TELECO INSURANCE (NZ) LIMITED

ANNUAL REPORT 2023

CONTENTS

COMPANY DIRECTORY

Nature of business:	Mobile phone insurance
Registered office:	Level 2 Spark City 167 Victoria Street West, Auckland, 1010 New Zealand
Company registration number:	509425
Directors:	Richard Quince Alastair White
Shareholder:	Spark New Zealand Limited
Auditors:	Deloitte Limited Levels 12-18 80 Queen Street Auckland
Bankers:	Westpac New Zealand Limited

Richard Quince
DIRECTOR

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Alastair White
DIRECTOR

Date 25 October 2023

Statement of profit or loss and other comprehensive income

YEAR ENDED 30 JUNE	NOTES	2023 $'000	2022 $'000
Insurance premiums		13,725	16,800
Claims expense	2	(6,852)	(6,295)
Operating expenses	3	(239)	(231)
Underwriting surplus		6,634	10,274
Finance income	4	5,053	4,448
Net earnings before income tax		**11,687**	**14,722**
Income tax expense	5	(3,089)	(4,381)
Total comprehensive income for the year		**8,598**	**10,341**

See accompanying notes to the financial statements.

Statement of financial position

AS AT 30 JUNE	NOTES	2023 $'000	2022 $'000
Current assets			
Cash and cash equivalents	6	562	543
Interest receivable		1	-
Prepayments		59	57
Amounts due from related parties	10	88,257	80,851
Deferred tax assets	5	19	-
Total current assets		88,898	81,451
Non-current assets			
Deferred tax assets	5	-	20
Total non-current assets		-	20
Total assets		**88,898**	**81,471**
Current liabilities			
Outstanding claims liability	7	387	398
Unearned revenue		574	566
Amounts due to related parties	10	882	1,017
Taxation payable	5	3,272	4,305
Total current liabilities		5,115	6,286
Total liabilities		**5,115**	**6,286**
Equity			
Share capital	8	1	1
Retained earnings		83,782	75,184
Total equity attributable to equity holders of the Company		**83,783**	**75,185**
Total liabilities and equity		**88,898**	**81,471**

See accompanying notes to the financial statements.

On behalf of the Board

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Richard Quince
Director

Alastair White
Director

Authorised for issue on 25 October 2023

Statement of changes in equity

YEAR ENDED 30 JUNE 2023	SHARE CAPITAL $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Balance at 1 July 2022	**1**	**75,184**	**75,185**
Net earnings for the year	-	8,598	8,598
Total comprehensive income for the year	**-**	**8,598**	**8,598**
Balance at 30 June 2023	**1**	**83,782**	**83,783**

YEAR ENDED 30 JUNE 2022	SHARE CAPITAL $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Balance at 1 July 2021	**1**	**64,843**	**64,844**
Net earnings for the year	-	10,341	10,341
Total comprehensive income for the year	**-**	**10,341**	**10,341**
Balance at 30 June 2022	**1**	**75,184**	**75,185**

See accompanying notes to the financial statements.

Statement of cash flows

YEAR ENDED 30 JUNE	2023 $'000	2022 $'000
Cash flows from operating activities		
Interest income	19	5
Net cash flows from operating activities	**19**	**5**
Net cash flow	**19**	**5**
Opening cash position	543	538
Closing cash position	**562**	**543**

Reconciliation of net earnings to net cash flows from operating activities

YEAR ENDED 30 JUNE	2023 $'000	2022 $'000
Net earnings for the year	8,598	10,341
Adjustments to reconcile net earnings to net cash flows from operating activities		
Insurance premiums	(13,725)	(16,800)
Claims incurred	6,852	6,295
Operating expenses	239	231
Intercompany interest income	(5,033)	(4,443)
Income tax expense	3,089	4,381
Changes in assets and liabilities net of effects of non-cash and investing and financing activities		
Movement in interest receivable	(1)	-
Net cash flows from operating activities	**19**	**5**

See accompanying notes to the financial statements.

Spark New Zealand Trading Limited collects insurance premiums and settles claims on behalf of the Company. The operating and financing activities of the Company are settled through intercompany current accounts held with Spark Finance Limited, which are not considered cash equivalents.

