



SOUTHSURE ASSURANCE LIMITED

Annual Report 2024

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Company Directory

Board of Directors

M P (Mark) O'Connor – Chair
T W (Tony) Gaskin
S J (Sarah) Brown
A G (Tony) Dench (Appointed 01/03/2024)
A J (Joe) O'Connell (Resigned 17/06/2024)
R L (Rowena) Thompson (Resigned 17/06/2024)

Chief Executive

A B (Bruce) Waddel (Appointed 01/01/2024)
T W (Tony) Gaskin (Resigned 20/12/2024)

Company Secretary

Fiona Bell

Trading Names

SBS Insurance
Southsure Assurance Limited

Bankers

Westpac Banking Corporation
Cnr Kelvin and Spey Streets
Invercargill

SBS Bank
Cnr Kelvin and Don Streets
Invercargill

Auditor

KPMG
18 Viaduct Harbour Avenue
Auckland

Solicitor

Buddle Findlay
245 St Asaph Street
Christchurch

Appointed Actuary

Actuary & Governance Ltd
42 Grays Road, Plimmerton
Porirua 5026
New Zealand

Registered Office

66 Don Street
Invercargill

Directors' Statements

The Board of Directors present their Annual Report including the financial statements of the Company for the twelve-month period ended 31 March 2024.

The shareholder of the Company has exercised their right under section 211(3) of the Companies Act 1993 that this Annual Report need not comply with any of paragraphs (a), and (e) to (j) of section 211(1) of the Act.

For and on behalf of the Board on 25 July 2024:



Mark O'Connor
Chair



Tony Gaskin
Director

Statement of Corporate Governance

Board of Directors

Southsure Assurance Limited is governed by a Board of Directors who are elected by the shareholder and are accountable for the performance of the Company and compliance by the Company with laws and standards.

All current Directors have been assessed by the Board in accordance with the Company's Fit and Proper Policy and have been certified as meeting the Reserve Bank of New Zealand's Fit and Proper Standard for directors of licenced insurers.

Board Role and Charter

The Board's role is one of governance, rather than management. To facilitate performance of this role the Company has in place a comprehensive governance framework for which the Board Charter is the cornerstone document. The Board Charter describes the Board's governance role, procedures and responsibilities.

The Board is required to fulfil a number of statutory obligations, most notable under the Companies Act 1993 and the Insurance (Prudential Supervision) Act 2010. In addition, the Board's activities are guided by the Company's Constitution.

The governance framework provides the structure by which the Board promotes and protects the Company's interests for the benefit of its respective stakeholders including the shareholder, policyholders and employees.

The Board's ultimate objective is to ensure the Company has a sustainable future and to deliver maximum value to its shareholder.

In performing their role, the Board's broad areas of focus are:

- Regulatory and policy compliance
- Strategy development and direction
- Policy development
- Operational oversight

Specifically, the Board:

- ensures long-term and short-term business objectives and appropriate business strategies are in place and provides guidance and direction in the formation of the same
- approves and monitors financial and other reporting, ensuring the financial statements accurately reflect the Company's position and conform with legislative requirements
- monitor senior management's performance and implementation of strategy, ensuring appropriate resources are available
- ensures that business is carried out in accordance with all statutory and legal requirements and the terms of the Constitution
- ensures that appropriate internal controls, policies and processes are in place to manage potential and relevant risks. To this end the Company has established a comprehensive Risk Management Programme

The Board meets formally at least four times per year. At each normal meeting the agenda will include the Company's Register of Directors Interests, a report from management covering operational and financial performance, specific proposals for capital expenditure and acquisitions and major issues and opportunities.

The Board will at least annually review the goals and strategies, approve budgets and financial statements and undertake other activities outlined in the Board Charter.

The Board reviews its own performance annually.

Board Membership

The Company's Constitution sets the size of the Board. The Board currently comprises three independent directors and one non-independent director. Their qualifications and experience are set out on page 5 of this report.

The Board Charter sets out policies and procedures covering the appointment and removal, proceedings, powers and duties, remunerations and expenses of directors.

Delegational Framework

The Board has delegated responsibility for the overall management and profit performance of Southsure Assurance Limited including the day-to-day operations and administration to the Chief Executive Officer (CEO). The CEO manages the business in accordance with the Policies, Budget, Annual Plan, and Strategies approved by the Board. The CEO has the power to manage the business, subject to Board approved authority limits.

Committees

The Board has formally constituted one Board committee - the Audit and Risk Committee. The Audit and Risk Committee is governed by its own Charter. The primary objectives of the Audit and Risk Committee are:

- to set the principles and standards with respect to internal controls, accounting policies and the nature, scope, objectives and functions of external and internal audit
- ensures the efficient and effective management of all business risk, and the efficient and effective compliance with relevant legal and company policy requirements
- to assist and advise the Board on the appointment, remunerations, development and performance management of Directors and the CEO.

The current composition of the Audit and Risk Committee is Mr Tony Gaskin (Chairman), Mr Mark O'Connor, Mrs Sarah Brown and Mr Tony Dench.

Directors' Profiles

M P [Mark] O'Connor BCom, FCA, FNZIM

Mark was appointed a Southsure director in September 2021 and took the role of Chair from 31 March 2022.

Mark is a qualified accountant who has been involved in senior management roles in the New Zealand port sector for 25 years. He is the former CEO of NZX-listed company South Port NZ, a position he held for 18 years.

Mark is also a director of the SBS Bank Board, chairs the Board of Nevele R Stud and is the former chairman of private equity fund Invest South. He also chairs the SBS Bank Remuneration Committee and is a member of the SBS Group Audit and Risk Committee.

He is a Fellow of Chartered Accountants Australia and New Zealand.

T W [Tony] Gaskin CA, BBus (Acc)

Tony was appointed a Southsure director in November 2020 and as Chair of the Audit and Risk Committee in December 2023.

Tony is a chartered accountant with extensive experience in the insurance industry, having had leadership team responsibility for most business areas within BNZ Life Insurance Limited. From 11 July 2022 Tony served as Southsure's Acting CEO until 20 December 2023 and the appointment of a permanent replacement following the incumbent's departure.

Tony is the co-founder of a consulting firm, TOHA Consulting, providing specialist advice to the financial services industry.

Tony is the Chair of GMoney Investments Limited - a company he founded in 2001. He previously served as a director of Abbott Insurance Brokers and a number of their subsidiary companies, prior to Southsure's sale of their investment stake.

Tony is a member of Chartered Accountants Australia and New Zealand.

A J [Joe] O'Connell BCom, FCA, CF IntD (Resigned 17 June 2024)

Joe was appointed a Southsure director in September 2018.

Joe serves as a director on several companies and was the Chairman of Invercargill Airport Limited from 2011 to 2016. Joe is a director of SBS Bank and is Chair of this Board.

Joe has worked in many industries including transport, timber, concrete, petroleum distribution and property.

Joe is a Fellow of Chartered Accountants Australia and New Zealand, and a Chartered Fellow of the Institute of Directors.

S J [Sarah] Brown LLB,BA, CFInstD

Sarah is a former commercial lawyer who is now a professional director. She is a Chartered Fellow of the Institute of Directors and has had extensive governance experience.

She was previously on the Southern Institute of Technology Council for 11 years, six of them as Council chair. She has also served on the boards of Electricity Invercargill Ltd and PowerNet Ltd.

Appointed to the Southsure Board in November 2022, Sarah is currently also on the boards of PGG Wrightson Ltd and Blue Sky Meats Ltd. Sarah is a passionate Southlander and brings a wealth of experience and knowledge to the SBS Board.

A G [Tony] Dench LLB, FCA, CM IntD

Tony was appointed a Southsure director in March 2024. His career has included executive and senior roles spanning law, accounting, tax, property development, banking and wider financial services.

He is currently chair and independent director of a number of privately owned companies in the financial services and charitable sectors.

Tony is a Fellow of the Institute of Chartered Accountants in England & Wales, and a Chartered Member of the Institute of Directors.

R L [Rowena] Thompson MBA (Resigned 17 June 2024)

Rowena was appointed a Southsure director in February 2022.

