Provident Insurance Corporation Limited

Annual report for the financial year ended 31 March 2024

provident insurance

Provident Insurance Corporation Limited

Annual report for the financial year ended 31 March 2024

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Directors' report

Directors' declaration

The directors have pleasure in presenting the annual report of Provident Insurance Corporation Limited for the year ended 31 March 2024.

In the opinion of the directors of Provident Insurance Corporation Limited (the **Company**), the annual report and the notes, set out on pages 8 to 67:

• comply with New Zealand generally accepted accounting practice and present fairly, in all material aspects, the financial position of the Company as at 31 March 2024 and the results of its operations for the year ended on that date.

• have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The shareholders of the Company have agreed to take advantage of the reporting concessions available to it under section 211(3) of the Companies Act 1993. Accordingly, there is no further information to be provided in this annual report other than the financial statements and the auditor's report.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements. There are reasonable grounds to believe that the Company will be able to pay all debts or claims as and when they are due for at least twelve months from the date of issue of these financial statements.

These annual financial statements were approved for issue by the board of directors on 4 July 2024.

Signed on behalf of the board of directors.

D Randell
Director

D Whyte
Director

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Independent auditor's report

To the shareholders of Provident Insurance Corporation Limited

Our opinion

In our opinion, the accompanying financial statements of Provident Insurance Corporation Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 March 2024, 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) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards).

What we have audited

The financial statements comprise:

- the statement of financial position as at 31 March 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

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

Our firm carries out other services for the Company in the areas of other assurance services over the regulatory solvency return and provides access to training material through an on-line platform. Subject to certain restrictions, certain partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the Company. The provision of these other services and relationships have not impaired our independence as auditor of the Company.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. 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.

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Description of the key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities - Liability for remaining coverage (LRC) and liability for incurred claims (LIC) components As at 31 March 2024, the Company held $32.224m of insurance contract liabilities for the LRC and LIC components (2023: $42.109m), as disclosed in note 2.3. We considered the valuation of LRC and LIC components within the insurance contract liabilities a key audit matter due to the inherent complexity and significant judgement in setting actuarial methodologies and assumptions in determining the balances. The valuation is determined based on the advice of the Company's external actuary. • **LRC** The LRC comprises future fulfilment cash flows (FCF) related to future services to be provided under groups of insurance contracts, and a contractual service margin (CSM) and risk adjustment for products measured under the general measurement model (GMM). Key assumptions include loss ratios, expense assumptions and cancellation experience. The key area of judgement in the measurement of CSM is the determination and unwind of coverage units. • **LIC** The LIC comprises FCF related to past services provided under groups of insurance contracts which have not yet been paid and risk adjustment. Key assumptions include loss ratio based on claims experience, discount rates, claims handling expenses and cancellation experience. The risk adjustment in relation to LRC and LIC is also a key area of judgement given it reflects management's judgement on the compensation required for bearing	Together with PwC actuarial experts, we have performed the following procedures in respect of the actuarial methodologies and assumptions used in the measurement of LRC and LIC: • evaluated valuation methodologies and assessed material changes against prior year, our expectations of industry methods and requirements of the standard; • assessed the appropriateness of the methodologies used to derive the assumptions by comparing the assumptions used, including loss ratios and claims experience, expense assumptions (including claims handling expenses), cancellation experience, discount rates and risk adjustments, against our expectations based on the Company's past experience and internal data, market observable data (where available) and our experience of industry practice; • evaluated the unwind of coverage units by assessing the reasonableness of the determination of coverage units based on our understanding of the product groups and the requirements of the standard; and • tested the implementation of the actuarial assumptions and methodologies, and the accuracy of the output from the actuarial models, on a sample basis by assessing the material movements in LRC and LIC against our expectations of the impacts of the methodologies adopted and the assumptions applied by the Company. **Data** Our procedures included: • understanding and evaluating the design and testing of the operating effectiveness of key controls in place to ensure data integrity from policy administration systems into the actuarial models; • testing the reconciliation of policy and claims data used in the actuarial valuations for completeness for the different portfolio of contracts; and • testing, on a sample basis, the accuracy of the policy and claim attributes used within the actuarial models against the source systems and/or supporting documents.

Description of the key audit matter	How our audit addressed the key audit matter
uncertainty about the amount and timing of cash flows that arise from non-financial risk.	Given the transition to NZ IFRS 17 *Insurance Contracts*, the procedures above have also been applied to the comparative restated numbers.
Data There is inherent risk associated with the completeness and accuracy of policy and claims data used in the valuation given the volume of data and changes to data required through the valuation process.	Together with our accounting technical experts, we have assessed the disclosures made against the requirements of NZ IFRS 17.

Our audit approach

Overview

Materiality	Overall materiality: $459,200, which represents approximately 1% of insurance revenue. We chose insurance revenue as the benchmark because, in our view, it is a key financial statement metric used in assessing the performance of the Company and is a generally accepted benchmark for insurers. The 1% is based on our professional judgement, noting that it is also within the range of commonly accepted revenue-related thresholds.
Key audit matters	As reported above, we have one key audit matter, being: • Valuation of insurance contract liabilities - Liability for remaining coverage (LRC) and liability for incurred claims (LIC) components

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, 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 audit opinion or 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the 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) and ISAs 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.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants

Auckland

5 July 2024

Statement of comprehensive income for the financial year ended 31 March 2024

	Note	2024 $'000	Restated 2023 $'000
Insurance revenue	2.1	**45,929**	45,438
Insurance service expenses	2.3.1	**(36,089)**	(37,624)
Net (expenses)/income from reinsurance contracts	2.2	**(1,172)**	707
Insurance service result		**8,668**	8,521
Investment income	3.1	**3,936**	1,583
Insurance finance expenses	4.3.1	**(1,452)**	(626)
Net financial result		**11,152**	9,478
Share of profit from joint venture	8.3.1	**-**	6
Other income		**358**	236
Other expenses	8.1	**(7,286)**	(4,626)
Profit before taxation		**4,224**	5,094
Taxation expense	7.1	**(1,135)**	(1,452)
Profit after taxation		**3,089**	3,642
Total comprehensive income for the financial year		**3,089**	3,642

The statement of comprehensive income is to be read in conjunction with the accompanying notes.

The Company adopted NZ IFRS 17 *Insurance Contracts* from 1 April 2023 and applied the standard retrospectively from 1 April 2022. The impacts of adoption are detailed in note 1.5.

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Statement of financial position as at 31 March 2024

	Note	2024 $'000	Restated 2023 $'000	Restated 1 April 2022 $'000
Assets				
Cash and cash equivalents	6.1	**4,369**	3,536	4,284
Financial assets at fair value through profit or loss	3.2	**60,884**	59,186	58,155
Receivables and other assets	6.2	**1,819**	1,907	2,092
Current tax asset	7.2	**-**	-	157
Reinsurance contract assets	2.4	**-**	1,247	40
Investment in joint venture	8.3.1	**-**	954	972
Plant and equipment	6.4	**369**	290	405
Intangible assets	6.5.1	**800**	507	1,369
Goodwill	6.5.2	**1,525**	1,525	1,525
Right of use assets	6.6.1	**700**	1,299	1,509
Deferred tax assets	7.3	**415**	282	-
Total assets		**70,881**	70,733	70,508
Liabilities				
Payables	6.3	**1,968**	1,701	1,828
Current tax liabilities	7.2	**867**	1,307	-
Other provisions	6.7	**956**	873	1,158
Insurance contract liabilities	2.3	**44,662**	46,463	50,230
Reinsurance contract liabilities	2.4	**22**	-	-
Lease liabilities	6.6.1	**782**	1,436	1,616
Deferred tax liabilities	7.3	**-**	-	13
Total liabilities		**49,257**	51,780	54,845
Net assets		**21,624**	18,953	15,663
Equity				
Share capital	5.1	**12,420**	12,420	12,420
Retained earnings		**9,204**	6,533	3,243
Total equity		**21,624**	18,953	15,663

The Board of Directors of Provident Insurance Corporation Limited approved these financial statements for issue on 4 July 2024.

For and on behalf of the Board

D.H. [signature]

Director

Director

The statement of financial position is to be read in conjunction with the accompanying notes.

The Company adopted NZ IFRS 17 *Insurance Contracts* from 1 April 2023 and applied the standard retrospectively from 1 April 2022. The impacts of adoption are detailed in note 1.5.

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Statement of changes in equity
for the financial year ended 31 March 2024

	Note	Share capital $'000	Retained earnings $'000	Total equity $'000
Balance as at 1 April 2022		12,420	5,423	17,843
Impact of initial application of NZ IFRS 17	1.5	-	(2,180)	(2,180)
Balance as at 1 April 2022 (restated)		12,420	3,243	15,663
Profit for the financial year (restated)		-	3,642	3,642
Total comprehensive income for the financial year (restated)		-	3,642	3,642
Transactions with the owners recorded directly in equity				
Dividends paid	5.4	-	(352)	(352)
Balance as at 31 March 2023 (restated)		**12,420**	**6,533**	**18,953**
Balance as at 1 April 2023 (restated)		**12,420**	**6,533**	**18,953**
Profit for the financial year		**-**	**3,089**	**3,089**
Total comprehensive income for the year		**-**	**3,089**	**3,089**
Transactions with the owners recorded directly in equity				
Dividends paid	5.4	**-**	**(418)**	**(418)**
Balance as at 31 March 2024		**12,420**	**9,204**	**21,624**

The statement of changes in equity is to be read in conjunction with the accompanying notes.

The Company adopted NZ IFRS 17 *Insurance Contracts* from 1 April 2023 and applied the standard retrospectively from 1 April 2022. The impacts of adoption are detailed in note 1.5.

Statement of cash flows for the financial year ended 31 March 2024

	Note	2024 $'000	Restated 2023 $'000
Cash flows from operating activities			
Premiums received		**44,381**	41,857
Reinsurance received		**1,341**	171
Interest received		**2,373**	1,989
Other income received		**121**	236
Other recoveries received		**1,529**	1,313
Claims paid		**(29,526)**	(30,322)
Expenses directly attributable to insurance contracts paid		**(9,009)**	(7,975)
Reinsurance paid		**(1,244)**	(671)
Other expenses paid		**(6,936)**	(5,039)
Income tax paid	7.2	**(1,708)**	(283)
Interest paid on lease liabilities		**(32)**	(79)
Net cash from operating activities	8.2	**1,290**	1,197
Cash flows from investing activities			
Proceeds from sale of plant and equipment		**63**	22
Acquisition of plant and equipment	6.4	**(230)**	(22)
Acquisition of intangibles - software	6.5.1	**(581)**	-
Proceeds from term deposits		**2,360**	524
Cash invested in term deposits		**(11,800)**	(2,383)
Proceeds from joint venture dividend	8.3.3	**78**	24
Proceeds from sale of joint venture		**1,017**	-
Proceeds from sale of investments		**34,570**	34,985
Payments for purchase of investments		**(25,264)**	(34,563)
Net cash from/(used in) investing activities		**213**	(1,413)
Cash flows from financing activities			
Principal elements of lease payments		**(252)**	(180)
Dividends paid	5.4	**(418)**	(352)
Net cash used in financing activities		**(670)**	(532)
Net increase/(decrease) in cash and cash equivalents		**833**	(748)
Cash and cash equivalents at the beginning of the financial year		**3,536**	4,284
Cash and cash equivalents at the end of the financial year	6.1	**4,369**	3,536

The statement of cash flows is to be read in conjunction with the accompanying notes.

The Company adopted NZ IFRS 17 *Insurance Contracts* from 1 April 2023 and applied the standard retrospectively from 1 April 2022. The impacts of adoption are detailed in note 1.5.

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Notes to the financial statements

1. Overview

This section provides information that is helpful to an overall understanding of the financial statements and the areas of critical accounting judgements and estimates.

1.1 About these financial statements

These financial statements include the four primary statements, namely the statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows as well as associated notes as required by New Zealand Accounting Standards[1]. Disclosures have been grouped into the following categories in order to assist users in their understanding of the financial statements:

1. *Overview* contains information that impacts the financial statements as a whole including the impacts of new accounting standards.
2. *Underwriting activities* brings together disclosures relevant to the Company's insurance activities, covering the relevant transactions and balances.
3. *Investment activities* includes results and balance disclosures relevant to the Company's investments.
4. *Risk management* provides commentary on the Company's exposure to various financial and capital risks, explaining the potential impact on the results and financial position and how the Company manages these risks.
5. *Capital structure* provides information about the Company's capital structure.
6. *Other balance sheet items* includes information about other key balances comprising assets and liabilities of the Company.
7. *Tax* includes disclosures relating to the Company's tax expense and balances.
8. *Other* includes additional disclosures required to comply with New Zealand Accounting Standards.

Where applicable within each note, disclosures are further analysed as follows:

- *Overview* provides some context to assist users in understanding the disclosures.
- *Disclosures* (both numbers and commentary) provide analysis of balances as required by New Zealand Accounting Standards.
- *Accounting policies* summarises the accounting policies relevant to an understanding of the numbers.
- *Critical accounting judgements and estimates* explains the key estimates and judgements applied by the Company in determining the numbers.