Notes to the financial statements

Note 1 Accounting Policies

Reporting entity

Teleco Insurance (NZ) Limited (the Company) is a wholly owned subsidiary of Spark New Zealand Limited (the Parent), Spark New Zealand Limited and its subsidiaries together form the "Spark Group".

The principal activity of the Company is to provide insurance policies for mobile phone handsets sold by the Spark Group. The Company has a credit rating with Standard and Poor's of BBB+, which was reaffirmed on 24 November 2022.

The Company is a profit-oriented entity and was incorporated in New Zealand on 18 July 1991, registered under the Companies Act 1993. The introduction of the Insurance (Prudential Supervision) Act 2010 requires all insurers carrying on insurance business in New Zealand to be licensed by the Reserve Bank of New Zealand (RBNZ). The Company was granted a full license on 10 June 2013. In accordance with the terms of the license, the Company is a reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

Going concern

In December 2022, Spark New Zealand Trading Limited made the decision to cease offering the insurance product through the Company by 31 December 2023 which was ratified by the Board of the Company in February 2023. This will result in the Company winding down its operations within twelve months of the date these financial statements were approved by the Board.

Basis of preparation

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for Tier 1 for-profit entities. They have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013. The financial statements also comply with International Financial Reporting Standards (IFRS).

As management intends to cease trading of the Company within twelve months of the date these financial statements were approved by the Board, these financial statements are not prepared on a going concern basis.

Measurement basis

As explained under 'Going concern' above, the Company intends to cease operations within twelve months of the date these financial statements were approved by the Board. The financial statements have been prepared on a basis other than that of a going concern which includes, where appropriate, writing down the entity's assets to net realisable value. The financial statements do not include any provision for the future costs of terminating the business of the entity except to the extent that such costs were committed at the end of the reporting period. Deferred tax assets have been classified to current as they will now be realised within twelve months of the balance date. The financial statements are presented in New Zealand dollars, the Company's functional and presentation currency. All financial information has been rounded to the nearest thousand dollars, unless otherwise stated.

Insurance premiums

Insurance premiums comprises amounts charged to the policy holders. The earned portion of premiums received and receivable is recognised as revenue. Insurance premiums are earned over the indemnity period based on the pattern of risks underwritten, from the date of attachment of risk. Unearned revenue comprises the element of the monthly premiums paid in advance by customers part way through the month preceding the year-end, that relates to insurance coverage post the year-end reporting date.

Taxation

The taxation expense charged to earnings includes both current and deferred tax and is calculated after allowing for non-temporary differences. Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Deferred taxation is recognised using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except for temporary differences arising on initial recognition of an asset or liability (unless arising in a business combination or impacting profit or loss). Future tax benefits are recognised where realisation of the asset is probable. Deferred tax is determined based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Current and deferred tax is recognised in the statement or profit or loss, except when the tax relates to items charged or credited directly in equity or other comprehensive income, in which case the tax is also recognised in equity and other comprehensive income.

Notes to the financial statements

Note 1 Accounting Policies (continued)

Claims and outstanding claims liability

Claims expense consists of payment for claims, direct costs incurred in administering claims and the movement in the outstanding claims liability. Claims represent the benefits paid or payable to the policyholder on the occurrence of an event giving rise to a claim according to the terms of the policy. Claims expenses are recognised in the statement of profit or loss and other comprehensive income according to the point in time when the event giving rise to the claim occurs.

The outstanding claims liability is calculated retrospectively based on claims reported but not yet paid; claims incurred prior to the year-end but not yet reported (IBNR); expected direct and indirect claims settlement costs; plus a risk margin. The IBNR is calculated using an average term to settlement based on historic settlement patterns, which for the current and previous financial years was deemed to be 50% of the total claims settlement value for the month subsequent to the year-end date.

The value of outstanding claims has not been discounted because the period between the date of claim and the settlement date is short (within one year) and the valuation estimates of an expected level of payment allows for current inflation. The variation in outcome of the claims liability will be small because the valuation of claims for replacement mobile handsets is based on current retail prices, the number of open claims relating to the financial year is known, and the insurance settlement date is short.

