Pacific International Insurance Pty Limited

(Registration Number 169 311 193)

Annual Financial Statements

for the year ended 30 June 2023

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General Information

Country of Incorporation and Domicile	Australia
ACN number	169 311 193
Registration Date	01 August 2014
Nature of Business and Principal Activities	The company is a for profit entity and the principal activities during the financial year were the sale of general insurance policies in Australia and New Zealand. The company opened an administrative branch office in South Africa during the current year.
Directors	Mr Jonathon Michael Broome (Independent Non-Executive Director - Chairman of the Board) Mr Paul William Roberts (Independent Non-Executive Director - Chairman of the Risk Committee) Mr Roland Covac Lange (Executive Director - CEO) Mr Brad Howard Hogan (Executive Director) Mr Louis Fivaz (Independent Non-Executive - Chairman Audit Committee)
Shareholder	Badger Holdings Australia Pty Limited
Registered Office	Suite 3.02 Level 3 352 Hunter Street Newcastle, NSW 2300
Company Secretary	SH Visser

Directors' Report

The directors present their report, together with the financial statements of the company, being the Australian Company including its New Zealand and South African branches, for the year ended 30 June 2023.

1. Review of financial results and activities

Principal business activities

The company is a for profit entity and the principal activities during the financial year were the sale of general insurance policies in Australia and New Zealand. The company opened an administrative branch office in South Africa during the current year.

Operating results

The company generated a profit after tax for the year ended 30 June 2023 of $2,955,470 (2022: $2,179,627).

The company's net earned premiums increased from $68,473,512 in the prior year to $89,044,460 for the year ended 30 June 2023.

Company cash flows from operating activities decreased from an inflow of $19,887,321 in the prior year to an inflow of $11,813,724 for the year ended 30 June 2023.

2. Going concern

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

3. Events after reporting date

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

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

4. Authorised and issued share capital

The company issued 1,000,000 ordinary shares on the 26th September 2022, 662,765 on the 27th of September 2022, 7,000,000 on the 9th of February 2023 and a further 750,000 shares on the 30th June 2023 at the par value of $1 each.

5. Significant matters and affairs during the year

Pacific registered a foreign branch office in South Africa to employ some staff performing various administrative claims, finance and policy administration functions. The branch charges the head office a 5% margin on the services rendered to comply with the transfer pricing regulations and will file a tax return in South Africa for their operations.

6. Dividend

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

Directors' Report

7. Directors

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

8. Secretary

The company's designated secretary is SH Visser.

9. Shareholder

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

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

	Holding
Badger Holdings Australia Pty Limited	100.00%

10. Future developments and results

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

11. Environmental matters

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

12. Indemnification and insurance of officers and auditors

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

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

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

13. Auditor's Independence Declaration

The lead auditor's independence declaration in accordance with section 307C of the Corporations Act 2001, for the year ended 30 June 2023 has been received and can be found on page 6 of the financial report.

Directors' Report

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

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

27 September 2023

Mr Roland Covac Lange
(Executive Director - CEO)

27 September 2023

Firm Name
PKF(NS) Audit & Assurance Limited Partnership
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Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Pacific International Insurance Pty Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023, there have been:

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

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

PKF

PKF

P.Pearman.

PAUL PEARMAN
PARTNER

27 SEPTEMBER 2023
SYDNEY, NSW

Pacific International Insurance Pty Limited

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Annual Financial Statements for the year ended 30 June 2023

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2023 $	2022 $
Gross written premium	6	275,537,742	143,185,029
Less: Reinsurance premiums ceded and reinsurance paid	7	(186,493,283)	(74,711,517)
Net written premiums		**89,044,460**	**68,473,512**
Change in provision for unearned premiums		**(24,959,478)**	**(16,287,846)**
Gross amount	24	(46,522,916)	(42,472,464)
Reinsurer's share		21,563,438	26,184,618
Net earned premiums		**64,084,981**	**52,185,666**
Commission from reinsurers		84,075,569	22,745,552
Dividends received		208,308	4,810,230
Interest income		1,936,366	159,173
Other income	8	6,254,048	3,776,212
Net income		**156,559,272**	**83,676,833**
Net claims incurred		**(36,979,472)**	**(25,900,789)**
Gross amount	9	(87,264,289)	(45,786,228)
Reinsurer's share		50,284,816	19,885,439
Acquisition costs	10	(90,304,427)	(28,039,062)
Administration expenses	11	(24,804,383)	(28,521,638)
Finance costs		(205,524)	(73,901)
Profit before tax		**4,265,465**	**1,141,443**
Income tax (expense) / credit	13	(1,309,995)	1,038,184
Profit for the year		**2,955,470**	**2,179,627**
Other Comprehensive Income			
Unrealised foreign currency translation difference		(283,245)	(238,859)
Market value adjustment - unrealised equities		319,786	(617,983)
Total comprehensive income		**2,992,010**	**1,322,786**

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Statement of Financial Position

	Notes	2023 $	2022 $
Assets			
Cash and cash equivalents	14	21,287,227	32,148,664
Trade and other receivables	15	51,438,700	33,101,493
Investments	16	49,651,176	23,390,625
Loans to related parties	17	9,186,661	4,210,992
Reinsurance share of insurance liabilities	24	61,562,698	28,954,166
Deferred acquisition costs	18	37,158,497	19,289,413
Property, plant and equipment	19	2,753,756	2,824,149
Right-of-use assets	25	3,093,633	910,229
Intangible assets	20	4,896,857	5,458,220
Deferred tax assets	21	5,561,948	4,127,355
Total assets		**246,591,153**	**154,415,306**
Equity and liabilities			
Liabilities			
Trade and other payables	22	21,386,567	10,121,287
Current tax liabilities	23	3,269,014	1,620,011
Insurance liabilities	24	157,423,278	100,576,213
Deferred reinsurance income		12,154,027	4,301,583
Deferred income		288,401	754,193
Employee benefits		1,967,154	1,620,593
Lease liabilities	25	3,239,045	962,534
Total liabilities		**199,727,486**	**119,956,414**
Equity			
Issued capital	26	48,849,709	39,436,944
Accumulated loss		(1,292,328)	(4,247,798)
Other non-distributable reserves		(693,714)	(730,254)
Total equity		**46,863,667**	**34,458,892**
Total equity and liabilities		**246,591,153**	**154,415,306**