The notes include information which the directors believe is required to understand the financial statements and is material and relevant to the operations, statement of financial position, and results of the Company. Information is considered material if:

- the amount in question is significant because of its size or nature; or
- It is important to assist in understanding the results or financial position of the Company.

[1] Refer note 1.3.

Notes to the financial statements (continued)

1.2 Reporting entity

The financial statements presented are those of Provident Insurance Corporation Limited. Provident Insurance Corporation Limited (**the Company**) is a company incorporated under the New Zealand Companies Act 1993 and domiciled in New Zealand.

The Company was granted a licence to carry on non-life insurance business in New Zealand by the Reserve Bank of New Zealand on 31 July 2013 in accordance with the Insurance (Prudential Supervision) Act 2010.

The address of the Company's registered office is Floor 1, 61 Hurstmere Road, Takapuna, Auckland, New Zealand.

1.3 Basis of preparation

The Company is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. The financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013, Companies Act 1993 and the Insurance (Prudential Supervision) Act 2010.

The Company is a for-profit entity for the purposes of New Zealand generally accepted accounting practice (**NZ GAAP**).

The financial statements have been prepared in accordance with NZ GAAP. They comply with International Financial Reporting Standards as issued by the IASB (**IFRS Accounting Standards**), New Zealand Equivalents to International Financial Reporting Standards (**NZ IFRS**), and other applicable financial reporting standards as appropriate to for-profit entities (together referred to as 'New Zealand Accounting Standards' in these financial statements).

Material accounting policies applied in the preparation of these financial statements are set out in each section throughout the notes as relevant.

The reporting period is 1 April 2023 to 31 March 2024.

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

1.4 Critical accounting judgements and estimates

In the process of applying the significant accounting policies, certain critical accounting estimates and assumptions are used, and certain judgements are made by management.

The estimates and related assumptions are based on experience and other factors that are considered to be reasonable, the results of which form the basis for judgements about the carrying values of assets and liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, and future periods if relevant.

Notes to the financial statements (continued)

1.4 Critical accounting judgements and estimates (continued)

The key areas in which critical estimates and judgements are applied are as follows:

- measurement of insurance contract liabilities, including the estimation of fulfilment cash flows, the identification of onerous contracts, determination of coverage units for the allocation of the contractual service margin, the pattern of incidence of risk applied where the passage of time is not appropriate for the recognition of insurance revenue under the premium allocation approach, contract boundaries, the determination of appropriate risk adjustments and impairment of insurance acquisition cash flow assets (notes 2.3.1,2.3.4 and 2.3.8)
- impairment testing of goodwill and other intangible assets (notes 6.5.2 and 6.5.4)

1.5 New accounting standards adopted

The Company has applied NZ IFRS 17 *Insurance Contracts* (**NZ IFRS 17**) for the first time in these financial statements.

NZ IFRS 17 replaces NZ IFRS 4 *Insurance Contracts* for annual periods beginning on or after 1 January 2023 and establishes new accounting requirements for insurance contracts.

Transition

The new standard was adopted in accordance with its transitional provisions which require retrospective application and restatement of comparative information as if NZ IFRS 17 had always been in effect. The Company applied the full retrospective approach when adopting the standard for all groups of insurance and reinsurance contracts held.

The adoption of NZ IFRS 17 has resulted in a decrease in net assets of $2,180,000 as at 1 April 2022. This amount, being the cumulative retrospective effect of adoption, was recognised as an adjustment to the opening balance of retained earnings as shown in the statement of changes in equity. The final impact has changed from the estimate included in the financial statements for the year ended 31 March 2023 due to subsequent refinements in the calculations.

The opening net asset impact mainly reflects:

- Decreases driven by onerous contracts ($4,600,000)
- Decreases due to the deferral of profits for some products ($1,100,000)
- Decreases due to the expensing of acquisition cash flows previously capitalised for certain products ($1,000,000), but offset by recognising higher acquisition cash flows within insurance contract liabilities for other products ($1,300,000)
- Increases due to application of risk adjustments at a 75% confidence level in place of previously recognised risk margins at a 95% probability of sufficiency ($1,700,000)
- Increases due to tax impacts ($800,000)
- Increases due to other individually smaller items totalling $720,000

While there were no changes to the operating cash flows under NZ IFRS 17, the classification of certain cash flows has been updated to reflect classifications applied under NZ IFRS 17. This has resulted in changes to the disclosure of certain operating cash flows for the year ended 31 March 2023 to ensure consistency in the statement of cash flows, but the total operating cash flow is unchanged.

Notes to the financial statements (continued)

1.6 New accounting standard amendments effective at the reporting date

Amendments to NZ IAS 1 *Presentation of financial statements* and NZ IAS 8 *Accounting policies, changes in accounting estimates and errors* do not have a material impact on the Company's financial statements.

Amendments to *NZ IAS 12, Deferred tax related to assets and assets and liabilities arising from a single transaction* has been implemented during the year ended 31 March 2024. This amendment results in the deferred tax asset and liability relating to leasing arrangements being shown separately in note 7.3 instead of being netted off as in previous financial reporting periods.

1.7 New accounting standards and amendments issued but not yet effective

NZ IFRS 18 *Presentation and disclosure of financial statements* (**NZ IFRS 18**) is effective for periods beginning on or after 1 January 2027 and will replace the existing NZ IAS 1 *Presentation of financial statements*. The Company is currently assessing the impact of the adoption of NZ IFRS 18.

The amendment to FRS 44 *Disclosure of fees for audit firms' services* is effective for periods beginning on or after 1 January 2024 and is not expected to have a material impact on the Company's financial statements when adopted in the next reporting period.

2. Underwriting activities

Overview

This section provides information on the Company's underwriting activities. Underwriting is the agreement by the insurer to assume insurance risk in return for a premium paid by the insured. The insurer assesses the risk and prices it accordingly.

The Company does not enter into significant reinsurance contracts, and the accounting policies and treatment in respect of reinsurance contracts is only specifically addressed throughout this section where the accounting policy or treatment differs from the direct insurance contracts and it is material to provide further explanation.

Level of aggregation

The Company has three insurance contract portfolios: traditional products, motor vehicle insurance and credit related insurance.

Traditional products, comprising Mechanical breakdown insurance (MBI), Guaranteed asset protection (GAP), extended warranty (EW), material damage (MD) and tyre and rim contracts (TAR), form one portfolio. These contracts are fully managed in-house, are typically for terms longer than one year, with single upfront premiums and with the underlying risks relating to damage or breakdown of an insured item.

The motor vehicle insurance portfolio (PMV) is managed separately from the traditional products using a third-party claims administrator and separate in-house customer service team.

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Notes to the financial statements (continued)

Level of aggregation (continued)

The credit related insurance portfolio comprises contracts that are subject to health, redundancy and bankruptcy risks (Credit contract insurance (CCI) and Loanminder (LM)).

Profitability of insurance contract groups has been determined via actuarial valuation and assumption setting, pricing investigation and assessments and consideration of the level of reporting of results to the Board and Chief Executive Officer.

Measurement

*Insurance contracts are measured under either the general measurement model (**GMM**) or the premium allocation approach (**PAA**), an optional simplified measurement model that is available for insurance and reinsurance contracts that meet the eligibility criteria.*

The Company has applied the GMM and PAA measurement approaches to it's insurance contracts as follows:

Portfolio	Nature of risks covered	Measurement model
Traditional products	*Mechanical breakdown of motor vehicles (MBI) or electronic goods (EW), shortfall on motor vehicle loans in case of total loss (GAP) and loss or damage to electronic goods (MD) and tyres and rims (TAR)*	*PAA for certain contracts which are issued for less than one year (all MD contracts and MBI, GAP and EW contracts with cancellation clauses (which is a new feature introduced during the current financial year))* *GMM for other contracts (MBI, GAP and EW contracts without cancellation clauses)*
Motor vehicle insurance	*Loss or damage to motor vehicles (PMV)*	*PAA (all PMV contracts)*
Credit related insurance	*Death, disability, redundancy or bankruptcy (CCI and LM)*	*PAA for certain contracts that are issued for less than one year (all LM and CCI contracts with cancellation clause)* *GMM for other contracts (CCI without cancellation clause)*

Reinsurance contracts comprise two portfolios and are measured using the PAA.

Contract boundaries

Some contracts issued by the Company have cancellation clauses which sets out the rights of the policyholders to cancel and enables the Company to cancel the contract by giving notice to the policyholder and refunding a portion of the premium collected. These clauses provide the practical ability for the Company to reassess the risks of particular policyholders and so determine the contract boundary for these contracts. Premiums received in advance of the start of contract boundaries for future contracts under NZ IFRS 17 will be recognised as pre-recognition liabilities within the insurance contract liabilities. Refer note 2.3.9 for the movement in the pre-recognition liabilities.

Notes to the financial statements (continued)

2.1. Insurance revenue

Overview

Insurance revenue reflects the consideration that the Company expects to be entitled to in exchange for providing insurance contract services. Insurance revenue mainly comprises premiums charged for providing insurance coverage, excluding taxes and levies collected on behalf of third parties.

#SPILL!		Restated
	2024	**2023**
	$'000	**$'000**
Contracts measured under the PAA	**21,897**	20,283
Contracts measured under the GMM		
Expected incurred claims and other insurance service expenses	**14,940**	15,566
Change in risk adjustment for non-financial risk for risk expired	**1,549**	2,211
CSM recognised for services provided	**4,912**	4,884
Recovery of insurance acquisition cash flows	**2,469**	2,441
Experience and other adjustments	**162**	53
Totals for contracts measured under the GMM	**24,032**	25,155
Total insurance revenue	**45,929**	45,438

Accounting policies

The measurement models applicable to measuring insurance contracts are described in note 2.3.1.

Insurance revenue under the PAA is an allocation of total expected premium to each period of coverage on the basis of the passage of time for PMV, MD, LM TAR and EW contracts or a pattern that reflects the expected timing of incurred insurance service expenses where the expected pattern of incidence of risk differs significantly from the passage of time (applies to MBI, CCI and GAP contracts where the PAA is applied).

For contracts measured under the GMM, insurance revenue comprises:

- *Changes in the liability for remaining coverage (excluding the loss component) that relate to services provided in the period. The contractual service margin (**CSM**), which represents the unearned profit, is earned to insurance revenue based on a pattern of coverage units which reflects the provision of insurance services over the expected coverage period.*

  The determination of the coverage units pattern is based on the quantity of benefits provided under the contracts in each period and includes consideration of the amount that can be validly claimed by policyholders if an insured event occurs, as well as expected lapses. Note 2.3.1 includes information on significant judgements regarding coverage units.

- *The recovery of insurance acquisition cash flows, which is determined by allocating a portion of the premiums that relates to recovering those cash flows using the same coverage unit pattern that is applied to earn the CSM.*

Notes to the financial statements (continued)

2.2. Net (expenses)/income from reinsurance contracts

Overview
Reinsurance expenses reflect the allocation of premiums paid by the Company for reinsurance, while reinsurance income reflects the amount the Company expects to recover from reinsurers under reinsurance contracts.

		Restated
	2024	**2023**
As at 31 March	**$'000**	**$'000**
Allocation of reinsurance premiums paid	**(1,150)**	(917)
Amounts (paid to)/received from reinsurers	**(22)**	1,624
Net (expenses)/income from reinsurance contracts	**(1,172)**	707

2.3. Insurance contract liabilities

Overview
Insurance contract liabilities represent the rights and obligations arising from insurance contracts issued, and comprise the following components:

- *the liability for remaining coverage, being the obligation to provide future insurance services in relation to contracts in force at the balance date;*
- *the liability for incurred claims, being the obligation to pay claims reported but not yet paid, claims incurred but not yet reported (**IBNR**) and other incurred insurance service expenses such as claims handling costs, and*
- *pre-recognition assets and liabilities, being any cash flows that have occurred in respect of insurance contracts that have not yet been recognised. This includes pre-recognition liabilities in respect of premiums received before insurance contracts are recognised and insurance acquisition cash flow assets for costs paid before the related insurance contracts are recognised.*

The Company's insurance contracts are aggregated into portfolios, each comprising contracts that are of similar risks and managed together. Portfolios of insurance contracts issued that are assets are presented separately from those that are liabilities in the statement of financial position.

Certain contracts recognised by the Company at reporting date were sold with a start date in the future. The Company is not currently at risk for these contracts. The premiums received in advance are included within the liability for remaining coverage or the pre-coverage liability depending on the terms of the contract. When the contracts commence the premiums will start to be earned and the Company will be on risk.

