Pinnacle Life Limited
Financial statements
for the year ended 30 June 2024

Contents

Statement of comprehensive income

For the year ended 30 June 2024

	Notes	2024 $'000	2023 (Restated)* $'000
Insurance revenue	3,15	**39,588**	29,777
Insurance service expenses	5	**(32,816)**	(28,210)
Net expenses from reinsurance contracts held		**(3,663)**	(231)
Insurance service result		**3,109**	1,336
Interest income calculated using the effective interest method		**474**	377
Fair value gain / (loss) on financial assets at fair value through profit and loss		**177**	(318)
Net investment income		**651**	59
Finance income from insurance contracts issued	4	**263**	1,027
Finance (expense) / income from reinsurance contracts held	4	**(2,869)**	590
Net insurance finance (expense) / income		**(2,606)**	1,617
Other operating expenses	5	**(1,856)**	(338)
(Loss) / profit before income tax		**(702)**	2,674
Income tax benefit / (expense)	6	**196**	(752)
Net (loss) / profit after income tax		**(506)**	1,922
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive (loss) / income for the year		**(506)**	1,922

*The 2023 comparative amounts have been restated following the adoption of NZ IFRS 17 (see note 1 (c)).

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2024

	Notes	**30 June 2024 $'000**	30 June 2023 (Restated)* $'000	1 July 2022 (Restated)* $'000
ASSETS				
Cash and cash equivalents	7	**7,217**	6,085	5,131
Financial assets at fair value through profit or loss	8	**10,314**	10,574	8,177
Insurance contract assets	15	**34,250**	31,557	32,419
Reinsurance contract assets	15	**11,918**	8,781	3,117
Other assets	9	**260**	235	191
Current tax assets		**161**	167	69
Property, plant and equipment	10	**156**	79	23
Right-of-use asset	11	**171**	292	228
Intangible assets	12	**680**	511	844
Total assets		**65,127**	58,281	50,199
LIABILITIES				
Payables	13	**3,714**	3,026	2,289
Provisions	14	**297**	170	94
Lease liabilities	11	**179**	296	230
Insurance contract liabilities	15	**16,951**	9,901	5,172
Deferred tax liabilities	6	**11,130**	11,326	10,574
Total liabilities		**32,271**	24,719	18,359
Net assets		**32,856**	33,562	31,840
EQUITY				
Share capital	16	**22,285**	22,285	22,285
Retained earnings	18	**10,571**	11,277	9,555
Total equity		**32,856**	33,562	31,840

*The comparative amounts have been restated following the adoption of NZ IFRS 17 (see note 1(c)).

The Board of Directors of Pinnacle Life Limited authorised these financial statements presented on pages 2 to 54 for issue on the date below.

For and on behalf of the Board.

Signed by:
D7FA4C90F6CF707F

Director
Date: 19/09/2024

Signed by:
125392ED3601929C

Director
Date: 19/09/2024

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2024

	Notes	Attributable to equity holders of the Company: Contributed equity $'000	Attributable to equity holders of the Company: Retained earnings $'000	Total equity $'000
Balance as at 1 July 2022		22,285	15,190	37,475
Adjustment on initial application of NZ IFRS 17, net of tax	1(c)	-	(5,635)	(5,635)
Balance as at 1 July 2022 (restated)*		22,285	9,555	31,840
Comprehensive income				
Profit for the year (restated)*		-	1,922	1,922
Total comprehensive income		-	1,922	1,922
Transactions with owners				
Dividends	18	-	(200)	(200)
Total transactions with owners		-	(200)	(200)
Balance as at 30 June 2023 (restated)*		22,285	11,277	33,562
Balance as at 1 July 2023		22,285	11,277	33,562
Comprehensive income				
Loss for the year		-	(506)	(506)
Total comprehensive income		-	(506)	(506)
Transactions with owners				
Dividends	18	-	(200)	(200)
Total transactions with owners		-	(200)	(200)
Balance as at 30 June 2024		22,285	10,571	32,856

*The comparative amounts have been restated following the adoption of NZ IFRS 17 (see note 1(c)).

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 30 June 2024

	Notes	**2024 $'000**	2023 (Restated)* $'000
Cash flows from operating activities			
Inflows			
Premium receipts from customers		**46,069**	36,529
Reinsurance recoveries received		**8,725**	9,547
Interest received		**467**	378
Total cash inflow from operating activities		**55,261**	46,454
Outflows			
Payments to suppliers and employees		**(23,557)**	(16,481)
Payments to reinsurers		**(18,396)**	(14,573)
Claims paid		**(11,779)**	(11,127)
Net GST paid		**50**	(2)
Interest paid on lease liabilities		**(14)**	(16)
Income tax refunded / (paid)		**-**	(98)
Total cash outflow from operating activities		**(53,696)**	(42,297)
Net cash provided by operating activities	7	**1,565**	4,157
Cash flows from investing activities			
Proceeds from maturity of investments		**87**	4,705
Payments for property, plant and equipment	10	**(112)**	(76)
Payments for intangible assets	12	**(440)**	(112)
Payment for investments		**-**	(7,420)
Investments reclassified to cash and cash equivalents		**350**	-
Net cash used in investing activities		**(115)**	(2,903)
Cash flows from financing activities			
Dividends paid	18	**(200)**	(200)
Principal elements of lease payments		**(118)**	(101)
Net cash used in financing activities		**(318)**	(301)
Net increase / (decrease) in cash and cash equivalents		**1,132**	953
Cash and cash equivalents at the beginning of the financial year		**6,085**	5,132
Cash and cash equivalents at end of year	7	**7,217**	6,085

*The comparative amounts have been restated following the adoption of NZ IFRS 17 (see note 1(c)).

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 Summary of other material accounting policies

The notes to the financial statements include information that is considered relevant and material to assist the reader in understanding changes in the financial position and performance of Pinnacle Life Limited (the Company).

Information is considered relevant and material if:

- the amount is significant because of its size and nature;
- it is important for understanding the results of the Company;
- it helps explain changes in the Company's business; or
- it relates to an aspect of the Company's operations that is important to future performance.

Pinnacle Life Limited is incorporated and domiciled in New Zealand. Pinnacle Life Limited is registered under the Companies Act 1993. The principal activity of the Company is that of a life insurer.

With the implementation of the Insurance (Prudential Supervision) Act 2010 all life insurance entities undertaking insurance business in New Zealand are required to be licensed by the Reserve Bank of New Zealand (RBNZ). The Company has been granted a full license. As a result of being a licensed insurer, the Company is deemed to be an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA).

These financial statements were authorised for issue by the Board of Directors on the date shown in the statement of financial position.

(a) Basis of preparation

These financial statements have been prepared:

- in accordance with New Zealand Generally Accepted Accounting Practice in New Zealand (GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards as issued by the IASB (IFRS Accounting Standards) and other New Zealand accounting standards and authoritative notices that are applicable for Tier 1 for-profit entities;
- in accordance with the requirements of the Companies Act 1993, the Insurance (Prudential Supervision) Act 2010 and the Financial Markets Conduct Act 2013;
- on the basis of historical cost convention, as modified by revaluations for certain classes of assets and liabilities to fair value and insurance contract assets and liabilities and related reinsurance contract assets using fulfilment cash flows (FCFs);
- on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business; and
- in New Zealand dollars (which is the Company's functional and presentation currency), rounded to the nearest thousand.

(b) Adoption of new and revised Standards and Interpretations

New standards, amendments and interpretations to existing standards that came into effect during the current reporting period

The Company adopted the following new or amended accounting standards from 1 July 2023

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

  The Company has initially applied NZ IFRS 17 from 1 July 2023. The standard has brought significant changes to the accounting for insurance and reinsurance contracts (together ‘insurance contracts’ unless explicitly stated otherwise). As a result, the Company has restated certain comparative amounts and presented a third statement of financial position as at 1 July 2022. The nature and effects of the transition to NZ IFRS 17 are summarised in note 1(c), including the financial impacts on the statement of financial position as at 1 July 2022. The Company’s revised insurance-related accounting policies are presented throughout the notes to the financial statements. The impacted note disclosures have been restated accordingly.

1 Summary of other material accounting policies (continued)

(b) Adoption of new and revised Standards and Interpretations (continued)

- Disclosure of Accounting Policies – Amendments to NZ IAS 1 *Presentation of financial statements* (NZ IAS 1) and IFRS Practice Statement 2 *Making Materiality Judgements*

  The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. The Company considered this amendment when changing its accounting policies resulting from the adoption of NZ IFRS 17.

In addition, the Company has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 July 2022. The amendments do not have a significant impact on the Company's financial statements:

- Definition of Accounting Estimates – Amendments to NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to NZ IAS 12 *Income Taxes*
- Tax Reform Pillar Two Model Rules - Amendments to NZ IAS 12 *Income Taxes*. The amendments provide a temporary exception from accounting for deferred taxes arising from legislation enacted to implement the OECD's Pillar Two model rules and introduce additional disclosure requirements for the annual financial statements.*Refer to note* note 6.

New standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company

- NZ IFRS 18 *Presentation and Disclosure in Financial Statements* (NZ IFRS 18) was issued in May 2024 as a replacement for NZ IAS 1, introducing a more defined structure for the statement of comprehensive income, disclosure of management-defined performance measures where applicable, and additional guidance on aggregation and disaggregation principles. NZ IFRS 18 will be effective for annual reporting periods beginning on or after 1 January 2027. The Company is currently assessing the impact.

There are a number of other amendments to standards and interpretations that are not yet effective for the year beginning 1 July 2023. None of these amendments to standards and interpretations have been identified as having a material effect on the Company's financial statements in the future.

(c) Adoption of NZ IFRS 17

Effects of the transition to NZ IFRS 17 on 1 July 2022

All of the Company's insurance contracts are within the scope of NZ IFRS 17. The Company determined that it is impracticable to apply the full retrospective approach (FRA) to certain groups of insurance contracts and an asset for insurance acquisition cash flows (IACFs) due to the granularity of information collected or the amount of information retained not being sufficient to determine the effects of applying NZ IFRS 17 retrospectively. As a result, the Company applied the following approaches:

Insurance contracts	(Financial) Year of issue	Transition approaches
Funeral and Reinsurance contracts held	2019 and after	FRA
	Before 2019	Fair Value Approach (FVA)
Lump Sum Risk and Income Protection	Before and including 2022	FVA

Under the FVA, the contractual service margin of a group of insurance contracts at transition was determined as the difference between the fair value of this group at transition determined in accordance with NZ IFRS 13 *Fair Value Measurement* and the corresponding NZ IFRS 17 FCFs measured at transition.

1 Summary of other material accounting policies (continued)

(c) Adoption of NZ IFRS 17 (continued)

Some groups of contracts measured under the FVA contain contracts issued more than one year apart. For all groups measured under the FVA, the discount rates on initial recognition were determined at 1 July 2022 instead of at the date of initial recognition. For further details on the determination of the fair value of the groups of insurance contracts and an asset for IACFs at transition see note 16(a)(vi).

On transition to NZ IFRS 17 at 1 July 2022 the Company:

- identified, recognised and measured each group of insurance contracts as if NZ IFRS 17 had always been applied under FRA;
- identified, recognised and measured the remaining groups of insurance contracts using FVA;
- identified, recognised and measured any assets for IACFs using the FVA;
- derecognised previously reported balances that would not have existed if NZ IFRS 17 had always been applied. These included insurance-related receivables and payables and NZ IFRS 4 life insurance contract assets (including implicit deferred acquisition costs) and reinsurance contract liabilities. Under NZ IFRS 17 they are included in the measurement of the insurance contracts;
- identified, recognised and measured an adjustment to the deferred tax position as of 1 July 2022 as a result of adopting NZ IFRS 17; and
- recognised any resulting net difference in equity.

The Company has applied the transition provisions in NZ IFRS 17 and has not disclosed the impact of the adoption of NZ IFRS 17 on each financial statement line item.

The adoption of the NZ IFRS 17 has resulted in a $5,635,000 reduction in net assets at 1 July 2022. The drivers of remeasurements in the restated opening statement of financial position include the following:

Drivers	Description	Remeasurement $'000
Differences in the valuation of (re)insurance contracts under Funeral and Reinsurance portfolios	These differences mainly reflect: - Adjustments to the discount rates, in particular adding an illiquidity premium - Changes in the expense assumptions due to only directly attributable expenses being included in FCF process - The introduction of an explicit risk adjustment for non-financial risk under NZ IFRS 17.	(4,376)
Differences in the valuation of insurance contracts under Lump Sum Risk and IP portfolios	The asset for IACFs has been calculated using a fair value transition approach. The remeasurement is the approximate difference between the asset for IACFs value and a proxy for deferred acquisition costs (DAC) under NZ IFRS 4 that was implicit within the insurance contract assets previously.	(2,047)
Adjustment to the deferred tax position	Impact of deferred tax difference at transition.	788
Total impact	Net impact on net assets at 1 July 2022	(5,635)

2 Critical accounting estimates and judgements

In preparing these financial statements, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. These judgements, estimates and assumptions are based on experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates, judgments and assumptions. Actual results may differ from the estimates, judgements and assumptions made by management.