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Statement of Changes in Equity

	Issued capital $	Foreign currency translation reserve $	Market value adjustment - unrealised equities	Accumulated loss $	Total $
Balance at 1 July 2021	30,436,944	(88,838)	215,426	(6,427,425)	24,136,107
Changes in equity					
Profit for the year	-	-	-	2,179,627	2,179,627
Other comprehensive income	-	(238,859)	(617,983)	-	(856,842)
Total comprehensive income for the year	-	(238,859)	(617,983)	2,179,627	1,322,785
Issue of equity	9,000,000	-	-	-	9,000,000
Balance at 30 June 2022	**39,436,944**	**(327,697)**	**(402,557)**	**(4,247,798)**	**34,458,892**
Balance at 1 July 2022	39,436,944	(327,697)	(402,557)	(4,247,798)	34,458,892
Changes in equity					
Profit for the year	-	-	-	2,955,470	2,955,470
Other comprehensive income	-	(283,245)	319,786	-	36,540
Total comprehensive income for the year	-	(283,245)	319,786	2,955,470	2,992,010
Issue of equity	9,412,765	-	-	-	9,412,765
Balance at 30 June 2023	**48,849,709**	**(610,942)**	**(82,771)**	**(1,292,328)**	**46,863,667**

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Annual Financial Statements for the year ended 30 June 2023

Statement of Cash Flows

	Notes	2023 $	2022 $
Net cash flows from operations	31	**9,874,572**	**14,991,820**
Dividends received		208,308	4,810,230
Interest paid		(205,524)	(73,901)
Interest received		1,936,366	159,173
Net cash flows from operating activities		**11,813,724**	**19,887,321**
Cash flows (used in) / from investing activities			
Proceeds from sales of property, plant and equipment		-	22,238
Purchase of property, plant and equipment		(210,643)	(57,747)
Proceeds from sales of intangible assets		-	137,700
Purchase of intangible assets		-	(4,796,734)
Purchase of right of use assets		-	(158,684)
Increase in investments		(26,260,551)	(17,787,220)
(Increase) / decrease in loans to related parties		(4,975,672)	2,273,555
Cash flows used in investing activities		**(31,446,866)**	**(20,366,892)**
Cash flows from financing activities			
Proceeds from issuing shares		9,412,765	9,000,000
Lease repayments		(641,059)	(308,978)
Cash flows from financing activities		**8,771,706**	**8,691,022**
Net (decrease) / increase in cash and cash equivalents		**(10,861,437)**	**8,211,446**
Cash and cash equivalents at beginning of the year		32,148,664	23,937,218
Cash and cash equivalents at end of the year	**14**	**21,287,227**	**32,148,664**

Accounting Policies

1. General information

Pacific International Insurance Pty Limited ('the company') is a for profit entity and the principal activities during the financial year were the sale of general insurance policies in Australia and New Zealand. The company opened an administrative branch office in South Africa during the current year.

The company is incorporated as a Private Company and domiciled in Australia. The address of its registered office is Suite 3.02, Level 3, 352 Hunter Street, Newcastle, NSW, 2300.

2. Basis of preparation and summary of significant accounting policies

Statement of compliance

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

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

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

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

Basis of preparation

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

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

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

Accounting Policies

2.1 Basis of measurement

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

2.2 Revenue and other income

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

Gross earned premium

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

Interest income

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

Other income

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

2.3 Reinsurance

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

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

2.4 Expenses

Claims expense

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

Policy acquisition expenses

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

Other operating expenses

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

2.5 Income tax and deferred tax

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

2.6 Goods and services tax (GST)

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

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

2.7 Cash and cash equivalents

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

2.8 Property, plant and equipment

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

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

Subsequent additions

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

Depreciation

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

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

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

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

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

2.9 Intangible assets

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

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

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

*Blue Badge brand will be subject to an annual impairment assessment as required by AASB 136 based on the value in use.

2.10 Non derivative financial instruments

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

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

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

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

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

Accounting Policies

2.11 Premium receivables

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

2.12 Impairment

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

2.13 Outstanding claims liability

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

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

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

2.14 Deferred acquisition costs

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

2.15 Unearned premium reserve and liability adequacy testing

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

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

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

2.16 Employee benefits

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

2.17 Insurance risk and sensitivity

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

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

The profit or loss is sensitive to changes in any variables. The key assumption in determining the Incurred But Not Enough Reported (IBNER) claims is the future loss ratio and the Statement of Profit or Loss and Other Comprehensive Income is sensitive to this variable (refer to Note 24.6 - Sensitivity analysis).

2.18 Asset backing of policy liabilities

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

2.19 Investments

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

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

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

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

The Company's investments are designated at fair value through other comprehensive income or loss, and for the vast majority of the investments, the fair value is determined based on observable market data.

2.20 Foreign currency transactions

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

2.21 New and amended Accounting Standards adopted by the Company

The Company has initially adopted the following Accounting Standards and amendments from 1 July 2022:

AASB 2020-3	Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments.

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

A number of other new standards are also effective from 1 July 2022 but they do not have a material effect on the Company's financial statements.

2.22 New Accounting Standards and Interpretations for application in future periods

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

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

Title	Description	Operative Date	Note
AASB 17	Insurance Contracts	1 January 2023	B
AASB 2020-1	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	C
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	C
AASB 2021-5	Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	C
AASB 2021-6	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards	1 January 2023	C
AASB 2021-7c	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]	1 January 2025	C
AASB 2022-5	Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback	1 January 2024	C
AASB 2022-6	Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants	1 January 2024	C
AASB 2022-9	Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector	1 July 2026	C
AASB 2022-10	Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities	1 January 2024	C

TABLE NOTE

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

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

(B) AASB 17 Insurance Contracts

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

The standard introduces a new general measurement model for accounting for insurance contracts, with the application of a simplified approach (similar to AASB 1023) permitted in certain circumstances.