Notes to the financial statements (continued)

2.3. Insurance contract liabilities (continued)

The following table provides a breakdown of insurance contract liabilities:

	Note				Restated		
		2024			2023		
		PAA	GMM	Total	PAA	GMM	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Insurance contracts							
Comprise:							
Liability for remaining coverage		**244**	**22,388**	**22,632**	132	31,305	31,437
Liability for incurred claims		**5,118**	**4,474**	**9,592**	4,986	5,686	10,672
	2.3.1	**5,362**	**26,862**	**32,224**	5,118	36,991	42,109
Pre-recognition liabilities	2.3.9	**13,040**	**-**	**13,040**	4,354	-	4,354
Insurance acquisition cash flow (asset)	2.3.8	**(602)**	**-**	**(602)**	-	-	-
Total insurance contracts		**17,800**	**26,862**	**44,662**	9,472	36,991	46,463
Current		**13,302**	**15,333**	**28,635**	9,121	20,641	29,762
Non-current		**4,498**	**11,529**	**16,027**	351	16,350	16,701
Total insurance contracts		**17,800**	**26,862**	**44,662**	9,472	36,991	46,463

Accounting policy

Insurance contracts must be measured using the GMM unless the contracts meet certain eligibility criteria, in which case they may be measured using the PAA. Contracts are eligible for PAA if they have coverage periods of one year or less or if the liability for remaining coverage under that approach is not expected to materially differ from that under the GMM. The Company applies the PAA to most of its insurance contracts that have coverage periods of one year or less. This is all PMV, MD and LM contracts and MBI, CCI, GAP and EW contracts which have cancellation clauses. The Company applies the GMM to MBI, CCI, GAP and EW contracts that don't have cancellation clauses.

Insurance contracts are grouped into annual cohorts spanning each financial year.

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Notes to the financial statements (continued)

2.3.1 Movement in carrying amounts

	Note	2024				Restated 2023			
		Liability for remaining coverage		Liability for Incurred Claims	Total	Liability for remaining coverage		Liability for Incurred Claims	Total
		Excluding Loss Component	Loss Component			Excluding Loss Component	Loss Component		
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening insurance contract liabilities 1 April		**29,261**	**2,176**	**10,672**	**42,109**	32,178	3,431	10,241	45,850
Changes in the statement of comprehensive income									
Insurance revenue		**(45,929)**	**-**	**-**	**(45,929)**	(45,438)	-	-	(45,438)
		(45,929)	**-**	**-**	**(45,929)**	(45,438)	-	-	(45,438)
Insurance service expenses									
Incurred claims and other insurance service expenses		**-**	**(1,475)**	**31,795**	**30,320**	-	(2,358)	34,733	32,375
Amortisation of insurance acquisition costs		**2,594**	**-**	**-**	**2,594**	2,441	-	-	2,441
Expensed insurance acquisition costs		**-**	**-**	**3,517**	**3,517**	-	-	3,258	3,258
Adjustments to liabilities for incurred claims for past services		**-**	**-**	**(1,263)**	**(1,263)**	-	-	(1,553)	(1,553)
Losses and reversals of losses on onerous contracts		**-**	**664**	**-**	**664**	-	1,103	-	1,103
		2,594	**(811)**	**34,049**	**35,832**	2,441	(1,255)	36,438	37,624
Insurance service result		**(43,335)**	**(811)**	**34,049**	**(10,097)**	(42,997)	(1,255)	36,438	(7,814)
Insurance finance expenses through profit or loss		**1,403**	**-**	**49**	**1,452**	623	-	3	626
Total changes in the statement of comprehensive income		**(41,932)**	**(811)**	**34,098**	**(8,645)**	(42,374)	(1,255)	36,441	(7,188)
Transfer from pre-recognition liabilities	2.3.9	**21,655**	**-**	**-**	**21,655**	19,706	-	-	19,706
Transfer from insurance acqusition cash flows asset	2.3.8	**(133)**	**-**	**-**	**(133)**	-	-	-	-
Cash flows*									
Premiums received for insurance contracts issued		**13,892**	**-**	**-**	**13,892**	22,194	-	-	22,194
Insurance acquisition cash flows paid		**(1,475)**	**-**	**(3,517)**	**(4,992)**	(2,443)	-	(3,258)	(5,701)
Claims and other insurance service expenses paid		**-**	**-**	**(31,661)**	**(31,661)**	-	-	(32,752)	(32,752)
Total cash flows		**12,417**	**-**	**(35,178)**	**(22,761)**	19,751	-	(36,010)	(16,259)
Closing insurance contract liabilities 31 March		**21,268**	**1,365**	**9,592**	**32,225**	29,261	2,176	10,672	42,109

*Certain cash flows presented above may be on a deemed basis in respect of movements through the insurance contract liabilities, and certain amounts may be recognised in other receivable and payable balances, so they may differ from the actual cash flow amounts reported in the statement of cash flows. In particular, premiums received via intermediaries are treated as received at the point of sale for NZ IFRS 17 as the intermediary business model requires collection of all premiums at that time from policyholders, but premiums may only be paid to the Company at a later date and so are recognised as a receivable under NZ IFRS 9.

Pre-recognition liabilities and insurance acquisition cash flow assets are not included in the above balances. Refer to notes 2.3.9 and 2.3.8 for details of the movement in those balances.

Notes to the financial statements (continued)

2.3.1 Movement in carrying amounts (continued)

Accounting policy

Liability for remaining coverage under PAA
The liability for remaining coverage under the PAA is measured as premiums received net of unamortised acquisition cash flows and amounts recognised as insurance revenue for coverage that has been provided.

Insurance acquisition cash flows are expensed as incurred for insurance contracts measured under the PAA where the coverage period of each contract in the group at initial recognition is no more than 12 months and the insurance acquisition cash flows are expected to be recovered in no more than 12 months or where it is otherwise considered appropriate to do so (currently for PMV, MD and LM products). Insurance acquisition cash flows expected to be recovered over periods longer than 12 months (including for MBI, CCI, GAP, TAR and EW products measured under PAA) are capitalised within the insurance acquisition cash flow asset and are transferred to the liability for remaining coverage as the related contracts are recognised and are amortised over the coverage period of the related insurance contracts on the same basis as the insurance revenue earning pattern (note 2.1) for the contracts to which the cash flows relate.

The liability for remaining coverage is not discounted as the time between providing each part of the services and the related premium due date is no more than a year.

Where there are facts and circumstances that indicate insurance contracts may be onerous, the expected cash flows for the contracts are compared to the carrying value of the liability for remaining coverage and a loss component is recognised to the extent that the liability for remaining coverage is not sufficient to meet the cash flows.

Liability for remaining coverage under GMM
The liability for remaining coverage under the general measurement model is measured as the sum of:

- *the present value of future cash flows that are expected to arise as the Company fulfils the contracts, which mainly comprise premium, claims and attributable expenses;*
- *a risk adjustment for non-financial risk (note 2.3.4); and*
- *a contractual service margin, representing the profit that has not yet been recognised in profit or loss as it relates to future services to be provided over the remaining coverage of the insurance contracts.*

The liability for remaining coverage includes a loss component which depicts amounts recognised on onerous contracts where the net expected cash flows are negative. Loss components are unwound through insurance revenue and insurance service expenses over the life of the onerous contracts proportionately as the present value of future cash flows and risk adjustment for non-financial risk are released to insurance revenue. Any changes in expected cash flows or the impacts of any changes in assumptions are allocated between the loss component and the liability for remaining coverage excluding loss component, using a systematic approach. This approach calculates the allocation based on the proportion of the loss component to expected cash outflows including a risk adjustment, at the beginning of each year (or on initial recognition if a group of contracts is initially recognised during the year).

Notes to the financial statements (continued)

2.3.1 Movement in carrying amounts (continued)

Liability for incurred claims
The liability for incurred claims is measured in the same way for all insurance contracts, regardless of whether the PAA or GMM is used to measure the liability for remaining coverage, apart from discounting. It is measured as the fulfilment cash flows (sum of present value of future cash flows and a risk adjustment) relating to incurred claims and attributable expenses that have not yet been paid, including claims that have been incurred but not yet reported.

Discounting is not applied in the measurement of the liability for incurred claims where the PAA is used, as all claims and expenses are expected to be paid within one year.

Critical accounting judgements and estimates
*The Company's appointed actuary is Adam Follington of the Quantium Group New Zealand PTY Limited. He is a fellow of both the Institute of Actuaries of Australia, and the New Zealand Society of Actuaries (**the appointed actuary**).*

The appointed actuary has performed an actuarial assessment in accordance with the standards of the New Zealand Society of Actuaries and is satisfied as to the nature, sufficiency and accuracy of the data used to determine the insurance contract liabilities.

The liabilities for remaining coverage and the liabilities for incurred claims are set at a level that is appropriate and sustainable to cover the Company's claims and other cash flow obligations after having regard to the prevailing market environment and industry practice.

Estimation of fulfilment cash flows
The estimation of fulfilment cash flows is relevant to the determination of both the liability for remaining coverage for those contracts measured under the GMM (and any onerous groups measured under the PAA), and for all incurred claims liabilities. The estimation of expected claims cash flows is the most significant fulfilment cash flow requiring estimation and there is significant judgement involved. Other expected cash flows such as claims handling expenses, policy maintenance and administration expenses and refunds payable on cancelled policies also require estimation and similar methods are applied to determine the appropriate estimates.

The determination of the amounts that the Company will ultimately pay for claims and other cash flows arising under insurance contracts issued involves a number of critical assumptions. Some of the uncertainties impacting these assumptions are as follows:

- *changes in patterns of claims and other cash flow incidence and severity, reporting and payment;*
- *incidence of catastrophic events close to the balance date;*
- *changing social, environmental, political and economic trends, for example price and wage inflation.*

Notes to the financial statements (continued)

Estimation of fulfilment cash flows (continued)

Estimates of future cash flows for each class of business are determined using a variety of estimation techniques, generally based on an analysis of historical experience, trends and other factors utilising the Company's data and with reference to external benchmarks where relevant. Methods applied will vary according to the nature of the contracts. Various methods are used to assist in setting the range of possible outcomes. The most appropriate method or blend of methods is selected, taking into account the characteristics of the contracts and the extent of the development of each period. These methods also provide for the fulfilment cash flow estimates to be appropriately allocated to either the liability for remaining coverage or the liability for incurred claims. The cash flows are discounted to present value using appropriate discount rates as described in note 2.3.5.

*For the fulfilment cash flow estimates in respect of the liability for incurred claims, the Company estimates the ultimate cost of handling and settling claims incurred but unpaid at the reporting date and the value of salvage and other expected non-reinsurance recoveries by reviewing individual claims reported and making allowance for claims incurred but not yet reported (**IBNR**). The estimation of IBNR claims is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims that have been reported to the Company but are not yet paid, for which more information about claims is generally available. Claims are expected to be settled within one year giving rise to less uncertainty.*

Onerous contracts

As losses on onerous contracts are recognised in profit or loss immediately, the identification and measurement of onerous contracts can have a significant impact on the emergence of profit. The recognition of relevant facts and circumstances and the appropriate grouping of contracts with similar expected cash flow profiles are key judgements in the identification and measurement of onerous contracts.

PAA

Contracts that are measured using the premium allocation approach are assumed not to be onerous unless facts and circumstances indicate otherwise. In identifying facts and circumstances that may be indicators of onerous contracts, the Company considers management information for planning and performance management, in combination with other indicators where relevant. If there are facts and circumstances that may indicate the existence of possible onerous contracts, the onerous contract losses are measured based on the extent to which the estimated fulfilment cash flows attributable to the group of contracts exceed the liability for remaining coverage for that group.

GMM

The Company groups contracts of similar risks together such that the estimation of fulfilment cash flows for each group identifies onerous contracts and the necessary loss component that requires recognition each time the estimated cash flows are measured.

Under both measurement models, onerous contract losses are measured on a gross basis (excluding the effect of reinsurance contracts held) and are immediately recognised in profit or loss. The Company does not have any loss-recovery components to recognise on related reinsurance due to the immaterial level of relevant reinsurance arrangements. The consideration of facts and circumstances as well as the measurement of any onerous contract losses are determined separately for each underwriting year for each group of contracts that are of similar risks and managed together.

Notes to the financial statements (continued)

Coverage units for allocation of contractual service margin under the GMM
Coverage units reflect the quantity of insurance contract services provided by the insurance contracts over the coverage period. The determination of coverage units requires judgement and will have a significant impact on the pattern of revenue recognition and emergence of profit.

Management have considered how coverage units are best measured for each product type, taking account of the quantity of benefits provided over the coverage period. For most groups a 'straight-line' approach to coverage units is considered appropriate as the maximum amount that can be claimed remains constant over the life of the contract from when the Company is on risk. In some cases, the terms of the contract provide that the Company will only go on risk at a date after the contract is recognised and no insurance contract service is being provided by the Company until that date. For individual contracts there is a weighting within the group based on the total quantity of assumed benefits for each contract.

Management judgement has been applied in coming to this conclusion, as there are a number of underlying elements impacting the level of maximum benefits. These include policy limits, impact of inflation, the impact of vehicle-age on repair costs, vehicle value depreciation and loan amortisation. For credit related groups a straight-line pattern will not be adopted as these products have a reducing level of cover (consistent with a reducing loan balance). Given the additional complexity more judgement is required in determining this coverage unit pattern and management have determined that a pattern estimating how the loan will reduce over time provides a reasonable approximation of the quantity of services provided over the life of each contract.