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

2 Critical accounting estimates and judgements (continued)

The significant judgements and estimation uncertainties relate to the measurement of Company's insurance contract assets and liabilities and reinsurance contract assets, including estimation techniques and assumptions applied (refer note 15).

3 Insurance service result

Accounting policy

The Company applied the default general measurement model (GMM) to all insurance contracts. The amounts presented in the statement of comprehensive income are disaggregated into the insurance service result (comprising insurance revenue, insurance service expenses and net expenses from reinsurance contracts), net investment income (comprising interest revenue calculated using the effective interest method and fair value gains/losses), and net insurance finance income or expenses. Income or expenses from reinsurance contracts are presented separately on a net basis.

(i) Insurance service revenue

The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that represents the total of the changes in the liability for remaining coverage that relate to services for which the Company expects to receive consideration.

Insurance service revenue is comprised of:

- claims and expenses expected to be incurred in the period, as released from the liability for remaining coverage (LFRC), excluding amounts allocated to the loss component and repayments of investment components and policyholder rights to withdraw an amount;
- changes in the risk adjustment for non-financial risk for current service;
- amounts of the contractual service margin (CSM) recognised for the services provided in the period (based on coverage units, refer note 15(a)(iii));
- insurance acquisition cash flows recovery, which is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts; and
- premium (and related) experience variances that relate to current service.

(ii) Insurance service expenses

Insurance service expenses include the following:

- actual claims (excluding investment components) and non-acquisition fulfilment expenses incurred, adjusted for the allocation of loss components;
- the recognition and reversal of losses on onerous contracts;
- changes that relate to past service, i.e. relating to the liability for incurred claims (LIC);
- amortisation of insurance acquisition cash flows which is an equal and opposite amount of the IACFs recovery, as described above; and
- the recognition and reversals of any insurance acquisition cash flow assets impairment.

(iii) Net income/expenses from reinsurance contracts held

Net income/expenses from reinsurance contracts held represents the financial performance of groups of reinsurance contracts held on a net basis. It includes the allocation of reinsurance premiums paid and amounts recoverable from reinsurers. The recognition of, and subsequent movements in reinsurance loss recovery components, as well as the effect of changes in the risk of reinsurers' non-performance are recognised as part of the amounts recoverable from reinsurers.

3 Insurance service result (continued)

Note disclosure

	2024 $'000	2023 (Restated) $'000
Insurance revenue		
Contracts measured under GMM		
Expected incurred claims and other directly attributed expenses	**27,754**	21,230
Change in the risk adjustment for non-financial risk for the risk expired	**513**	497
CSM recognised for the services provided	**10,533**	7,812
Experience adjustments - arising from premiums received in the period other than those that relate to the future	**(1,685)**	(975)
Insurance acquisition cash flow recovery	**2,473**	1,213
Insurance revenue from contracts measured under GMM	**39,588**	29,777

4 Insurance finance income / (expense)

Accounting policy

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effect of the time value of money and changes in the time value of money; and the effect of financial risk and changes in financial risk.

The main amounts within insurance finance income or expenses are:

- interest accreted on the FCF and the CSM; and
- the effect of changes in interest rates and other financial assumptions.

The Company chose not to disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. The Company has also not elected the option to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income. Therefore, the full impact of any changes in discount rates (with the exception of the changes in the risk adjustment for non-financial risk) along with the accretion of interest on the CSM are recognised in insurance finance income or expense.

Note disclosure

	2024 $'000	2023 (Restated) $'000
Finance income from insurance contracts issued		
Interest accreted	**(115)**	53
Effect of changes in interest rates and other financial assumptions	**(27)**	814
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	**405**	160
	263	1,027
Finance (expense) / income from reinsurance contracts issued		
Interest accreted	**(1,718)**	(1,150)
Effect of changes in interest rates and other financial assumptions	**(414)**	2,111
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	**(737)**	(371)
	(2,869)	590

5 Expenses

Accounting policy

Expenses are analysed to identify those which are directly attributable to groups or portfolios of insurance contracts. A further allocation is performed to distinguish expenses between IACFs and other insurance service expenses. Non-attributable expenses are excluded from fulfilment cash flows and are recognised as incurred as part of other operating expenses in the statement of comprehensive income.

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis and similar methods of allocation are consistently applied to allocate expenses of a similar nature. The Company performs regular expense studies and uses judgement to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts. Claims settlement-related expenses are allocated based on the number of claims expected. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups. Acquisition cash flows are typically allocated to groups of contracts based on gross premiums written. This includes an allocation of acquisition cash flows among existing, as well as future, groups of insurance contracts issued that will include the renewals of the existing contracts.

Insurance Acquisition Cash Flows

IACFs arise from the costs of selling, underwriting and starting the group of insurance contracts (issued or expected to be issued) and are directly attributable to the portfolio of insurance contracts to which the group belongs. The Company recognises an asset for IACFs for cash flows paid before the recognition of the related group of insurance contracts in relation to its Lump Sum Risk and Income Protection portfolios. The asset is allocated to groups of insurance contracts on a systematic and rational basis, using expected future premiums. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the groups of insurance contracts.

The Company assesses at each reporting date whether facts and circumstances indicate that any asset for IACFs may be impaired. Indicators of impairment include, but are not limited to, the increase in lapse rates for a particular product and indications that the expected duration of a product has reduced. If so, the Company carries out impairment testing. Impairment losses reduce the carrying amount of the asset for IACFs and are recognised in insurance service expenses. Previously recognised impairment losses are reversed to the extent that the impairment conditions no longer exist or have improved.

When performing the recoverability assessment the Company takes into account the following:

- the amount of an asset for IACFs which will be allocated to each future annual cohort; and
- the amount of the asset for IACFs generated in a reporting year compared to the future renewals expected from business written in that year.

Where the carrying amount of the asset for IACFs is greater than the expected net cash inflow of the related future group of contracts, an impairment loss is recognised in profit or loss and the carrying amount of the asset is adjusted.

Note disclosure

(a) Expenses

	2024 $'000	2023 $'000
(Loss) / profit before income tax includes the following specific expenses:		
Advertising expense	**2,549**	1,934
Depreciation and amortisation expense (notes 10, 11 and 12)	**426**	568
Employee benefits expense	**2,675**	1,696
Occupancy expense	**79**	42
Underwriting and commission expense	**14,621**	10,303
Interest expense on lease liabilities (note 11)	**14**	16
Remuneration of auditors, Deloitte:		
Audit of financial statements	**342**	119
Review of the solvency projection model	**-**	23
Audit of solvency return	**27**	22
NZ IFRS 17 implementation	**219**	-
Total remuneration of auditors	**588**	164

5 Expenses (continued)

(b) Reconciliation of asset for IACFs

	2024 $'000	2023 (Restated) $'000
Opening asset	**34,839**	33,454
Cash flows recognised as an asset during the period	**4,343**	3,586
Amounts derecognised on initial recognition of groups of insurance contracts	**(2,276)**	(2,100)
Impairment of IACF asset	**(227)**	(101)
Closing asset	**36,679**	34,839

(c) Expected timing of derecognition of insurance acquisition cash flows

Number of years until expected derecognition	2024 $'000	2023 (Restated) $'000
1	**2,487**	2,186
2	**2,425**	2,132
3	**2,365**	2,079
4	**2,307**	2,028
5	**2,250**	1,978
6 - 10	**10,443**	9,180
> 10	**14,402**	15,256
Total	**36,679**	34,839

6 Taxation

Accounting policy

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of financial performance, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

The income tax expense or credit for the period is the tax payable on the current period’s taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities are recognised when tax deductions have exceeded accounting expenditure for temporary differences and depreciation.

6 Taxation (continued)

Note disclosure

	2024 $'000	2023 (Restated) $'000
(a) Income tax (benefit) / expense		
Current tax	**-**	-
Deferred tax	**(196)**	752
Income tax (benefit) / expense	**(196)**	752

	2024 $'000	2023 (Restated) $'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) / profit before income tax	**(702)**	2,674
Income tax @ 28%	**(197)**	749
Tax effects of:		
• Over provision of prior year taxation expense - income tax	**1**	3
Income tax (benefit) / expense	**(196)**	752

	2024 $'000	2023 $'000
(c) Imputation credits		
Opening balance	**(120)**	(17)
Other credits	**(92)**	(103)
Income tax refund	**101**	-
Closing balance	**(111)**	(120)

Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2023: 28%).

6 Taxation (continued)

(d) Deferred tax liabilities

	2024 $'000	2023 (Restated) $'000
New Zealand Government & corporate securities	**381**	415
Tax losses recognised	**5,090**	2,837
Provisions & leases	**187**	106
NZ IFRS 16 right-of-use assets	**(48)**	(82)
NZ IFRS 16 lease liabilities	**50**	83
Insurance contract assets	**(16,790)**	(14,685)
Net deferred tax liabilities	**(11,130)**	(11,326)

	New Zealand Government & corporate securities $'000	**Tax losses recognised $'000**	**Provisions & leases $'000**	**NZ IFRS 16 right-of-use assets $'000**	**NZ IFRS 16 lease liabilities $'000**	**Insurance contract assets $'000**	**Total $'000**
At 1 July 2022	338	1,234	66	(64)	64	(12,212)	(10,574)
Credited / (charged) to profit or loss	77	1,603	40	(18)	19	(2,473)	(752)
At 30 June 2023	415	2,837	106	(82)	83	(14,685)	(11,326)
At 1 July 2023	415	2,837	106	(82)	83	(14,685)	(11,326)
Credited / (charged) to profit or loss	(34)	2,253	81	34	(33)	(2,105)	196
At 30 June 2024	381	5,090	187	(48)	50	(16,790)	(11,130)

Pillar Two tax legislation to incorporate the OECD Model Rules was enacted by the New Zealand Government on 27 March 2024 with an expected effective date of 1 January 2025. At the date of signing the financial statements it is too early to determine the potential impact on Company's future current tax obligation, but this will be determined over the course of 2024.

7 Cash and cash equivalents

Accounting policy

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Note disclosure

	2024 $'000	2023 $'000
Cash at bank - on call	**3,814**	2,290
Cash at bank - other	**3,403**	3,795
	7,217	6,085

7 Cash and cash equivalents (continued)

	2024 $'000	2023 (Restated) $'000
Reconciliation of cash flow from operations with profit after income tax		
Profit from ordinary activities after income tax	**(506)**	1,922
Adjustments and non-cash items		
Amortisation (note 12)	**271**	446
Depreciation on plant and equipment (note 10)	**35**	17
Depreciation on right-of-use assets (note 11)	**121**	105
Fair value (gain) / loss on financial assets at fair value through profit or loss	**(177)**	318
Deferred tax	**(196)**	752
Loss on disposal of plant and equipment	**-**	3
Change in assets and liabilities		
(Increase) / decrease in receivables	**(9)**	-
Changes in insurance and reinsurance contract assets/liabilities	**1,220**	(74)
Increase / (decrease) in other assets	**(18)**	(47)
Increase / (decrease) in payables	**691**	737
Increase / (decrease) in provisions	**127**	76
Increase / (decrease) in other liabilities	**-**	-
Increase / (decrease) in current tax assets/liabilities	**6**	(98)
Cash flows from operating activities	**1,565**	4,157

8 Financial assets and liabilities

Accounting policy

(a) Classification of financial assets

The Company classifies its financial assets into one of the following measurement categories:

- those to be measured subsequently at fair value through profit or loss (FVTPL);
- those to be measured subsequently at fair value through other comprehensive income (FVTOCI); and
- those to be measured at amortised cost.

The classification depends on the Company’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets that: are within the scope of NZ IFRS 9; back life insurance liabilities; and are permitted to be designated as “FVTPL” under NZ IFRS 9, are designated as FVTPL on initial recognition.

A financial asset that meets the following conditions are subsequently measured at amortised cost:

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

A financial asset that meets the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

8 Financial assets and liabilities (continued)

Despite the above, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The Company has no financial assets classified at FVTOCI.

(i) Financial assets measured at amortised cost

At initial recognition financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The Company's financial assets measured at amortised cost consists of other receivables disclosed in note 9.