The Company has completed an impact assessment of the new standard and has determined that the Company is expected to be eligible to apply the simplified approach to the insurance contracts issued by the Company (based on the current portfolio mix). It is expected that there will be a number of changes in presentation of the financial statements and disclosures. The impact of the change in accounting standard will not have a material impact on the capital position or the retained earnings.

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

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

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

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

AASB 9 Financial Instruments

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

The following additional disclosure, required by AASB 9 for eligible insurers, presents the fair value and the change in the fair value of the Company's financial assets as at 30 June 2023, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (Non-SPPI):

	Fair value	Changes in fair value
Short-term investments	132,501,101	-

Trade and other receivables are financial assets which are in the scope of AASB 9 and are SPPI assets. These assets amounted to $60,625,361 at 30 June 2023. These assets are measured at their present value less any impairment loss for any doubtful debts which approximates fair value.

The following additional disclosure, required by AASB 9 for eligible insurers, presents the credit risk ratings of SPPI financial assets at 30 June 2023:

Financial assets	Credit risk	Fair value	Changes in fair value
AA+ to A-	Low	132,501,101	-
Unrated	Low	60,625,361	-
		193,126,462	**-**

Reinsurance receivables at 30 June 2023 have the following credit risk rating: AA+ to A- with moderate credit risk $61,562,698 (2022: $28,954,166).

3. Critical accounting estimates and judgements

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

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

Outstanding claims liability

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

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

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

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

4. Financial Risk Management policies and procedures

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

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

Risk Management roles and responsibilities

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

The key risks addressed by the risk management framework include:

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

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

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

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

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

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

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

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

Accounting Policies

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

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

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

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

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

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

The objectives for managing insurance risk

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

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

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

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

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

Terms and conditions of insurance policies

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

Accounting Policies

Concentration of risk

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

Credit risk

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

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

5. Financial Instruments

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

- credit risk
- liquidity risk
- market risk

Credit risk

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

	2023	2022
Financial Assets		
Cash and cash equivalents	21,287,227	32,148,664
Investments	49,651,176	23,390,625
	70,938,403	**55,539,289**
Loans and receivables		
Trade and other receivables	51,438,700	33,101,493
Related party receivables	9,186,661	4,210,992
Reinsurance and other recoveries	61,562,698	28,954,166
	122,188,059	**66,266,651**
Total financial assets	**193,126,462**	**121,805,940**

Pacific International Insurance Pty Limited received a financial strength rating of B++ (Good) from the USA rating agency A.M. Best on the 23rd of February 2023. The credit rating is an indication of the Company's current and future claims paying ability (Refer to Note 24.8 - Liability Adequacy Test).

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

Accounting Policies

	2023	2022
Credit exposure by credit rating		
AA+ to A-	132,501,101	84,493,455
Unrated	60,625,361	37,312,485
Total	**193,126,462**	**121,805,940**
Financial liabilities		
Trade and other payables	21,386,567	10,121,287
	21,386,567	**10,121,287**
Total financial liabilities	**21,386,567**	**10,121,287**

Accounting Policies

Liquidity risk

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

	At call		1 year or less		Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Financial Assets						
Cash and cash equivalents	21,287,227	32,148,664	-	-	21,287,227	32,148,664
Investments	-	-	49,651,176	23,390,625	49,651,176	23,390,625
	21,287,227	**32,148,664**	**49,651,176**	**23,390,625**	**70,938,403**	**55,539,289**
Loans and receivables						
Trade and other receivables	-	-	51,438,700	33,101,493	51,438,700	33,101,493
Related party receivables	-	-	9,186,661	4,210,992	9,186,661	4,210,992
Reinsurance and other recoveries	-	-	61,562,698	28,954,166	61,562,698	28,954,166
	-	**-**	**122,188,059**	**66,266,651**	**122,188,059**	**66,266,651**
Total financial assets	**21,287,227**	**32,148,664**	**171,839,235**	**89,657,275**	**193,126,462**	**121,805,940**
Financial liabilities						
Trade and other payables	-	-	21,386,567	10,121,287	21,386,567	10,121,287
Related party payables	-	-	-	-	-	-
Loan payable	-	-	-	-	-	-
	-	**-**	**21,386,567**	**10,121,287**	**21,386,567**	**10,121,287**
Total financial liabilities	**-**	**-**	**21,386,567**	**10,121,287**	**21,386,567**	**10,121,287**

Interest rate risk and sensitivity analysis on foreign exchange and interest

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

Notes to the Annual Financial Statements

6. Gross written premium

Gross written premium comprises:

	2023 $	2022 $
Motor	32,758,562	34,336,970
Professional Indemnity	6,224,871	12,022,553
Liability and Warranty	8,266,573	5,168,652
Industrial Specialised Risk*	(2,272,598)	3,154,812
Home content	10,899,703	470,640
Pet Insurance	13,878,379	4,770,011
Travel	178,674,598	66,797,263
Consumer credit	26,837,588	16,464,128
Miscellaneous - Other	270,067	-
Total revenue	**275,537,742**	**143,185,029**

* Pacific stopped writing ISR risks through one of its partners that produced most of this type of business as the binder was not renewed. During the current year it became apparent that policies previously reported as written never had final closings and collections and hence had to be reversed. Since this is 100% reinsured it does not have a material effect on the company's overall results.

7. Reinsurance premiums ceded and reinsurance paid

Reinsurance premiums ceded and reinsurance paid comprises:

	2023 $	2022 $
Motor	1,616,806	1,662,696
Professional Indemnity	539,765	2,249,641
Liability and Warranty	3,600,977	3,381,639
Industrial Specialised Risk*	(2,282,777)	3,154,812
Home content	8,652,440	737,576
Pet Insurance	587,365	-
Travel	173,778,706	63,525,154
	186,493,283	**74,711,517**

* Refer to footnote in Note 6.