Financial assets backing general insurance liabilities

The Company’s financial assets consist primarily of surplus funds invested with Spark Finance Limited, and these funds are used to back both general insurance liabilities and financial liabilities arising under non-insurance contracts. The Company has an agreement with Westpac New Zealand Limited to guarantee $25 million of its receivable from Spark Finance Limited (2022: $25 million).

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

Interest income

Interest income is recognised on an effective interest basis.

New standards not yet adopted

NZ IFRS 17 Insurance Contracts

NZ IFRS 17 Insurance Contracts (NZ IFRS 17) replaces the current guidance in NZ IFRS 4, and establishes the principles for recognition, measurement, presentation and disclosure of insurance contracts. NZ IFRS 17 is effective for annual periods beginning on or after 1 January 2023. As explained under 'Going concern' above, the Company intends to cease offering the insurance product by 31 December 2023. The impact of of NZ IFRS 17 has not been fully determined.

Notes to the financial statements (continued)

Note 2 Claims expense

	2023	2022
YEAR ENDED 30 JUNE	$'000	$'000
Claims incurred in current year	6,404	5,848
Risk margin expense	(2)	(3)
Claims management fee	450	450
Total claims expense	**6,852**	**6,295**

Claims incurred in the current year relate fully to risks borne in the current year.

Note 3 Operating expenses

	2023	2022
YEAR ENDED 30 JUNE	$'000	$'000
Credit rating fee	66	65
Directors' fees	10	10
Other operating expenses	163	156
Total operating expenses	**239**	**231**

The Company had no employees in the current year (2022: nil). Audit fees of $11,500 (2022: $10,700) and fees for the reasonable assurance engagement in relation to the Annual Solvency Return of $5,800 (2022: $5,400) have been paid for and recorded by a fellow subsidiary. Some other costs are incurred by other Spark Group subsidiaries on behalf of the Company for administration and accounting services.

Note 4 Finance income

	2023	2022
YEAR ENDED 30 JUNE	$'000	$'000
Intercompany interest income	5,033	4,443
Other interest income	20	5
Total finance income	**5,053**	**4,448**

Note 5 Taxation

	2023	2022
YEAR ENDED 30 JUNE	$'000	$'000
Current year income tax expense		
Current year income tax	2,905	4,645
Adjustment in respect of prior periods	183	(259)
Deferred income tax		
Provisions	-	(3)
Adjustment in respect of prior periods	1	(2)
Income tax expense per statement of profit or loss and other comprehensive income	**3,089**	**4,381**
Reconciliation of tax expense		
Net earnings before income tax	**11,687**	**14,722**
Tax at 28%	3,272	4,122
Adjustment in respect of prior periods	(183)	259
Income tax expense per statement of profit or loss and other comprehensive income	**3,089**	**4,381**

Taxation payable	**2023**	**2022**
AS AT 30 JUNE	$'000	$'000
Balance at the beginning of the year	**4,305**	**3,904**
Income tax expense per statement of profit or loss and other comprehensive income	3,089	4,381
Tax paid and inter-group allocation	(4,122)	(3,980)
Balance at the end of the year	**3,272**	**4,305**

Notes to the financial statements (continued)

Note 5 Taxation (continued)

Deferred tax asset	**2023**	**2022**
AS AT 30 JUNE	$'000	$'000
Balance at the beginning of the year	20	21
Adjustment in respect of prior periods	(1)	2
Adjustments relating to current period provisions	-	(3)
Balance at the end of the year	**19**	**20**

Note 6 Cash and cash equivalents

	2023	**2022**
AS AT 30 JUNE	$'000	$'000
Cash at bank	12	43
Short-term investments	550	500
Total cash and cash equivalents	**562**	**543**

Note 7 Outstanding claims liability

	2023	**2022**
AS AT 30 JUNE	$'000	$'000
Outstanding claims liability	337	346
Risk margin	50	52
Total outstanding claims liability	**387**	**398**

Christine Ormrod FNZSA FIA (PwC) is the Appointed Actuary for the Company. The actuary has nominated a risk margin to allow for uncertainty in the central estimate of claims and to achieve a 75% probability of sufficiency of the provision. A 1% increase / (decrease) in the risk margin assumption does not result in a material impact on the reported profit, outstanding claims liabilities and equity of the Company. The actuary is satisfied as to the nature, sufficiency, and accuracy of the data used to determine the outstanding claim liabilities

The liability adequacy test which was performed as at 30 June 2023 identified a surplus for the Company (30 June 2022: surplus).