Rowena has 30 years financial services industry experience. She started as the SBS Bank Group Chief Risk Officer in April 2020, with responsibility for risk management and compliance activities across the Group.

Prior to this, Rowena held various leadership roles across New Zealand and Australia from leading customer facing teams through to delivering risk frameworks at a group level.

She has a Master of Business Administration from Southern Cross University and is a Graduate of the Australian Institute of Company Directors.

Financial Statements

Statement of Profit or Loss

for the year ended 31 March 2024

<i>In NZD thousands, for the twelve months ended 31 March</i>	Note	2024	Restated 2023
Insurance revenue	8,9	7,301	8,055
Insurance service expense	8,10	(6,353)	(8,431)
Net (expenses)/revenue from reinsurance contracts held	8,11	(979)	72
Insurance service result		(31)	(304)
Interest revenue on financial assets	12	494	315
Other investment returns	12	411	(53)
Investment return		905	262
Net finance (expenses)/income from insurance contracts issued	12	(442)	253
Net finance income from reinsurance contracts held	12	163	484
Net finance result		626	999
Commission and Fee income	13	2,546	1,640
Other income	14	14,127	2
Other expenses	10	(2,983)	(1,699)
Other finance costs	15	(50)	(59)
Other result		13,640	(116)
Profit before share of profits from associate		14,235	579
Share of profit of investment in associate, net of tax	25	1,058	1,230
PROFIT BEFORE TAX		15,293	1,809
Taxation expense	16	(6)	(105)
PROFIT FOR THE PERIOD		15,287	1,704

Statement of Comprehensive Income

for the twelve months ended 31 March 2024

<i>In NZD thousands, for the twelve months ended 31 March</i>	Note	2024	Restated 2023
NET SURPLUS FOR THE PERIOD		15,287	1,704
Other comprehensive income for the year, net of tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		15,287	1,704

The accompanying notes form part of and should be read in conjunction with these financial statements.

Financial Statements

Statement of Changes in Equity

for the year ended 31 March 2024

<i>In NZD thousands, for the 12 months ended 31 March</i>		Share Capital	Retained Earnings	Total Equity
As at 1 April 2022, as previously reported		1,000	15,410	16,410
Adjustment on initial application of NZ IFRS17, net of tax		-	412	412
Restated balance at 1 April 2022		1,000	15,822	16,822
Net surplus for the year (restated)		-	1,704	1,704
Other comprehensive income for the year (restated)		-	-	-
Total comprehensive income (restated)		-	1,704	1,704
Dividends	17	-	(1,970)	(1,970)
Restated balance at 31 March 2023		1,000	15,556	16,556
As at 1 April 2023 after adoption of NZ IFRS17		1,000	15,556	16,556
Net surplus for the year		-	15,287	15,287
Other comprehensive income for the year		-	-	-
Total comprehensive income		-	15,287	15,287
Dividends	17	-	(19,000)	(19,000)
At 31 March 2024		1,000	11,843	12,843

The accompanying notes form part of and should be read in conjunction with these financial statements.

Financial Statements

Statement of Financial Position

For the year ended 31 March 2024

<i>In NZD thousands, as at</i>		31-Mar-2024	<i>Restated</i> 31-Mar-2023	<i>Restated</i> 1-Apr-2022
EQUITY				
Share capital	18	1,000	1,000	1,000
Retained earnings	19	11,843	15,556	15,822
TOTAL EQUITY		12,843	16,556	16,822
LIABILITIES				
Payables	20	4,510	3,605	936
Employee Entitlements	20	228	175	206
Lease Liabilities	21	745	782	787
Current tax liabilities	16	-	-	384
Insurance contract liabilities	8	7,937	8,299	7,740
Reinsurance contract liabilities	8	479	571	680
Deferred tax liabilities	16	1,033	1,480	1,401
TOTAL LIABILITIES		14,932	14,912	12,134
TOTAL EQUITY AND LIABILITIES		27,775	31,468	28,956
ASSETS				
Cash and cash equivalents	22	9,925	6,363	6,440
Receivables	23	8,040	4,895	763
Current tax assets	16	1,040	796	-
Investments	24	7,054	7,661	11,614
Insurance contract assets	8	184	207	238
Reinsurance contract assets	8	774	1,344	347
Investment in associate	25	-	9,374	8,680
Property, Plant & Equipment	26	94	109	128
Right of use Asset	21	661	714	736
Intangible assets	27	3	5	10
TOTAL ASSETS		27,775	31,468	28,956

Approved for issue for and on behalf of the Board on 25 July 2024:



Mark O'Connor
Director



Tony Gaskin
Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

Financial Statements

Statement of Cash Flows

for the year ended 31 March 2024

<i>In NZD thousands, for the 12 months ended 31 March</i>	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES	28		
Premiums received		5,945	6,155
Commission received		1,933	1,551
Interest received		557	272
Dividends received		81	114
Income from Managed Funds		125	-
Other income		2	275
Reinsurance received		747	546
Claims paid		(2,184)	(1,970)
Reinsurance paid		(1,085)	(1,096)
Commission paid		(1,582)	(1,648)
Payments to suppliers and employees		(5,177)	(4,004)
Interest paid		-	(10)
Net cash outflow from broking operations and premium funding		(1,427)	(1,454)
Tax paid		(697)	(1,206)
Net Cash Flows used in Operating Activities		(2,762)	(2,475)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(13)	(8)
Purchases of financial assets		(30,976)	(4,311)
Dividends from investment in associate		549	537
Proceeds from sale of property, plant and equipment		13	-
Proceeds from sale of financial assets		31,751	8,150
Proceeds from sale of shares in Associate		24,000	-
Net Cash Flows used in Investing Activities		25,324	4,368
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(19,000)	(1,970)
Net Cash Flows from Financing Activities		(19,000)	(1,970)
NET INCREASE/(DECREASE) IN CASH HELD		3,562	(77)
Opening cash balance brought forward		6,363	6,440
CASH AND CASH EQUIVALENTS CARRIED FORWARD		9,925	6,363

The accompanying notes form part of and should be read in conjunction with these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2024

1. REPORTING ENTITY

Southsure Assurance Limited (the Company) is a limited liability company incorporated and domiciled in New Zealand. The principal activities of the Company are the manufacture and supply of life and accident insurance products along with the provision of insurance broking services for fire and general insurance products.

The life insurance operations are conducted in accordance with the Life Insurance Act 1908 and the Insurance (Prudential Supervision) Act 2010. The Company is a licensed insurer under the Insurance (Prudential Supervision) Act 2010.

The registered office of the Company is 66 Don Street, Invercargill, New Zealand.

The financial statements for the Company were approved by the Board of Directors on 25 July 2024.

2. BASIS OF ACCOUNTING

A) BASIS OF PREPARATION

These financial statements for the year ended 31 March 2024 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as appropriate to profit oriented entities. They comply fully with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and comply with International Financial Reporting Standards (IFRS), as appropriate for profit oriented entities.

This is the first set of the Company's annual financial statements in which NZ IFRS17 Insurance Contracts has been applied. The related changes to material accounting policies are described in Note 3.

Statutory base

The Company is registered under the Companies Act 1993 and is a FMC reporting entity and Tier 1 entity in terms of the Financial Reporting Act 2013. The financial statements have been prepared in accordance with the requirements of the Companies Act 1993, Financial Reporting Act 2013, the Financial Markets Conduct Act 2013 and the Insurance (Prudential Supervision) Act 2010.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as stated in specific accounting policies below.

Functional and presentation currency

The financial statements values are presented in New Zealand Dollars (NZD), which is the Company's functional currency. All amounts are rounded to the nearest thousand dollars unless otherwise stated.

B) NZ IFRS ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

New or revised accounting standards that will be mandatory in future financial years but are not yet effective or adopted by the Company are not expected to have a material impact on the Company's financial statements.

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Company has not early adopted the new standards in preparing these financial statements.

The following standards are not expected to have a material impact on the Company's financial statements in the period of initial application.