Incidence of risk where passage of time is not appropriate for revenue recognition under the PAA
Under the PAA, revenue is recognised in accordance with the passage of time, unless the incidence of risk for the insurance contracts is such that an alternative basis is considered more appropriate. Management have used significant judgement and estimation techniques in the case of MBI, CCI, GAP, TAR and EW insurance contracts where the PAA is applied, to determine the incidence of risk as being a more appropriate basis to recognise the revenue on these products. Estimation techniques have considered the incidence of when claims occur over the life cycle of these products, based on the Company's historical data and an analysis of the historical experience.

Impact of cancellation clauses on contract boundary determination
The identification of contract boundaries for insurance contracts determines which cash flows are taken into account in assessing the insurance contract liabilities. Some contracts issued by the Company have cancellation clauses which set out the rights of the policyholders to cancel and enables the Company to cancel the contract by giving notice to the policyholder and refunding a portion of the premium collected.

In the judgement of management, these clauses provide the practical ability for the Company to reassess the risks of particular policyholders and so determine the contract boundary for these contracts. Premiums received in advance of the start of contract boundaries for future contracts under NZ IFRS 17 are recognised as pre-recognition liabilities within the insurance contract liabilities, and insurance acquisition cash flows in respect of related insurance contracts that have not yet been recognised are recognised as insurance acquisition cash flow assets, unless the Company has elected to expense them as incurred.

Notes to the financial statements (continued)

2.3.1 Movement in carrying amounts (continued)

Key assumptions used in determining the estimates of future cash flows

The following table shows the key actuarial assumptions used to determine the estimates of future cash flows for the most significant individual products of the Company and on a weighted average basis across all (or a subset of products) where appropriate:

	Dependent Factor	2024 %	2023 %
Loss ratios - as a % of premium			
Major product categories			
Mechanical breakdown insurance (MBI)	Claims experience on an underwriting month basis and length of policy term, grouped by vehicle class	**45 - 245**	38 - 217
Motor Vehicle Insurance (PMV)	Claims experience on an accident month basis and length of policy term	**53 - 77**	59 - 77
Credit contract indemnity (CCI)	Claims experience on an underwriting month basis and length of policy term	**14 - 26**	15 - 28
Guaranteed asset protection (GAP)	Claims experience on an underwriting month basis and length of policy term	**21 - 43**	23 - 45
Weighted average claims handling expenses - as a % of claims	Based on expense incurred and expected for future periods	**12**	11
Weighted average policy administration expenses - as a % of premium	Based on expense incurred and expected for future periods	**13**	14
Cancellations as a % of premium (per annum)	Cancellation experience at a product level across all terms (only applies to CCI and GAP as not material for other products)	**2.5 CCI and 1 for GAP**	2.5 CCI and 1.5 for GAP

The sensitivity of the insurance liability calculations to changes in the estimated future cash flows arising as a result of these assumptions is shown in note 2.3.7.

Notes to the financial statements (continued)

2.3.2 Movement in the liability for incurred claims for contracts measured under PAA

The movement in the liability for incurred claims for contracts measured under the PAA is analysed in the tables below.

				Restated		
	2024			2023		
	Present value of future cash flows	Risk Adjustment	Liability for Incurred Claims Total	Present value of future cash flows	Risk Adjustment	Liability for Incurred Claims Total
	$'000	$'000	$'000	$'000	$'000	$'000
Opening liability for incurred claims 1 April	**4,334**	**652**	**4,986**	3,650	548	4,198
Changes in the statement of comprehensive income						
Insurance service expenses						
Incurred claims and other insurance service expenses	**16,966**	**567**	**17,533**	17,987	652	18,639
Expensed insurance acquisition costs	**3,517**	**-**	**3,517**	3,258	-	3,258
Adjustments to liabilities for incurred claims for past services	**134**	**(652)**	**(518)**	(191)	(548)	(739)
Insurance service result	**20,617**	**(85)**	**20,532**	21,054	104	21,158
Total changes in the statement of comprehensive income	**20,617**	**(85)**	**20,532**	21,054	104	21,158
Cash flows						
Insurance acquisition cash flows paid	**(3,517)**	**-**	**(3,517)**	(3,258)	-	(3,258)
Claims and other insurance service expenses paid	**(16,883)**	**-**	**(16,883)**	(17,112)	-	(17,112)
Total cash flows	**(20,400)**	**-**	**(20,400)**	(20,370)	-	(20,370)
Closing liability for incurred claims 31 March	**4,551**	**567**	**5,118**	4,334	652	4,986

Notes to the financial statements (continued)

2.3.3 Analysis of contracts measured under GMM

	2024				Restated 2023			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual Service Margin	Total	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual Service Margin	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening insurance contract liabilities 1 April	**27,218**	**2,970**	**6,803**	**36,991**	29,864	4,199	7,477	41,540
Changes in the statement of comprehensive income								
Changes related to future services								
Changes in estimates that adjust the CSM	**(42)**	**(128)**	**170**	**-**	274	(168)	(106)	-
Changes in estimates: losses and reversal of losses on onerous contracts	**88**	**(75)**	**9**	**22**	(521)	(276)	248	(549)
Contracts initially recognised in the period	**(3,234)**	**841**	**3,087**	**694**	(4,025)	1,734	3,929	1,638
Changes that relate to current services								
CSM recognised for transfer of services	**-**	**-**	**(4,912)**	**(4,912)**	-	-	(4,884)	(4,884)
Change in risk adjustment for non-financial risk for risk expired	**-**	**(1,366)**	**-**	**(1,366)**	-	(1,999)	-	(1,999)
Experience adjustments	**(2,499)**	**-**	**-**	**(2,499)**	(2,092)	-	-	(2,092)
Changes that relate to past services								
Adjustments to liabilities for incurred claims	**(254)**	**(491)**	**-**	**(745)**	(294)	(520)	-	(814)
Insurance service result	**(5,941)**	**(1,219)**	**(1,646)**	**(8,806)**	(6,658)	(1,229)	(813)	(8,700)
Insurance finance expenses	**1,138**	**-**	**314**	**1,452**	487	-	139	626
Total changes in the statement of comprehensive income	**(4,803)**	**(1,219)**	**(1,332)**	**(7,354)**	(6,171)	(1,229)	(674)	(8,074)
Cash flows								
Premiums received for insurance contracts issued	**13,478**	**-**	**-**	**13,478**	21,608	-	-	21,608
Insurance acquisition cash flows paid	**(1,475)**	**-**	**-**	**(1,475)**	(2,443)	-	-	(2,443)
Claims and other insurance service expenses paid	**(14,778)**	**-**	**-**	**(14,778)**	(15,640)	-	-	(15,640)
Total cash flows	**(2,775)**	**-**	**-**	**(2,775)**	3,525	-	-	3,525
Closing insurance contract liabilities 31 March	**19,640**	**1,751**	**5,471**	**26,862**	27,218	2,970	6,803	36,991

Notes to the financial statements (continued)

2.3.3 Analysis of contracts measured under GMM (continued)

Contracts initially recognised in the period

The following table provides an analysis of contracts measured under GMM that were initially recognised in the period:

				Restated		
	2024			2023		
	Profitable contracts issued $'000	**Onerous contracts issued $'000**	**Total $'000**	**Profitable contracts issued $'000**	**Onerous contracts issued $'000**	**Total $'000**
Claims and other insurance service expenses	**4,919**	**3,962**	**8,881**	8,145	7,054	15,199
Insurance acquisition cash flows	**1,043**	**432**	**1,475**	1,682	761	2,443
Estimates of present value of cash outflows	**5,962**	**4,394**	**10,356**	9,827	7,815	17,642
Estimates of present value of cash inflows	**(9,550)**	**(4,040)**	**(13,590)**	(14,747)	(6,920)	(21,667)
Risk adjustment for non-financial risk	**501**	**340**	**841**	991	743	1,734
CSM	**3,087**	**-**	**3,087**	3,929	-	3,929
Increase in insurance contract liabilities	**-**	**694**	**694**	-	1,638	1,638

2.3.4 Risk adjustment

The risk adjustment recognised in relation to both the liability for remaining coverage and the liability for incurred claims corresponds to a confidence level of 75% (2023: 75%).

Accounting policy

The risk adjustment reflects the compensation required for bearing uncertainty about the amount and timing of cash flows that arises from non-financial risk. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount. For contracts measured under the PAA, unless the contracts are onerous, an explicit risk adjustment for non-financial risk is only estimated for the measurement of the liability for incurred claims.

The risk adjustment is determined at the Company level based on the underlying cost of capital and other techniques, translated into a single entity confidence level. The risk adjustment also reflects the benefit from the diversification of the different products sold by the Company.

Changes in the risk adjustment are all reflected in the insurance service result and no portion is disaggregated to the insurance finance expenses.

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Notes to the financial statements (continued)

2.3.4 Risk adjustment (continued)

Critical accounting judgements and estimates
The risk adjustment has been determined by taking into account:

- *the level of capital required to support the future cash flows*
- *the expected desired return on that capital; and*
- *the run-off profile and term to settlement of the cash flows based on the mix of business.*

This cost-of-capital approach is a standard industry method.

The risk adjustment has been translated into a company confidence level by comparing the risk adjustment to the statistical distributions of the future cash flows. This distribution reflects the uncertainties in the cash flows as well as the benefits of diversification between products. The statistical distributions are derived from industry analysis, the company's historical experience, extraordinary expected future risks, and the judgement of experienced and qualified actuaries.

There is considerable judgement in applying this approach and, as a consequence, several inputs have been tested and a narrow range of outcomes has been calculated. The final confidence level selected sits within the range of possible calculated outcomes and has been assessed based on actuarial and management judgement.

2.3.5 Discount rates used to estimate the present value of future cash flows

Overview
The Company has insurance contracts which have coverage periods of up to 5 years. As such, the insurance contract liabilities in respect of these contracts are discounted to reflect the time value of money where appropriate.

The table below summarises the yield curves used to discount estimates of future cash flows within the insurance contract liabilities:

						Restated				
	2024					2023				
	1 Year	2 Year	3 Year	4 Year	5 Year	1 Year	2 Year	3 Year	4 Year	5 Year
	%	%	%	%	%	%	%	%	%	%
Discount rate	**5.4**	**4.8**	**4.7**	**4.7**	**4.7**	5.1	4.6	4.5	4.4	4.3

Accounting policy
The Company does not apply discounting within the insurance contract liabilities where the PAA is applied, given that there is no significant financing component relating to the contracts in question.

Under the GMM, NZ IFRS 17 Insurance Contracts requires the estimates of future cash flows to be discounted to reflect the time value of money and financial risks related to those cash flows. A bottom-up approach is applied to determine the discount rates used to discount insurance contract cash flows, using New Zealand Government bond yields as the risk-free rates. The Company has not included an illiquidity premium within discount rates applied under NZ IFRS 17 given the nature and liquidity profile of the Company's insurance liabilities and the immaterial impact that the inclusion of an illiquidity premium would have.

Notes to the financial statements (continued)

2.3.5 Discount rates used to estimate the present value of future cash flows (continued)

Accounting policy (continued)
The impacts of changes in discount rates are recognised in the profit or loss through insurance finance expenses. Discount rate impacts relating to risk adjustments are not disaggregated to insurance finance expenses and are instead reported together with other components of risk adjustment impacts.

2.3.6 Maturity profile of the net insurance contract liabilities

Overview
The maturity profiles below set out the Company's expectation of the period over which the cash flows arising from insurance contracts will be settled and the period over which the contractual service margin of contracts applying the GMM is expected to be released to profit or loss. The Company uses information about the maturity profile of the present value of future cash flows to ensure that it has adequate liquidity to pay claims and expenses as they are due to be settled and to inform the Company's investment strategy.

Expected timing of settlement of the present value of future cash flows
The following table summarises the expected maturity profile of the present value of future cash flows within the Company's insurance contract liabilities. The net liability for remaining coverage of contracts measured under the PAA is excluded from the below.

	1 year or less $'000	**1-2 years $'000**	**2-3 years $'000**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total $'000**
As at 31 March 2024							
Net present value of future cash flows included in insurance contract liabilities	**16,369**	**5,218**	**1,931**	**573**	**96**	**4**	**24,191**
As at 31 March 2023							
Net present value of future cash flows included in insurance contract liabilities	20,203	7,263	3,071	825	180	10	31,552

1 Amounts are gross of tax.

The Company does not have any amounts included within insurance contract liabilities that are repayable on demand apart from those arising in the ordinary course of business from cancellations.

Notes to the financial statements (continued)

2.3.6 Maturity profile of the net insurance contract liabilities (continued)

Expected timing of contractual service margin release

The following table sets out when the Company expects to recognise the remaining contractual service margin in profit or loss:

#SPILL!	1 year or less $'000	2-3 years $'000	More than 3 years $'000	Total $'000
As at 31 March 2024				
CSM within insurance contract liabilities	**3,092**	**2,175**	**204**	**5,471**
As at 31 March 2023				
CSM within insurance contract liabilities	3,738	2,793	272	6,803

2.3.7 Impact of changes in key variables on the net insurance contract liabilities

Overview

The impact of changes in key variables used in the calculation of the net insurance contract liabilities is summarised in the table below. Each change has been calculated in isolation from the other changes and shows the after-tax impact on profit or loss assuming that there is no change to any of the other variables. In practice, this is considered unlikely to occur as, for example, an increase in interest rates is normally associated with an increase in the rate of inflation. Over the medium to longer term, the impact of a change in discount rates is expected to be, at least partly, offset by the impact of a change in the rate of inflation. The sensitivities below assume that all changes directly impact profit or loss after tax. In practice, if the present value of future cash flows was to increase, it is possible that part of the increase may result in an offsetting change in the level of risk adjustment required rather than in a change to profit or loss after tax, depending on the nature of the change in the cash flow estimate and risk outlook.

