)	2,379,504

NOTE 10. INVESTMENTS

		2023	2022
Financial Assets at Fair Value Through Surplus or Deficit		$	$
ANZ Investments Portfolio	13	46,592,763	45,275,279
Total Investments		46,592,763	45,275,279
Current assets		46,592,763	45,275,279

NOTE 11. PROPERTY, PLANT & EQUIPMENT

	2023			2022		
	Furniture & Fittings $	Computer Hardware $	Total $	Furniture & Fittings $	Computer Hardware $	Total $
Cost:						
Opening	30,520	28,220	**58,740**	29,729	21,454	**51,183**
Purchases	869	6,530	**7,399**	791	10,126	**10,917**
Disposals		(2,030)	**(2,030)**	-	(3,360)	**(3,360)**
Closing	31,389	32,720	**64,109**	30,520	28,220	**58,740**
Accumulated Depreciation:						
Opening	17,648	20,961	**38,609**	14,487	17,559	**32,046**
Depreciation	3,198	5,640	**8,838**	3,161	6,762	**9,923**
Disposals		(2,030)	**(2,030)**	-	(3,360)	**(3,360)**
Closing	20,847	24,570	**45,417**	17,648	20,961	**38,609**
Net Book Value	**10,542**	**8,150**	**18,692**	**12,872**	**7,259**	**20,131**

POLICIES

The value of purchased property, plant and equipment is measured at the cost to acquire the asset, including other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended use, less depreciation and impairment.

Depreciation

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of any residual amounts, over their useful lives. Asset useful lives and residual values ae assessed annually and adjusted if required. Additions subsequent to initial measurement are recognised at cost.

The depreciation rates of the major classes of property, plant and equipment are:

Category	Depreciation Rate 2023	Depreciation Rate 2022
Furniture and Fittings	7% - 48%	12% - 48%
Computer Hardware	2% - 3%	2% - 3%

NOTE 12. PREPAYMENTS

Police Health Plan Limited was involved in the development of a new software for handling and processing of claims. At 30 June 2023 the software was still being developed and as such the cost of development has been prepaid.

POLICIES

Configuration and customisation costs associated with a Software-as-a-Service (SaaS) arrangement are recognised as a prepayment if the services received are from the SaaS provider or subcontractor (agent) of the SaaS provider, and the configuration and customisation services are not distinct from SaaS access, (i.e., they are not separately identifiable from the customer's right to receive access to the supplier's application software).

At the point the software is operational the prepayment will be released into the statement of comprehensive revenue and expenses over the term of the software licence.

If the services received are from third parties to the SaaS provider, or employees or in-house contractors of the Company, the costs are expensed when the supplier configures or customises the application software.

If the services received are from the SaaS provider or subcontractor (agent) of the SaaS provider, and the configuration and customisation services are distinct from SaaS access, the Company recognises the costs as an expense when the SaaS supplier configures or customises the application software.

NOTE 13. FINANCIAL INSTRUMENTS

Note 13a. Classification and fair values of financial instruments

The carrying amount of each of the following categories of financial assets and financial liabilities are as follows:

2023	**Carrying amount per statement of Financial Position**				
	Financial Assets		**Financial Liabilities**		
	FVSD	**Amortised Cost**	**Amortised Cost**	**Fair Value**	**Level of Fair Value Hierarchy**
Subsequently measured at fair value:					
ANZ Investment Portfolio	46,592,763	-	-	46,592,763	1
Subsequently not measured at fair value:					
Cash and cash equivalents	-	273,275	-	273,275	
Trade and other receivables (exchange transactions)	-	136,540	-	136,540	
Trade and other payables	-	-	(213,993)	(213,993)	
	46,592,763	409,814	(213,993)		

2022	**Carrying amount per statement of Financial Position**				
	Financial Assets		**Financial Liabilities**		
	FVSD	**Amortised Cost**	**Amortised Cost**	**Fair Value**	**Level of Fair Value Hierarchy**
Subsequently measured at fair value:					
ANZ Investment Portfolio	45,275,279	-	-	45,275,279	1
Subsequently not measured at fair value:					
Cash and cash equivalents	-	4,952,832	-	4,952,832	
Trade and other receivables (exchange transactions)	-	245,821	-	245,821	
Trade and other payables	-	-	(136,563)	(136,563)	
	45,275,279	5,198,654	(136,563)		

The fair value of financial instruments is not materially different to the carrying values set out above. The ANZ Investment Portfolio, managed on behalf of the Company by ANZ Investments, is invested in a number of single-asset class funds. Exposure to credit, interest rate risk, equity price and liquidity risk arises in the ordinary course of the Company's operations.