Standard number	Topic	Applies to periods beginning
Amendments to NZ IAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to NZ IAS 7 and NZ IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to FRS 44	Disclosure of Fees for Audit Firms' Services	1 January 2024

Notes to the Financial Statements

for the year ended 31 March 2024

3. CHANGES IN MATERIAL ACCOUNTING POLICIES

The Company has initially applied NZ IFRS 17, including any consequential amendments to other standards, from 1 April 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Company has restated certain comparative amounts and presented a third statement of financial position as at 1 April 2022.

Except for the changes below, the Company has consistently applied the accounting policies as set out in Note 4 to all periods presented in these financial statements.

The nature and effects of the key changes in the Company's accounting policies resulting from its adoption of NZ IFRS 17 are summarised below.

A) NZ IFRS17 INSURANCE CONTRACTS

i. Recognition, measurement and presentation of insurance contracts

NZ IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a Contractual Service Margin (CSM).

Under NZ IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. Insurance finance income and expenses are presented separately from insurance revenue and insurance service expenses.

The Company applies the General Measurement Model (GMM) in the measurement of all contracts.

Under NZ IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

For an explanation of how the Company accounts for insurance and reinsurance contracts under NZ IFRS 17, see Note 4.

ii. Transition

Insurance and Reinsurance Contracts

Changes in accounting policies resulting from the adoption of NZ IFRS 17 have been applied using a modified retrospective approach to the extent practicable. Under the modified retrospective approach, at 1 April 2022 the Company:

- identified, recognised and measured each group of long-term insurance and reinsurance contracts from 1 April 2015, starting with a fair value approach and then assuming new business was written halfway through the year;
- identified, recognised and measured each group of short-term insurance and reinsurance contracts from the transition date as if NZ IFRS 17 had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if NZ IFRS 17 had always been applied, except that the recoverability assessment in Note 4 (A)(iii) was not applied before 1 April 2022;
- derecognised previously reported balances that would not have existed if NZ IFRS 17 had always been applied. These included insurance receivables and payables.

The Company has applied the transition provisions in NZ IFRS 17 and has not disclosed the impact of the adoption of NZ IFRS 17 on each financial statement line item. The effects of adopting NZ IFRS 17 on the financial statements at 1 April 2022 are presented in the statement of changes in equity.

The Company has applied the modified retrospective approach in NZ IFRS 17 to identify, recognise and measure certain groups of contracts at 1 April 2022 (see Note 4 (A)(viii)), because it was impracticable to apply the full retrospective approach.

Notes to the Financial Statements

for the year ended 31 March 2024

3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

A) NZ IFRS17 INSURANCE CONTRACTS (continued)

ii. Transition (continued)

The Company considered the full retrospective approach impracticable for the following circumstances.

- The effects of full retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons. Such information included for certain contracts:
 - expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
 - information about historical cash flows and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis;
 - information required to allocate fixed and variable overheads to groups of contracts, because the Company's previous accounting policies did not require such information; and
 - information about changes in assumptions and estimates, which might not have been documented on an ongoing basis.

The full retrospective approach required assumptions about what Company's management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight. This included assumptions about the risk adjustment for non-financial risk, because prior to the implementation of NZ IFRS17 the Company had not previously been subject to any accounting or regulatory framework that required an explicit margin for non-financial risk. The Company used a fair value approach at 1 April 2015, as data limitations meant assumptions prior to this date were not reliably available without the use of hindsight.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

A) INSURANCE AND REINSURANCE CONTRACTS

i. Classification

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Company to financial risk.

ii. Level of Aggregation and Recognition of Insurance and Reinsurance Contracts

Insurance Contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

An insurance contract issued by the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Company provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Notes to the Financial Statements

for the twelve months ended 31 March 2024

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

A) INSURANCE AND REINSURANCE CONTRACTS (continued)

ii. Level of Aggregation and Recognition of Insurance and Reinsurance Contracts (continued)

For these contracts, the judgements exercised in determining whether contracts are onerous on initial recognition or those that have no significant possibility of becoming onerous subsequently are:

- based on the likelihood of changes in assumptions which, if they occurred, would result in the contracts becoming onerous; and
- using information about profitability estimation for the relevant group of products.

Reinsurance Contracts

Groups of reinsurance contracts are established such that each group comprises a single contract. Some reinsurance contracts provide cover for underlying contracts that are included in different groups. However, the Company concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Company's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

A group of reinsurance contracts is recognised on the following date.

- The date on which any underlying insurance contract is initially recognised. This applies to the Company's quota share reinsurance contracts.
- The beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date (see 'Reinsurance of onerous underlying insurance contracts' under (vii)). This applies to the Company's stop loss reinsurance contracts.

The Company applies the General Measurement Model (GMM) to all insurance and reinsurance contracts.

Reinsurance contracts are aggregated into groups for measurement purposes. Groups of reinsurance contracts are determined by identifying portfolios of reinsurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- a net gain on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of being a net gain; and
- any remaining contracts in the annual cohort.

iii. Insurance Acquisition Cash Flows

Insurance acquisition cash flows are allocated to groups of contracts using a systematic and rational allocation method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort. At each reporting date, the Company revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group. Insurance acquisition cash flows arising before the recognition of the related groups of contracts are recognised as an asset. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the related groups of contracts.

Recoverability assessment

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Company:

- recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow of the related group; and
- if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss.

The Company recognises any reversal of impairment losses in profit or loss when the impairment conditions no longer exist or have improved.

Notes to the Financial Statements

for the twelve months ended 31 March 2024

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

A) INSURANCE AND REINSURANCE CONTRACTS (continued)

iv. Contract Boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows.

Insurance contracts

Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide insurance contract services. A substantive obligation to provide insurance contract services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date

Reinsurance contracts held

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

v. Measurement of Insurance Contracts and Reinsurance Contracts

Insurance contracts

Initial measurement

On initial recognition, the Company measures a group of contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, an adjustment to reflect time value of money and associated financial risks, and a risk adjustment for non-financial risk; and (b) the contractual service margin (CSM). The measurement of the fulfilment cash flows of a group of contracts does not reflect the Company's non-performance risk. The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The CSM of a group of contracts represents the unearned profit that the Company will recognise as it provides services under those contracts. On initial recognition of a group of contracts, if the total of the fulfilment cash flows, any cash flows arising at that date and any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition. If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss. A loss component is created to depict the amount of the net cash outflows, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous groups and are excluded from insurance revenue.

Notes to the Financial Statements

for the twelve months ended 31 March 2024

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

A) INSURANCE AND REINSURANCE CONTRACTS (continued)

v. Measurement of Insurance Contracts and Reinsurance Contracts (continued)

Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The LIC includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported. The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

Changes in fulfilment cash flows are recognised as follows.

- Changes relating to future services are adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous);
- Changes relating to current or past services are recognised in the insurance service result in profit or loss; and
- Effects of the time value of money, financial risk and changes therein on estimated future cash flows are recognised as insurance finance income or expenses.

The CSM of each group of contracts is calculated at each reporting date as follows.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted mainly for:

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows that do not vary based on the returns on underlying items;
- changes in fulfilment cash flows that relate to future services, except to the extent that: – any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised in insurance service expenses and recognised as a loss component in LRC; or – any decreases in the fulfilment cash flows adjust the loss component in the LRC and the corresponding amount is recognised in insurance service expenses. If the loss component is reduced to zero, the excess reinstates the CSM;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue for service provided in the period.

Changes in fulfilment cash flows that relate to future services mainly comprise:

- experience adjustments arising from premiums received in the period that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the LRC, measured at the discount rates determined on initial recognition, except for those that relate to the effects of the time value of money, financial risk and changes therein;
- changes in the risk adjustment for non-financial risk that relate to future services.

Reinsurance contracts held

For groups of reinsurance contracts held, the Company applies the same accounting policies as that applied to insurance contracts, with the following modifications. The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date. The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss. The risk adjustment for non-financial risk is the amount of risk being transferred by the Company to the reinsurer.