(ii) Financial assets at FVTPL

At initial recognition financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequent fair value gains or losses recognised in profit or loss.

The Company's financial assets measured at FVTPL consist of term deposits and New Zealand Government securities. Term deposits are recognised at fair value based on the interest rate set at inception of the term deposit. New Zealand Government securities Corporate securities are valued using quoted yields for the specific securities.

(b) Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The amount of expected credit losses (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

The Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(c) Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators or impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

8 Financial assets and liabilities (continued)

(d) Classification of financial liabilities

The Company classifies its financial liabilities into one of the following measurement categories:

- those to be measured subsequently at FVTPL; and
- those to be measured at amortised cost.

The Company has no financial liabilities measured at FVTPL.

(i) Financial liabilities measured at amortised cost

At initial recognition financial liabilities are measured at fair value plus transaction costs that are directly attributable to the issue of the financial liabilities. The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

The Company's financial liabilities measured at amortised cost consists of trade and other payables disclosed in note 13 and note 14.

Note disclosure

	2024 $'000	2023 $'000
Current		
Term deposits	**1,388**	1,448
New Zealand Government securities	**6,218**	6,005
Corporate securities	**2,708**	3,121
	10,314	10,574

9 Other assets

Accounting policy

Prepayments

Prepayments are recognised over the period of benefit.

Goods and services tax (GST)

The statement of financial performance has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

As the Company is primarily in the business of providing life insurance services, the majority of income and expenditure is accounted for on a GST inclusive basis. The percentage of business income and expenditure on which GST is returned is 1.58% (2023: 5.64%).

Other receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less appropriate allowances for expected irrecoverable amounts (if any). There are no trade and other receivables with a significant financing component.

Note disclosure

	2024 $'000	2023 (Restated)* $'000
Current		
Prepayments	**183**	165
Other receivables	**77**	70
	260	235

10 Property, plant and equipment

Accounting policy

Plant and equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes all directly attributable costs necessary to purchase, create, produce and prepare the asset to be capable of operating in the manner intended by management.

Depreciation is recognised in profit or loss over the estimated useful lives of the item of plant and equipment (which has been assessed to be between three to ten years) on a diminishing value basis. Plant and equipment carrying values, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Note disclosure

	Plant and equipment $'000	Fixtures and fittings $'000	Total $'000
At 1 July 2022			
Cost	185	18	203
Accumulated depreciation	(167)	(13)	(180)
Net book amount	18	5	23
Year ended 30 June 2023			
Opening net book amount	18	5	23
Additions	16	61	77
Disposals	(2)	(2)	(4)
Depreciation charge (note 5)	(10)	(7)	(17)
Closing net book amount	22	57	79
At 30 June 2023			
Cost	89	73	162
Accumulated depreciation	(67)	(16)	(83)
Net book amount	22	57	79
Year ended 30 June 2024			
Opening net book amount	22	57	79
Additions	82	30	112
Depreciation charge (note 5)	(24)	(11)	(35)
Closing net book amount	80	76	156
At 30 June 2024			
Cost	171	103	274
Accumulated depreciation	(91)	(27)	(118)
Net book amount	80	76	156

11 Right-of-use assets and lease liabilities

Accounting policy

Right-of-use assets

Right-of-use assets are initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. Depreciation is charged so as to write off the cost of assets over the lease term using the straight-line method.

Lease liabilities

The lease liability is initially measured at the present value of future lease payments over the lease term that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

11 Right-of-use assets and lease liabilities (continued)

The lease liability is subsequently increased by interest costs on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, changes in the assessment of whether a purchase extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised, or any lease modifications that are not accounted for as a separate lease.

The Company has applied judgement to determine the lease term for its lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The Company decided to apply recognition exemptions to short-term leases of carparks, and to leases of low-value assets such as office equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Note disclosure

(a) Amounts recognised in the Statement of financial position

Right-of-use assets comprise:

	Properties $'000
At 1 July 2022	
Cost	498
Accumulated depreciation	(270)
Net book amount	228
Year ended 30 June 2023	
Opening net book amount	228
Additions	363
Disposals	(194)
Depreciation charge (note 5)	(105)
Closing net book amount	292
At 30 June 2023	
Cost	362
Accumulated depreciation	(70)
Net book amount	292
Year ended 30 June 2024	
Opening net book amount	292
Depreciation charge (note 5)	(121)
Closing net book amount	171
At 30 June 2024	
Cost	362
Accumulated depreciation	(191)
Net book amount	171

11 Right-of-use assets and lease liabilities (continued)

Lease liabilities comprise:

	2024 $'000	2023 $'000
Lease liabilities		
Current	**125**	117
Non-current	**54**	179
	179	296
Undiscounted lease liabilities as lessee		
Less than one year	**131**	131
One to five years	**55**	186
	186	317

(b) Amounts recognised in the Statement of comprehensive income

	2024 $'000	2023 $'000
Interest expense (included in operating expenses)	**14**	16
Expense relating to short-term leases (included in occupancy expenses, note 5)	**20**	7
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in operating expenses)	**8**	8
Expense relating to variable lease payments not included in lease liabilities (included in occupancy expenses, note 5)	**58**	30

The total cash outflow for leases in the year ended 30 June 2024 was $131,000 (2023: $118,000).

12 Intangible assets

Accounting policy

Computer software measured at cost less accumulated amortisation and impairment losses. Cost includes expenditures that are directly attributable costs necessary to purchase, create, produce and prepare the asset to be capable of operating in the manner intended by management. Amortisation is recognised in profit or loss over the estimated useful lives of the item of computer software (which has been assessed to be between three to five years) on a diminishing value basis. Computer software carrying values, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- the Company's ability to measure reliably the expenditure attributable to the software under development;
- the software is technically and commercially feasible;
- the software's future economic benefits are probable;
- the Company's intention to complete the developed software and use or sell it;
- the Company's ability to use or sell the developed software; and
- the availability of adequate technical, financial and other resources to complete the software under development.

12 Intangible assets (continued)

Note disclosure

	Computer software $'000	Computer software under development $'000	Total $'000
At 1 July 2022			
Cost	2,813	130	2,943
Accumulated amortisation and impairment	(2,099)	-	(2,099)
Net book amount	714	130	844
Year ended 30 June 2023			
Opening net book amount	714	130	844
Additions	-	112	112
Transfers	227	(227)	-
Amortisation charge (note 5)	(445)	-	(445)
Closing net book amount	496	15	511
At 30 June 2023			
Cost	2,904	15	2,919
Accumulated amortisation and impairment	(2,408)	-	(2,408)
Net book amount	496	15	511
Year ended 30 June 2024			
Opening net book amount	496	15	511
Additions	105	335	440
Amortisation charge (note 5)	(271)	-	(271)
Closing net book amount	330	350	680
At 30 June 2024			
Cost	2,977	350	3,327
Accumulated amortisation and impairment	(2,647)	-	(2,647)
Net book amount	330	350	680

13 Payables

Accounting policy

Trade and other payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

Note disclosure

	2024 $'000	2023 (Restated)* $'000
Payables with related entities	**2,349**	2,023
Other payables	**1,311**	999
GST payables	**54**	4
	3,714	3,026

14 Provisions

Accounting policy

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date taking into account the risks and uncertainties surrounding the obligation.

Employee benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

Note disclosure

	2024 $'000	2023 (Restated)* $'000
Current		
Employee entitlements	**297**	170
	297	170

15 Insurance and reinsurance contracts

(a) Actuarial information

The Company's Actuary, Ben Coulter, FNZSA, FIAA has calculated the life insurance contract and reinsurance contract assets and liabilities and solvency margin for the Company. The actuary is satisfied as to the accuracy of the data from which the life insurance contract and reinsurance contract assets and liabilities and solvency margin have been determined. This note summarises the life insurance contract and reinsurance contract assets and liabilities and solvency margin of the Company, the assumptions made and the methods adopted for the calculation of the Company's life insurance contract and reinsurance contract assets and liabilities and solvency margin.

(i) Level of aggregation

The Company has identified the following portfolios of insurance contracts that are subject to similar risks and managed together:

- Lump Sum Risk, comprising life, total permanent disability and critical illness cover products that pay a lump sum at claim time;
- Funeral, comprising Funeral cover products or other products where acceptance is (or has been) guaranteed;
- Income Protection, comprising contracts with income protection cover that pay a regular monthly claim payment upon becoming disabled; and
- Reinsurance, comprising all reinsurance contracts held.

Except for contracts that were fair valued at transition, each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohort is further disaggregated into profitability groups based on the estimates of the fulfilment cash flows at a contract level and using the reasonable and supportable information provided by the Company’s internal reporting.

The Company has onerous groups of contracts in the Funeral and Income Protection portfolios.

(ii) Contract boundary

Contract boundary is used to determine which cash flows should be considered in the estimation of future cash flows to measure an insurance contract.

15 Insurance and reinsurance contracts (continued)

The Company determined the contract boundary for the majority of its Lump Sum Risk and Income Protection business to be one year. This is because the Company has the practical ability to reassess the risks of the policyholders at the portfolio level at each policy anniversary. The remaining direct insurance contracts issued have contract boundaries which align with the natural expiry of contractual terms.

The majority of the reinsurance contracts held by the Company have an unlimited duration but are cancellable for new underlying business with a 3 months notice period by either party. These reinsurance contracts are accounted for as a series of 3 month contracts that cover underlying contracts issued within that 3 months period. Estimates of future cash flows arising from all underlying contracts issued within the 3 months contract boundary and expected renewals of those underlying contracts are included in the measurement of the reinsurance contracts.

(iii) Recognition and measurement

Insurance contracts issued are recognised from the earliest of the beginning of the coverage period and, for a group of onerous contracts, when the group becomes onerous. For reinsurance contracts held that provide proportionate coverage, the initial recognition takes place when the first underlying insurance contract is recognised, if that date is later than the beginning of the coverage period of the group or reinsurance contracts held.

Other reinsurance contracts held are recognised on the date when the coverage period begins. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date.

The Company applied the default general measurement model (GMM) to all insurance contracts, including those that are less than twelve months. On initial recognition, the Company measures a group of insurance contracts as the total of the fulfilment cash flows and the CSM. The FCFs comprise estimated future cash flows adjusted to reflect time value of money and the associated financial risks, and a risk adjustment for non-financial risks. The CSM represents unearned profit from the group of insurance contracts and is set as the amount equal and opposite to the FCFs on initial recognition date.

Subsequent to initial recognition, the CSM is adjusted for changes in FCFs that relate to future services. The amount of the CSM recognised in profit or loss for insurance contract services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on the coverage units. The Company determined the coverage units based on the sum assured payable for its Lump Sum Risk and Funeral products. For Income Protection insurance contracts the insured event is the policyholder becoming disabled, so the coverage period is limited to the term of the policy and the coverage units are determined as the maximum amount payable to the end of the claim payment term. Coverage units are not discounted.

Discount rate

All future cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity characteristics of the insurance contracts. Interest is accreted on the CSM using discount rates determined at initial recognition. The Company determines discount curves by calculating weighted-average discount curves over the period during which the contracts in the group are recognised. The weighting is based on the expected premium cash flows.

Risk adjustment

The risk adjustment for non-financial risk reflects the compensation required by the Company to accept the uncertainty about the amount and timing of future cash flows that arises from non-financial risk.

The Company applies a Cost of Capital approach to determine the risk adjustment for non-financial risk and uses confidence level techniques to estimate probability of sufficiency.

(iv) Onerous contracts

Losses on onerous contracts are recognised immediately within insurance service expenses in the statement of comprehensive income, and a loss component is established. Subsequent losses, and reversals of losses, arising from changes in FCFs that relate to future service, adjust the loss component and are recognised immediately in insurance service expenses to the extent that a balance remains on the loss component, after which a CSM is established. Any releases of expected cash flows or impacts of changes in assumptions are allocated between the loss component and the liability for remaining coverage excluding the loss component using a systematic and rational approach based on the proportion of the loss component to expected cash outflows, including a risk adjustment.

15 Insurance and reinsurance contracts (continued)

A reinsurance loss-recovery component is established for a group of reinsurance contracts that covers a group of onerous underlying contracts. The loss recovery component is adjusted for changes in the reinsurance fulfilment cash flows that correspond to changes in fulfilment cash flows that relate to future service for the underlying onerous contracts. The balance on the loss-recovery component is systematically allocated to profit or loss using a similar approach to loss components. The loss-recovery component determines the amounts that are presented as a reduction of incurred claims recovery from reinsurance contracts held and are consequently excluded from the reinsurance expenses determination.