NOTE 13. FINANCIAL INSTRUMENTS continued

POLICIES

Designation of financial instruments

Designation of financial assets and liabilities into categories is determined by the way the assets are managed and their contractual cashflows as at initial recognition.

Recognition and measurements

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at Fair Value through surplus or deficit (FVTSD), transaction costs that are directly attributable to its acquisition or issue. At initial recognition, the Company may measure short-term receivables and payables at the original invoice amount if the effect of discounting is immaterial.

Classification and subsequent measurement

Financial assets

Financial assets within the scope of NFP PBE IPSAS 41 Financial Instruments. The classifications of the financial assets are determined at initial recognition. On initial recognition, a financial asset is classified as measured at: amortised cost, Fair value through other comprehensive revenue and expenses (FVOCRE) - debt investment and equity investment; or FVTSD.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its management model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the management model.

Financial assets at fair value

A financial instrument is classified as fair value through surplus or deficit if it is:

- Held-for-trading: This includes derivatives where hedge accounting is not applied.
- Designated at initial recognition: If the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy.

Financial asset at amortised cost

A financial instrument is measured at amortised cost if meets both the following conditions and is not designated as at FVTSD:

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

All financial assets not classified as measured at amortised cost or FVOCRE, are measured at FVTSD. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCRE as at FVTSD if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company's financial assets includes receivables and financial assets at fair value through profit or loss.

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NOTE 13. FINANCIAL INSTRUMENTS continued

POLICIES

Financial assets held at amortised cost

The Company's receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value, plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method less any impairment losses.

The Company's financial assets held at amortised cost comprise cash and cash equivalents and trade and other receivables from exchange transactions.

The Company derecognises a financial asset when the rights to receive cash flows from the asset have expired or are waived, or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) The Company has transferred substantially all the risks and rewards of the asset; or (b) The Company has neither transferred nor has transferred control of the asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company classifies its financial liabilities as measured at amortised. Any gain or losses on derecognition is also recognised in surplus or deficit.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in surplus or deficit.

NOTE 13. FINANCIAL INSTRUMENTS continued

Note 13b. Fair value of financial assets and liabilities

Fair value hierarchy

2023	**Level 1**	**Level 2**	**Level 3**	**Total**
ANZ Investment Portfolio	46,592,763	-	-	46,592,763
	46,592,763	**-**	**-**	**46,592,763**

2022	**Level 1**	**Level 2**	**Level 3**	**Total**
ANZ Investment Portfolio	45,275,279	-	-	45,275,279
	45,275,279	**-**	**-**	**45,275,279**

POLICIES

Fair value estimation

The Company measures financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

Fair value hierarchy

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the quality and reliability of information used to determine fair values. The three levels of the fair value hierarchy are defined as follows:
Level 1: Valuation based on quoted market prices (unadjusted) in an active market.
Level 2: Valuation techniques based on observable data, either directly (as prices) or indirectly (derived from prices).
Level 3: Valuation techniques not based on observable market data.

NOTE 14. RISK MANAGEMENT

The Company is exposed to a number of risks in the normal course of business. Primarily there are the risks associated with underwriting an insurance business (insurance risk). Other risks include financial risks (credit risk and liquidity risk), market risks (price risk and foreign currency risk), and non-financial risks (operational risk and compliance risk). The Directors and management recognise the importance of having an effective risk management policy in place. The risks and any objectives, policies, and procedures to manage these insurance and financial risks are described as follows:

Note 14a. Insurance Risk

The Company assumes insurance risks through its health insurance activities. The key risk arises in respect of claims costs and those costs varying from what was assumed in the setting of premium rates.

(i) Risk Management Objectives, Policies and Processes for Mitigating Risk

The primary objective in managing risk is, as far as possible, to reduce the magnitude and volatility of claims costs. A secondary objective is to ensure funds are available to pay claims and maintain the solvency of the Company if there is adverse deviation in experience. Key policies and methods for mitigating risk include:

- Underwriting policies and processes which evaluate new risks and offer terms that do not endanger the portfolio.
- Claims management procedures to ensure the payment of claims is in accordance with policy conditions.
- Pricing strategy adopted by the Board which supports pricing based on underlying risk.
- Regular monitoring of financial and operating results.
- Maintaining a target solvency margin in excess of the minimum required by the draft Reserve Bank of New Zealand Solvency Standard for Non-life Insurance Business. The solvency margin ensures Police Health Plan Limited is able to withstand a period of adverse insurance or investment experience and still maintain a satisfactory financial position.