Notes to the Financial Statements

for the twelve months ended 31 March 2024

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

A) INSURANCE AND REINSURANCE CONTRACTS (continued)

v. Measurement of Insurance Contracts and Reinsurance Contracts (continued)

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) the amount arising from assets or liabilities previously recognised for cash flows related to the group, before the group is recognised, (c) cash flows arising from the contracts in the group at that date and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the reinsurance, then the Company recognises the cost immediately in profit or loss as an expense. The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted for:

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows;
- income recognised in profit or loss in respect of a loss recognised for onerous underlying contracts. A loss-recovery component is established or adjusted in the asset for remaining coverage of reinsurance contracts held for the amount of income recognised;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless the changes result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss for the services received in the period.

vi. Derecognition and contract modification

The Company derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled. The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows. On the derecognition of a contract in a group of contracts:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows that relate to future service, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Company entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the issuer received the premium that it would have charged less any additional premium charged for the modification.

vii. Presentation

Portfolios of insurance contracts issued and reinsurance contracts held in an asset position are presented separately from those in a liability position. Portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held. Any assets recognised for insurance acquisition cash flows arising before the recognition of the related group of insurance contracts are included in the carrying amount of the related portfolios of insurance contracts. Any assets or liabilities for cash flows arising before the recognition of the related group of reinsurance contracts held are included in the carrying amount of the related portfolios of reinsurance contracts held. The Company disaggregates amounts recognised in the income statement into (a) an insurance service result, comprising insurance revenue and insurance service expenses, and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

Notes to the Financial Statements

for the twelve months ended 31 March 2024

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

A) INSURANCE AND REINSURANCE CONTRACTS (continued)

vii. Presentation (continued)

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue and insurance service expenses are recognised as follows.

Insurance revenue

The Company recognises insurance revenue as it satisfies its performance obligations – i.e. as it provides services under groups of insurance contracts. The insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which the Company expects to receive consideration, and comprises the following items.

- A release of the CSM, measured based on coverage units provided (see 'Release of the CSM' below).
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts (see (v)), which are recognised as insurance revenue and insurance service expenses at that date.
- Other amounts, including experience adjustments for premium receipts for current or past services for the life risk segment.

In addition, the Company allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Company recognises the allocated amount, adjusted for interest accretion at the discount rates determined on initial recognition of the related group of contracts, as insurance revenue and an equal amount as insurance service expenses.

Release of the CSM

See Note 8(C).

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

The expected coverage period reflects expectations of lapses and cancellations of contracts, as well as the likelihood of insured events occurring to the extent that they would affect the expected coverage period.

Loss components

The Company establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis. The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the risk adjustment for non-financial risk at the beginning of each year (or on initial recognition if a group of contracts is initially recognised in the year).

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. Insurance service expenses comprises the following items.

- Incurred claims and other insurance service expenses.
- Amortisation of insurance acquisition cash flows: This is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Notes to the Financial Statements

for the twelve months ended 31 March 2024

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

A) INSURANCE AND REINSURANCE CONTRACTS (continued)

vii. Presentation (continued)

Net expenses from reinsurance contracts

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. The allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Company expects to pay consideration.

For a group of reinsurance contracts covering onerous underlying contracts, the Company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contracts.

Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items.

The Company has chosen not to disaggregate insurance finance income or expenses between profit or loss and OCI and accordingly presents insurance finance income or expenses in profit or loss.

viii. Transition

At 1 April 2022, the Company applied the following approaches to identify and measure certain groups of contracts on transition to NZ IFRS 17.

Insurance and reinsurance contracts – Fair value and modified retrospective approach

The objective of the modified retrospective approach was to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. The Company applied each of the following modifications only to the extent that it did not have reasonable and supportable information to apply NZ IFRS 17 retrospectively.

Assessments at inception or on initial recognition

The Company applied the following modifications to certain groups of contracts.

- For contracts issued before 1 April 2015, a fair value approach was used to establish the initial CSM for each product and the onerous (for insurance contracts) or net gain (for reinsurance contracts) cohort groups. This was rolled forward to the transition date, as part of the modified retrospective approach.
- For contracts issued between 1 April 2015 and 1 April 2022, a modified retrospective approach was applied and all new business was assumed to start half-way through the year.

Notes to the Financial Statements

for the twelve months ended 31 March 2024

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

A) INSURANCE AND REINSURANCE CONTRACTS (continued)

viii. Transition (continued)

Insurance acquisition cash flows – Modified retrospective approach

Under the modified retrospective and fair value approaches, the Company identified any insurance acquisition cash flows arising before 1 April 2022 that did not relate to contracts that had ceased to exist before that date. These cash flows are allocated, using the same systematic and rational methods as described in (iii), to:

- groups of contracts recognised at 1 April 2022 (which adjusted the CSM of those groups); and
- groups of contracts expected to be recognised after 1 April 2022 (which were recognised as assets for insurance acquisition cash flows).

In some cases, the Company did not have reasonable and supportable information to identify the relevant insurance acquisition cash flows. The adjustments to the CSM of groups of contracts recognised at 1 April 2022 and the assets for insurance acquisition cash flows for expected future groups were determined to be zero.

B) FINANCIAL ASSETS AND FINANCIAL LIABILITIES

i. Initial recognition and measurement

A financial asset or financial liability is initially measured at fair value plus, for a financial asset or financial liability not measured at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

ii. Classification and subsequent measurement

Subject to initial recognition, all financial assets within the scope of NZ IFRS 9 are measured at amortised cost or FVTPL. The Company has no financial assets classified as fair value through other comprehensive income (FVOCI).

(a) Financial assets at amortised cost

The Company measures financial assets at amortised cost if both the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(b) Financial assets at fair value through profit or loss

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition or are mandatorily required to be measured at fair value under NZ IFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held with a business model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell.

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes debt instruments, listed equity investments and unitised wholesale investment funds, which the Company had not irrevocably elected to classify at fair value through other comprehensive income. Dividend income from equity investments are also recognised as investment income in the statement of profit or loss when the right of payment has been established.

iii. Impairment

See also Note 7(J)(ii).

Notes to the Financial Statements

for the twelve months ended 31 March 2024

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

B) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

iii. Impairment (continued)

The Company recognises expected credit losses (ECL) on financial assets measured at amortised cost. ECL are a probability-weighted estimate of credit losses. ECL are measured as the present value of all cash shortfalls related to default events expected over the next 12 months or over the life of the financial asset where there has been a significant increase in credit risk since initial recognition. All reasonable and supportable information is considered at each reporting date. Forward looking information is considered when it is available without undue cost and effort.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets measured at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- the debtor entering bankruptcy or other financial reorganisation becoming probable; or
- the disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

iv. Derecognition and contract modification

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

Financial liabilities

The Company generally derecognises a financial liability when its contractual obligations expire or are discharged or cancelled. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

If a financial liability measured at amortised cost is modified but not substantially, then it is not derecognised.

v. Cash and Cash Equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks, term deposits and other short-term highly liquid investments with an original term to maturity of less than three months.

Notes to the Financial Statements

for the twelve months ended 31 March 2024

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

B) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

vi. Receivables

Receivables include insurance premiums from broking activities billed but not yet collected and other business-related receivables. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less any allowances for impairment.

vii. Premium Funding Receivables

Premium funding receivables represent the amounts due from customers related to the entity's premium funding businesses and is recognised at amortised cost, net of the associated ECL provision. Funds are collected on fortnightly, monthly, quarterly and six-monthly instalment basis and generally within twelve months of the invoice date.

viii. Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Payables are stated at cost.

ix. Payables on broking/underwriting agency operations

These amounts represent insurance premiums payable to insurance companies for broking/underwriting agency operations on amounts received from customers (policyholders) prior to the end of the financial period.

x. Lease Liability

The lease liability represents the obligation of the Company to make payments on their lease of premise and vehicles and is initially measured at the present value of the lease payments that are not yet paid.

Following initial recognition, the carrying amount is increased to reflect interest on the lease liability and reduced by any lease payments made.

C) REVENUES

i. Insurance Revenue

Insurance revenue is recognised as the company provides services under groups of insurance contracts and satisfies its performance obligations. The insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which the Company expects to receive consideration, and comprises the following items:

- A release of the CSM, measured based on coverage units provided;
- Changes in the risk adjustment for non-financial risk relating to current services
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts, which are recognised as insurance revenue and insurance service expenses at that date.
- Other amounts including experience adjustments for premium receipts for current or past services.