8. Other income

	2023 $	2022 $
Insurance licence fee	5,783,946	3,154,717
Rent received	15,943	11,314
Other income	376,463	482,495
Training income (New Zealand Branch)	77,696	127,686
Total other income	**6,254,048**	**3,776,212**

Notes to the Annual Financial Statements

		2023 $	2022 $
9. Claims expense			
Claims paid		72,899,609	24,369,899
Claims estimate increase		9,274,036	4,410,981
IBNR movement		(819,994)	14,201,439
Claims handling expense		5,910,638	2,803,909
		87,264,289	**45,786,228**
10. Acquisition costs			
Commission		89,174,755	25,935,370
Referral fees		1,129,672	2,103,692
		90,304,427	**28,039,062**
11. Administration expenses			
Administration expenses comprise:			
Admin and management fees paid to related parties		1,911,720	2,685,704
Amortisation	20	561,365	568,940
Auditors remuneration	12	358,158	221,758
Bank charges		676,575	463,244
Consulting and legal fees		682,441	832,751
Depreciation	19	1,015,203	777,429
Donations		41,016	24,546
Employee benefit expenses		8,566,740	7,625,843
Impairment of investment in Blue Badge Pty Ltd	16	-	4,624,260
Insurance		218,920	242,082
Insurance regulator levies		31,008	27,082
Marketing		5,188,595	5,585,233
Other expenses		3,389,773	2,948,456
Printing and stationery		41,759	38,939
Profit share		1,158,023	738,834
Reinsurance broker fees		204,130	647,024
Rental of premises		19,398	28,534
Repairs and maintenance		111,856	25,353
Staff training		58,056	30,156
Telephone and internet		258,960	249,054
Training fees		11,234	18,510
Travel costs		299,453	117,907
Total other expenses		**24,804,383**	**28,521,638**

Notes to the Annual Financial Statements

	2023 $	2022 $
12. Auditors remuneration		
Audit services - KPMG	163,158	221,758
Audit services - PKF	195,000	-
	358,158	**221,758**
13. Income tax expense / (credit)		
13.1 Income tax recognised in profit or loss:		
Current tax		
Current year	(2,741,150)	(1,622,870)
Deferred tax		
Deferred tax	1,431,155	2,661,054
Total income tax (expense) / credit	**(1,309,995)**	**1,038,184**
13.2 The income tax for the year can be reconciled to the accounting profit as follows:		
Profit before tax from operations	4,265,465	1,141,443
Prima facie (tax benefit) / tax on profit / (loss) from ordinary activities before income tax at 30% AU, 28% NZ, 27% RSA	(1,410,079)	(384,717)
Tax effect of		
- Dividend received (within consol group)	-	1,398,000
- Entertainment (non-deductable)	(5,321)	(737)
- Franking credits (amounts derived from tax credits rebates	(19,440)	(12,556)
- Non-refundable carry forward tax offsets	51,109	41,853
- Correction of prior year income tax provision	73,736	(3,659)
Tax charge	**(1,309,995)**	**1,038,184**
14. Cash and cash equivalents		
Cash		
Cash on hand	130	130
Balances with banks	21,287,097	32,148,534
	21,287,227	**32,148,664**

Notes to the Annual Financial Statements

15. Trade and other receivables

Trade and other receivables comprise:

	2023 $	2022 $
Trade receivables	35,142,936	26,565,038
Sundry debtors	12,432	8,004
Prepaid expenses	8,636,932	6,110,173
Interest accrual	565,704	46,020
Claims float receivable	7,080,696	372,258
Total trade and other receivables	**51,438,700**	**33,101,493**

Notes to the Annual Financial Statements

16. Investments

16.1 Investments comprise the following balances

	2023 $	2022 $
Bank and cash		
Term deposits at banks	22,192,229	14,900,321
	22,192,229	14,900,321
Listed shares		
National Australia Bank	552,504	547,252
Commonwealth Bank Of Australia	332,796	286,615
Westpac Banking Corporation	504,200	434,285
Australia and New Zealand ANZ Bank Group	514,294	422,954
Betashare ETF's - Dividend and Property index	518,631	461,879
Vanguard Investment ETF's - Dividend and Property index	506,160	956,156
ANZ Preference Shares - PI	231,349	226,062
Auckland International Airport NPV - AIA	49,141	40,565
Goodman Group NPV - GMG	466,628	414,780
CBA Preference Shares	155,915	152,407
TWR - Tower Limited FPO NZX	6,711,578	-
CBA Capital Notes (PERL XVI)	2,101,820	-
	12,645,016	3,942,955
Bonds *		
ANZ Floating rate bonds	2,250,339	2,250,521
ANZ Fixed rate bonds	2,257,849	2,262,050
CBA Floating rate bonds	3,516,580	-
CBA Fixed rate bonds	6,519,395	-
Qantas bond	269,767	-
	14,813,931	4,512,571
Unlisted shares		
Blue Badge International Australia Pty Ltd	-	34,777
	-	34,777
	49,651,176	**23,390,625**

The term deposits at the banks bear interest rates that range between 1.05% p.a. and 4.37% p.a. and have terms from 10 months to 12 months.

*These bonds have different maturity dates ranging from May 2025 until March 2038. The majority of the bonds mature prior to 2028.

Notes to the Annual Financial Statements

	2023 $	2022 $

16.2 Movements in impairment of investments are as follows:

	2023 $	2022 $
Unlisted shares in Blue Badge International Australia Pty Ltd		
Unlisted shares acquired	-	4,659,037
Impairment raised	-	(4,624,260)
At the end of the year	**-**	**34,777**

17. Loans to related parties

Loans to related parties comprise the following balances

	2023 $	2022 $
Badger Australia Holdings Pty Ltd	8,077,095	2,220,862
Badger Australia Holdings Pty Ltd tax consolidated entries*	1,109,566	1,965,130
Blue Badge Insurance Australia Pty Ltd	-	25,000
	9,186,661	**4,210,992**

The loan to Badger Australia Holdings Pty Ltd carries interest at the average lending rate as per the RBA for large business. The rate fluctuated on a monthly basis and is varied between 2.39% and 4.09%.