(v) Reinsurance contracts

Reinsurance contracts are measured using consistent accounting policies, assumptions and judgments with those used to measure underlying insurance contracts with certain modifications including an adjustment for any risk of non-performance by the reinsurers. For reinsurance contracts held, the CSM is released to profit or loss as insurance contract services are received from the reinsurer in the period. Coverage units for reinsurance contracts held are primarily derived from coverage units of the underlying insurance contracts and are not discounted.

(vi) Measurement of contracts under FVA

Under the FVA, the contractual service margin of a group of insurance contracts at transition was determined as the difference between the fair value of this group at transition determined in accordance with NZ IFRS 13 and the corresponding NZ IFRS 17 FCFs measured at transition. The cash flows considered in the fair value measurement are consistent with those that were within the contract boundary. Therefore, the cash flows related to expected future renewals of insurance contracts are not considered in determining the fair value of those contracts if they are outside the contract boundary.

The Company's approach to measuring fair value differs from the NZ IFRS 17 requirements for measuring fulfilment cash flows in certain respects. These differences gave rise to a CSM at the date of transition. Whilst the fair value at transition impacts the size of the CSM that will subsequently be recognised in profit or loss over the remaining life of the contracts, the fair value model and inputs to that model will not be applied to, or result in adjustment to, any subsequent measurement of the CSM. Valuation inputs reference market information where available, with unobservable inputs otherwise used to estimate those that a third party would have applied as at the transition date of 1 July 2022.

In particular, in measuring fair value the Company:

- considers the future cash flows included in the measurement of fulfilment cash flows but adjusts them to reflect the perspective of market participants. Expense cash flows are increased to cover a reasonable level of general overheads that are not directly attributable to fulfilling the insurance contracts but that a market participant acquiring the contracts would expect to bear; and
- uses the discount rates applied in measuring fulfilment cash flows but increases the rates to reflect the effect of the Company's non-performance risk and a margin comprising a risk premium to reflect what market participants would demand as compensation for the uncertainty inherent in the cash flows and a profit margin to reflect what market participants would require to assume the obligations to service the insurance contracts. The Risk Adjusted Discount Rate of 8% per annum is used for discounting.

The asset for IACFs recognised at 1 July 2022 in relation to the Lump Sum risk portfolio is $33,596,000. The amount of the asset for IACFs at the transition date equals the amount of insurance acquisition cash flows that the Company would incur at the transition date for the rights to obtain:

- recoveries of insurance acquisition cash flows from premiums of insurance contracts issued before the transition date but not recognised at the transition date;
- future insurance contracts that are renewals of insurance contracts issued or recognised at the date of the transition date and insurance contracts described above; and
- future insurance contracts after the transition date, without paying again insurance acquisition cash flows that the Company has already paid that are directly attributable to the related portfolio of insurance contracts.

When measuring an asset for IACFs using the fair value approach on transition the Company takes into account the following:

- new business issued during the five years up to 2022 and the related acquisition costs;
- historical acquisition costs incurred in relation to yearly-renewable-term contracts;
- the percentage of premiums needed to recover incurred acquisition costs from future premiums; and
- the estimated present value of future premiums from renewals of the contracts, which is outside of the contract boundaries in force at transition.

15 Insurance and reinsurance contracts (continued)

On average, it was assumed that 50% of future premiums is needed to recover incurred acquisition costs. The present value of premiums beyond the contract boundary of existing contracts was $10,000,000. The balance is sensitive to the percentage assumption and an increase in allocation of acquisition expenses would result in an increase in an asset for IACFs.

(b) Inputs, assumptions and estimation techniques used to measure insurance contracts

(i) Estimates of future cash flows

The estimates of future cash flows are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Company expects to collect from premiums and pay out for claims, benefits and expenses. The Company adopted the approach of estimating the best estimate of future cash flows using a single set of best estimate assumptions, which approximates a probability-weighted mean of the full range of possible outcomes. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company uses information about past events, current conditions and forecasts of future conditions.

For Company’s insurance contracts uncertainty in the estimation of future claims and benefit payments and premium receipts arises primarily from the unpredictability of long-term changes in the mortality rates, the variability in policyholder behaviour, and uncertainties regarding future inflation rates and expenses growth.

The following table summarises the key assumptions used in the measurement of groups of insurance contracts issued and reinsurance contracts held:

15 Insurance and reinsurance contracts (continued)

Assumption	**Basis of assumption**
Discount rates	The risk free discount rates have been derived using appropriate methods from observed risk free discount rates published by the Treasury for the purpose of accounting valuations (in months where these are publicly available) and derived using the published risk-free rate methodology (in months where these are not publicly available). The Treasury risk-free rates are determined based on market observable data where available and interpolation for those durations which are not available and for durations longer than those observable in the market. The methodology is published by the Treasury and regularly reviewed. The Treasury yield curve is projected to durations of 80+ years, compared to the maximum observable duration in the market of ~20 years. The illiquidity premium was estimated based on market observable liquidity premiums in financial assets, adjusted to reflect the illiquidity characteristics of the liability cash flows. Liquidity risk differs between Company’s products depending on their treatment upon surrender, premium term and how their premiums are calculated. The illiquidity premium has been determined to be 0.19% for funeral products and 0.00% for all other products.
Mortality and morbidity rates	Risk product mortality and morbidity rates are based on a multiple of reinsurance rates. Mortality improvements are additionally applied for Funeral products.
Discontinuances	Discontinuance rates have been assumed consistent with the Company's recent experience. Assumed discontinuance rates vary by product for Greenstone-originated business, and by product channel group for all other products (online, office, transfer, funeral, standalone business). Discontinuance rates vary according to the length of time business has been in-force, and also by age for some products. Given the variety of influences affecting discontinuance for different product groups, the range of voluntary discontinuance rates across the Company is diverse. Discontinuance rates for Lump Sum risk and Income Protection range between 2% - 36% (2023: 2% - 36%), and for Funeral between 2% - 27% (2023: 2% - 27%). Possible increases in lapse and surrender rates could increase or decrease estimates of future cash outflows and thus decrease or increase the CSM, depending on the product specifics. For a sensitivity analysis see note 20(e).
Expenses	Expense assumptions have been set based on the projected budgeted expenses as well as experience analyses conducted by the Company. The expense assumptions per policy used are $206.00 (2023: $137.50) for Funeral, $355.00 (2023: $236.50) for Lump Sum risk and $520.00 (2023: $346.50) for Income Protection. Inflation rates have also been adopted for future maintenance expenses. The inflation assumption has been determined as a long-term expectation based on the RBNZ's target inflation levels. The assumed expense inflation rates are 2% (2023: 2%). The inflation assumptions used to index expenses are treated as non-financial under NZ IFRS 17.

The yield curves that were used to discount the estimates of future cash flows are as follows:

	2024					**2023**				
Portfolio	**1 year**	**5 years**	**10 years**	**20 years**	**30 years**	**1 year**	**5 years**	**10 years**	**20 years**	**30 years**
Lump Sum Risk	5.38 %	4.30 %	4.97 %	5.44 %	5.10 %	5.43 %	4.46 %	4.85 %	5.01 %	5.01 %
Income Protection	5.38 %	4.30 %	4.97 %	5.44 %	5.10 %	5.43 %	4.46 %	4.85 %	5.01 %	5.01 %
Funeral	5.57 %	4.49 %	5.16 %	5.63 %	5.29 %	5.74 %	4.77 %	5.17 %	5.32 %	5.33 %
Reinsurance	5.66 %	4.59 %	5.26 %	5.73 %	5.38 %	5.90 %	4.93 %	5.33 %	5.48 %	5.48 %

15 Insurance and reinsurance contracts (continued)

(ii) Methods used to measure the risk adjustment for non-financial risk

The risk adjustment is approved by the Board and represents the compensation the Company requires for bearing the uncertainty in the net discounted estimate of future cash flows within the insurance liabilities. The determination of the appropriate level of risk adjustment takes into account:

- the level of capital that the Company allocates to support the net discounted cash flows and the expected cost of holding that capital;
- the run-off profile and term to settlement of the net discounted cash flows;
- mix of business; and
- the level of uncertainty in the cash flow estimates due to estimation error, data quality, variability of key inflation assumptions, and possible economic and legislative changes.

A cost of capital method is used in estimating the risk adjustment. An estimate of non-financial risk is calculated for each cohort using a stressed risk-free best estimate liability. A cost of capital rate is then applied, the total cost of capital projected for the contract boundary and discounted. The resulting risk adjustment for the Company (net of reinsurance held) corresponds to an 76% confidence interval in 2024 (2023: 76%).

The risk adjustment is determined at entity level and then allocated down to groups of insurance contracts by expected claims. Calculation of the risk adjustment is done both at a net of reinsurance and gross of reinsurance level to ensure that both a gross risk adjustment and reinsurance risk adjustment can be derived for financial reporting. Risk adjustment for reinsurance is derived using an approach consistent with the approach for underlying contracts. This is derived by deducting the net of reinsurance risk adjustment from the gross of reinsurance risk adjustment, based on the coverage period consistent with the reinsurance contracts.

(c) Composition of the statement of financial position

An analysis of the amounts presented on the statement of financial position for insurance and reinsurance contracts is included in the table below, along with the presentation of current and non-current portions of the balances:

	2024			2023		
	Current $'000	**Non-current $'000**	**Total $'000**	**Current $'000**	**Non-current $'000**	**Total $'000**
Insurance contract liabilities						
- excluding an asset for IACFs	(4,091)	21,042	16,951	(3,568)	13,469	9,901
- asset for IACFs	-	-	-	-	-	-
Insurance contract liabilities	(4,091)	21,042	16,951	(3,568)	13,469	9,901
Insurance contract assets						
- excluding an asset for IACFs	(2,429)	-	(2,429)	(3,281)	-	(3,281)
- asset for IACFs	2,487	34,192	36,679	2,186	32,653	34,839
Insurance contract assets	58	34,192	34,250	(1,095)	32,653	31,558
Reinsurance contract assets	1,600	10,318	11,918	2,614	6,167	8,781
Reinsurance contract assets	1,600	10,318	11,918	2,614	6,167	8,781
Reinsurance contract liabilities	-	-	-	-	-	-
Reinsurance contract liabilities	-	-	-	-	-	-

15 Insurance and reinsurance contracts (continued)

(d) Reconciliation of the liability for remaining coverage and the liability for incurred claims

(i) Insurance contracts issued

	LFRC		LIC		AIACF	
	Excluding loss component $'000	**Loss component $'000**	**Present value of future cash flows $'000**	**Risk adjustment for non-financial risk $'000**	**Assets for Insurance Acquisition Cash Flows $'000**	**Total $'000**
Insurance contract (liabilities) / assets as at 1 July 2022	**(3,514)**	**(475)**	**(2,216)**	**(3)**	**33,454**	**27,246**
Insurance revenue						
Contracts measured under the fair value approach at transition	(429)	-	-	-	-	(429)
New contracts and contracts measured under the full retrospective approach at transition	30,206	-	-	-	-	30,206
Total insurance revenue	**29,777**	**-**	**-**	**-**	**-**	**29,777**
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	264	(26,484)	-	-	(26,220)
Losses on onerous contracts and reversals of those losses	-	(675)	-	-	-	(675)
Insurance acquisition cash flows amortisation	(1,213)	-	-	-	-	(1,213)
Insurance acquisition cash flows assets impairment	-	-	-	-	(101)	(101)
Total insurance service expenses	**(1,213)**	**(411)**	**(26,484)**	**-**	**(101)**	**(28,209)**
Net income / (expenses) from insurance contracts held	**28,564**	**(411)**	**(26,484)**	**-**	**(101)**	**1,568**
Finance income from insurance contracts issued	1,010	17	-	-	-	1,027
Total amounts recognised in comprehensive income	**29,574**	**(394)**	**(26,484)**	**-**	**(101)**	**2,595**
Cash flows						
Premiums received	(36,532)	-	-	-	-	(36,532)
Claims and other directly attributable expenses paid	-	-	24,524	-	-	24,524
Insurance acquisition cash flows paid	238	-	-	-	3,586	3,824
Total cash flows	**(36,294)**	**-**	**24,524**	**-**	**3,586**	**(8,184)**
Allocation from Assets for IACF to LFRC	2,100	-	-	-	(2,100)	-
Insurance contract (liabilities) / assets as at 30 June 2023	**(8,134)**	**(869)**	**(4,176)**	**(3)**	**34,839**	**21,657**