In addition, the Company allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Company recognises the allocated amount, adjusted for interest accretion at the discount rates determined on initial recognition of the related group of contracts, as insurance revenue and an equal amount as insurance service expenses.

ii. Investment Income

Interest income

Interest income is recognised in the Statement of Profit or Loss as it accrues and is calculated by using the effective interest rate method.

Notes to the Financial Statements

for the twelve months ended 31 March 2024

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

C) REVENUES (continued)

ii. Investment Income (continued)

Income from Managed Funds

Income from Managed Funds represents distributions from unithised investments in Nikko AM Wholesale Funds. This income is recognised on a due and receivable basis.

Dividend and distributions

Revenue is recognised when the right to receive payment is established. Dividends from equity securities are recorded as revenue on the ex-dividend date.

Fair value gains and losses

Fair value gains and losses on financial assets at fair value are recognised through the Statement of Profit or Loss.

iii. Other Income

Commission and premium funding income

The entity retains a portion of fire and general insurance policy premiums as commission income. Premiums are typically collected on an instalment basis. The entity may charge a premium funding fee to customers who pay by instalment. The entity also earns life commission income from placing policies with third party underwriters. Commission, brokerage and premium funding fees are recognised when the related service has been provided and it is probable that the entity will be compensated for services rendered, and the amount of consideration for such services can be reliably measured. This is deemed to be the invoice date. Where there is a future obligation to provide services, a portion of the fee income is deferred over the expected service period. An allowance is made for anticipated lapses and cancellations.

D) OTHER FINANCE COSTS

Other finance costs comprise:

- interest expenses on financial liabilities measured at amortised cost and interest on lease liabilities (see (B) and (L)).

E) EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

F) TAXATION

Income Tax

The income tax expense comprises both current and deferred tax. Income tax expense is recognised in the Statement of Profit or Loss.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years. Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax assets are set-off against deferred tax liabilities to the extent they relate to income taxes which are legally able to be set-off against each other.

Notes to the Financial Statements

for the year ended 31 March 2024

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

F) TAXATION (continued)

Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) except where the amount of GST incurred is not recoverable from the Inland Revenue Department (IRD). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the IRD is included as Receivables or Payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a net basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the IRD are classified as operating cash flows.

G) PLANT AND EQUIPMENT

Plant and equipment assets are initially measured at cost less accumulated depreciation and any accumulated impairment losses. The Company's plant and equipment comprises Computer Equipment, Leasehold Improvements and Office Equipment.

Depreciation on plant and equipment is provided in the financial statements on a basis which will write down the value of the assets over their useful lives to their estimated realisable value.

The primary annual rates used for plant and equipment are:

Office Equipment	- 13% on diminishing value
Leasehold Improvements	- 6% on diminishing value
Computer Equipment	- 50% on diminishing value

H) INTANGIBLE ASSETS

Intangible assets represent Computer Software and are initially measured at cost. Following initial recognition, computer software is carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation on intangible assets is provided in the financial statements on a basis which will write down the value of the assets over their useful lives to their estimated realisable value.

The primary annual rates used for intangible assets are:

Computer Software	- 50% on diminishing value
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I) IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than insurance and reinsurance contract assets, deferred tax assets and employee benefit assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

J) PROVISIONS

A provision is recognised in the Statement of Financial Position when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow or resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

K) SHARE CAPITAL

Ordinary shares are classified as equity.

L) LEASES

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration – i.e. the customer has the rights to:

- obtain substantially all of the economic benefits from using the asset; and
- direct the use of the asset.

Notes to the Financial Statements

for the year ended 31 March 2024

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

L) LEASES (continued)

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use assets represents the benefits arising from the lease of the premise at 66 Don Street and of leased company vehicles. These right of use assets are initially measured at cost, which is the sum of:

- The amount of the initial measurement of the lease liability
- The initial lease payment made by the Company to the lessor

Following initial recognition, the right of use assets are carried at cost less accumulated depreciation and accumulated impairment losses.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The primary annual rate used for right of use assets is:

Right of Use Asset - 6% straight line

In addition, the right-of-use asset is periodically reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

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

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is:

- a change in future lease payments arising from a change in an index or rate;
- a change in the amounts expected to be payable under a residual value guarantee;
- a change in the Company's assessment of whether it will exercise a purchase, extension or termination option; or
- a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents its right-of-use assets and lease liabilities on the statement of financial position.

M) INVESTMENT IN ASSOCIATE

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Company's only investment in associate was sold during February 2024. Investment in associate was accounted for using the equity method and was measured in the Statement of Financial Position at cost plus post-acquisition changes in the Company's share of net assets. Goodwill relating to associates was included in the carrying amount of the investment. Dividends reduced the carrying value of the investment.

The financial statements of the associate were prepared for a June reporting period within three months of the Company's balance date. When necessary, adjustments were made to bring the accounting policies in line with those of the Company.

5. USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, the Company has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results may differ from these estimates.

Notes to the Financial Statements

for the twelve months ended 31 March 2024

5. USE OF JUDGEMENTS AND ESTIMATES (continued)

Items that are considered particularly sensitive to changes in estimates and assumptions, and the relevant accounting policies are those which relate to insurance contracts, fair value measurement and impairment of financial assets.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A) JUDGEMENTS

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Notes 7(J)(iv) and 4(B)(iii) – impairment of financial assets: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.
- Note 4(B)(ii) – classification of financial assets: assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest (SPPI) on the principal amount outstanding.
- Note 8 and 4(A)(i) – classification of insurance and reinsurance contracts: assessing whether the contract transfers significant insurance risk
- Note 8 and 4(A)(ii) – level of aggregation of insurance and reinsurance contracts: identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently.
- Note 8(B) and 4(A)(v) – measurement of insurance and reinsurance contracts: determining the techniques for estimating risk adjustments for non-financial risk and the coverage units provided under a contract
- Notes 3(A)(ii) and 4(A)(viii) – transition to NZ IFRS17: determining whether sufficient reasonable and supportable information is available to apply a full or modified retrospective approach.

B) ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

Information about assumptions and estimation uncertainties at 31 March 2024 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Notes 7(J)(iv) and 4(B)(iii) – impairment of financial assets: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information;
- Note 30 – measurement of the fair value of financial instruments with significant unobservable inputs;
- Note 16 – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be used; and

Information about assumptions made in measuring insurance and reinsurance contracts is included in Note 8(B). Changes in the following key assumptions may change the fulfilment cash flows materially during 2024. However, these changes would adjust the CSM and would not affect the carrying amounts of the contracts, unless they arise from onerous contracts or do not relate to future services:

- life contracts: assumptions about future cash flows relating to mortality, morbidity, policyholder behaviour, participation percentages and crediting rates;
- non-life contracts: assumptions about claims development; and
- all contracts: assumptions about discount rates, including any illiquidity premiums.

Insurance contract assets and liabilities

Insurance contract assets and liabilities are valued using actuarial methods that take into account the risks and uncertainties of the particular classes of insurance business written (refer Note 6).

The key factors that affect the estimated value of the insurance contract assets and liabilities are:

- The cost of providing benefits and administering the insurance contracts.
- The costs incurred in acquiring the insurance policies (acquisition costs), including distributor commissions, adviser salaries, underwriting and policy issue costs.
- Mortality and morbidity experience on life insurance products.
- Discontinuance experience which affects the ability to recover acquisition costs.
- Reinsurance arrangements and timing of future cash flows under these arrangements, which include reinsurance expense, reinsurance recoveries and reinsurance commission revenue.
- Future premium rates.
- Other factors such as regulation, competition, interest rates, and general economic conditions which are used in the valuation of insurance contract assets and liabilities.

Notes to the Financial Statements

for the twelve months ended 31 March 2024

6. ACTUARIAL METHODS AND ASSUMPTIONS

An actuarial report on insurance contract assets and liabilities, as at 31 March 2024, was prepared by N Thomas of Actuary and Governance Limited (the Company's Appointed Actuary), Fellow of the New Zealand Society of Actuaries (FNZSA), and signed on 27 May 2024. The actuarial report indicates that the Actuary was satisfied as to the accuracy of the data upon which the insurance contract assets and liabilities have been determined.