#SPILL!	Note		Restated
		Profit (Loss)[1]	
	Change	**2024** **$'000**	**2023** **$'000**
Present value of future cash flows[2]	+5%	**(546)**	(801)
	-5%	**545**	797
Risk adjustment	+5%	**(45)**	(71)
	-5%	**43**	63
Discount rate	+1%	**220**	318
	-1%	**(229)**	(330)

1 Net of tax at the Company's prima facie tax rate of 28%. Amounts are net of reinsurance as the impact of reinsurance is immaterial.

2 Includes the effect of a 5% change in claims, expenses, claims handling expenses and refunds.

The analysis is based on changes in economic conditions that are considered reasonably possible at the reporting date. The change in the present value of future cash flows is driven by changes in the underlying assumptions used to estimate the cash flows (as set out in note 2.3.1), with the most notable assumption being the assumed loss ratios. The potential impact on profit or loss is as at the reporting date.

Notes to the financial statements (continued)

2.3.8 Insurance acquisition cash flows

Overview

Insurance acquisition cash flows are the cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts. Such cash flows may only be recovered over the life of the insurance contract or in some cases over future contract renewals.

The following table sets out the movement in the asset for insurance acquisition cash flows:

#SPILL!	Note	2024 $'000	2023 $'000
Asset for insurance acquisition cash flows balance at 1 April		-	-
Amounts incurred during the year		992	-
Amounts derecognised and included in the measurement of insurance contracts	2.3.1	(133)	-
Impairment losses and reversals		(257)	-
Asset for insurance acquisition cash flows at 31 March		**602**	-

The Company did not recognise any asset for insurance acquisition cash flows for the year ended 31 March 2023 as they were all either recognised directly in the liability for remaining coverage or the Company elected to expense them when incurred. For the year ended 31 March 2024 the Company is recognising certain insurance acquisition cash flows within the asset for insurance acquisition cash flows as they relate to future insurance contracts that have not yet been recognised, in relation to new groups of contracts recognised during the year.

The following table sets out when the Company expects to derecognise the asset for insurance acquisition cash flows after the reporting date.

	1 year or less $'000	2-3 years $'000	More than 3 years $'000	Total $'000
As at 31 March 2024				
Assets for Insurance acquisition cash flows	267	288	47	602

Accounting policy

The Company has allocated insurance acquisition cash flows to groups of insurance contracts using systematic and rational methods based on the total premiums for each group.

The accounting policy in respect of insurance acquisition cash flows for contracts measured under the PAA is described as part of the accounting policy in respect of the liability for remaining coverage in note 2.3.1.

Notes to the financial statements (continued)

2.3.8 Insurance acquisition cash flows (continued)

Assets for insurance acquisition cash flows are assessed for recoverability at each reporting date if facts and circumstances indicate that the asset may be impaired. This recoverability assessment includes expected renewals beyond the contract boundary, such that insurance acquisition cash flows should not exceed the expected net cash inflow from the expected renewals. If an impairment loss is identified, the Company adjusts the carrying amount of the asset and recognises the impairment loss in profit or loss. Any impairment loss previously recognised is recognised in profit or loss if it reverses in a subsequent period.

For contracts measured under the GMM, the Company does not have or expect to have any separate insurance acquisition cash flow assets. Insurance acquisition cash flows are included in the estimates of the present value of future cash flows as part of the measurement of the related insurance contract liabilities for remaining coverage. They are amortised over the life of each group of contracts on the same pattern as the coverage units for each group (refer discussion in note 2.3.1 as to how coverage units have been determined).

2.3.9 Pre-recognition liabilities

Overview
Pre-recognition liabilities represent insurance contract cash inflows for insurance contracts that have not yet been recognised by the company.

The following table sets out the movement in pre-recognition liabilities:

	Note	2024 $'000	2023 $'000
Pre-recognition liability at 1 April		**4,354**	4,380
Premiums received during the year		**30,341**	19,680
Amounts derecognised and included in the measurement of insurance contracts	2.3.1	**(21,655)**	(19,706)
Pre-recognition liability at 31 March		**13,040**	4,354
Current		**8,265**	4,095
Non-current		**4,775**	259
Total Pre-recognition liability		**13,040**	4,354

The following table sets out when the Company expects to derecognise pre-recognition liability after the reporting date.

	1 year or less $'000	2-3 years $'000	More than 3 years $'000	Total $'000
As at 31 March 2024				
Pre-recognition liability	**8,265**	**4,226**	**549**	**13,040**
As at 31 March 2023				
Pre-recognition liability	4,095	259	-	4,354

Notes to the financial statements (continued)

2.3.9 Pre-recognition liabilities (continued)

Accounting policy

Insurance contract cash inflows that have occurred prior to the recognition of the relevant insurance contracts (typically premium cash inflows), are recognised as a pre-recognition liability within total insurance contract liabilities. These pre-recognition liabilities are derecognised when the relevant insurance contracts are recognised and are recognised within the liability for remaining coverage at that time, together with the other cash flows that are recognised on initial recognition of the group of contracts.

2.4 Reinsurance contract (liabilities)/assets

Overview

Reinsurance contract (liabilities)/assets represent the rights and obligations arising from reinsurance contracts held, and comprise the following components:

- *the asset for remaining coverage, being the amounts that are expected to be recoverable from reinsurers in relation to future insured claims that have not yet been incurred; and*
- *recoveries of incurred claims, being the amounts that are expected to be recoverable from reinsurers in relation to claims that have been incurred on underlying contracts.*

Similar to the Company's insurance contracts, the Company's reinsurance contracts are aggregated into portfolios comprising contracts that are of similar risks and managed together.

The following table provides a breakdown of reinsurance contract (liabilities)/assets:

			Restated	
	2024		**2023**	
	PAA	**Total**	**PAA**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Reinsurance contracts				
Comprise:				
Liability for remaining coverage	**(75)**	**(75)**	(169)	(169)
Asset for incurred claims	**53**	**53**	1,416	1,416
Total reinsurance contract (liabilities)/assets	**(22)**	**(22)**	1,247	1,247
Current	**(22)**	**(22)**	1,247	1,247
Total reinsurance contract (liabilities)/assets	**(22)**	**(22)**	1,247	1,247

Reinsurance contract assets for incurred claims at 31 March 2023 were more significant than usual due to assets relating to recoveries in respect of significant incurred claims for weather events that occurred close to the reporting date. Reinsurance contract balances at 31 March 2024 reflect the usual magnitude of reinsurance contract liabilities or assets for the Company. The net reinsurance contract liability position at 31 March 2024 reflects premiums payable to reinsurers is greater than the expected recoveries on incurred claims.

Accounting policy

The Company applies the PAA to all its reinsurance contracts, which all have coverage periods of one year or less. Reinsurance contracts are grouped into annual cohorts spanning one financial year.

Notes to the financial statements (continued)

2.4 Reinsurance contract (liabilities)/assets (continued)

Critical accounting judgements and estimates

The same approaches and techniques are applied for estimating expected cash flows in respect of the reinsurance contracts as discussed in respect of the Company's insurance contracts in note 2.3.1. Non-performance risk by reinsurers by is managed by only using reinsurers with credit ratings of A- or greater as discussed at note 4.3.3.

2.4.1 Movement in carrying amounts of reinsurance contract (liabilities)/assets

					Restated	
		2024			2023	
	Asset for Remaining Coverage	Recoveries of incurred claims	Total	Asset for Remaining Coverage	Recoveries of incurred claims	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Opening reinsurance contract (liabilities)/assets 1 April	**(169)**	**1,416**	**1,247**	77	(37)	40
Changes in the statement of comprehensive income						
Allocation of reinsurance premium paid	**(1,150)**	**-**	**(1,150)**	(917)	-	(917)
Amounts recoverable from reinsurers						
Recoveries for incurred claims and other insurance service expenses	**-**	**276**	**276**	-	1,630	1,630
Adjustments to assets for incurred claims	**-**	**(298)**	**(298)**	-	(6)	(6)
Net (expenses)/income from reinsurance contracts	**(1,150)**	**(22)**	**(1,172)**	(917)	1,624	707
Total changes in the statement of comprehensive income	**(1,150)**	**(22)**	**(1,172)**	(917)	1,624	707
Cash flows						
Premiums paid for reinsurance contracts held	**1,244**	**-**	**1,244**	671	-	671
Claims and other insurance service expenses recovered	**-**	**(1,341)**	**(1,341)**	-	(171)	(171)
Total cash flows	**1,244**	**(1,341)**	**(97)**	671	(171)	500
Closing reinsurance contract (liabilities)/assets 31 March	**(75)**	**53**	**(22)**	(169)	1,416	1,247

*The company has not disclosed a reconciliation from the opening balance to the closing balance separately for the loss-recovery component of the assets for remaining coverage because the reinsurance contracts do not have a material loss-recovery component.

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Notes to the financial statements (continued)

2.4.2 Movement in the asset for incurred claims for reinsurance contracts measured under PAA

					Restated	
		2024			2023	
	Present value of future cash flows	Risk Adjustment	Recoveries of incurred claims	Present value of future cash flows	Risk Adjustment	Recoveries of incurred claims
	$'000	$'000	$'000	$'000	$'000	$'000
Opening asset/(liability) for incurred claims 1 April	**1,343**	**73**	**1,416**	(43)	6	(37)
Changes in the statement of comprehensive income						
Amounts recoverable from reinsurers						
Recoveries for incurred claims and other insurance service expenses	**271**	**5**	**276**	1,557	73	1,630
Adjustments to assets for incurred claims	**(225)**	**(73)**	**(298)**	-	(6)	(6)
Net income/(expenses) from reinsurance contracts	**46**	**(68)**	**(22)**	1,557	67	1,624
Total changes in the statement of comprehensive income	**46**	**(68)**	**(22)**	1,557	67	1,624
Cash flows						
Claims and other insurance service expenses recovered	**(1,341)**	**-**	**(1,341)**	(171)	-	(171)
Total cash flows	**(1,341)**	**-**	**(1,341)**	(171)	-	(171)
Closing asset for incurred claims 31 March	**48**	**5**	**53**	1,343	73	1,416

3. Investments

Overview

Premiums collected from policyholders are invested to meet the Company's cash flow needs to pay claims and other expenses, as well as generating a return that contributes to the Company's profitability. A sound investment strategy is therefore integral to the success of the Company's operations. The Company invests across a diversified range of instruments to achieve an appropriate balance between risk and return. Decisions on where to invest are dependent on expected returns, cash flow requirements of the Company, liquidity of the instrument, credit quality of the instrument and the overall risk appetite of the Company. Further details on the management of risk associated with investment assets can be found in section 4.

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Notes to the financial statements (continued)

3. Investments (continued)

3.1 Investment income

#SPILL!	Note		
		2024	**2023**
		$'000	**$'000**
Interest income on assets at amortised cost		**116**	55
Interest inocme on assets at fair value through profit or loss		**2,642**	1,971
Net realised losses on investments		**(368)**	(831)
Net unrealised gains on investments		**1,546**	388
Total investment income		**3,936**	1,583

Accounting policy
The Company's investment income is primarily made up of interest income on fixed interest investments and fair value gains or losses on its investment assets. They are recognised in the period that they are earned in the statement of comprehensive income.

Accrued interest income on assets held at fair value through profit or loss is recognised within the fair value of the assets.

3.2 Financial assets at fair value through profit or loss

#SPILL!		
	2024	**2023**
	$'000	**$'000**
Term deposits	**12,343**	2,383
Bonds	**47,968**	55,988
Unit Trusts	**573**	815
Total financial assets at fair value through profit or loss	**60,884**	59,186
Current	**29,433**	25,962
Non-current	**31,451**	33,224
Total financial assets at fair value through profit or loss	**60,884**	59,186

Accounting policy
The Company's investments are designated as financial assets at fair value through profit or loss and are initially recognised at fair value and subsequently remeasured to fair value through profit or loss at each reporting date.

Purchases and sales of financial assets are recognised on the trade date on which the Company commits to buy or sell the assets. Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and substantially all the risks and rewards of ownership have transformed.