15 Insurance and reinsurance contracts (continued)

	LFRC		LIC		AIACF	
	Excluding loss component $'000	**Loss component $'000**	**Present value of future cash flows $'000**	**Risk adjustment for non-financial risk $'000**	**Asset for Insurance Acquisition Cash Flows $'000**	**Total $'000**
Insurance contract (liabilities) / assets as at 1 July 2023	**(8,134)**	**(869)**	**(4,176)**	**(3)**	**34,839**	**21,657**
Insurance revenue						
Contracts measured under the fair value approach at transition	318	-	-	-	-	318
New contracts and contracts measured under the full retrospective approach at transition	39,270	-	-	-	-	39,270
Total insurance revenue	**39,588**	**-**	**-**	**-**	**-**	**39,588**
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	549	(28,977)	-	-	(28,428)
Losses on onerous contracts and reversals of those losses	-	(1,687)	-	-	-	(1,687)
Insurance acquisition cash flows amortisation	(2,473)	-	-	-	-	(2,473)
Insurance acquisition cash flows assets impairment	-	-	-	-	(227)	(227)
Total insurance service expenses	**(2,473)**	**(1,138)**	**(28,977)**	**-**	**(227)**	**(32,815)**
Net income / (expenses) from insurance contracts held	**37,115**	**(1,138)**	**(28,977)**	**-**	**(227)**	**6,773**
Finance income from insurance contracts issued	231	31	-	-	-	262
Total amounts recognised in comprehensive income	**37,346**	**(1,107)**	**(28,977)**	**-**	**(227)**	**7,035**
Cash flows						
Premiums received	(46,069)	-	-	-	-	(46,069)
Claims and other directly attributable expenses paid	-	-	30,044	-	-	30,044
Insurance acquisition cash flows paid	290	-	-	-	4,343	4,633
Total cash flows	**(45,779)**	**-**	**30,044**	**-**	**4,343**	**(11,392)**
Allocation from Assets for IACF to LFRC	2,276	-	-	-	(2,276)	-
Insurance contract (liabilities) / assets as at 30 June 2024	**(14,291)**	**(1,976)**	**(3,109)**	**(3)**	**36,679**	**17,300**

15 Insurance and reinsurance contracts (continued)

(ii) Reinsurance contracts held

	Asset for remaining coverage		Asset for incurred claims		
	Excluding loss recovery component $'000	**Loss recovery component $'000**	**Present value of future cash flows $'000**	**Risk adjustment for non-financial risk $'000**	**Total $'000**
Reinsurance contract assets / (liabilities) as at 1 July 2022	**39**	**-**	**3,076**	**2**	**3,117**
Net income / (expenses) from reinsurance contracts held					
Reinsurance expenses	(10,177)	-	-	-	(10,177)
Incurred claims recovery	-	(175)	9,769	-	9,594
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	-	1	1
Changes that relate to future service - changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	-	351	-	-	351
Net (expenses) / income from reinsurance contracts held	**(10,177)**	**176**	**9,769**	**1**	**(231)**
Finance income / (expenses) from reinsurance contracts held	593	(3)	-	-	590
Total amounts recognised in comprehensive income	**(9,584)**	**173**	**9,769**	**1**	**359**
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	14,853	-	-	-	14,853
Recoveries from reinsurance	-	-	(9,547)	-	(9,547)
Total cash flows	**14,853**	**-**	**(9,547)**	**-**	**5,306**
Reinsurance contract assets / (liabilities) as at 30 June 2023	**5,308**	**173**	**3,298**	**3**	**8,782**
Reinsurance contract assets / (liabilities) as at 1 July 2023	**5,308**	**173**	**3,298**	**3**	**8,782**
Net income / (expenses) from reinsurance contracts held					
Reinsurance expenses	(11,968)	-	-	-	(11,968)
Incurred claims recovery	-	(263)	7,719	-	7,456
Changes that relate to future service - changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	-	848	-	-	848
Net (expenses) / income from reinsurance contracts held	**(11,968)**	**585**	**7,719**	**-**	**(3,664)**
Finance income / (expenses) from reinsurance contracts held	(2,832)	(37)	-	-	(2,869)
Total amounts recognised in comprehensive income	**(14,800)**	**548**	**7,719**	**-**	**(6,533)**
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	18,396	-	-	-	18,396
Recoveries from reinsurance	-	-	(8,725)	-	(8,725)
Total cash flows	**18,396**	**-**	**(8,725)**	**-**	**9,671**
Reinsurance contract assets / (liabilities) as at 30 June 2024	**8,904**	**721**	**2,292**	**3**	**11,920**

15 Insurance and reinsurance contracts (continued)

(e) Reconciliation of the measurement components of insurance and reinsurance contract balances

(i) Insurance contracts issued

			Contractual service margin			
	Present value of future cash flows $'000	Risk adjustments for non-financial risk $'000	Contracts measured under the fair value approach at transition $'000	New contracts and contracts measured under the full retrospective approach at transition $'000	Assets for Insurance Acquisition Cash Flows $'000	Total $'000
Insurance contract assets / (liabilities) as at 1 July 2022	**12,142**	**(4,038)**	**(2,533)**	**(11,779)**	**33,454**	**27,246**
Changes that relate to current service						
CSM recognised for the services received	-	-	2,618	5,194	-	7,812
Change in the risk adjustment for non-financial risk for the risk expired	-	497	-	-	-	497
Experience adjustments - arising from premiums received in the period that relate to current service	(975)	-	-	-	-	(975)
Insurance acquisition cash flows assets impairment	-	-	-	-	(101)	(101)
Experience adjustments - relating to insurance service expenses	(4,996)	7	-	-	-	(4,989)
Changes that relate to current service	**(5,971)**	**504**	**2,618**	**5,194**	**(101)**	**2,244**
Changes that relate to future service						
Changes in estimates that adjust the CSM	(1,129)	299	-	830	-	-
Changes in estimates that result in onerous contract losses or reversals of those losses	(280)	(17)	-	-	-	(297)
Contracts initially recognised in the period	15,648	(1,564)	-	(14,463)	-	(379)
Changes that relate to future service	**14,239**	**(1,282)**	**-**	**(13,633)**	**-**	**(676)**
Insurance service result	**8,268**	**(778)**	**2,618**	**(8,439)**	**(101)**	**1,568**
Finance income / (expenses) from insurance contracts issued	1,928	-	(85)	(817)	-	1,026
Total amounts recognised in comprehensive income	**10,196**	**(778)**	**2,533**	**(9,256)**	**(101)**	**2,594**
Cash flows						
Premiums received	(36,532)	-	-	-	-	(36,532)
Claims and other directly attributable expenses paid	24,524	-	-	-	-	24,524
Insurance acquisition cash flows paid	238	-	-	-	3,586	3,824
Total cash flows	**(11,770)**	**-**	**-**	**-**	**3,586**	**(8,184)**
Allocation from Assets for IACF to LFRC	2,100	-	-	-	(2,100)	-
Insurance contract assets / (liabilities) as at 30 June 2023	**12,668**	**(4,816)**	**-**	**(21,035)**	**34,839**	**21,656**

15 Insurance and reinsurance contracts (continued)

			Contractual service margin			
	Present value of future cash flows $'000	**Risk adjustments for non-financial risk $'000**	**Contracts measured under the fair value approach at transition $'000**	**New contracts and contracts measured under the full retrospective approach at transition $'000**	**Assets for Insurance Acquisition Cash Flows $'000**	**Total $'000**
Insurance contract assets / (liabilities) as at 1 July 2023	**12,668**	**(4,816)**	**-**	**(21,035)**	**34,839**	**21,656**
Changes that relate to current service						
CSM recognised for the services received	-	-	-	10,533	-	10,533
Change in the risk adjustment for non-financial risk for the risk expired	-	513	-	-	-	513
Experience adjustments - arising from premiums received that relate to current service	(1,685)	-	-	-	-	(1,685)
Insurance acquisition cash flows assets impairment	-	-	-	-	(227)	(227)
Experience adjustments - relating to insurance service expenses	(687)	13	-	-	-	(674)
Changes that relate to current service	**(2,372)**	**526**	**-**	**10,533**	**(227)**	**8,460**
Changes that relate to future service						
Changes in estimates that adjust the CSM	(2,573)	(13)	-	2,586	-	-
Changes in estimates that result in onerous contract losses or reversals of those losses	(1,078)	(60)	-	-	-	(1,138)
Contracts initially recognised in the period	18,286	(1,830)	-	(17,005)	-	(549)
Changes that relate to future service	**14,635**	**(1,903)**	**-**	**(14,419)**	**-**	**(1,687)**
Insurance service result	**12,263**	**(1,377)**	**-**	**(3,886)**	**(227)**	**6,773**
Finance income / (expenses) from insurance contracts issued	1,991	-	-	(1,728)	-	263
Total amounts recognised in comprehensive income	**14,254**	**(1,377)**	**-**	**(5,614)**	**(227)**	**7,036**
Cash flows						
Premiums received	(46,069)	-	-	-	-	(46,069)
Claims and other directly attributable expenses paid	30,044	-	-	-	-	30,044
Insurance acquisition cash flows paid	290	-	-	-	4,343	4,633
Total cash flows	**(15,735)**	**-**	**-**	**-**	**4,343**	**(11,392)**
Allocation from Assets for IACF to LFRC	2,276	-	-	-	(2,276)	-
Insurance contract assets / (liabilities) as at 30 June 2024	**13,463**	**(6,193)**	**-**	**(26,649)**	**36,679**	**17,300**

15 Insurance and reinsurance contracts (continued)

(ii) Reinsurance contracts held

	Present value of future cash flows $'000	Risk adjustments for non-financial risk $'000	Contractual service margin: Contracts measured under the fair value approach at transition $'000	Contractual service margin: New contracts and contracts measured under the full retrospective approach at transition $'000	Total $'000
Reinsurance contract (liabilities) / assets as at 1 July 2022	**(43,351)**	**10,664**	**2,512**	**33,291**	**3,117**
Changes that relate to current service					
CSM recognised for the services received	-	-	(274)	(2,978)	(3,252)
Change in the risk adjustment for non-financial risk for the risk expired	-	(194)	-	-	(194)
Reinsurance premium (and other related cash flows) experience adjustments relating to current service	49	-	-	-	49
Experience adjustments - relating to incurred claims and other directly attributable expenses recovery	2,818	(5)	-	-	2,813
Changes that relate to current service	**2,867**	**(199)**	**(274)**	**(2,978)**	**(584)**
Changes that relate to future service					
Changes in estimates that adjust the CSM	2,100	(951)	23	(1,172)	-
Contracts initially recognised in the period	(18,031)	3,623	2	14,349	(57)
Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	398	11	-	-	409
Changes that relate to future service	**(15,533)**	**2,683**	**25**	**13,177**	**352**
Changes that relate to past service - changes in the FCF relating to the incurred claims recovery	-	1	-	-	1
Net (expenses) / income from reinsurance contracts held	**(12,666)**	**2,485**	**(249)**	**10,199**	**(231)**
Finance (expenses) / income from reinsurance contracts held	(679)	-	98	1,171	590
Total amounts recognised in comprehensive income	**(13,345)**	**2,485**	**(151)**	**11,370**	**359**
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	14,853	-	-	-	14,853
Recoveries from reinsurance	(9,547)	-	-	-	(9,547)
Total cash flows	**5,306**	**-**	**-**	**-**	**5,306**
Reinsurance contract (liabilities) / assets as at 30 June 2023	**(51,390)**	**13,149**	**2,361**	**44,661**	**8,782**

15 Insurance and reinsurance contracts (continued)

			Contractual service margin		
	Present value of future cash flows $'000	Risk adjustments for non-financial risk $'000	Contracts measured under the fair value approach at transition $'000	New contracts and contracts measured under the full retrospective approach at transition $'000	Total $'000
Reinsurance contract (liabilities) / assets as at 1 July 2023	**(51,390)**	**13,149**	**2,361**	**44,661**	**8,782**
Changes that relate to current service					
CSM recognised for the services received	-	-	(102)	(3,749)	(3,851)
Change in the risk adjustment for non-financial risk for the risk expired	-	7	-	-	7
Reinsurance premium (and other related cash flows) experience adjustments relating to current service	474	-	-	-	474
Experience adjustments - relating to incurred claims and other directly attributable expenses recovery	(1,135)	(7)	-	-	(1,142)
Changes that relate to current service	**(661)**	**-**	**(102)**	**(3,749)**	**(4,512)**
Changes that relate to future service					
Changes in estimates that adjust the CSM	5,567	(14)	(1,495)	(4,058)	-
Contracts initially recognised in the period	(20,796)	4,156	-	16,599	(41)
Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	860	29	-	-	889
Changes that relate to future service	**(14,369)**	**4,171**	**(1,495)**	**12,541**	**848**
Net (expenses) / income from reinsurance contracts held	**(15,030)**	**4,171**	**(1,597)**	**8,792**	**(3,664)**
Finance (expenses) / income from reinsurance contracts held	(5,255)	-	101	2,284	(2,870)
Total amounts recognised in comprehensive income	**(20,285)**	**4,171**	**(1,496)**	**11,076**	**(6,534)**
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	18,396	-	-	-	18,396
Recoveries from reinsurance	(8,725)	-	-	-	(8,725)
Total cash flows	**9,671**	**-**	**-**	**-**	**9,671**
Reinsurance contract (liabilities) / assets as at 30 June 2024	**(62,004)**	**17,320**	**865**	**55,737**	**11,919**