* The company is part of a tax consolidated group and all tax related entries gets allocated to the group entities through a tax consolidated loan account. This portion of the loan does not carry any interest.

All other loans are interest free and are payable on demand.

18. Deferred acquisition costs

	2023 $	2022 $
At the beginning of the year	19,289,413	2,746,879
Amortisation charged to income	(90,304,427)	(28,039,062)
Acquisition costs deferred	108,173,511	44,581,596
Net book value at the end of the year	**37,158,497**	**19,289,413**

19. Property, plant and equipment

Balances at year end and movements for the year

	Buildings $	Leasehold improvements $	Motor vehicles $	Fixtures and fittings $	Office equipment $	Computer equipment $	Total $
Reconciliation for the year ended 30 June 2023							
Balance at 1 July 2022							
At cost	2,234,706	391,176	120,582	320,654	133,962	395,817	**3,596,897**
Accumulated depreciation	(144,325)	(116,646)	(74,614)	(74,383)	(79,748)	(283,032)	**(772,748)**
Net book value	**2,090,381**	**274,530**	**45,968**	**246,271**	**54,214**	**112,785**	**2,824,149**
Movements for the year ended 30 June 2023							
Additions from acquisitions	106	137,206	379	1,273	3,557	68,122	**210,643**
Depreciation	(55,973)	(59,131)	(25,825)	(31,462)	(26,812)	(81,832)	**(281,036)**
Property, plant and equipment at the end of the year	**2,034,514**	**352,604**	**20,522**	**216,081**	**30,959**	**99,075**	**2,753,756**
Closing balance at 30 June 2023							
At cost	2,234,706	528,787	121,278	322,064	140,795	464,854	**3,812,484**
Accumulated depreciation	(200,192)	(176,182)	(100,755)	(105,983)	(109,836)	(365,779)	**(1,058,728)**
Net book value	**2,034,514**	**352,605**	**20,522**	**216,081**	**30,959**	**99,075**	**2,753,756**

Notes to the Annual Financial Statements

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

20. Intangible assets

	Underwriting rights $	Blue Badge brand $	Computer software $	PD Insurance domain $	Total $
Reconciliation for the year ended 30 June 2023					
Balance at 1 July 2022					
At cost	1,500,000	4,659,038	810,570	137,696	**7,107,303**
Accumulated amortisation	(1,125,000)	-	(524,083)	-	**(1,649,083)**
Net book value	**375,000**	**4,659,038**	**286,486**	**137,696**	**5,458,220**
Movements for the year ended 30 June 2023					
Amortisation	(375,000)	-	(186,363)	-	**(561,363)**
Intangible assets at the end of the year	**-**	**4,659,038**	**100,123**	**137,696**	**4,896,857**
Closing balance at 30 June 2023					
At cost	1,500,000	4,659,038	810,576	137,696	**7,107,310**
Accumulated amortisation	(1,500,000)	-	(710,453)	-	**(2,210,453)**
Net book value	**-**	**4,659,038**	**100,123**	**137,696**	**4,896,857**
Reconciliation for the year ended 30 June 2022					
Balance at 1 July 2021					
Cost	1,500,000	-	948,282	-	**2,448,282**
Accumulated amortisation	(750,000)	-	(330,155)	-	**(1,080,155)**
Net book value	**750,000**	**-**	**618,127**	**-**	**1,368,127**
Movements for the year ended 30 June 2022					
Acquisitions through internal development	-	4,659,038	-	137,696	**4,796,734**
Amortisation	(375,000)	-	(193,940)	-	**(568,940)**
Disposals	-	-	(137,700)	-	**(137,700)**
Intangible assets at the end of the year	**375,000**	**4,659,038**	**286,487**	**137,696**	**5,458,220**
Closing balance at 30 June 2022					
At cost	1,500,000	4,659,038	810,570	137,696	**7,107,303**
Accumulated amortisation	(1,125,000)	-	(524,083)	-	**(1,649,083)**
Net book value	**375,000**	**4,659,038**	**286,486**	**137,696**	**5,458,220**

Notes to the Annual Financial Statements

	2023 $	2022 $

21. Deferred tax

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

	2023 $	2022 $
Deferred taxation assets:		
Employee benefits	403,530	300,057
Investments	1,397,712	1,397,712
Lease liability	962,416	278,221
Losses carried forward	2,994,506	1,999,562
Other accrued expenses	95,241	29,576
Provision for bonuses	19,030	14,704
Unearned premium	888,600	663,900
	6,761,035	4,683,732
Deferred tax liabilities:		
Deferred Acquisition Cost	(276,600)	(278,700)
Depreciating assets	-	(13,146)
Prepayments	(2,613)	(1,259)
Right Of Use Asset	(919,874)	(263,272)
	(1,199,087)	(556,377)
Net deferred tax assets	**5,561,948**	**4,127,355**

22. Trade and other payables

Trade and other payables comprise:

	2023 $	2022 $
Trade payables	9,315,057	4,330,743
Accrued expenses	3,655,747	1,273,723
Accrued trade payables	1,354,471	842,314
Withholding tax	2,279,444	2,444,968
Profit share provision	113,195	100,097
Claims float payable	200,000	372,258
GST payable	4,468,653	757,184
Total trade and other payables	**21,386,567**	**10,121,287**