Methods used in the valuation of insurance contract assets and liabilities

The Actuary certified that the value of insurance contract assets and liabilities, including reserves for claims, has been determined in accordance with methods and assumptions disclosed in the actuarial report and with Professional Standard No. 90 'General Actuarial Practice' (PS90) of the New Zealand Society of Actuaries.

Insurance contract assets and liabilities were measured as the present value of expected future cash flows (Best Estimate Liabilities) with additions for non-financial risk (Risk Adjustment) and expected future profits (Contractual Service Margin).

Actuarial assumptions used in the valuation of insurance contract assets and liabilities

a) Discount Rates

Life insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the NZ Treasury risk-free forward rates, adjusted by the change in closing swap rates published by the Reserve Bank of NZ. The illiquidity premium is based on a proportion of the spread to Australian Commonwealth Government Securities (CGS) for non-financial corporate bonds with broad credit rating (as determined by Standard and Poor's) of A and target tenor of 3 years.

Discount rates applied for discounting of future cash flows are listed below:

%s	1 Year	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years	35 Years	40 Years
2024									
Insurance Contracts	5.31	4.67	5.54	5.35	5.35	5.35	5.15	4.71	4.46
2023									
Insurance Contracts	5.44	4.30	5.23	4.91	4.91	4.91	4.85	4.65	4.50

b) Acquisition expenses

Acquisition expense assumptions were based on the actual acquisition expenses incurred for the year ending 31 March 2024.

c) Maintenance expenses

Maintenance expense assumptions were based on the Company's business plan for the period to 31 March 2024, allowing for new business expected. From April 2024 the unit expenses have been increased at 3.00% per annum, as per inflation.

d) Taxation

The future rate of taxation was assumed to be 28% (2023: 28%).

e) Mortality and Morbidity Rates (Insurance risk and Reinsurance business)

Assumptions are primarily based on standard NZ industry tables for the type of product reflecting the Company's own experiences where available. Mortality and morbidity assumptions are usually differentiated by product, gender, smoker status and age. An increase in expected mortality and morbidity rates will increase the expected claim cost which will reduce future expected profits of the Company.

Notes to the Financial Statements

for the twelve months ended 31 March 2024

6. ACTUARIAL METHODS AND ASSUMPTIONS (continued)

e) Mortality and Morbidity Rates (Insurance risk and Reinsurance business) (continued)

The table below summarises the mortality and morbidity assumptions used to estimate the fulfilment cash flows:

Product Type	Claims Assumptions as a % of Standard Table		
	31-Mar-24	31-Mar-23	Standard Table
Term Life	77%	83%	NZ04
Funeral Cover	83%	84%	Custom 1
Critical Condition	85%	85%	Reinsurance Rates
Income Protection	40.5%	36%	Custom 2
Fast Protect	103%	74%	Custom 2
SBS Payment Protection	81%	73%	Custom 2

Future mortality for all Term Insurance products is assumed in aggregate to be 77% of NZ04 mortality table of the New Zealand Society of Actuaries (2023: 83% of NZ04), based on the Company's own experience. The assumption was adjusted for the smoking status of lives insured, based on the relative experience of other companies.

Future mortality for Funeral Insurance is assumed in aggregate to be 83% of a standard table developed previously for the Company by Peter Davies (the Company's previous Appointed Actuary) based on the Company's own experience (2023: 84%).

Critical Condition Insurance claim inception rates are 85% of reinsurance rates which is unchanged from last year (2023: 85%).

The claims incidence rate factors for the Company's other regular short-term Income Protection, Payment Protection and Fast Protect products are based on a percentage of a long-standing custom standard table.

Loading factor assumptions are applied to the Income Protection incidence rates depending on the occupation class and waiting period of the contract. The loading factors applied to higher-risk occupation classes (3 and 4) and waiting periods (60 and 90 days) are unchanged from last year. The Income Protection product also has a redundancy rider which uses the same assumption as the single premium Payment Protection & GAP Insurances.

The table below summarises the claims incidence assumptions used to estimate the fulfilment cash flows for the single premium Payment Protection & GAP Insurances:

Single Premium Payment Protection & GAP Insurances – Incidence Rates

Incidence rates per \$1,000 of sum assured	2024	2023
Death	0.5	0.5
Disability	3.0	3.0
Redundancy	1.0	1.0
Chattel	2.1	2.5
GAP	9.6	7.5
Redundancy Rider	10.0	10.0

Future Payment Protection claims-in-payment continuance rates were based on the Company's experience and range from 100% to 1.4% over the maximum three-year benefit period (2023: 100% to 0%).

Future Regular Premium Disability claims-in-payment continuance rates were based on the Company's experience and range from 100% to 3.1% over the benefit period for each product (2023: 100% to 1.0%).

Future Regular Premium Redundancy claims-in-payment continuance rates were based on the Company's experience and range from 100% to 0% over the benefit period for each product (2023: 100% to 0%).

f) Risk Adjustment for Non-Financial Risk

The risk adjustment for non-financial risk represents the expected compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers non-financial risks such as mortality risk, morbidity risk, lapse risk and expense risk.

The risk adjustment reflects an amount that an insurer would rationally pay under reasonable circumstances to remove the uncertainty that future cash flows will exceed the best estimate amount.

Notes to the Financial Statements

for the twelve months ended 31 March 2024

6. ACTUARIAL METHODS AND ASSUMPTIONS (continued)

f) Risk Adjustment for Non-Financial Risk (continued)

The Company has estimated the risk adjustment using a confidence limit approach set at 80% probability of sufficiency (PoS). This approach requires the Company to estimate the probability distribution of the fulfilment cash flows and determine the 80th percentile for the key non-financial assumptions: mortality, morbidity, lapses and expenses. The risk adjustment is equal to change in expected net out flows compared to the best estimate position where assumptions are taken from the mean of the distribution. The Company's risk adjustment is calculated by product and separately for gross of reinsurance and reinsurance contracts.

g) Lapses and Surrender Rates

Lapses relate to the termination of policies due to the voluntary cancellation of a policy, or non-payment of premiums. Lapse rate assumptions are determined using statistical measures based on the Company's own experience where available, varying by product type, policy duration from when the contract was first sold. An increase in lapse rates would tend to reduce profits of the Company for most products, particularly early in the life of the policy. However, in some cases it could have a neutral impact, or an increase in profits when there are higher lapses later in the life of a policy, particularly for level-premium Term Life and Funeral Cover products that are lapse supported.

h) Discontinuances

Future rates of discontinuance are assumed to be between 0% and 42% p.a. (2023: 0% and 42% p.a.), according to product and duration in force, based on the Company's recent and expected future experience.

i) Surrender Values

Surrender values are assumed to be paid according to current formulae.

7. RISK

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

This note presents information about the Company's risk exposures, and the Company's objectives, policies and processes for measuring and managing risks and for managing capital.

A) RISK MANAGEMENT FRAMEWORK

The Board of Directors (the 'Board') has established a risk management programme that is designed to ensure the effective identification, management, monitoring and reporting of risk in a timely manner across all areas of the business and to meet compliance obligations under the Insurance (Prudential Supervision) Act 2010.

The Risk Management Programme embodies a number of existing formal, and documented processes and systems to manage specific types of risk.

The Risk Management Programme details the specific roles and responsibilities, risk assessment and management processes, delegated risk authorities and management actions required to ensure its significant risks are managed appropriately.

The risk identification process is carried out annually as part of the annual planning process, and as required on a formal structured basis and continually on an ad hoc basis.

The Company is exposed to the following key risks:

- Conduct
- Compliance
- Insurance
- Strategic
- Liquidity
- Market
- Capital
- Operational
- Credit

Notes to the Financial Statements

for the twelve months ended 31 March 2024

7. RISK (continued)

A) RISK MANAGEMENT FRAMEWORK (continued)

The Company's approach to achieving effective risk management is to embed a risk-aware culture where everyone across the organisation (including contractors and third parties) is responsible for managing risk.