15 Insurance and reinsurance contracts (continued)

(f) Impact of contracts recognised in the period

(i) Insurance contracts issued

	Profitable contracts issued $'000	Onerous contracts issued $'000	Total $'000
2023			
Insurance acquisition cash flows	1,834	505	2,339
Claims and other directly attributable expenses	41,392	1,253	42,645
Estimates of the present value of future cash outflows	43,226	1,758	44,984
Estimates of the present value of future cash inflows	(59,217)	(1,414)	(60,631)
Risk adjustment for non-financial risk	1,528	36	1,564
CSM	14,463	-	14,463
Increase in insurance contract liabilities from contracts recognised in the period	**-**	**380**	**380**
2024			
Insurance acquisition cash flows	1,882	684	2,566
Claims and other directly attributable expenses	49,306	2,166	51,472
Estimates of the present value of future cash outflows	51,188	2,850	54,038
Estimates of the present value of future cash inflows	(69,959)	(2,364)	(72,323)
Risk adjustment for non-financial risk	1,766	64	1,830
CSM	17,005	-	17,005
Increase in insurance contract liabilities from contracts recognised in the period	**-**	**550**	**550**

(ii) Reinsurance contracts held

	Contracts originated not in a net gain $'000	Contracts originated in a net gain $'000	Total $'000
2023			
Estimates of present value of cash inflows	(28,985)	(528)	(29,513)
Estimates of present value of cash outflows	47,067	478	47,545
Risk adjustment of non-financial risk	(3,541)	(82)	(3,623)
CSM	(14,481)	130	(14,351)
Increase in reinsurance contract liabilities from contracts recognised in the period	**60**	**(2)**	**58**
2024			
Estimates of present value of cash inflows	(33,499)	(831)	(34,330)
Estimates of present value of cash outflows	54,357	769	55,126
Risk adjustment of non-financial risk	(4,029)	(128)	(4,157)
CSM	(16,753)	153	(16,600)
Increase in reinsurance contract liabilities from contracts recognised in the period	**76**	**(37)**	**39**

15 Insurance and reinsurance contracts (continued)

(g) CSM run off profile

	2024		2023	
	CSM for insurance contracts issued $'000	**CSM for reinsurance contracts held $'000**	CSM for insurance contracts issued $'000	CSM for reinsurance contracts held $'000
Projection years				
1	6,336	(4,080)	5,339	(3,386)
2	1,547	(3,672)	1,183	(3,057)
3	1,415	(3,381)	1,083	(2,829)
4	1,296	(3,153)	991	(2,654)
5	1,189	(2,970)	909	(2,512)
6-10	4,733	(12,577)	3,624	(10,703)
>10	10,133	(26,771)	7,906	(21,881)
Total	**26,649**	**(56,604)**	**21,035**	**(47,022)**

16 Share capital

Accounting policy

Ordinary share capital and preference share capital is classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown as an expense and included in administrative expenses in the statement of comprehensive income.

Pinnacle Life Custodial Services Limited holds all of the Company's share capital in trust for its ultimate beneficial shareholders at reporting date.

Note disclosure

	2024 Shares	2023 Shares	**2024 $'000**	2023 $'000
Share capital				
Ordinary shares	**9,127,014**	9,127,014	**20,426**	20,426
Series C convertible preference shares	**666,667**	666,667	**1,859**	1,859
	9,793,681	9,793,681	**22,285**	22,285

(a) Ordinary shares

	2024 Shares	2023 Shares	**2024 $'000**	2023 $'000
Opening balance of ordinary shares issued	**9,127,014**	9,127,014	**20,426**	20,426
Closing balance of ordinary shares issued	**9,127,014**	9,127,014	**20,426**	20,426

Ordinary shares are fully paid and have no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company, and rank equally with regards to the Company's residual assets.

16 Share capital (continued)

(b) Series C convertible preference shares

	2024 Shares	2023 Shares	**2024 $'000**	2023 $'000
Opening balance of Series C convertible preference shares issued	**666,667**	666,667	**1,859**	1,859
Closing balance Series C convertible preference shares issued	**666,667**	666,667	**1,859**	1,859

The Series C convertible preference shares have a par value of $3.00 per share and have the following rights: Each share will convert one for one to ordinary shares on conversion; Convertible at any time by the holder; by the Company only on occurrence of an IPO or successful trade sale; The holder can decline the offer to convert if the implied value is below $3.00 at any time that the conversion offer is made by the Company; Carry a fixed non cumulative dividend of 30 cents per share (less dividend withholding tax), with the Company holding full discretion over the payment of the dividend; On a winding up of the Company they will rank for payment ahead of ordinary shares with regards to the Company's residual assets; and carry no voting rights at meetings of the Company.

17 Capital management

The Company considers its capital to comprise its ordinary share capital, accumulated retained earnings and solvency capital.

The Company's capital management objectives are to:

- maintain an 'actual solvency capital' that exceeds the 'minimum solvency capital' requirements per the Solvency Standard for Life Insurance Business issued by the RBNZ per the on-going licensing requirements of the Company's licence to carry on insurance business in New Zealand issued by the RBNZ on 29 April 2013 under section 19 of the Insurance (Prudential Supervision) Act 2010 (IPSA);
- maintain a strong capital base to protect life insurance contract policyholders;
- maintain a strong credit rating; and
- ensure equity holder objectives are met, the primary purpose of which is to ensure the Company's continued ability to provide a consistent return to its equity shareholders through a combination of capital growth and distributions.

The Company manages its capital by considering the capital needs of the business, the risks that the Company is exposed to and projections of the solvency capital margin. In making decisions to adjust its capital structure, either through altering its dividend policy, or new share issue, the Company takes into consideration not only its short term position but also its long term operational and strategic objectives.

During the reporting period, the Company has maintained compliance with all externally imposed capital and licensing requirements.

Solvency requirements under the Insurance (Prudential Supervision) Act 2010

Separate to the life insurance contract assets and liabilities recognised in the financial statements, life insurance companies are required to maintain sufficient capital to meet solvency requirements. These are amounts required to provide protection against the impact of fluctuations and unexpected adverse circumstances on the life insurance businesses. The methodology and bases for determining the solvency requirement are in accordance with the requirements of the Insurance (Prudential Supervision) Act 2010.

Minimum capital levels are set based on maintaining a target solvency margin in excess of solvency margin requirements under the Interim Solvency Standard 2023 issued in accordance with Insurance (Prudential Supervision) Act 2010. The comparative 2023 Solvency figures disclosed are calculated under the Solvency Standard for Life Insurance Business issued in accordance with the Insurance (Prudential Supervision) Act 2010 and have not been restated.

17 Capital management (continued)

	Rimu statutory fund 2024 $'000	**Total 2024 $'000**	Rimu statutory fund 2023 $'000	Total 2023 $'000
Solvency capital	**69,438**	69,764	32,835	33,348
Prescribed capital amount	**61,125**	61,128	24,084	24,087
Solvency margin	**8,313**	8,636	8,751	9,261
Solvency ratio	**1.14**	1.14	1.36	1.38

The 2023 figures were prepared on the previous Solvency Standard for Life Insurance Business and are therefore not directly comparable.

18 Retained earnings

(a) Retained earnings

Movements in retained earnings were as follows:

	2024 $'000	2023 (Restated)* $'000
Balance at 1 July	**11,277**	9,555
Net (loss) / profit for the year	**(506)**	1,922
Dividends	**(200)**	(200)
Balance at 30 June	**10,571**	11,277

(b) Distributions

Dividends to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved but not distributed at reporting date.

During the year, the Company declared/paid the following dividends:

	2024		**2023**	
	¢ per share	**$'000**	**¢ per share**	**$'000**
Series C convertible preference shares				
- 30 September 2023 (2023: 30 September 2022)	7.50	50	7.50	50
- 31 December 2023 (2023: 31 December 2022)	7.50	50	7.50	50
- 31 March 2024 (2023: 31 March 2023)	7.50	50	7.50	50
- 30 June 2024 (2023: 30 June 2023)	7.50	50	7.50	50
		200		200

19 Related party transactions

(a) Parent entities

The Company is a wholly owned subsidiary of Greenstone Life NZ Limited, a company incorporated in New Zealand. The ultimate parent is Greenstone Holdco Pty Limited, a Company incorporated in Australia.

(b) Key management and personnel compensation

Key management personnel comprises all the directors of the Company and the CEO and General Manager of Operations. Compensation received by key management personnel of the Company is as follows:

	2024 $'000	2023 $'000
Short-term employee benefits	**643**	431
Directors fees	**305**	217
	948	648

No other compensation was paid or payable to key management personnel of the Company.

(c) Transactions with other related parties

The Company undertook the following transactions with the below related parties during the year:

Related party	Relationship
Greenstone Life NZ Limited	Company shareholder, Series C convertible preference share holder
Jack Porus	Company director (resigned 31 March 2024)
Rebecca Sellers	Company director (appointed 15 December 2022)
Michelle van Gaalen	Company director (appointed 14 December 2023)
The Glaister Ennor Partnership	A partnership in which Jack Porus was previously a Partner, which ceased on 30 November 2022.
Spencers Chartered Accountants & Advisors LP	A partnership in which Andrew Spencer, Company director, is a Partner.
Greenstone Financial Services NZ Limited	Distributor of the Company's life insurance products.
Greenstone Financial Services Pty Limited	Intercompany service provider.

19 Related party transactions (continued)

The Company undertook the following transactions with related parties during the year, and had the following balances receivable / (payable) with related parties at year end:

	2024 **$'000**	2023 $'000
(i) ***Transactions***		
Rebecca Sellers		
Directors fees	**(80)**	(47)
Michelle van Gaalen		
Directors fees	**(52)**	-
The Glaister Ennor Partnership		
Legal fees and directors fees	**(100)**	(103)
Spencers Chartered Accountants & Advisors LP		
Directors fees	**(98)**	(88)
Greenstone Financial Services NZ Limited		
Policy acquisition / distribution expense	**(11,238)**	(7,937)
Policy maintenance / administration expense	**(2,967)**	(2,055)
(ii) ***Balances***		
Greenstone Financial Services NZ Limited	**(1,234)**	(1,013)
	(1,234)	(1,013)

No related party balances were impaired or written off during the year (2023: $nil).

Life insurance policies held by related parties of the Company

Jack Porus, who ceased as a director on 31 March 2024, has a life insurance policy with the Company. This policy was entered into and issued on an arm's length basis.

20 Risk management

Insurance and reinsurance contracts expose the Company to underwriting risk, which comprises insurance risk, policyholder behaviour risk and expense risk. In addition, the Company is exposed to financial and operational risks from insurance and reinsurance contracts and financial instruments. Financial risks include credit risk, liquidity risk and market risk.

Market risk comprises interest rate risk and other price risk.

This note presents information about the Company’s risk exposures, and the Company’s objectives, policies and processes for measuring and managing risks, structured as follows:

(a) Credit risk
(b) Liquidity risk
(c) Market risk - interest rate risk
(d) Market risk - fair value risk
(e) Insurance risk

The Board of Directors have overall responsibility for identifying and managing operational and financial risks.

20 Risk management (continued)

The Company holds the following financial instruments by category:

	2024 $'000	2023 (Restated)* $'000
Financial assets		
Cash and cash equivalents (note 7)	**7,217**	6,085
Other receivables (note 9)	**77**	70
Financial assets at fair value through profit or loss (note 8)	**10,314**	10,574
Total financial assets	**17,608**	16,729
Financial liabilities		
Payables (note 13)	**3,660**	3,022
Total financial liabilities	**3,660**	3,022

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Company's exposure to credit risk, or the risk of counterparties defaulting arises mainly from cash at bank, other receivables, and term investments. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to financial statements.

With the exception of the cash deposits, term deposits and New Zealand Government securities the Company does not have any other material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

The Company has also significant credit risk arising from reinsurance contracts held. Credit risk associated with future premium inflows from insurance contracts issued is mitigated by the Company's ability to terminate insurance contract services when policyholders fail to meet their premium payment obligations, resulting in insignificant credit risk exposures to the Company.