Reconciliation of movement in claims liability:

	2023	**2022**
AS AT 30 JUNE	$'000	$'000
Balance at the beginning of the year	398	423
Claims notified	6,913	6,318
Claims expenses	(6,852)	(6,295)
Movement in risk margin	(1)	(3)
Movement in amounts receivable from Spark New Zealand Trading Limited	(61)	(23)
Movement in claims incurred but not reported (IBNR)	(10)	(22)
Balance at the end of the year	**387**	**398**

Note 8 Equity

Ordinary shares

	ORDINARY SHARES	
	Number	*$'000*
As at 30 June 2023	100	1
As at 30 June 2022	100	1

Each share confers on the holder the right to vote at any meeting of shareholders. The Company maintains equity in the form of retained earnings of $84 million (2022: $75 million), and the Directors believe that this is an appropriate level to cover its exposure to risk, based on annual aggregate exposure and loss history.

Notes to the financial statements (continued)

Note 9 Risk management

The Company is exposed to a number of risks in the normal course of business, primarily insurance risk, financial risk (liquidity risk and interest rate risk), credit risk and capital adequacy.

Insurance risk

The Company's main insurance risk is from the increasing value of smartphones which will impact on claim costs in the future. Therefore, the main risk management objective is to manage the magnitude and the volatility of claim costs. Aon New Zealand Limited, the claims administrator, also actively manages claim activity, with assistance from the Spark Group. The Company reviews premium rates by having the Appointed Actuary regularly review the premium rates to ensure that prices reflect risk.

For the Company, a broader risk is the reliance on one line of business (namely mobile handset insurance for pay-monthly customers). If something were to arise that negatively affect this, such as reduced use of mobile phones or alternative customer propositions, it would have a flow on impact on the Company's financial position. The probability of catastrophe risk causing a large number of handset replacement claims is low as the value of policies is relatively low and policyholders are geographically widespread throughout New Zealand.

Financial risk

a) Liquidity risk
Nature of the risk
Liquidity risk is the risk that the Company is unable to pay claims and operating expenses as they fall due.

Exposure and risk management
The company manages liquidity through risk by holding surplus funds of $87 million (2022: $78 million) in an on-call current account with Spark Finance Limited. The Company has entered into an agreement with Westpac New Zealand Limited to guarantee $25 million of the $87 million funds held by Spark Finance Limited, in order to mitigate the risk of asset concentration of these funds being held by a related party. All financial liabilities, including outstanding claims liabilities are treated as current with the settlement of recognised insurance liabilities expected to be within 12 months. Westpac New Zealand Limited has current credit ratings of AA- with Standard and Poor's, and A1 with Moody's Investor Services.

b) Interest rate risk
Nature of the risk
Interest rate risk is the risk that fluctuations in interest rates impact the Company's financial performance or the fair value of its holdings of financial instruments.

Exposure and risk management
There is minimal interest rate risk as surplus funds invested with Spark Finance Limited earn a fixed interest rate of 6% (2023: 6%) and amounts are repayable at book value at the option of the Company or Spark Finance Limited. Both the Company and Spark Finance Limited have the ability to renegotiate terms of the agreement at any time. An interest risk exists when short-term investments held with financial institutions mature and a new investment is purchased.

c) Credit risk
Nature of the risk
The Company incurs credit risk related to financial assets of $89 million (2022: $81 million).

Exposure and risk management
Except for $550,000 invested with a financial institution (2022: $500,000), the Company's funds are invested in Spark Finance Limited. The board of directors of Spark Finance Limited have approved a credit risk policy that limits exposure with counterparties by placing its cash and short-term investments with high credit quality financial institutions and sovereign bodies, and it also limits the amount of credit exposure to any one of these financial institutions.

The Parent (which guarantees Spark Finance Limited's debt) has a credit rating from Standard & Poor's as at 30 June 2023 as follows:

Long Term Senior Debt	A-
Short Term Debt	A-2
Outlook	Stable

Notes to the financial statements (continued)

Note 9 Risk management (continued)

Capital adequacy

Capital management policies and objectives
The Insurance (Prudential Supervision) Act 2010 (“the Act”) requires all general insurance entities carrying on business in New Zealand to be licensed by the Reserve Bank of New Zealand. The Company held a full licence in the current financial year. The Company is managing its capital in accordance with the requirements of the Act.