The Company's Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's Audit & Risk Committee is responsible for approving and monitoring the company's risk management policies, and reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, set appropriate risk limits and controls, and monitor adherence to risk limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit & Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. It is assisted in its oversight role by internal audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company's Audit & Risk Committee.

Operating within this policy framework, the Company employs risk management programmes, including insurance programmes (largely conducted through the use of proportional and stop loss reinsurance).

B) CONDUCT RISK

Conduct risk is the risk that our actions or behaviours may contribute to poor outcomes for customers.

The Company manages its conduct risk by:

- undertaking ongoing product reviews to ensure products are suitable, fit for purpose and delivering good outcomes
- reviewing customer feedback to identify potential conduct trends or issues
- ensuring all staff are appropriately trained and receive regular refresher training on conduct matters, including how to manage customers requiring extra care
- Board oversight of the Company's Risk Management Programme including regular reporting to the Board and Executive.

C) COMPLIANCE RISK

Compliance risk is the risk of legal or regulatory sanction, financial or reputational loss, arising from our failure to abide by and comply with required legislative and regulatory obligations.

The Company manages its compliance risk by:

- Ensuring compliance programmes and controls assurance frameworks are in place to drive compliance with our legal obligations and regulatory requirements including licence conditions, industry codes and standards, and internal policies and processes.
- Reviewing and conducting control testing to provide positive assurance that the Company has adequate systems in place to monitor and control the material risks, and that those systems are being properly applied.
- Board oversight of the Company's compliance assurance management programmes including regular reporting to the Board and Executive.

D) INSURANCE RISK

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.

There are a number of key strategies in place which mitigate insurance risk, including:

- the use of approved and documented underwriting policies and procedures to determine the acceptance and appropriate pricing of risk
- the use of actuarial models to calculate premiums and to monitor claim patterns
- reinsurance arrangements that limit the Company's exposure to individual and catastrophic risks
- the diversification of insurance business over different risk types and distribution channels

Notes to the Financial Statements

for the twelve months ended 31 March 2024

7. RISK (continued)

D) INSURANCE RISK (continued)

i. Key risks arising from contracts issued

The Company issues insurance contracts. The nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts and the risks arising from financial assets held to fund the settlement of the liabilities. The extent to which profit or loss and equity in any period are sensitive to financial risks depends on the extent to which they are economically hedged or borne by contract holders and the extent of any mismatches inherent in the accounting policies adopted by the Company.

Product	Key Risks	Risk Mitigation
Term assurance and critical illness	Mortality Risk: death of policyholder earlier than expected.	Policy design, underwriting processes, risk pool diversification, monitoring and adjustment and reinsurance with financially strong reinsurers.
	Morbidity risk: diagnosis of critical illness earlier than expected.	
	Expense risk: the potential for costs to exceed expectations, due to various factors such as inflation, changes in regulatory requirements of inefficiencies in the Company's operations.	Efficiency improvements, cost control measures, strategic outsourcing, technology investments and risk-based capital management practices.
	Lapse risk: the potential that policyholders may allow their policies to lapse or terminate at a rate, which is higher (or lower) than expected (depending on the product)).	Pricing policies appropriately and monitoring lapse rates closely.

These key risks reflect only the downside risk to the company. For most of these risks, there is also an upside risk.

All life risk contracts expose the Company to significant insurance risk. Although mortality, morbidity and longevity experience may be affected by unexpected events (e.g. epidemics), the most significant changes to insurance risk factors (e.g. lifestyle changes, medical advances and improvements in social conditions) tend to occur over a long period of time. The longer the coverage period, the greater the Company's exposure to insurance risk.

All life risk contracts expose the Company to interest rate risk. Interest rate risk arises from the extent to which the actual return on financial assets held to fund the settlement of liabilities differs from the expected return when the contracts were issued.

Term assurance contracts provide policyholders with a fixed lump sum payable on death. Term assurance contracts provide coverage over a fixed term. Term assurance premiums may be level or increasing over time (for yearly renewable contracts).

Critical illness contracts are similar to term assurance but pay out a lump sum if the policyholder is diagnosed with an illness specified in the contract.

ii. Sensitivity analysis

The table below analyses how the CSM, profit or loss and equity would have increased (or decreased) if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

	CSM		Profit or Loss		Equity	
	Gross	Net	Gross	Net	Gross	Net
Mortality rates (1% increase)	(26)	94	45	41	45	41
Mortality rates (1% decrease)	26	(94)	(45)	(42)	(45)	(42)
Morbidity rates (1% increase)	(7)	(2)	10	11	10	11
Morbidity rates (1% decrease)	7	2	(10)	(11)	(10)	(11)
Expenses (5% increase)	(102)	(138)	156	120	156	120
Expenses (5% decrease)	103	139	(155)	(119)	(155)	(119)
Lapse rates (5% increase)	(1)	132	(44)	(3)	(44)	(3)
Lapse rates (5% decrease)	1	(140)	45	2	45	2

2024

In NZD thousands as at 31 March

Notes to the Financial Statements

for the year ended 31 March 2024

7. RISK (continued)

D) INSURANCE RISK (continued)

ii. Sensitivity analysis (continued)

	2023					
	<i>In NZD thousands as at 31 March</i>					
	CSM		Profit or Loss		Equity	
	Gross	Net	Gross	Net	Gross	Net
Mortality rates (1% increase)	(24)	95	57	45	57	45
Mortality rates (1% decrease)	26	(93)	(55)	(43)	(55)	(43)
Morbidity rates (1% increase)	(6)	1	10	10	10	10
Morbidity rates (1% decrease)	6	(1)	(10)	(10)	(10)	(10)
Expenses (5% increase)	(91)	(146)	174	118	174	118
Expenses (5% decrease)	103	158	(161)	(106)	(161)	(106)
Lapse rates (5% increase)	10	122	(61)	(23)	(61)	(23)
Lapse rates (5% decrease)	(6)	(125)	65	24	65	24

E) STRATEGIC RISK

Strategic risk is the risk of a strategic event that could materially disrupt the Company's business operations or result in significant financial loss that could result in the Company's inability to continue as an independent going concern under current ownership arrangements or could result in the Company being placed in Statutory Management.

The Company manages its strategic risk by:

- diversification of income streams across different classes of business and to include non-underwriting sources of profit
- diversification of income streams through the use of multiple distribution channels and including retail and wholesale insurance offerings
- established and operational Business Continuity Programme, Incident Response and Crisis Event Management plans.
- identified contingency strategies for all significant risks
- ongoing monitoring of competitor and legislative developments

F) LIQUIDITY RISK

Liquidity risk is the risk that an organisation will not be able to meet its financial obligations as and when they fall due and at a reasonable cost.

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

- maintaining a significant portion of its investment portfolio in short-term interest-bearing securities which can be liquidated at short notice
- holding longer dated investments to support insurance liabilities held in highly liquid issues of tradable securities
- maintaining sufficient liquid assets to meet both its expected and unexpected cash flows

i. Maturity analysis – Insurance and Reinsurance Contracts

The following table provides a maturity analysis of the Company's insurance and reinsurance contracts, which reflects the dates on which the cash flows are expected to occur.

<i>In NZD thousands as at 31 March</i>	Less than	1-2	2-3	3-4	4-5	More than	Total
	1 Year	Years	Years	Years	Years	5 Years	
2024							
Insurance Contracts	(943)	(619)	(405)	(333)	(270)	(2,662)	(5,232)
Reinsurance Contracts	(264)	(259)	(259)	(261)	(260)	(7,809)	(9,112)
	(1,207)	(878)	(664)	(594)	(530)	(10,471)	(14,344)
2023							
Insurance Contracts	(899)	(643)	(431)	(365)	(336)	(3,556)	(6,230)
Reinsurance Contracts	(177)	(177)	(173)	(172)	(174)	(5,790)	(6,663)
	(1,076)	(820)	(604)	(537)	(510)	(9,346)	(12,893)

Notes to the Financial Statements

for the year ended 31 March 2024

7. RISK (continued)

F) LIQUIDITY RISK (continued)

ii. Maturity analysis – Financial instruments

The table below shows the maturity of the Company's financial assets and liabilities. Where the counterparty has discretion in requesting payment, liabilities have been classified according to the earliest time period in which the Company may be required to pay.