23. Current tax liabilities

	2023 $	2022 $
Income tax provision for the year	3,269,014	1,620,011

24. Insurance liabilities

24.1 Insurance liabilities comprise:

	2023			2022		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims Estimates (OCR)						
Outstanding estimates	20,813,411	(14,041,270)	6,772,140	10,867,159	(3,883,155)	6,984,004
IBNR	21,406,493	(15,252,904)	6,153,589	20,639,994	(14,589,684)	6,050,310
Subtotal	42,219,903	(29,294,174)	12,925,729	31,507,154	(18,472,839)	13,034,315
Non RI recoveries	(3,294,021)	-	(3,294,021)	(2,850,682)	-	(2,850,682)
Outstanding claims provision	38,925,883	(29,294,174)	9,631,708	28,656,471	(18,472,839)	10,183,632
Reinsurance recovery on paid claims	-	(2,542,776)	(2,542,776)	-	(602,012)	(602,012)
Total claims estimates	**38,925,883**	**(31,836,950)**	**7,088,933**	**28,656,471**	**(19,074,851)**	**9,581,620**
Unearned Premium (UPR)	**118,497,396**	**(29,725,748)**	**88,771,647**	**71,919,742**	**(9,879,315)**	**62,040,427**
Total insurance liabilities	**157,423,278**	**(61,562,698)**	**95,860,580**	**100,576,213**	**(28,954,166)**	**71,622,047**

24.2 Outstanding estimates

	2023			2022		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Opening balance	10,867,159	(3,883,155)	6,984,004	5,848,371	(831,933)	5,016,438
Change in previous year estimates	12,202,326	(9,904,372)	2,297,954	2,156,808	(88,053)	2,068,755
Previous year claims paid	(16,075,681)	8,112,213	2,297,954	(6,622,861)	598,249	(6,024,612)
Current year claims incurred	77,172,246	(41,541,394)	35,630,852	32,435,762	(7,228,048)	25,207,714
Current year claims paid	(63,352,639)	33,175,438	(30,177,201)	(22,950,921)	3,666,630	(19,284,291)
Outstanding claims closing balance	**20,813,411**	**(14,041,270)**	**6,772,141**	**10,867,159**	**(3,883,155)**	**6,984,004**

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

24.3 IBNR

	2023			2022		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Opening balance	20,639,994	(14,589,683)	6,050,310	6,411,861	(2,599,152)	3,812,709
Correction of prior year movement	(53,495)	483,810	430,315	26,694	-	26,694
Movement for the year	819,994	(1,147,031)	(327,036)	14,201,439	(11,990,531)	2,210,907
IBNR closing balance	**21,406,493**	**(15,252,904)**	**6,153,589**	**20,639,994**	**(14,589,683)**	**6,050,310**

24.4 Unearned premium (UPR)

	2023			2022		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Opening balance	71,919,742	(9,879,315)	62,040,427	29,462,102	(2,700,795)	26,761,307
FX translation	54,737	-	54,737	(14,824)	-	(14,824)
Movement for the year	46,522,916	(19,846,433)	26,676,483	42,472,464	(7,178,520)	35,293,944
IBNR closing balance	**118,497,395**	**(29,725,748)**	**88,771,647**	**71,919,742**	**(9,879,315)**	**62,040,427**

24.5 Assumptions adopted in calculation of general insurance liabilities

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

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

	2023	2022
Inflation rate implicit	Implicit	Implicit
Discount rate	4.27%	1.89%
Claims handling expense rate	10%	10%
Future loss ratios	12%-100%	13% - 75%
Risk margin	9.60%	9.70%
Weighted average expected term to settlement	0.59 years	0.44 years

24.6 Sensitivity analysis

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

	Movement in outstanding claims	Profit before taxation	Profit after taxation	Equity
5% Increase in loss ratios across all portfolios	588,439	3,677,026	2,573,918	46,275,228
10% additional IBNR development for March 2022 onwards	880,291	3,385,174	2,369,622	45,983,376
2% reduction in motor recovery rates	388,635	3,876,830	2,713,781	46,475,032

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

Process for determining the risk margin

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

i. Independent risks, comprising variation in future claims costs due to the randomness inherent in the insurance process and random variation in the historical claims costs affecting the parameters selected for use in the actuarial models.
ii. External systemic risk, comprising variation in future claims costs due to risks external to the modelling process, for example, catastrophic events or changes in the legislative environment.
iii. Internal systemic risk which represents variation in future claims costs due to the models not being fully representative of the underlying insurance process and due to errors in the data on which the models are based.

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

24.7 Claims development

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

	Prior	2017	2018	2019	2020	2021	2022	2023	Total
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
At the end of accident year	-	1,650	2,118	1,398	3,681	16,957	23,191	30,069	79,064
One year later	30,029	1,530	2,044	1,512	3,081	16,596	22,729	-	77,521
Two years later	29,155	1,411	2,379	1,326	3,117	15,733	-	-	53,121
Three years	27,759	1,285	2,627	1,258	3,091	-	-	-	36,020
Four years	27,136	1,272	2,548	1,255	-	-	-	-	32,211
Five years	26,833	1,268	2,498	-	-	-	-	-	30,599
Six years	26,553	1,268	-	-	-	-	-	-	27,821
Seven years later	26,149	-	-	-	-	-	-	-	26,149
Central estimate of ultimate incurred claims at 30 June 2023	26,149	1,268	2,498	1,255	3,091	15,733	22,729	30,069	102,792
Payments to 30 June 2023	26,149	1,268	2,498	1,255	3,086	15,321	21,637	23,608	94,822

Notes to the Annual Financial Statements

	Prior $000s	2017 $000s	2018 $000s	2019 $000s	2020 $000s	2021 $000s	2022 $000s	2023 $000s	Total $000s
Net undiscounted outstanding claims liability	-	-	-	-	5	412	1,092	6,461	7,970
Discount to present value	-	-	-	-	-	15	28	128	171
Net discounted outstanding claims liability	-	-	-	-	5	397	1,064	6,333	7,799
Claims handling costs	-	-	-	-	-	37	88	866	991
Risk margin	-	-	-	-	1	54	120	666	841
Net outstanding claims liability	-	-	-	-	6	488	1,272	7,865	9,631

Notes to the Annual Financial Statements

	2023 $	2022 $

24.8 Liability adequacy test

A liability adequacy test was performed for 30 June 2023 which indicates a surplus of $24,054,433 (2022: $5,978,632). The test were based on the following assumptions:

	2023	2022
Central estimate of the present value of expected future cash flows ($)	26,291,768	21,600,998
Component of the present value of expected future cash flows related to risk margin ($)	2,927,559	2,550,325
The percentage risk margin adopted in determining the present value of expected future cash flows (%)	11.1%	11.8%
The probability of adequacy intended to be achieved through the adoption of the risk margin (%)	75%	75%

25. Lease liabilities

25.1 Lease liabilities comprise:

	2023	2022
Leases - Australia	2,871,971	435,576
Lease - New Zealand	367,074	526,958
	3,239,045	**962,534**
Non-current liabilities	2,600,103	472,724
Current liabilities	638,942	545,552
	3,239,045	**1,018,276**

25.2 Additional disclosures

	2023	2022
Lease obligation payable within 12 months	638,942	592,806
Lease obligation payable after 12 months	2,600,103	555,807
Total undiscounted lease liabilities	3,239,045	1,148,613

Notes to the Annual Financial Statements

25.3 Amounts recognised in the statement of financial position

	2023 $	2022 $
Right-of-use assets		
Buildings	3,093,633	910,229
Assets which have not been separately disclosed in right-of-use assets on the face of the Statement of Financial Position		
Suite 21, Level 1, OTP House, 10 Bradford Close, Kotara 2289		
Cost price on 01/09/2020	998,450	998,450
Cost price on 01/04/2023	82,232	-
Less: Depreciation	(1,052,964)	(578,050)
	27,718	**420,400**
Level 3, 352 Hunter Street, Newcastle		
Cost price on 12/12/2022	2,769,629	-
Less: Depreciation	(230,802)	-
	2,538,827	**-**
52 Alfred Street, Milsons Point, Sydney		
Cost price on 18/11/2022	276,113	-
Less: Depreciation	(68,933)	-
	207,180	**-**
Part Level 16, AIA Building, 5-7 Byron Avenue, Takapuna, Auckland		
Cost price on 01/11/2020	579,224	579,224
Cost price on 01/11/2021 - Signage	165,560	155,819
Less: Depreciation	(424,876)	(245,214)
	319,908	**489,829**

25.4 Amounts recognised in the statement of profit or loss and other comprehensive income

	2023 $	2022 $
Depreciation	(734,166)	(487,828)
Interest expense	(97,686)	(66,455)
	(831,852)	**(554,283)**

25.5 Amounts recognised in the statement of cash flows

	2023 $	2022 $
Total cash outflow for leases	(641,059)	(308,978)

Notes to the Annual Financial Statements

26. Issued capital

Authorised and issued share capital

	2023 $	2022 $
Issued		
39,235,964 (2022: 29,823,199) fully paid ordinary shares at $1 each	39,235,964	29,823,199
901 Class E shares at $1	901	901
Share premium Class E shares	9,612,844	9,612,844
	48,849,709	**39,436,944**

27. Fair value

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

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

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

Fair value hierarchy

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

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

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

	LEVEL 1 $	LEVEL 2 $	LEVEL 3 $	**TOTAL $**
2023				
Cash and cash equivalents	21,287,227	-	-	**21,287,227**
Loans to related parties	-		9,186,661	**9,186,661**
Investments	49,651,176	-	-	**49,651,176**
	70,938,403	**-**	**9,186,661**	**80,125,064**
2022				
Cash and cash equivalents	32,148,664	-	-	**32,148,664**
Loans to related parties	-	-	4,210,992	**4,210,992**
Investments	23,390,625	-	-	**23,390,625**
	55,539,289	**-**	**4,210,992**	**59,750,281**

Notes to the Annual Financial Statements

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

As at 30 June 2023 and 30 June 2022 all cash and cash equivalents and term deposit investments held by the were categorised as Level 1 securities.

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

Movement table for level 3 Assets:

	2023 $	2022 $
Opening balance	4,210,992	6,484,547
Transfers	4,801,843	(2,325,525)
Interest received	173,826	51,970
Closing balance	**9,186,661**	**4,210,992**

28. Related parties

28.1 Group companies

AI Insurance Holdings Pty Ltd	AI Insurance Holdings Pty Ltd (AI) is an underwriting agency that traditionally only placed business with the Hollard Insurance Company Pty Ltd. As part of the restructure AI took over the business of Rapid Solutions Pty Ltd. AI sold all of its assets to Pacific International Insurance Pty Ltd. AI is now in run off and its AFSL has been cancelled and all products are now distributed through Pacific's own AFSL.
Badger Australia Holdings Pty Ltd	Badger Australia Holdings Pty Ltd (Badger) became the 100% shareholder of Pacific International Insurance Pty Ltd as part of the group restructure. Badger is an investment holding company with almost no trading activities. Badger has injected additional share capital into Pacific International Insurance Pty Ltd to stimulate growth.
Badger Software Pty Ltd	Badger Software Pty Ltd is the development company of the proprietary policy administration and claims system for the Badger Group. Badger Software Pty Ltd provides the full end to end development for all products and services that the group offer and the platform that Pacific International Insurance Pty Ltd uses for its policy administration and claims management.
Blue Badge Insurance Australia Pty Ltd	Blue Badge Insurance Australia Pty Ltd (BBIA) is an underwriting agency doing car insurance for people with disability. Pacific acquired 100% of the shares in BBIA during the 2022 year. The Company then went on to purchase the business including the brand name and customer list from the agency to make this a direct product of Pacific. The shares were sold back to Badger Holdings Australia during the 2023 year as a dormant company.
PD Insurance Agency Pty Ltd	PD Insurance Agency Pty Ltd is an underwriting agency that owned the Progressive Direct (PD) brand. As part of the restructure, Pacific International Insurance Pty Ltd bought 30% of the shares in 2019. These shares were sold to Badger Australia Holdings Pty Ltd during 2020. PD Insurance is now a direct product of Pacific.
Rapid Training Pty Ltd	Rapid Training Pty Ltd offers accredited training to the pest control industry and is considered a "value add" opportunity for Pacific. The Company charged Pacific International Insurance Pty Ltd a risk mitigation fee for training provided in the past to its insured clients.