(ii) Sensitivity to Insurance Risk

The financial results of Police Health Plan Limited are primarily affected by the level of claims incurred relative to that implicit in the premiums. The assumptions used in the valuation of the outstanding claims provision directly affect the level of estimated claims incurred. The key assumptions used are detailed in Note 4.

The scope of insurance risk is managed by the terms and conditions of the policy. The main insurance benefit involves the reimbursement of medical and surgical expenses depending upon the plan option.

The level of benefits specified in the contract is a key determinant of the amount of future claims although the exact level of claims is uncertain. Other variables affecting the level of claims include the underlying morbidity of the lives insured, the nature of the treatment given and the costs of treatment.

(iii) Concentration of Insurance Risk

Management defines concentration of risk by type of insurance business and geographic region. Police Health Plan Limited transacts health insurance business in New Zealand and, therefore, the concentration of risk by type of insurance and geographic region cannot be avoided. Insurance risks are well diversified within the health insurance portfolio with claims costs spread across many different types of surgery and medical events. There is no significant exposure to individual large claims.

NOTE 14. RISK MANAGEMENT continued

Note 14b. Credit risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitment in full and on time. The Company's exposure to credit risk is limited to deposits and investments held with banks and other financial institutions as well as credit exposure to trade customers or other counterparties. The Company maintains a credit policy which is used to manage the exposure to credit risk. Limits on counter-party exposures have been set and are monitored on an ongoing basis. In addition, Reserve Bank of New Zealand has issued concentration risk limits, as part of its solvency standards. The Company has no significant exposure to credit risk. The credit exposure in respect of the Company's cash balance is between A and AA-.

I. Credit Concentration Risk

Concentration of credit risk exists when the Company enters into contracts or financial instruments with counterparties that are engaged in similar business activities or exposed to similar economic factors that might affect their ability to meet contractual obligations. The significant concentrations of credit risk are outlined by industry type below.

	2023	2022
Banks	273,275	4,952,832
Financial Institutions	46,592,763	45,275,279
Other non-investment related receivable	136,540	245,821
Total Financial Assets with Credit Exposure	47,002,577	50,473,933

II. Maximum Exposure to Credit Risk

The maximum exposure to credit risk at the end of the reporting period is the amount of financial assets stated in the Statement of Financial Position. These exposures are net of any recognised allowance for impairment losses. The Company does not require any collateral or security to support financial assets due to the quality of the counter-party organisations.

III. Credit Quality of Financial Assets

The credit quality of investment counter parties is as follows:

	2023	2022
AAA	16,579,160	14,733,343
AA	19,346,549	18,605,457
A	8,297,355	9,196,529
BBB	2,668,129	3,495,672
Non-rated	111,384	4,442,932
	47,002,577	50,473,933

NOTE 14. RISK MANAGEMENT continued

Note 14c. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its cash outflows associated with financial liabilities, as they fall due, because of lack of liquid assets or access to funding on acceptable terms. The Directors set limits on the minimum proposition of maturing funds available to meet such calls to cover claims and expenses at unexpected levels of demand.

Undiscounted contractual maturities of Financial Assets

2023	*Carrying value*	*On Demand*	*Less than one year*	*One to four years*	*Over five years*	*Total*
Financial Assets						
Cash and cash equivalents	273,275	273,275	-	-	-	273,275
ANZ Investment Portfolio	46,592,763	46,592,763	-	-	-	46,592,763
Trade and other receivables (exchange transactions)	136,540	-	136,540	-	-	136,540
	47,002,577	46,866,037	136,540	-	-	47,002,577
Financial Liabilities						
Trade and Other Payables	213,994	-	213,994	-	-	213,994
Provision for Claims	9,129,707	-	9,129,707	-	-	9,129,707
Unearned Premium Liability	530,861	-	530,861	-	-	530,861
Provision for Unexpired Risk	117,937	-	117,937	-	-	117,937
	9,992,499	-	9,992,499	-	-	9,992,499
Net exposure	37,010,078	46,866,037	(9,855,959)	-	-	37,010,078
2022						
Financial Assets						
Cash and cash equivalents	4,952,832	4,952,832	-	-	-	4,952,832
ANZ Investment Portfolio	45,275,279	45,275,279	-	-	-	45,275,279
Trade and other receivables (exchange transactions)	245,821	-	245,821	-	-	245,821
	50,473,933	50,228,111	245,821	-	-	50,473,933
Financial Liabilities						
Trade and Other Payables	136,563	-	136,563	-	-	136,563
Provision for Claims	8,955,000	-	8,955,000	-	-	8,955,000
Unearned Premium Liability	641,903	-	641,903	-	-	641,903
Provision for Unexpired Risk	105,000	-	105,000	-	-	105,000
	9,838,466	-	9,838,466	-	-	9,838,466
Net exposure	40,635,467	50,228,111	(9,592,645)	-	-	40,635,467