Under the Solvency Standard for Non-life Insurance Business (“the solvency standard”) issued by the Reserve Bank of New Zealand, the Company is required to maintain a solvency margin as determined under the solvency standard at or above the minimum solvency capital level.

The Company satisfied all externally imposed capital requirements which they were subject to during the year ended 30 June 2023. The Company has embedded in its capital management framework the necessary tests to ensure continuous and full compliance with the solvency standard.

Capital composition
The Company manages its capital by considering both regulatory and economic capital. The primary source of capital used is total equity attributable to owners. Total equity attributable to owners equates to “capital” as defined in the solvency standard and shown below.

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

	2023	2022
AS AT 30 JUNE	$'000	$'000
Actual solvency capital	83,764	75,165
Minimum solvency capital	70,295	60,983
Solvency margin	13,469	14,182
Solvency ratio	1.19	1.23

Note 10 Related parties

AS AT 30 JUNE	2023 $'000	2022 $'000
Current assets		
Amounts due from Spark Finance Limited	86,859	78,226
Amounts due from Spark New Zealand Trading Limited	1,398	2,625
Total amounts due from related parties	**88,257**	**80,851**
Current liabilities		
Amounts due to Spark New Zealand Trading Limited	566	697
Amounts due to Telegistics Limited	316	320
Total amounts due to related parties	**882**	**1,017**

Transactions occurring during the year:

YEAR ENDED 30 JUNE	2023	2022
Spark Finance Limited:	$'000	$'000
Net operating transactions	7,721	10,737
Interest received	5,033	4,443
Tax adjustments and loss offsets	(4,121)	(3,978)
Spark New Zealand Trading Limited:		
Replacement mobile handsets	(2,367)	(1,307)
Telegistics Limited:		
Replacement mobile handsets	(4,035)	(4,538)

At 30 June 2023, the Company owes amounts to Spark New Zealand Trading Limited for the reimbursement of expenses paid to suppliers and for replacement mobile handsets provided to insurance claimants on the Company's behalf (30 June 2022: same). No related party debts have been written off or forgiven during the year.

Notes to the financial statements (continued)

Note 10 Related parties (continued)

Insurance premium revenue is net of administration costs charged by Spark New Zealand Trading Limited of $1,413,000 (30 June 2022: $1,427,000). The expense for claims incurred in the current year is net of rebates given to the Company by Spark New Zealand Trading Limited of $1,868,000 (30 June 2022: $1,742,000).

Note 11 Contingent liabilities

The Directors are not aware of any significant contingent liabilities at 30 June 2023 (30 June 2022: nil).

Note 12 Capital commitments

There are no capital commitments at 30 June 2023 (30 June 2022: nil).

Note 13 Subsequent events

There have been no events subsequent to balance date that impact these financial statements.

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Independent Auditor's Report

To the Shareholder of Teleco Insurance (NZ) Limited

Opinion

We have audited the financial statements of Teleco Insurance (NZ) Limited (the 'Company'), which comprise the statement of financial position as at 30 June 2023, and 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.

In our opinion, the accompanying financial statements, on pages 3 to 11, present fairly, in all material respects, the financial position of the Company as at 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

We are independent of the Company in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We have also carried out a reasonable assurance engagement over the Company's annual solvency return to the Reserve Bank of New Zealand. Our firm also carries out other assignments for the Parent, Spark New Zealand Limited, in relation to the audit of the annual financial statements of the Parent and its subsidiaries (the 'Group'), regulatory audit, other assurance related services (such as trustee reporting), taxation compliance and non-assurance services provided to the Corporate Taxpayers Group of which Spark New Zealand is a member. These services have not impaired our independence as auditor of the Company or its Parent, Spark New Zealand Limited. In addition to this, the Chief Executive of Spark New Zealand Limited has both a sister and brother-in-law that are partners at Deloitte. These Deloitte partners are not involved in the provision of any services to the Company or its Parent, Spark New Zealand Limited and this matter has not impacted our independence. Also, partners and employees of our firm deal with Spark New Zealand Limited and its subsidiaries on normal terms within the ordinary course of trading activities of its business. The firm has no other relationship with, or interest in the Company or its Parent.