Notes to the financial statements (continued)

3.3 Fair value hierarchy

Overview

The investments of the Company are disclosed using a fair value hierarchy which reflects the significance of inputs into the determination of fair value as follows:

Level 1: *The fair value is determined using quoted prices in an active market. The Company does not have any level 1 financial assets.*

Level 2: *Where quoted market prices are not available, fair values have been estimated using present value or other valuation techniques using inputs that are observable for the financial asset either directly or indirectly. Level 2 inputs include:*

- *quoted prices for similar assets or liabilities;*
- *quoted prices for assets or liabilities that are not traded in an active market;*
- *other observable market date that can be used for valuation purposes; or*
- *the most recently available redemption unit price from the fund manager at the time of valuation*

The Company's financial assets under this category include term deposits, corporate and government debt instruments and unit trusts where the market is not considered active in accordance with NZ IFRS 13 Fair value measurements.

Level 3: *Fair values are estimated using inputs that are unobservable for the financial asset. The Company does not have any level 3 investments.*

The Company's approach to measuring the fair value of investments is described in the following table:

Instruments	Includes:	Valuation technique
Term Deposits	Term deposits	The fair value is determined using observable market prices or other widely used and accepted valuation techniques using observable market inputs.
Bonds	Corporate and government bonds	The fair value is calculated by using a discounted cash flow calculation based on the risk margins and swap yields that are observable.
Unit trusts	Units in unlisted unit trusts	The fair value is calculated by using the last available redemption unit price for the unit trust at balance date.

The Company's investment assets are all classified as level 2 in the fair value hierarchy at 31 March 2024. There have been no transfers between levels of the fair value hierarchy during the current financial year.

Notes to the financial statements (continued)

4. Risk management

Overview
Risk management is an integral part of the successful operation of the Company's business.

4.1 Risk management overview

The financial condition and operations of the business are affected by a number of key risks including insurance risk, market risk, credit risk, liquidity risk, operational risk and climate risk.

The Company is committed to proactively and consistently managing risk, to effectively limit identified risks within the Company's risk appetite and to achieve continued growth and profitability of the Company.

The Company has an enterprise risk management framework and a risk management policy, which facilitate the identification, evaluation, mitigation and monitoring of the risks affecting the Company.

The accountabilities and responsibilities of employees and directors are conveyed in the Company's risk management policy. The Company's exposure to relevant risks is recorded and managed through the Company's risk register.

The Board has delegated the monitoring and reporting of extreme and high risk items and has delegated the oversight of the effectiveness of audit functions, internal controls and compliance processes to the board audit and risk committee (**BARC**), which reports quarterly to the Board. Details on the policies and procedures employed in managing these risks in the business are set out below.

4.2 Insurance risk

Overview
Insurance risk is the risk that either inadequate or inappropriate product design, pricing, underwriting, reserving, claims management or reinsurance management will expose the Company to financial loss and, in the worst case, a consequent inability to meet its liabilities when they fall due. The Company's capital management plan helps mitigate this risk and is discussed in note 5.3.

4.2.1 Underwriting risk

The Company's risk management activities include prudent underwriting, pricing, claims management and reserving. The objective of these disciplines is to enhance the financial performance of the insurance operations and to ensure sound business practices are in place for management of risks in underwriting and claims.

The key processes and controls in place which mitigate insurance risk include:

• the recruitment, retention and on-going training of suitably qualified personnel

• the use of management information systems that provide reliable data on the risks which the business is exposed to

• the use of internal and external actuarial expertise to assist in determining premium pricing and monitoring claims patterns

Notes to the financial statements (continued)

4.2.2 Concentration risk

Concentration risk refers to the risk of underwriting a number of like risks, where the same or similar loss events could potentially eventuate in large single claims and accumulations of claims that arise from a singular event.

The Company identifies the concentration risk by the type of insured events and limits its exposure through appropriate reinsurance arrangements.

Type of insured event as a proportion of insurance revenue	2024 %	2023 %
Mechanical breakdown	**42**	44
Motor vehicle	**43**	42
Credit contract insurance	**10**	9
Other	**5**	5
Total	**100**	100

4.2.3 Reserving risk

Reserving risk is the risk that the Company will not recognise appropriate reserves for insurance liabilities. The calculation, methodologies and assumptions underlying the liability for remaining coverage and liability for incurred claims are discussed in note 2.3.1.

4.2.4 Sensitivity analysis

The Company conducts sensitivity analyses to quantify the exposure to the risk of changes in the key underlying actuarial assumptions on the value of the insurance contract liabilities as set out in note 2.3.1.

4.3 Market risk

Overview
Market risk relates to financial assets and liabilities. Market risk is the risk of change in the fair value of financial assets and liabilities from fluctuations in the market prices (price risk), and interest rate risk, whether such change in price is caused by factors specific to an individual asset or liability or its issuer or factors affecting all financial assets and liabilities traded in a market.

4.3.1 Interest rate risk

Overview
The Company's exposure to interest rate risk arises mainly through its holdings in interest-bearing assets and the measurement of its insurance contract liabilities.

Interest-bearing investments with a floating interest rate expose the Company to cash flow interest rate risk, whereas fixed interest rate investments expose the Company to fair value interest rate risk. The Company's risk management approach is to minimise interest rate risk by actively managing investment portfolios to achieve a balance between cash flow interest rate risk and fair value interest rate risk. The Company predominantly invests in high quality, liquid interest-bearing securities and cash. All investments are financial assets measured at fair value through profit or loss. Movements in interest rates impacting the fair value of interest-bearing financial assets therefore impact reported profit or loss after income tax.

Notes to the financial statements (continued)

4.3.1 Interest rate risk (continued)

Overview

The estimates of future cash flows in the insurance contract liabilities are discounted to present value by reference to risk-free interest rates (note 2.3.5). The Company is therefore also exposed to potential profit or loss volatility arising from the measurement of the insurance contract liabilities as a result of interest rate movements. The impacts of changes in interest rates on the Company's insurance contract liabilities are recognised within the insurance finance result in profit or loss which is analysed as follows:

#SPILL!	Note		
		2024	**2023**
		$'000	**$'000**
Effect of changes in discount rates		**(267)**	(278)
Discount unwind and changes in financial assumptions		**1,405**	765
Interest accretion on contractual service margin		**314**	139
Total insurance finance expenses		**1,452**	626

The impact of interest rate changes on the fair value of interest-bearing financial assets will be partially offset by the corresponding impact on the Company's insurance contract liabilities. The Company seeks to minimise the net impact of movements in interest rates on the Company's profit or loss through managing the duration of fixed interest securities relative to the net insurance contract liabilities.

The following table provides the after-tax impact on profit or loss and equity for a 1% increase or decrease in interest rates on interest bearing financial assets and the impact of a 1% increase or decrease in discount rates on the insurance contract liabilities at balance date:

#SPILL!		Note		
	2024		**2023**	
	Change	**$'000**	**Change**	**$'000**
Interest rate movement - interest	**+1.0%**	**(626)**	+1.0%	(482)
bearing securities	**-1.0%**	**668**	-1.0%	494

Further information relating to the sensitivity of the insurance contract liabilities to changes in key variables, including discount rates is provided in note 2.3.7.

4.3.2 Price risk

Overview

Price risk is the risk of loss resulting from the decline in prices of equity securities or other assets.

The Company is exposed to price risk through its investments in unit trusts. Refer to note 3.2 Financial assets at fair value through profit or loss.

Investments in unit trusts are managed by external investment managers. The Company manages the exposure to price risk by diversifying its portfolio. Diversification of the portfolio is done in accordance with the mandates set by the Company pursuant to its risk appetite within its overall risk management programme.

Notes to the financial statements (continued)

4.3.2 Price risk (continued)

The following table provides the after-tax impact on profit or loss and equity for a reasonably possible change in unit prices:

	2024		2023	
	Change	**$'000**	**Change**	**$'000**
Weighted unit price	+1.0%	(4)	+1.0%	(4)
	-1.0%	4	-1.0%	5

4.3.3 Credit risk

Overview

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitment in full and on time, or from losses arising from the change in value of a trading financial instrument as a result of changes in credit risk of that instrument.

The Company's exposure to credit risks primarily results from transactions with security issuers, reinsurers, distribution partners and policyholders. Independent ratings are used for counterparties that are rated by rating agencies. Internal procedures cover monitoring distribution partners' and customers' financial position, the extent of monies owing and other relevant factors. Expected credit losses are recognised where necessary.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets below.

Investments

The Company manages its credit risks through its investment activities in line with mandates set by the Board:

• New Zealand cash deposits that are internally managed are limited to banks with a minimum Standard and Poor's (**S&P**) AA- credit ratings.

• Cash deposits, bonds and investments that are managed by external investment managers are restricted to counterparties with a minimum S&P A- credit ratings.

Notes to the financial statements (continued)

4.3.3 Credit risk (continued)

Investments (continued)

The following table provides details on the Company's exposure to credit risks associated with its investment activities:

	Rating				
	AAA	**AA**	**A**	**Unrated**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
As at 31 March 2024					
Term deposits	**-**	**12,343**	**-**	**-**	**12,343**
Bonds	**4,084**	**40,351**	**3,533**	**-**	**47,968**
Unit trusts	**-**	**-**	**-**	**573**	**573**
Total investments at 31 March	**4,084**	**52,694**	**3,533**	**573**	**60,884**
As at 31 March 2023					
Term deposits	-	2,383	-	-	2,383
Bonds	10,376	43,443	2,169	-	55,988
Unit trusts	-	-	-	815	815
Total investments at 31 March	10,376	45,826	2,169	815	59,186

Reinsurance

The Company manages its reinsurance programme in line with the risk management programme. The Company seeks to mitigate volatility of insurance risks in order to reduce exposure and overall cost.

The Company has entered into reinsurance treaties with reinsurers with a minimum of A- credit ratings in S&P and/or AM Best.

Receivables from distribution partners and policyholders

The Company manages its credit risks in respect of distribution partners and policyholders through regular reporting and monitoring of monies owing. Provisions for expected credit losses are assessed and recognised as necessary after assessing the aging of amounts due and available information in respect of specific debtors. Refer note 6.2 for disclosure of the level of provision for expected credit losses and note 8.1 for disclosure of the amount of credit losses recognised in profit or loss.

4.3.4 Liquidity risk

Overview

Management of liquidity risk is designed to ensure that the Company has the ability to meet its financial obligations as they fall due.

The Company manages its liquidity risk on an on-going basis by:

- *spreading its investments across multiple banks and institutions with different maturity profiles.*

- *forecasting expected future liquidity and ensuring a sufficient liquidity 'buffer' is maintained at all times.*

Notes to the financial statements (continued)

4.3.4 Liquidity risk (continued)

The table below shows the maturity of the contractual undiscounted cash flows of the Company's financial liabilities:

	Payables $'000	Lease liabilities $'000	Total $'000
31 March 2024			
0 to 3 months	**1,968**	**72**	**2,040**
3 to 6 months	**-**	**50**	**50**
6 to 12 months	**-**	**77**	**77**
After 12 months	**-**	**688**	**688**
Total	**1,968**	**887**	**2,855**
31 March 2023			
0 to 3 months	1,701	64	1,765
3 to 6 months	-	86	86
6 to 12 months	-	153	153
After 12 months	-	1,381	1,381
Total	1,701	1,684	3,385

The expected maturity profile of the Company's net insurance contract liabilities is shown in note 2.3.6.

4.3.5 Operational risk

Overview:
Operational risk is the risk of financial loss resulting from either external events, inadequate or failed systems or processes, or insufficiently skilled and trained staff.

There are a number of key processes and controls in place which mitigate operational risk, including:

- The management and staff responsible for identifying, assessing and managing operational risks in accordance with their roles and responsibilities.
- The risk manager charged with assisting staff to identify risks and assessing the sufficiency of and ongoing adequacy of suitable mitigations.
- The BARC charged with monitoring and reporting on risks.

4.3.6 Climate Risk

Overview:
Climate risk is the potential for climate change to create adverse consequences for the Company.

Climate risk has an adverse effect on the Company's profit or loss, is a source of financial risk and impacts the resilience of the Company, due to the potential for increased adverse weather events giving rise to increased insurance claims. It is a risk that is being monitored. This risk has not had a material impact on the Company's financial statements for the year ended 31 March 2024.

Notes to the financial statements (continued)

5. Capital management

Overview
The Company manages capital to ensure that the Company continues as a going concern and in order to satisfy the capital adequacy requirements of regulators and rating agencies, providing financial security for policyholders and other creditors and continuing to provide an adequate return to interest holders.

The Company has an established capital management plan and dividend policy which are reviewed regularly.

5.1 Share capital

#SPILL!	Note		
		2024	**2023**
		$'000	**$'000**
Fully paid up capital		**12,420**	12,420
Share capital at 31 March		**12,420**	12,420
Number of shares	**Voting rights**	**'000**	**'000**
Class A	Full	**9,036**	9,036
Class B	Partial	**1,763**	1,763
Total number of shares at 31 March		**10,799**	10,799

There were no changes in the Company's share capital during the year ended 31 March 2024.

5.2 Financial strength rating

The Company has a Financial Strength Rating of B as provided by rating agency AM Best on 13 December 2023 (2023: B).