(i) Cash deposits (refer note 7), term deposits (refer note 8) and New Zealand Government securities (refer note 8)

Credit risk for cash at bank, term deposits and New Zealand Government securities is managed by holding all cash deposits with high credit rating financial institutions (i.e. ASB Bank Limited with a Standard and Poor's rating of 'AA- ' 'outlook negative' and New Zealand Government with a Standard and Poor's rating of 'AAA' 'stable outlook' (2020: 'AA+' 'positive outlook')).

(ii) Other receivables

Credit risk for other receivables is managed by dealing exclusively with high credit rating counterparties. The Company also undertakes transactions with a large number of customers throughout New Zealand, thus minimising concentrations of credit risk.

(iii) Reinsurance contract assets

All reinsurance contracts are held with a single reinsurer. Credit risk for reinsurance contracts held is mitigated by dealing exclusively with 'A' rated or above (Standard & Poor's) international reinsurers.

The amounts that best represent the maximum exposure to credit risk in reinsurance contract assets at the reporting dates are analysed below, using the Company's credit risk rating grading.

	AAA	AA	A+	Total
2024				
Maximum credit exposure	-	-	11,918	11,918
2023				
Maximum credit exposure	-	-	8,781	8,781

20 Risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities and policyholder liabilities. The Company monitors its liquidity position on a continuous basis and plans its operating activities to ensure a balanced liquidity position. The Company practices prudent risk management by maintaining sufficient cash balances. If necessary the Company will build up cash reserves to meet longer term liabilities.

Maturity analysis

The table below represents the contractual settlement terms for financial instruments and insurance contract assets and liabilities and management's expectation for settlement of these.

	1 year $'000	2 years $'000	3 years $'000	4 years $'000	5 years $'000	> 5 years $'000	Total contractual cash flows $'000
2024							
Cash and cash equivalents	**7,217**	**-**	**-**	**-**	**-**	**-**	**7,217**
Financial assets at fair value through profit or loss	**493**	**2,132**	**1,199**	**1,607**	**994**	**3,889**	**10,314**
Insurance contract assets	**58**	**2,425**	**2,365**	**2,307**	**2,250**	**24,845**	**34,250**
Reinsurance contract assets	**1,600**	**(433)**	**(450)**	**(357)**	**(235)**	**11,793**	**11,918**
Payables	**(3,714)**	**-**	**-**	**-**	**-**	**-**	**(3,714)**
Lease liabilities	**(125)**	**(54)**	**-**	**-**	**-**	**-**	**(179)**
Insurance contract liabilities	**4,091**	**4,133**	**3,637**	**2,980**	**2,325**	**(34,117)**	**(16,951)**
Net maturities	**9,620**	**8,203**	**6,751**	**6,537**	**5,334**	**6,410**	**42,855**
2023 (restated)							
Cash and cash equivalents	6,085	-	-	-	-	-	6,085
Financial assets at fair value through profit or loss	1,448	1,444	715	1,175	1,268	4,524	10,574
Insurance contract assets	(1,096)	2,132	2,079	2,028	1,978	24,436	31,557
Reinsurance contract assets	2,614	(434)	(426)	(349)	(263)	7,639	8,781
Payables	(3,026)	-	-	-	-	-	(3,026)
Lease liabilities	(117)	(125)	(54)	-	-	-	(296)
Insurance contract liabilities	3,568	3,712	3,249	2,708	2,202	(25,340)	(9,901)
Net maturities	9,476	6,729	5,563	5,562	5,185	11,259	43,774

(c) Market risk - interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Company’s exposure to interest rate risk arises mainly from its interest earning cash, term deposits, New Zealand Government securities and corporate securities. The Company’s exposure to interest rate risk is to the extent that it invests for a fixed term at fixed rates. The Company's policy is to obtain the most favourable term and interest rate available.

As these securities are carried at net market value, the effective interest rate is reflected in the market price. By investing with high credit rating financial institutions, the Company minimises the impact of market interest rate fluctuations.

20 Risk management (continued)

The Company's exposure to interest rate risk in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities is as follows:

	2024		
	Interest bearing $'000	**Weighted average effective interest rate %**	
Financial assets			
Cash	**7,217**	**1.83%**	**Floating**
Financial assets at fair value through profit and loss	**10,314**	**5.58%**	**Fixed**
Total financial assets	**17,531**		

	2023		
	Interest bearing $'000	**Weighted average effective interest rate %**	
Financial assets			
Cash	6,085	2.63%	Floating
Financial assets at fair value through profit and loss	10,574	2.79%	Fixed
Total financial assets	16,659		

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

Sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. A 100 (2023: 100) basis point increase/decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates were to increase/decrease by 100 (2023: 100) basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	2024 decreased by 1% %	**2024 increase by 1% %**	2023 decreased by 1% %	2023 increase by 1% %
+ / - 100 (2023: 100) basis points				
Impact on profit before tax	**(557)**	519	(578)	538
Impact on equity	**(401)**	374	(570)	530

(d) Market risk - fair value risk

Fair values compared with carrying amounts

The carrying value of all financial assets and liabilities not measured at fair value approximates their fair values as they are either short term in nature or rate insensitive.

20 Risk management (continued)

Fair value measurement

Financial assets and liabilities recognised and measured at fair value have been determined by the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data

	2024			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total** $'000
Financial assets				
Financial assets at fair value through profit or loss				
- Term deposits	**1,388**	**-**	**-**	**1,388**
- New Zealand Government securities	**5,917**	**301**	**-**	**6,218**
- Corporate securities	**1,996**	**712**	**-**	**2,708**
Total financial assets	**9,301**	**1,013**	**-**	**10,314**

	2023			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets at fair value through profit or loss				
- Term deposits	-	1,448	-	1,448
- New Zealand Government securities	-	6,005	-	6,005
- Corporate securities	-	3,121	-	3,121
Total financial assets	-	10,574	-	10,574

(e) Life insurance risk

The risk under any one insurance contract is the possibility that an insured event occurs and there is uncertainty about the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This occurs when the frequency or severity of claims and benefits exceeds the estimates. Insurance events are random and the actual number of claims and the amount of benefits paid will vary each period from estimates established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population to reduce the variability of the expected outcome. The Company manages insurance risk through underwriting strategy, claims handling, reinsurance arrangements and insurance contract terms and conditions.

The life insurance business of the Company involves a number of non-financial risks concerned with the pricing, acceptance and management of the mortality, morbidity and longevity risks accepted from policyholders.

20 Risk management (continued)

Variable	**Impact of movement in underlying variable**
Expense risk	An increase in the level or inflationary growth of expenses over assumed levels will decrease profit and equity.
Mortality rates	For insurance contracts providing death benefits, greater mortality rates would lead to higher levels of claims, increasing associated claims cost and therefore reducing profit and equity.
Morbidity rates	The cost of health-related claims depends on the incidence of policyholders becoming totally and permanently disabled or suffering serious illness. Higher than expected incidence would increase claim costs, reducing profit and equity.
Discontinuances	The impact of the discontinuance rate assumption depends on a range of factors including the type of contract and the duration in force. For example, an increase in discontinuance rates at earlier durations of life insurance contracts usually has a negative effect on profit and equity. However, due to the interplay between the factors, there is not always an adverse outcome from an increase in discontinuance rates.
Expenses	An increase in the level or inflationary growth of expenses over assumed levels will decrease profit and equity.

Sensitivity analysis

The liabilities included in the reported results are calculated using certain assumptions about key variables as disclosed above. Sensitivity analysis is conducted to assess the movements in any key variable that will impact the profit and equity.

A change in actual experience relative to that expected will affect the period's expected profit or loss disclosed below.

The following adverse percentage changes in respect of the listed assumptions would result in the presented decreases in future margins and profit, gross and net of reinsurance. The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated.

	Impact on profit and equity			
	Gross of reinsurance		**Net of reinsurance**	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Expenses + 10%	(330)	(229)	(292)	(209)
Mortality and morbidity + 10%	(1,303)	(1,107)	91	63
Discontinuances + 10%	178	123	513	447

20 Risk management (continued)

Risk management

Insurance risks are controlled through the use of underwriting procedures and adequate premium rates and policy charges. Tight controls are also maintained over claims management practices to ensure the correct and timely payment of insurance claims.

- Underwriting management procedures

Underwriting is managed by a separate department with underwriting limits in place to enforce appropriate risk selection criteria. The Company provides appropriate training and development of underwriting staff. Individual policies carrying insurance risk are underwritten on their merits and are generally not issued without having been examined and underwritten individually.

- Claims management procedures

Claims are managed through a dedicated claims team, with appropriate training and development of staff to ensure procedures are adhered to. Claims are managed to ensure timely and correct payment in accordance with policy conditions. Claims experience is reviewed regularly and appropriate actuarial reserves are established.

- Reinsurance management procedures

The Company holds appropriate reinsurance arrangements to limit exposure to individual and catastrophe risks. All reinsurance arrangements are approved by the Directors of the Company.

- Terms and conditions of life insurance contracts

The nature of the terms of the insurance contracts written by the Company is such that certain external variables can be identified on which related cash flows for claim payments depend. The tables below provide an overview of the key variables upon which the amount of related cash flows are dependent.

Type of contract	**Details of contract workings**	**Nature of compensation for claims**	**Key variables affecting future cash flows**
Life insurance contracts with fixed and guaranteed terms (term life and disability including renewable term).	Guaranteed benefits paid on death, permanent and temporary disablement that are fixed and guaranteed and not at the discretion of the issuer.	Benefits, defined by the insurance contract, are determined by the contract and not directly affected by the performance of underlying assets or the performance of the contracts as a whole.	Mortality, morbidity, discontinuances and expenses.

Concentration of insurance risk

The Company aims to maintain a portfolio of policyholders with a broad spread of insurance risk types, ages, sexes, occupation classes and geographical locations for the individual risk business. The Company uses reinsurance to limit the insurance risk exposure for any one individual.

20 Risk management (continued)

(i) Interest rate risk

The Company is additionally exposed to interest rate risk through revaluations in its insurance contract assets and liabilities and reinsurance contract assets. Changes in interest rates mainly affect profit or loss and equity as follows:

- (re)insurance finance income or expenses recognised in profit or loss for insurance and reinsurance contracts as a result of discounting future cash flows at a revised current rate; and
- insurance revenue due to changes in the risk adjustment for non-financial risk as a result of discounting at a revised rate as the Company has chosen not to disaggregate changes in the risk adjustment for non-financial risk.

The table below illustrates the sensitivity of this year's profit to changes in discount rate movement at year end, considering only the impacts due to revaluations of insurance and reinsurance contracts.

	Impact on profit and equity 2024 $'000	Impact on profit and equity 2023 $'000
Interest + 1%	5,996	4,802

(ii) Statutory fund

The Company established the Rimu Statutory Fund (the RSF) on 1 May 2013. The RSF is the sole statutory fund held by the Company.

The Company operates solely in the life insurance business. The RSF relates solely to the life insurance business of the Company. All of the current and future policies are non participating, risk based term insurance and are classified as "life policies" under section 84 of the Insurance (Prudential Supervision) Act 2010. None of the Company's policies are "investment linked" in character and all of the Company's policies are similar in nature.

The Company's shareholders' access to the retained earnings of the RSF is restricted by the Insurance (Prudential Supervision) Act 2010. The Company shareholders' entitlement to monies held in the RSF is subject to the distribution and transfer restrictions on the Insurance (Prudential Supervision) Act 2010. Any distribution of the shareholders' capital or retained profits will only be made after advice from the Company's appointed Actuary is received regarding the effect of such a distribution. No distribution will be made if it would cause the solvency margin of RSF to drop below the minimum margin target set by the Company's Board, or if such distribution was otherwise in breach of Insurance (Prudential Supervision) Act 2010.

20 Risk management (continued)

Disaggregated Information

The disaggregated information for the Company's shareholder fund and sole statutory fund, the Rimu Statutory Fund (the RSF) is presented below. The Company does not have any life investment contracts on issue or any investment linked business.