Emphasis of Matter – Basis other than going concern

Without qualifying our opinion, we draw your attention to Note 1 which confirms the Company will be ceasing operations subsequent to balance date. Accordingly, as disclosed in Note 1, the financial statements have been prepared on other than a going concern basis and in accordance with the accounting policies outlined in Note 1.

Key audit matters

We have determined that there are no key audit matters to communicate in our report.

Directors' responsibilities for the financial statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) 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 these financial statements.

As part of an audit in accordance with ISAs and ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Where the financial statements have been prepared on a basis other than going concern, consider if the other basis of accounting used by the directors is appropriate in the specific circumstances and if the financial statements contain the necessary disclosures. If we conclude that the preparation of the financial statements on a basis other than going concern is appropriate, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent 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, related safeguards.

Restriction on use

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

Deloitte Limited

Bennie Greyling
Partner
for Deloitte Limited
Auckland, New Zealand
25 October 2023

The Board of Directors
Teleco Insurance (NZ) Limited
42-52 Willis Street
Wellington

16 October 2023

Appointed actuary's review of actuarial information for Teleco Insurance (NZ) Limited

To the Directors of Teleco Insurance (New Zealand) Limited

Background

This letter has been prepared for Teleco Insurance (New Zealand) Limited (Teleco) to meet the requirements of Section 78 of the Insurance (Prudential Supervision) Act 2010 (Act) in respect of Section 77 of the Act which requires that each licensed insurer must ensure that the actuarial information contained in, or used in preparation of, the financial statements of the insurer is reviewed by the appointed actuary.

I have reviewed the following actuarial information in the version of the financial statements provided on 16 October 2023, which I understand is the information which will included in the audited accounts for Teleco as at 30 June 2023:

- Insurance premiums, claims expense and unearned revenue; these I have reviewed for general reasonableness based on the prior year amounts and my knowledge of changed in the business over the year but otherwise depended on the auditor's work over the financial statements.
- Outstanding claim liability
- Note 9 Capital adequacy: I have confirmed that the solvency capital amounts are consistent with those shown in the solvency return as at 30 June 2023.

I have been provided with all the information and explanations that I have required to complete my review.

I am the appointed actuary to Teleco and am a Director of PricewaterhouseCoopers New Zealand. I am independent of Teleco.

In my opinion and from an actuarial perspective:

- the actuarial information contained in the financial statements has been appropriately included in those statements
- the actuarial information used in the preparation of the financial statements has been used appropriately

- at the balance date, 30 June 2023, Teleco was maintaining a solvency margin as required under the Solvency Standard for Non-Life Insurance Business 2014 (incorporating amendments to November 2018), issued by the Reserve Bank of New Zealand.

Reliances and limitations

This letter has been prepared for Teleco and is provided in accordance with the terms set out in our engagement letter dated 8 September 2023.

No distribution of this letter to third parties, other than as required by law is permitted by us. There may be requests for our report to be copied to third parties. We will be happy to consider these requests, as and when they arise.

Our responsibilities and liabilities are limited to Teleco and exist only in the context of its use of our letter. No liability or responsibility will be accepted by us in relation to the use of our report for any other purpose. We will not accept any liability or responsibility to any third party recipients.

We have relied on information provided to us in the course of carrying out our work. We perform some data validation checks but we have not verified all of the information provided to us, nor have we carried out anything in the nature of an audit. Accordingly, we express no opinion on the total reliability, accuracy or completeness of the information provided to us and upon which we have relied. We have no reason to believe that the information provided to us is inaccurate or misleading.

This letter must be read in its entirety. Individual sections of this report could be misleading if considered in isolation from each other. If distributed, this letter must be distributed in its entirety.

This letter is not considered an actuarial report under Professional Standard 90 of the New Zealand Society of Actuaries.

Yours sincerely
for **PricewaterhouseCoopers Consulting (New Zealand) LP**

Christine Ormrod FNZSA
Appointed Actuary, Teleco Insurance (New Zealand) Limited
christine.d.ormrod@pwc.com
T: +(64) 21 343 485