Notes to the financial statements (continued)

5.3 Capital management plan and solvency

Overview

*The Reserve Bank of New Zealand (**RBNZ**) is the prudential regulator and supervisor of all insurers carrying on insurance business in New Zealand and is responsible for administering the Insurance (Prudential Supervision) Act 2010. The Company measures the adequacy of capital against the relevant solvency standard issued by RBNZ. As at 31 March 2024, the relevant solvency standard is the Interim Solvency Standard 2023 (2023: Solvency Standard for Non-Life Insurance Business).*

The Company's solvency position at 31 March 2024 in accordance with the Interim Solvency Standard 2023 is shown in the following table:

#SPILL!	Note	2024 $'000
Solvency capital		**23,282**
Adjusted prescribed capital requirement		**6,356**
Adjusted solvency margin		**16,926**
Adjusted solvency ratio		**366%**

The Company's solvency position in accordance with the solvency standard that was in effect at 31 March 2023 is shown in the following table:

#SPILL!	Note	2023 $'000
Solvency capital		19,239
Adjusted prescribed capital requirement		7,579
Adjusted solvency margin		11,660
Adjusted solvency ratio		254%

5.4 Dividends

#SPILL!	Note	2024 $'000	2023 $'000
Dividend paid on class B shares			
Cents per share		**24c**	20c
Total dividend paid		**418**	352

Notes to the financial statements (continued)

6. Other balance sheet items

Overview

This section presents various other balance sheet items which require specific disclosures that are not covered by the previous sections.

6.1 Cash and cash equivalents

#SPILL!	Note		
		2024	**2023**
		$'000	**$'000**
Transaction accounts		**1,850**	93
Call account		**2,519**	3,443
Total cash and cash equivalents		**4,369**	3,536

Accounting policy

For the purpose of presentation in the statement of cash flows, 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.

6.2 Receivables and other assets

#SPILL!		Restated
	2024	**2023**
	$'000	**$'000**
Premiums receivable from intermediaries	**1,201**	1,349
Provision for expected credit losses	**(44)**	(36)
Net premiums receivable from intermediaries	**1,157**	1,313
Prepayments	**348**	243
Third party claims administrator claims float*	**300**	300
Other receivables	**14**	51
Total receivables and other assets	**1,819**	1,907
Current	**1,800**	1,848
Non-current	**19**	59
Total receivables and other assets	**1,819**	1,907

*Third party claims adminstrator float reflects balance advanced to fund claims payments. This is accounted for outside insurance contract liabilities as actual claims paid are accounted in those balances.

The carrying amount of receivables and other assets is a reasonable approximation of fair value.

Accounting policy

Receivables (including premiums receivable from intermediaries) and other assets are recognised initially at fair value and subsequently at amortised cost, less provision for expected credit losses. A provision for expected credit losses is established when there is objective evidence that the Company will not be able to collect all amounts due as to their original terms.

Notes to the financial statements (continued)

6.2 Receivables and other assets (continued)

Accounting policy (continued)

Where premiums are collected on the Company's behalf by intermediaries, this is treated as occurring at the point at which the insurance contract is entered into in line with the intermediaries' business model which requires payment of premiums by the policyholder at that time. Accordingly, the premiums are accounted for by the Company as 'received' from the policyholder by the Company in respect of NZ IFRS 17 and the separate receivable disclosed above is recognised between the Company and the intermediary.

Where premiums are collected directly by the Company, any amounts outstanding from the policyholder are recognised within the insurance contract liability.

Premiums receivable from intermediaries arise from insurance contracts where the premiums have been collected on behalf of the Company from the policyholder by an intermediary but have not yet been received by the Company. These are recognised at fair value being the amount due. All outstanding amounts are constantly reviewed for collectability and immediately written off where deemed to be uncollectible.

Other assets including receivables are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

6.3 Payables

		Restated
	2024	**2023**
	$'000	**$'000**
Trade accounts payable	**1,927**	1,595
GST payable	**41**	106
Total payables	**1,968**	1,701
Current	**1,968**	1,701
Total payables	**1,968**	1,701

The carrying amount of payables is a reasonable approximation of fair value.

Accounting policy

Payables are recognised when the Company becomes obliged to make future payments resulting from the purchases of goods and services. Payables are measured at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year but which are unpaid at reporting date.

Notes to the financial statements (continued)

6.4 Plant and equipment

	Computer equipment $'000	Motor vehicles $'000	Office furniture, fitout and equipment $'000	Total $'000
Opening cost 1 April 2022	138	582	95	815
Additions	22	-	-	22
Disposals	-	(43)	-	(43)
Closing cost 31 March 2023	160	539	95	794
Opening accumulated depreciation 1 April 2022	79	286	45	410
Depreciation	30	85	6	121
Disposals	-	(27)	-	(27)
Closing accumulated depreciation 31 March 2023	109	344	51	504
Closing net book value 31 March 2023	51	195	44	290
Opening cost 1 April 2023	**160**	**539**	**95**	**794**
Additions	**14**	**213**	**3**	**230**
Disposals	**-**	**(137)**	**-**	**(137)**
Closing cost 31 March 2024	**174**	**615**	**98**	**887**
Opening accumulated depreciation 1 April 2023	**109**	**344**	**51**	**504**
Depreciation	**21**	**95**	**5**	**121**
Disposals	**-**	**(107)**	**-**	**(107)**
Closing accumulated depreciation 31 March 2024	**130**	**332**	**56**	**518**
Closing net book value 31 March 2024	**44**	**283**	**42**	**369**

Accounting policy

Plant and equipment are initially recorded at cost including transaction costs and subsequently measured at cost less any subsequent accumulated depreciation and impairment losses. They are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Depreciation is calculated using diminishing value method applying the following rates:

- *Computer equipment - 16-50% diminishing value (estimated useful life 3-12 years)*
- *Office fit out - 10% diminishing value (estimated useful life 19 years)*
- *Furniture and fittings – 16-25% diminishing value (estimated useful life 8-12 years)*
- *Office equipment - 25-40% diminishing value (estimated useful life 4-8 years)*
- *Motor vehicles - 30% diminishing value (estimated useful life 5 years)*

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Notes to the financial statements (continued)

6.5 Intangible assets and goodwill

6.5.1 Intangible assets

Overview

The Company has intangible assets relating to distribution agreements it has acquired in a business combination and internally developed software. As these assets are unique to the Company, their realisable value on the open market is uncertain, so it is important to regularly assess that the carrying values remain appropriate.

[redacted]

	Distribution agreements	Internally developed software		Total
		Completed	Work in progress	
	$'000	$'000	$'000	$'000
Opening cost 1 April 2022	2,007	2,185	5	4,197
Closing cost 31 March 2023	2,007	2,185	5	4,197
Opening accumulated amortisation 1 April 2022	1,003	1,825	-	2,828
Amortisation	250	180	-	430
Impairment	432	-	-	432
Closing accumulated amortisation 31 March 2023	1,685	2,005	-	3,690
Closing net book value 31 March 2023	322	180	5	507
Opening cost 1 April 2023	**2,007**	**2,185**	**5**	**4,197**
Additions	**-**	**-**	**581**	**581**
Closing cost 31 March 2024	**2,007**	**2,185**	**586**	**4,778**
Opening accumulated amortisation 1 April 2023	**1,685**	**2,005**	**-**	**3,690**
Amortisation	**108**	**180**		**288**
Closing accumulated amortisation 31 March 2024	**1,793**	**2,185**	**-**	**3,978**
Closing net book value 31 March 2024	**214**	**-**	**586**	**800**

Notes to the financial statements (continued)

6.5.1 Intangible assets (continued)

Accounting policies

Software and software development

Software and software work in progress are initially measured at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

*Costs associated with configuring or customising the applications in a software as a service (**SaaS**) arrangement are recognised as expenses when the supplier performs those configuration and customisation services, unless the services are distinct from the SaaS arrangement.*

Costs associated with maintaining software programmes 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:

- *it is technically feasible to complete the software so that it will be available for use*
- *management intends to complete the software and use or sell it*
- *there is an ability to use or sell the software*
- *it can be demonstrated how the software will generate probable future economic benefits*
- *adequate technical, financial and other resources to complete the development and to use or sell the software are available, and*
- *the expenditure attributable to the software during its development can be reliably measured.*

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

The Company continues to review its intangible assets on software to assess whether the Company maintains its control over the assets, and the assets represent the software asset of the Company.

Distribution agreements

Distribution agreements acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Amortisation of intangible assets

Intangibles are amortised using the following methods and rates:

- *Internally generated software - 50% straight-line*
- *Distribution agreements - management has the following intangible assets arising from distribution agreements and has determined the amortisation methods and rates for each intangible asset as per the following table*

Identified intangible assets	*Amortisation method*	*Rate*
Carminder – credit union relationships	*Straight-line*	*25%*
Carminder – renewal rights	*Straight-line*	*25%*

Notes to the financial statements (continued)

6.5.2 Intangible assets impairment testing

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

There were no impairment indicators in respect of intangible assets at 31 March 2024, so no impairment testing has been undertaken.

Impairment indicators were identified in the year ended 31 March 2023 in respect of distribution agreement intangible assets and impairment testing resulted in impairment of $432,000 being recognised. This was the value by which the asset exceeded the estimated recoverable amount of $322,000. The estimated recoverable amount was the calculated value-in-use for that asset, based on the net present value of cash flows projected to be derived from the continuing use of the asset based on the Company's discount rate of 14.5% at 31 March 2023.

Accounting policy
Intangible assets are tested for impairment if events or changes in circumstances indicate that they might be impaired.

6.5.3 Goodwill

Overview
The Company has goodwill arose from the acquisition of the non-life insurance policies from Credit Union Insurance Limited in the year ended 31 March 2019.

	2024 $'000	2023 $'000
Goodwill balance at 31 March	**1,525**	1,525

6.5.4 Goodwill impairment testing

The Company has allocated the goodwill to its entire business which it has identified as a single cash-generating unit (**CGU**).

The recoverable amount of the CGU was determined by reference to value-in-use calculations based on the assumptions detailed in the table below. The value-in-use calculations involve the use of cash flow projections, which are based on Board approved financial budgets covering a four-year period.

Assumption	Approach used to determining values
Sales volume	13.4% annual growth rate over the four-year forecast period; based on past performance and management's expectations of market development (2023: 16.5%)
Budgeted gross margin	80.8% based on past performance and management's forecast (2023: 82.3%)
Terminal growth value	2% is the expected terminal value based on management's expectation of steady growth (2023: 2%)
Return on equity/discount rate	14.8% is based on the expected return on equity taking into consideration the nature, size and risks of the Company (2023: 14.5%)

Notes to the financial statements (continued)

6.5.4 Goodwill impairment testing (continued)

The Company has considered and assessed the reasonably possible changes for the key assumptions and have not identified any instances that could cause the carrying amount of goodwill to exceed its recoverable amount.

Accounting policy
Goodwill represents the excess of the cost of an acquisition over the fair value of assets acquired and liabilities assumed on date of acquisition. Goodwill on acquisition is included in intangible assets and is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. It is carried at cost less accumulated impairment losses.

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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

6.6 Leases

6.6.1 As a lessee

Overview
The Company's leases consist of office premises and office equipment. The lease agreement for office premises contains an initial term of 5 years with a right of renewal for another 5 years effective 1 August 2024. The Company determined during the year ended 31 March 2024 to partially exercise the lease upon renewal (renewing part of the leased premises and surrendering the other part) which was a modification to the previous expectation that the lease would be fully renewed at that time.

The lease agreements for office equipment are made for fixed periods of 5 years without extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the financial statements (continued)

6.6.1 As a lessee (continued)

The statement of financial position includes the following amounts relating to leases:

[redacted]

	2024 $'000	2023 $'000
Right of use assets		
Premises	**698**	1,289
Office equipment	**2**	10
Total right of use assets	**700**	1,299
Lease liabilities		
Current	**167**	192
Non-current	**615**	1,244
Total lease liabilities	**782**	1,436

Amounts relating to leases included in the statement of comprehensive income are interest expense on lease liabilities of $32,000 (2023: $79,000) and depreciation expense on right of use assets of $232,000 (2023: $211,000). The modification to the lease during the year ended 31 March 2024 also resulted in a gain of $35,000 being recognised in profit or loss.

Amounts relating to leases are separately disclosed in the statement of cash flows.

Accounting policy
*Right of use assets (**ROU assets**) are measured at cost comprising the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received; and indirect costs; and restoration costs. Right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.*

Lease liabilities are recognised at the date the Company has the right to use the corresponding asset. Lease liabilities are initially measured as the present value of expected lease payments under lease arrangements. The lease liability will include any option to extend where it is reasonably certain that the option will be exercised. The lease payments are discounted using the incremental borrowing rate as the interest rate in the lease cannot be readily determined.

Subsequent repayments are split between principal and finance cost. The finance cost represents the time value of money and is charged to the profit or loss over the lease period. The discount rate applied is unchanged from the applied at the initial recognition of the lease unless there are material changes to the lease.

Notes to the financial statements (continued)

6.6.2 As a lessor

Minimum lease payments to be received on the sublease are as follows:

#SPILL!		
	2024	**2023**
	$'000	**$'000**
Within 1 year	**15**	46
Between 1 and 2 years	**-**	15
Total minimum lease payments	**15**	61

Accounting policy

The Company has elected to classify the sublease as operating leases, on the basis that it does not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset at the end of the lease term. Lease payments from operating leases are recognised as income on a straight-line basis over the lease term and are included in other income.