28.2 Other related parties

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

28.3 Related party transactions and balances

	Badger Australia Holdings Pty Ltd	Dotsure Insurance Limited	Badger International (Pty) Ltd SA	Badger Software Pty Ltd	Blue Badge Insurance Australia Pty Ltd	Badger Holdings Pty Ltd SA	Rapid Solutions Pty Ltd	Rapid Training Pty Ltd	Total $
Year ended 30 June 2023									
Related party transactions									
Admin fees received	-	-	-	-	-	-	-	(285,422)	**(285,422)**
Interest received	(245,059)	-	-	-	-	-	-	-	**(245,059)**
Admin and management fees paid	-	184,789	42,465	986,712	-	983,176	-	-	**2,197,142**
Rent paid	-	-	-	-	172	-	-	-	**172**
Total related party transactions	**(245,059)**	**184,789**	**42,465**	**986,712**	**172**	**983,176**	**-**	**(285,422)**	**1,666,833**
Outstanding loan accounts									
Amounts receivable	9,186,661	-	-	-	-	-	-	-	**9,186,661**
Total outstanding loan accounts	**9,186,661**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,186,661**

	Badger Australia Holdings Pty Ltd	Dotsure Insurance Limited	Badger International (Pty) Ltd SA	Badger Software Pty Ltd	Blue Badge Insurance Australia Pty Ltd	Badger Holdings Pty Ltd SA	Rapid Solutions Pty Ltd	Rapid Training Pty Ltd	Total $
year ended 30 June 2022									
Related party transactions									
Interest received	(51,970)	-	-	-	-	-	-	-	**(51,970)**
Dividends received	-	-	-	-	(4,660,000)	-	-	-	**(4,660,000)**
Admin and management fees paid	-	97,584	668,201	1,472,976	-	446,943	-	-	**2,685,704**
Impairment of investment	-	-	-	-	4,624,260	-	-	-	**4,624,260**
Rent paid	-	-	-	-	12,000	-	-	-	**12,000**
Profit share (received) / paid	-	-	-	-	52,000	-	-	-	**52,000**
Total related party transactions	**(51,970)**	**97,584**	**668,201**	**1,472,976**	**28,260**	**446,943**	**-**	**-**	**2,661,995**
Outstanding balances for related party transactions									
Amounts receivable	3,223	-	-	-	-	-	45,863	26,087	**75,173**
Total outstanding balances for related party transactions	**3,223**	**-**	**-**	**-**	**-**	**-**	**45,863**	**26,087**	**75,173**
Outstanding loan accounts									
Amounts receivable	4,185,992	-	-	-	25,000	-	-	-	**4,210,992**
Total outstanding loan accounts	**4,185,992**	**-**	**-**	**-**	**25,000**	**-**	**-**	**-**	**4,210,992**

Notes to the Annual Financial Statements

	2023	2022
	$	$

29. Capital management and solvency

The Company considers share capital, retained earnings and reserves to be capital. The Company aims to retain a sufficient level of capital to achieve a 2:1 solvency coverage ratio to maintain its claims paying ability. The minimum capital requirement imposed by the Australian Prudential Regulatory Authority (APRA) is a minimum of $29,308,000. As at year end the Compan yhad a surplus capital of $22,833,000 above the APRA requirement.

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

As at year end the Company solvency margin is:

	2023 $000s	2022 $000s
Actual Solvency Capital	52,141	27,094
Prudential / minimum capital requirement	(29,308)	(16,690)
Solvency margin	**22,833**	**10,404**
Solvency ratio	**177.91%**	**162.34%**

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

30. Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2023 (30 June 2022: None).

Notes to the Annual Financial Statements

31. Cash flows from operating activities

	2023 $	2022 $
Profit for the year	**2,955,470**	**2,179,630**
Adjustments for:		
Income tax expense	214,410	(1,012,792)
Finance income	(1,936,366)	(159,173)
Finance costs	205,524	73,901
Depreciation and amortisation expense	1,576,568	1,346,369
Dividends received	(208,308)	(4,810,230)
Gains and losses on foreign exchange realised in profit or loss	36,540	(856,846)
Change in operating assets and liabilities:		
Adjustments for increase in trade accounts receivable	(18,337,207)	(6,776,756)
Adjustments for increase in trade accounts payable	11,265,280	3,059,276
Adjustments for increase in deferred income	7,386,653	3,934,331
Adjustments for employee benefits	346,561	781,186
Adjustments for reinsurers' share of insurance liabilities	(32,608,532)	(21,501,347)
Adjustments for deferred acquisition costs	(17,869,084)	(22,337,243)
Adjustments for insurance liabilities	56,847,064	61,071,508
Net cash flows from operations	**9,874,572**	**14,991,820**

32. Events after the reporting date

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

33. Comparatives

Certain comparative balances have been reclassified to align with the APRA submission. The aggregate effect of the reclassification of the comparatives on the annual financial statements for the year is nil.

Pacific International Insurance Pty Limited

(Registration Number 169 311 193)
Annual Financial Statements for the year ended 30 June 2023

Directors' Responsibilities and Approval

The Directors of the Company declare that:

1 the financial statements and notes for the year ended 30 June 2023 are in accordance with the Corporations Act 2001 and:

a. comply with Accounting Standards, which, as stated in basis of preparation Note 2 to the financial statements, constitutes explicit and unreserved compliance with Australian Accounting Standards (AASBs); and
b. give a true and fair view of the financial position and performance of the Company;

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

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

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

Mr Roland Covac Lange
(Executive Director - CEO)

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PACIFIC INTERNATIONAL INSURANCE PTY LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pacific International Insurance Pty Limited (the Company), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of 30 June 2023, is in accordance with the *Corporations Act 2001*, including:

(a) Giving a true and fair view of the Company's financial position as at 30 June 2023, and of its financial performance for the year then ended; and
(b) Complying with the Australian Accounting Standards and Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

Independence

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2023 but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible 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 has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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P. Pearman.

PAUL PEARMAN
PARTNER

27 SEPTEMBER 2023
SYDNEY, NSW