The liquidity analysis prepared above is prepared based on the expected timings of cash flows per contractual requirements.

NOTE 14. RISK MANAGEMENT continued

Note 14d. Market risks

I. Other Price Risk

The Company has an investment portfolio managed by ANZ Investments which is invested in a number of single-asset-class funds such as the NZ Fixed Interest Bond Fund and the NZ Cash Fund. The following analysis shows the effect of a, a 5% change in unit price of the international fixed interest funds and a 3% change in unit price of the NZ fixed interest funds as at 30 June 2023:

	2023	2022
Impact of increase in unit price on surplus or deficit	1,428,511	2,342,185
Impact of decrease in unit price on surplus or deficit	(1,428,511)	(2,342,185)

The % changes used in the sensitivity analysis are movements which could be reasonably expected to occur in the current market based on the results of the previous year.

II. Foreign currency risks

Police Health Plan existed from International Equity Funds in 2023 and as such no funds are invested in International Equities as at 30 June 2023 (2022: $2,172,798). In order to reduce the foreign exchange risk, ANZ Investments has entered into a number of foreign exchange forward contracts on the Company's behalf as part of the investment portfolio, the fair value of these at 30 June 2023 being -$15,937 (2022: -$11,004).

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NOTE 15. RELATED PARTIES

Members under the Police Services Group "umbrella" include New Zealand Police Association Inc and Subsidiaries (PA Frontline Limited and Blueline Premises Limited), Police Welfare Fund Limited and subsidiaries (including Police Welfare Fund General Insurances, Police Welfare Fund Nominees, New Zealand Police Centennial Trust). Police Health Plan is a wholly owned subsidiary of Police Welfare Fund Limited.

Police Health Plan Limited paid $51,000 (2022: $60,000) to Blueline Premises Limited during the year for the rental of part of 57 Willis Street.

During the year, the New Zealand Police Association on-charged $169,200 (2022: $168,000) associated with Police Health Plan's representation in the Police News Magazine, the member website and social media. NZ Police Association also on-charged $432,132 for IT infrastructure and software support (2022: $175,080). No amounts owed by related parties have been written off or forgiven during the period. The Company has a related party relationship with its directors and executive officers.

Note 15a. Transactions with Key Management Personnel

Remuneration

The Company classifies its key management personnel into one of two classes:

- Members of the governing body
- Senior executive officers, responsible for reporting to the governing body

Members of the governing body are paid an annual fee of $97,400 total (2022: $97,400). Senior executive officers are employed as employees of the Company on normal employment terms.

The aggregate level of remuneration paid and number of persons (measured in 'people' for Members of the governing body, and 'full-time-equivalents' (FTE's) for Senior executive officers) in each class of key management personnel is presented below:

Members of the governing body

Members	2023 Remuneration $	2022 Remuneration $
Susie Staley (Chair)	$40,000	$40,000
Nathan Thomas	$20,000	$20,000
Ralph Stewart	$17,400	$17,400
Rob Flannagan	$20,000	$20,000
Chris Cahill	-	-
Paul Ormerod	-	-
Total	$97,400	$97,400

Senior executive officers

	Remuneration $	Other benefits $	Number of FTE
2023	316,103	10,534	09
2022	172,694	6,273	0.9

The Company provides salaries and employee benefits in the form of long service leave and retirement leave as well as contributing to a defined contribution superannuation fund.

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NOTE 16. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities as at reporting date (2022: nil). There were no capital commitments as at reporting date (2022: nil).

INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF POLICE HEALTH PLAN LIMITED

Opinion

We have audited the general purpose financial report of Police Health Plan Limited ("the Company"), which comprise the financial statements on pages 6 to 31, and the statement of service performance on pages 3 to 5. The complete set of financial statements comprise the statement of financial position as at 30 June 2023, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cashflows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying general purpose financial report presents fairly, in all material respects:

- the financial position of the Company as at 30 June 2023, and of its financial performance, and its cash flows for the year then ended;
- the service performance for the year ended 30 June 2023, in accordance with the entity's service performance criteria,

in accordance with Public Benefit Entity Standards ("PBE Standards") issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit of the financial statements in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)") and the audit of the statement of service performance in accordance with the ISAs and New Zealand Auditing Standard (NZ AS) 1 *The Audit of Service Performance Information (NZ)*. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the General Purpose Financial Report* section of our report. 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 we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Key Audit Matters

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

<table>
<tr><th>Key Audit Matter</th><th>How The Matter Was Addressed In Our Audit</th></tr>
<tr><td colspan="2">Valuation of Provision for Claims</td></tr>
<tr><td>We considered the valuation of the provision for outstanding claims a key audit matter because of the significant judgement required by management and the directors in determining the balance as at 30 June 2023.

The valuation of the provisions relies on the quality of the underlying data. It involves subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the estimate.

In particular, judgement arises over the estimation of payments for claims that have been incurred at the reporting date but have not yet been reported to the entity, as there is generally less information available in relation to these claims, and uncertainty over the amount which will be settled.

The provision for outstanding claims includes a risk margin that allows for the inherent uncertainty in the central estimate of the future claim payments. In determining the risk margin, the entity make a judgement about the volatility of the claims pattern.

Refer to notes 3 and 4 to the financial statements, which also describe the elements that make up the balance.</td><td>Our audit procedures included obtaining an understanding of key controls, including key data reconciliations, management review of the estimates, and key assumption changes.

Historical claims data is a key input to the actuarial estimates. Accordingly, we:
• Have gained an understanding of the design and implementation of the control environment in regard to claims processing;
• Re-performed claims data reconciliations;
• Inspected a sample of claims paid during the year to confirm that they were supported by appropriate documentation and approved appropriately.
• Considered the accuracy of claims liability in the past against actual post balance date claims

We engaged an independent actuary to perform the following:
• Evaluate the actuarial models and methodologies used by the Appointed Actuary in determining the provision for outstanding claims.
• Assess key actuarial judgements and assumptions and challenged them by comparing expectations based on the expert's experience, sector knowledge and independently observable industry trends.
• Recalculate the provisions based on the claims data in the financial statements.

We also assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.</td></tr>
</table>

Capitalised Development Costs (Software)	
As at 30 June 2023, the Company has a total of $1.1 m(2022: nil) of software assets under development which have been accounted for as a prepayment until completion. The establishment of a development asset requires significant judgement as to whether the project meets the capitalisation criteria. We focused on this area due to the quantum of the software development costs capitalised including possible future development costs, and because the accounting determination of whether or not a project meets the capitalisation criteria is a significant judgement and the outcome has a significant impact on the recognition of profit and loss and the financial position. Refer to note 12 for further details.	Our procedures included but were not limited to; • Understanding the nature and background of the capitalised software products through inquiry of key management personnel. • Challenging whether costs capitalised during the year met the capitalisation criteria set out in the Company's prepayment accounting policy. • Agreeing a sample of development expenditure to supplier invoices to verify costs recorded.oReviewing accounting advice provided by Management's external experts.o Engaging our technical experts to consider the applicability of PBE IPSAS 31 and IFRIC decisions.

Directors' Responsibilities for the General Purpose Financial Report

Those charged with governance are responsible on behalf of the Company for:

(a) the preparation and fair presentation of the financial statements and statement of service performance in accordance with Public Benefit Entity Standards issued by the New Zealand Accounting Standards Board;

(b) service performance criteria that are suitable in order to prepare the

statement of service performance in accordance with Public Benefit Entity Standards; and

(c) such internal control as those charged with governance determine is necessary to enable the preparation of the financial statements and statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the general purpose financial report, the directors are responsible on behalf of the Company for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the General Purpose Financial Report

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole, and the statement of service performance are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and NZ AS 1 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this general-purpose financial report.

A further description of the auditor's responsibilities for the audit of the general-purpose financial report is located at the XRB's website at:

https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-10/

This description forms part of our auditor's report.

Who we Report to

This report is made solely to the Company's members, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an 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 Company and the Company's members, as a body, for our audit work, for this report or for the opinions we have formed.

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

BDO Wellington Audit Limited

BDO WELLINGTON AUDIT LIMITED
Wellington
New Zealand
3 October 2023