6.7 Other provisions

#SPILL!		
	2024	**2023**
	$'000	**$'000**
Employment benefits	**611**	584
Provision for restoration costs	**51**	51
Provision for incentives	**294**	238
Total provisions	**956**	873
Current	**525**	480
Non-current	**431**	393
Total provisions	**956**	873

Employee benefits

The provision includes salaries, commissions, bonuses and leave allowances.
Provision is made for salaries, commissions, and annual leave are recognised in respect of employee entitlements up to reporting date. This provision is measured at the amounts expected to be paid when the entitlements are settled.

Provision for restoration costs

Provision for the costs involved in dismantling, removing and restoring the office premises at the end of the lease, pursuant to the lease agreement.

Provision for incentives

Rebates and incentives are calculated monthly and the provision represents incentives owing to dealers but remaining unpaid at reporting date.

Accounting policy

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event or decision, and it is more likely than not that an outflow of resources will be required to settle the obligation. Provisions are measured at the best estimate of future cash flows discounted to present value where the effect is material.

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Notes to the financial statements (continued)

7. Tax

Overview

The Company pays its tax liabilities as they fall due. Deferred tax is accounted for to recognise timing differences which may arise between tax expense and tax payable. This section shows the relevant tax expense and current and deferred tax balances of the Company.

Accounting policies

Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current and deferred tax is recognised in profit or loss, 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 assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. It is recognised at the tax rates expected to apply when the assets are recovered or liabilities settled based on the tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Goods and services tax (GST)

Revenues and expenses are recognised net of the amount of GST except when the GST incurred on a purchase of goods and services is not recoverable from Inland Revenue, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated inclusive of GST where applicable.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the statement of financial position.

Notes to the financial statements (continued)

7.1 Tax expense

		Restated
	2024	2023
	$'000	$'000
Current tax expense	**1,321**	1,756
Adjustments to current tax in prior years	**(53)**	(9)
Deferred tax credit	**(171)**	(295)
Adjustments to deferred tax in prior years	**38**	-
Tax expense	**1,135**	1,452
Reconciliation between net profit before tax and tax expense		
Net profit before tax	**4,224**	5,094
Tax at 28%	**1,182**	1,426
Plus/(less) tax effect of:		
Non-deductible expenditure	**8**	46
Imputation credit arising from dividend received from joint venture	**(31)**	(9)
Non-taxable income	**(9)**	(2)
Prior year adjustment	**(15)**	(9)
Tax expense	**1,135**	1,452

7.2 Current tax

	2024	2023
	$'000	$'000
Balance at the beginning of the financial year	**1,307**	(157)
Income tax paid	**(1,708)**	(283)
Current year tax on profit	**1,321**	1,756
Adjustment for prior years	**(53)**	(9)
Payable at the end of the financial year	**867**	1,307

Notes to the financial statements (continued)

7.3 Deferred tax

	2024	Restated 2023
	$'000	$'000
Deferred tax asset		
Employee entitlements		
Opening balance	**123**	147
Credited/(charged) to profit	**52**	(24)
Adjustment for prior years	**(39)**	-
Deferred tax asset arising from employee entitlements	**136**	123
Lease Liabilities		
Opening balance	**416**	467
Charged to profit	**(183)**	(51)
Deferred tax asset arising from lease liabilities	**233**	416
Other provisions		
Opening balance	**49**	49
Charged to profit	**(15)**	-
Adjustment for prior years	**(7)**	-
Deferred tax asset arising from other provisions	**27**	49
Insurance contract liabilities		
Opening balance	**147**	28
Credited to profit	**95**	119
Deferred tax asset arising from insurance contract liabilities	**242**	147
Deferred tax asset at 31 March	**638**	735
Intangible assets		
Opening balance	**(89)**	(281)
Credited to profit	**54**	192
Adjustment for prior years	**8**	-
Deferred tax liability arising from intangible assets	**(27)**	(89)
Right of use assets		
Opening balance	**(364)**	(423)
Credited to profit	**168**	59
Deferred tax asset arising from right of use assets	**(196)**	(364)
Deferred tax liability at 31 March	**(223)**	(453)
Net deferred tax asset at 31 March	**415**	282

Notes to the financial statements (continued)

7.4 Imputation credits

#SPILL!		
	2024	**2023**
	$'000	**$'000**
Imputation credits available for use in subsequent reporting periods	**5,339**	4,003

Notes to the financial statements (continued)

8. Other information

Overview
This section provides additional information which must be disclosed in accordance with New Zealand Accounting Standards.

8.1 Expenses by nature

Overview
The below table provides a breakdown of expenses by nature, including the classification of expenses directly attributable to insurance contracts versus those reported as other operating expenses outside the insurance service result.

					Restated			
	2024				2023			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	Expenses attributed to insurance acquisition cash flows	Other directly attributed expenses	Other operating expenses	Total	Expenses attributed to insurance acquisition cash flows	Other directly attributed expenses	Other operating expenses	Total
Employee expenses	**1,679**	**2,299**	**1,415**	**5,393**	1,755	2,587	921	5,263
Commissions	**3,144**	**-**	**-**	**3,144**	2,600	-	-	2,600
Credit losses recognised	**-**	**11**	**-**	**11**	-	87	-	87
Depreciation and amortisation	**302**	**262**	**77**	**641**	444	286	32	762
Impairment - intangible assets	**-**	**-**	**-**	**-**	-	432	-	432
Fees paid to auditors:	**-**	**-**	**-**	**-**				
Audit of financial statements	**-**	**-**	**503**	**503**	-	-	510	510
Other assurance services - solvency return	**-**	**-**	**36**	**36**	-	-	11	11
Other fees paid to PwC	**-**	**-**	**2**	**2**	-	-	2	2
Legal and other professional fees	**201**	**150**	**1,300**	**1,651**	155	144	1,364	1,663
Other expenses	**658**	**3,505**	**3,953**	**8,116**	747	3,351	1,786	5,884
Total Expenses	**5,984**	**6,227**	**7,286**	**19,497**	5,701	6,887	4,626	17,214

*Audit of financial statements includes audit fees for the transition to NZ IFRS 17. In 2023 the audit fees included fees for advance audit activities in respect of NZ IFRS 17 of $246,000.

**Other fees paid to PwC includes $2,000 (2023: $2,000) for general training offered by PwC attended by Company personnel.

Notes to the financial statements (continued)

8.1 Expenses by nature (continued)

Accounting policy
Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. Expenses which are considered directly attributable to insurance contracts are included within the insurance service expense. Cash flows that are not directly attributable to a portfolio of insurance contracts, are recognised in other operating expenses as incurred.

Expenses are allocated based on an assessment of the function to which the expenses relate and their nature.

8.2 Reconciliation of operating cash flows

Overview
The table below provides a reconciliation between profit after tax for the year and net cash flows arising from operating activities, showing the non-cash items within profit and the movement in relevant balance sheet items.

		Restated
	2024	**2023**
	$'000	**$'000**
Profit after tax for the year	**3,089**	3,642
Add/(deduct) non-cash items:		
Depreciation of plant and equipment	**121**	121
Depreciation of right of use assets	**232**	211
Amortisation of intangible assets	**288**	430
Impairment of intangible assets	**-**	432
Gain on disposal of plant and equipment	**(33)**	(6)
Gain on lease modification	**(36)**	-
Net realised and unrealised (gains)/losses on investments	**(1,178)**	443
Gain on sale of joint venture	**(141)**	-
Profit from joint venture	**-**	(6)
	2,342	5,267
Add/(deduct) movements in balance sheet items:		
(Increase)/decrease in receivables and other assets*	**(297)**	145
Decrease/(increase) in reinsurance contracts	**1,269**	(1,207)
Increase/(decrease) in payables and other provisions	**350**	(412)
Decrease in insurance contract liabilities	**(1,800)**	(3,765)
Change in tax balances	**(574)**	1,169
	(1,052)	(4,070)
Net cash from operating activities	**1,290**	1,197

* including accrued interest reported in financial assets at fair value through profit and loss

Notes to the financial statements (continued)

8.3 Related parties

Overview

Related parties are those entities or persons over which the Company has control or significant influence in operational or financial decisions, or who have the same over the Company. Related parties also include persons that are members of the key management personnel of the Company.

8.3.1 Investment in joint venture

Overview

The Company previously held a 50% interest in a joint venture which it accounted for using the equity method. The interest was disposed of during the year ended 31 March 2024.

Rothbury Specialty Risks Limited (**RSR**) is an insurance broker, incorporated and with its principal place of business in New Zealand. The joint venture was operated by the other shareholder and the Company earned commissions on any business referred to this broker.

Refer to note 8.3.3 for the commission income and dividends received from the joint venture during the year ended 31 March 2024.

	Ownership Interest			Carrying amount	
	2024 %	2023 %	Measurement method	2024 $'000	2023 $'000
Rothbury Specialty Risks Limited	-	50	Equity method	-	954

There are no commitments and contingent liabilities in respect of the joint venture in 2024 (2023: nil).

(a) Summarised prior financial information for joint venture

The tables below provide summarised financial information for the joint venture interest of the Company in the prior year.

The information disclosed reflects the financial information presented in the financial statements of the joint venture and not the Company's share of those amounts.

Notes to the financial statements (continued)

8.3.1 Investment in joint venture (continued)

(a) Summarised prior financial information for joint venture (continued)

Summarised balance sheet

#SPILL!	Note	Rothbury Specialty Risks Ltd 2023 $'000
Assets		
Current assets		1,265
Non-current assets		1,766
Total assets		3,031
Liabilities		
Current liabilities		1,123
Net assets		1,908
Reconciliation to carrying amounts:		
Opening net assets		1,945
Profit for period		12
Dividend paid		(49)
Closing net assets		1,908
Share in %		50%
Share		954
Carrying amount		954
Dividends received from joint venture		24

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Notes to the financial statements (continued)

8.3.1 Investment in joint venture (continued)

(a) Summarised prior financial information for joint venture (continued)

Summarised statement of comprehensive income

	Rothbury Specialty Risks Ltd 2023 $'000
Revenue	1,059
Expenses	(1,029)
Income tax expense	(18)
Profit for the period	12
Total comprehensive income	12
Share in %	50%
Share of profits for the period	6
Movement in value of investment in Joint Venture	6

Accounting policies

Joint Ventures
Interests in joint ventures are accounted for using the equity method.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss and the Company's share of movements in other comprehensive income of the investee in other comprehensive income.

Any dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

Any bargain purchase gain arising from the acquisition of an additional stake in a joint venture will be separately recognised in profit or loss.

Notes to the financial statements (continued)

8.3.2 Key management personnel

Overview

*Key management personnel (**KMP**) are those persons who have authority and responsibility for planning and controlling the activities of the Company, directly or indirectly. KMP include employee benefits paid to the chief executive and senior management who report to the chief executive and fees paid to directors, including those for consulting services over and above their remuneration for director services.*

#SPILL!	Note		
		2024	**2023**
		$'000	**$'000**
Short term employee benefits (including directors fees)		**2,271**	2,493
Total benefits provided to key management personnel		**2,271**	2,493

8.3.3 Transactions with related parties

The following transactions occurred with related parties:

	0 Note		
		2024	**2023**
		$'000	**$'000**
RSR commission income received		**12**	13
RSR dividends received		**78**	24
Total related party transactions		**90**	37

8.4 Subsequent events

There are no events occurring subsequent to the financial year ended 31 March 2024 which require adjustment to or disclosure in the financial statements.

The Directors
Provident Insurance Corporation Ltd
Level 1, 61 Hurstmere Road
Takapuna
Auckland 0622
New Zealand

Dear Sir / Madam

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

Section 78 of the Insurance (Prudential Supervision) Act 2010 specifies those matters that must be addressed, namely;

a. I am the Appointed Actuary of Provident Insurance Corporation Limited (Provident); and

b. I have reviewed the actuarial information contained in, or used in, the preparation of the financial statements of Provident. The review has been carried out in accordance with the applicable solvency standard. For the avoidance of doubt, actuarial information means:

- Information relating to Provident's calculations of premiums, claims, reserves, insurance rates, and technical provisions; and
- Information relating to assessments of the probability of uncertain future events occurring and the financial implications for the insurer if those events do occur; and
- Information specified in an applicable solvency standard as being actuarial information for the purposes of this section; and

c. The scope and limitations of the review are to be detailed in the Financial Condition Report (FCR) as at 31 March 2024; and

d. I have no relationship with Provident other than that of Appointed Actuary; and

e. I have obtained all information and explanations that I require; and

f. In my opinion and from an actuarial perspective the actuarial information used in the preparation of the financial statements has been used appropriately; and

g. No condition has been imposed under Section 21(2)(b) as at 31 March 2024; and

h. No condition has been imposed under Section 21 (2)(c) as at 31 March 2024.

Kind regards,

Adam Follington
Appointed Actuary, Provident Insurance Corporation Ltd
Fellow of the New Zealand Society of Actuaries
Tel: +64 2 1271 5667