	Shareholder Fund $'000 2024	Rimu Statutory Fund $'000 2024	Total $'000 2024	Shareholder Fund $'000 2023	Rimu Statutory Fund $'000 2023	Total $'000 2023
Summary Income Statement						
Insurance service result	-	3,109	3,109	-	1,336	1,336
Net investment income	6	645	651	5	54	59
Net insurance finance (expenses) / income	-	(2,606)	(2,606)	-	1,617	1,617
Other operating expenses	-	-	-	-	-	-
Profit / (loss) before income tax expense	**6**	**1,148**	**1,154**	**5**	**3,007**	**3,012**
Income tax expense / (benefit)	(1)	197	196	(1)	(751)	(752)
Net (loss) / profit after income tax expense	**5**	**1,345**	**1,350**	**4**	**2,256**	**2,260**
Summary Balance Sheet Assets						
Cash and cash equivalents	2	7,215	7,217	399	5,686	6,085
Financial assets at fair value through profit or loss	315	9,999	10,314	114	10,460	10,574
Insurance contract assets	-	34,250	34,250	-	31,557	31,557
Reinsurance contract assets	-	11,918	11,918	-	8,781	8,781
Other assets	-	1,428	1,428	-	1,284	1,284
Total assets	**317**	**64,810**	**65,127**	**513**	**57,768**	**58,281**
Liabilities						
Insurance contract liabilities	-	16,951	16,951	-	9,901	9,901
Reinsurance contract liabilities	-	-	-	-	-	-
Other liabilities	-	15,320	15,320	-	14,818	14,818
Total liabilities	**-**	**32,271**	**32,271**	**-**	**24,719**	**24,719**
Net assets	**317**	**32,539**	**32,856**	**513**	**33,049**	**33,562**
Share capital						
Opening balance	4,655	17,630	22,285	4,255	17,630	21,885
Transfers between the Funds	-	-	-	400	-	400
Balance as at reporting date	**4,655**	**17,630**	**22,285**	**4,655**	**17,630**	**22,285**
Retained earnings						
Opening balance	(4,142)	15,419	11,277	(3,946)	13,501	9,555
Operating profit / (loss)	4	(510)	(506)	4	1,918	1,922
Dividends paid	(200)	-	(200)	(200)	-	(200)
Balance as at reporting date	**(4,338)**	**14,909**	**10,571**	**(4,142)**	**15,419**	**11,277**
Total equity	**317**	**32,539**	**32,856**	**513**	**33,049**	**33,562**

21 Credit rating

A.M. Best rates the Company 'B+' (2023: 'B+') financial strength (outlook 'stable' (2023: 'stable')) and a bbb- (2023: bbb-) issuer credit rating (outlook 'stable' (2023: 'stable')) at 1 May 2024 (2023: 27 April 2023).

The financial strength rating scale used by A.M. Best is:

- A++, A+ (Superior);
- A, A- (Excellent);
- B++, B+ (Good);
- B, B- (Fair);
- C++, C+ (Marginal);
- C, C- (Weak);
- D (Poor);
- E (Under Regulatory Supervision);
- F (In Liquidation);
- S (Suspended).

22 Capital and leasing commitments

As at 30 June 2024, the Company had no material commitments (2023: $nil).

23 Contingent liabilities

As at 30 June 2024, the Company had no material contingent liabilities (2023: $nil).

24 Events occurring after the reporting period

On 20 July 2024, the Company signed a new six year lease for new office premises in Auckland commencing 1 August 2024. A right-of-use asset and lease liability of $1,255,282 were recognised on the lease commencement date.

There were no other events occurring subsequent to balance date which require adjustment to or disclosure in the financial statements.

Directory

Company number	4187258
NZ business number	9429030397248
Principal business	Life insurer, the underwriting of non-participating, risk based term life insurance including modest additional covers for accident, sickness and disability
Issued capital	9,127,014 Ordinary shares 0 Series A convertible preference shares 0 Series B convertible preference shares 666,667 Series C convertible preference shares
Directors	Graeme Wayne Booth John Francis Roche Jack Lee Porus - resigned 31 March 2024 Rebecca Joan Sellers Andrew Spencer Michelle Elisa Van Gaalen - appointed 14 December 2023
Registered office	27 Gillies Ave Newmarket, Auckland
Website	www.pinnaclelife.co.nz
Statutory fund	Rimu Statutory Fund
Actuary	Ben Coulter, FNZSA, FIAA
Reinsurer	Hannover Life Re of Australasia
Banks	ASB Bank Limited Bank of New Zealand Limited Westpac New Zealand Limited
Solicitor	Glaister Ennor
Accountants	PwC
Auditors	Deloitte

Deloitte.

Independent Auditor's Report to the Shareholders of Pinnacle Life Limited

Opinion

We have audited the financial statements of Pinnacle Life Limited which comprises the statement of financial position as at 30 June 2024, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Entity's financial position as at 30 June 2024 and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS").

Basis for Opinion

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

Other than in our capacity as auditor, we have no relationship with or interests in the Entity, except that partners and employees of our firm deal with the Entity on normal terms within the ordinary course of trading activities of the business of the Entity.

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

Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of Valuation of insurance contract assets and liabilities – Refer to Note 15 to the financial statements Pinnacle Life Limited has reported NZD$34 million in insurance contract assets representing	Our audit procedures related to certain valuation models, mortality, morbidity, policyholder behaviour, expenses and discount rate assumptions included the following, among others:

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>53% of its total assets. Insurance contract assets and liabilities are determined in accordance with NZ IFRS 17 Insurance Contracts (NZ IFRS 17). This requires the use of complex valuation models and assumptions to measure groups of contracts at the estimate of the present value of fulfillment cash flows, which includes an explicit risk adjustment for non-financial risk, and the contractual service margin (CSM).

While there are many assumptions which management make, the assumptions with the greatest estimation uncertainty are those related to mortality, morbidity, policyholder behaviour, expenses and discount rates assumptions. These assumptions required significant auditor attention in specific circumstances where (i) there is limited Entity and industry experience data, (ii) the historical experience may not be a good indicator of the future and (iii) the determination of discount rates requires measurement of unobservable market inputs. Auditing of certain valuation models and key identified assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.</td><td>• Testing the design, implementation and where appropriate) the operating effectiveness of relevant controls
• With the assistance of actuarial specialists, testing the appropriateness of certain valuation models used in the estimation process by:
    ◦ calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to the Entity’s estimate;
    ◦ testing the implementation accuracy of changes in key assumptions of selected valuation models.
• With the assistance of actuarial specialists, tested the reasonableness of mortality, morbidity, policyholder behaviour, expenses and discount rate assumptions by:
    ◦ reviewing and confirming whether management’s assumptions were determined in accordance with the requirements of NZ IFRS 17;
    ◦ testing experience studies and other inputs used in the determination of the mortality, morbidity, policyholder behaviour, expenses and discount rate;
    ◦ analysing and challenging management’s interpretation and judgement of its experience study results and emerging claims experience, evaluating triggers and drivers for revisions of assumptions, assessing reasonable possible alternative assumptions, and considering industry and other</td></tr>
</table>

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
	external sources of benchmarking where applicable. • With the assistance of actuarial specialists, evaluated the reasonableness of the discount rates used by testing the inputs and source information underlying the determination of the discount rates and developing a range of independent estimates and comparing those to the discount rates selected by management.
Adoption of new and amended Accounting Standards – NZ IFRS 17 Insurance Contracts ("NZ IFRS 17") – Refer to Note 2 to the financial statements The Company adopted NZ IFRS 17 effective 1 July 2023 which had an impact on the Company's opening equity balances. NZ IFRS 17 is a complex accounting standard requiring considerable judgment and interpretation in its implementation and impacts how the Entity recognises, measures, presents and discloses insurance contracts. In adopting NZ IFRS 17, the Entity has made an accounting policy choice to apply the fair value approach for funeral group contracts that commenced before 2019. The fair value approach calculates the initial CSM as the difference between the fair value of a group of insurance contracts and the fulfillment cash flows measured at that date. There are many components embedded in the determination of the valuation of the insurance contract liabilities and initial CSM as at 1 July 2022 that required management to make judgments and assumptions related to *i.* the appropriateness of the fair value methodology, and ii. the appropriateness of the valuation models that incorporate projections of cash inflows and outflows and	With the assistance of various specialists, our audit procedures related to the determination of the insurance contract asset/liability as at 1 July 2022 included the following, amongst others: • Testing the design, implementation and where appropriate) the operating effectiveness of relevant controls • Evaluated the reasonability of management's data, methodology and assumptions as well as the application of the chosen simplifications of the modified retrospective approach against the requirements of NZ IFRS 17. • Evaluated management's selection of the fair value approach/methodology against the requirements of NZ IFRS 17 and NZ IFRS 13 Fair Value Measurement. • Evaluated the projections of cash inflows and outflows by: o Evaluating the valuation models and methodologies and their applicability under *NZ IFRS* 17; o Examining the audited historical projected cashflows and assumptions to ensure they are incorporated into the

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
iii. the appropriateness of assumptions such as the discount rates and risk adjustment	transition valuation models as applicable; o Evaluating triggers and drivers for revisions of key assumptions under *NZ IFRS* 17; o Tested the appropriateness of certain valuation models used in the estimation process by calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to the Company's estimate. • Evaluated the reasonableness of the discount rates used by testing the source information underlying the determination of the discount rates and developing a range of independent estimates and comparing those to the discount rates selected by management.

Other Information

The board of directors on behalf of the Entity is responsible for the other information. The other information comprises the information included in the Entity's annual report for the year ended 30 June 2024, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears 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 board of directors for the Financial Statements

The board of directors of the Entity is responsible on behalf of the Entity for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards (IFRS),and for such internal control as the Board of Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors is responsible on behalf of the Entity for assessing the ability of the Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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 (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 (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 Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the board of director's 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 Entity'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 statements 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 Entity to cease to continue as a going concern.

- 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 board of 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.

The auditor also provides those charged with governance with a statement that the auditor has 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 the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stuart Alexander
Partner
Chartered Accountants
Sydney, 19 September 2024

Gillian Vaughan
Pinnacle Life Limited
PO Box 1471
Auckland 1140

19 September 2024

Appointed actuary's review of actuarial information for Pinnacle Life Limited for the twelve months ending 30 June 2024

Dear Gillian

This letter has been prepared for Pinnacle Life Limited (Pinnacle Life) to meet the requirements of Section 78 of the Insurance (Prudential Supervision) Act 2010 (the 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 to be included in the audited financial statements for Pinnacle Life as at 30 June 2024, including but not limited to:

- Information relating to Pinnacle Life's calculations of premiums, claims, reserves, dividends, insurance rates and technical provisions
- Information relating to assessments of the probability of uncertain future events occurring and the financial implications for the insurer if those events do occur
- Liabilities for Remaining Coverage (LFRC), including Risk Adjustment (LFRC RA) and Contract Service Margin (CSM), regarding the central estimates of the gross and reinsurance cash flows , and discounting as required
- Liabilities for Incurred Claims (LIC), including Risk Adjustment (LIC RA), regarding the central estimates of the gross and reinsurance cash flows, and discounting as required
- Asset for Insurance Acquisition Cash Flows (AIACF), impairment of the AIACF, and any Deferred Acquisition Costs (DAC)
- Roll-forward disclosures that explain the movement in the components of (re)insurance contract assets and liabilities
- Results of profitability tests for onerousness as detailed in NZ IFRS 17 and analysis of loss components
- The assumptions used in the calculation of the LFRC, LIC and the solvency margin
- The sensitivity of Pinnacle Life's profit to changes in insurance and market risk assumptions
- Information specified in the Interim Solvency Standard 2023 (incorporating amendments to June 2023, the latest amendment issued on 6 June 2023 takes effect on 1 August 2023) as being actuarial information for the purposes of section 77 of the Act.

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

I am the appointed actuary to Pinnacle Life and I am a Partner of PricewaterhouseCoopers New Zealand. I have a relationship with Pinnacle Life as a policyholder, but I am not a shareholder and I do not have any other financial interest in Pinnacle Life.

In my opinion:

- the actuarial information contained in the financial statements has been appropriately included in those statements; and
- the actuarial information used in the preparation of the financial statements has been used appropriately; and
- Pinnacle Life is maintaining a solvency margin as required under Interim Solvency Standard 2023 (incorporating amendments to June 2023) issued by the Reserve Bank of New Zealand in respect of its Rimu Statutory Fund, as required by section 21(2)(c), and at a total level, as required by section 21(2)(b) of the Act.

Reliances and limitations

This letter has been prepared for Pinnacle Life Limited (Pinnacle Life) and is provided in accordance with the terms set out in our engagement letter dated 27 April 2023.

Our responsibilities and liabilities are limited to Pinnacle Life and exist only in the context of their use of our letter. No liability or responsibility will be accepted by us in relation to the use of our letter 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 have carried out data validation and reasonableness 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. We have no reason to believe that the information provided to us is inconsistent, incomplete, inaccurate or misleading.

This letter must be read in its entirety. Individual sections of this letter 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
PricewaterhouseCoopers Consulting (New Zealand) LP

Ben Coulter FNZSA
Appointed Actuary, Pinnacle Life Limited