Refer to Note 21 for a maturity analysis of lease liabilities as at 31 March 2024 and 31 March 2023.

<i>In NZD thousands as at 31 March</i>	On Demand	1-6 Months	6-12 Months	12-24 Months	> 24 Months
2024					
Financial assets:					
Cash and cash equivalents	9,925	-	-	-	-
Receivables	1,734	4,002	2,304	-	-
Investments	6,848	206	-	-	-
	18,507	4,208	2,304	-	-
Financial liabilities:					
Payables and other financial liabilities	1,691	3,047	-	-	-
	1,691	3,047	-	-	-
2023					
Financial assets:					
Cash and cash equivalents	6,363	-	-	-	-
Receivables	1,222	2,851	822	-	-
Investments	2,690	3,069	1,012	728	162
	10,275	5,920	1,834	728	162
Financial liabilities:					
Payables and other financial liabilities	1,723	2,057	-	-	-
	1,723	2,057	-	-	-

G) MARKET RISK

Market risk is the risk that changes in market prices – e.g. interest rates and equity prices – will affect the fulfilment cash flows of insurance and reinsurance contracts as well as the fair value or future cash flows of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimising the return on risk.

Market risk principally arises from the Company's managed fund investments, interest-bearing financial assets and financial liabilities. The Company manages its market risk by:

- where possible, matching asset durations against its liabilities
- investing defensively where assets are not required to meet liabilities
- maintaining no off-balance sheet exposures

The Board sets the Company's strategy for managing market risk. Senior management oversees the implementation of this strategy. The asset and liability matching framework seeks to match the cash flows arising from the Company's financial investments with the cash flows arising from its insurance contracts while optimising long-term investment return on its financial investments representing shareholders' equity for an acceptable level of risk. The Board seeks to achieve this by setting limits both for each type of risk in aggregate and for individual portfolios. On a day-to-day basis, responsibility for monitoring market risk exposures rests with senior management.

Interest Rate Risk

Interest rate risk on financial instruments arises primarily from the Company's investments in managed funds. These investments are exposed to the risk of adverse changes in fair values or future cash flows because of changes in market interest rates.

The Company monitors its interest rate risk exposure through periodic reviews of asset and liability positions. Additionally, estimates of cash flows and the impact of interest rate fluctuations are modelled and reviewed periodically.

Notes to the Financial Statements

for the year ended 31 March 2024

7. RISK (continued)

G) MARKET RISK (continued)

For the year ended 31 March if interest rates on cash deposits and interest-bearing investments had been higher or lower with all other variables held constant the impact on the CSM, post-tax profits and equity would have been as follows:

2024				
<i>In NZD thousands as at 31 March</i>				
	Change in Interest Rate	Impact on CSM	Impact on Profit or Loss	Impact on Equity
Cash and cash equivalents	+100 bps	-	58	58
Financial assets at fair value	+100 bps	-	2	2
Insurance and reinsurance contracts	+ 50 bps	3	(277)	(277)
Cash and cash equivalents	-100 bps	-	(58)	(58)
Financial assets at fair value	-100 bps	-	(2)	(2)
Insurance and reinsurance contracts	- 50 bps	(3)	302	302
2023				
<i>In NZD thousands as at 31 March</i>				
	Change in Interest Rate	Impact on CSM	Impact on Profit or Loss	Impact on Equity
Cash and cash equivalents	+100 bps	-	69	69
Financial assets at fair value	+100 bps	-	6	6
Insurance and reinsurance contracts	+ 50 bps	11	(172)	(172)
Cash and cash equivalents	-100 bps	-	(69)	(69)
Financial assets at fair value	-100 bps	-	(6)	(6)
Insurance and reinsurance contracts	- 50 bps	5	201	201

H) CAPITAL MANAGEMENT

The Company's capital management objectives are to ensure an adequate and prudent level of capital is maintained to support the risks borne by the business and in turn protect policyholders and shareholder's interests, and to meet its obligations under the Insurance (Prudential Supervision) Act 2010.

The Act requires the Company to maintain a minimum level of capital at all times that meets the Solvency Standard for Life Insurance Business (Solvency Standard).

The Directors have adopted a policy of holding a "buffer" amount of free capital over and above the minimum level of capital required by the Solvency Standard.

Solvency

The Solvency Standard requires the Company to hold a minimum level of capital at all times. This must be in excess of either \$5,000,000 or the (risk-based) calculated minimum solvency capital requirement - whichever is higher.

Statutory Funds

A life insurer is required to have at least one statutory fund in respect of its life insurance business. The Company established "Southsure Statutory Fund No 1" (the Fund) on 1 April 2013.

The Fund gives priority to policy holders to the assets held in the Fund ahead of the claims of any other creditor. All operating profits and losses generated by the Fund are retained within the Fund and distributions of these can only be made provided they comply with the requirements of the Insurance (Prudential Supervision) Act 2010 and the Insurance (Prudential Supervision) Regulations 2010. These requirements include receiving and having regard to the Company's Appointed Actuary's written advice as to the likely consequences of any proposed distribution. A distribution of the Fund's retained profits must not be made if the distribution would have the result that the Company would fail to maintain the minimum solvency margin in relation to the Fund.

The Act requires disclosure of the solvency margins for the Fund, the business and assets outside the fund and for the Company as a whole. The following tables show the solvency margin, assets, liabilities, equity and profit by Fund.

Solvency for 31 March 2024 is presented under the Interim Solvency Standard 2023, which was applicable from 1 April 2023. Solvency for 31 March 2023 was presented under the Solvency Standard for Life Insurance Business 2014 and Solvency Standard for Non-Life Insurance Business 2014.

Notes to the Financial Statements

for the year ended 31 March 2024

7. RISK (continued)

H) CAPITAL MANAGEMENT (continued)

<i>In NZD thousands, for the twelve months ended 31 March</i>	Statutory Fund	Non-life Shareholder Fund	Company
2024	\$000s	\$000s	\$000s
Actual Solvency Capital	6,303	11,116	17,419
Actual Prescribed Capital Requirement	5,000	909	5,000
Solvency Margin	1,303	10,207	12,419
Solvency Ratio	126%	1223%	348%
2023			
Actual Solvency Capital	2,773	14,340	17,113
Actual Prescribed Capital Requirement	852	9,410	10,261
Solvency Margin	1,921	4,930	6,851
Solvency Ratio	326%	152%	167%

I) OPERATIONAL RISK

Operational risk is the risk arising from day-to-day operational activities. These activities may result in direct or indirect losses resulting from failure to comply with policies, procedures, laws and regulations, from fraud or forgery, other malicious acts, a breakdown in the availability or integrity of services, systems and information, or damage to Southsure's reputation. The Company aims to minimise the impact of operational risks by ensuring the appropriate risk management policies, controls, systems, staff and processes are in place.

The Company's objective in managing operational risk is to balance the avoidance of financial losses and damage to the Company's reputation with overall cost-effectiveness and innovation. In all cases, Company policy requires compliance with all applicable legal and regulatory requirements.

The Company's audit and risk committee is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- IT, data security and cyber risks; and
- risk mitigation, including insurance where this is cost-effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the Company's audit and risk committee and senior management.

J) CREDIT RISK

Credit risk is the risk of financial 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 financial instrument as a result of changes in credit risk on that instrument. Credit risk principally arises from the Company's fixed interest and cash investments, policyholder premiums and reinsurance exposures.

i. Management of Credit Risk

The Company manages credit risk by:

- diversifying investment exposures across a range of counterparties
- limiting exposure to high credit quality and individual counterparties
- the use of standard credit control techniques which ensure that premium payments are made within a reasonable timeframe, or cover and hence exposure to claim is cancelled;
- the placement of reinsurance cover in accordance with the Company's reinsurance policies and the regular monitoring of the reinsurer credit risk rating
- limiting of business partnerships to high reputation, high credit quality counterparties where possible

Notes to the Financial Statements

for the year ended 31 March 2024

7. RISK (continued)

J) CREDIT RISK (Continued)

i. Management of Credit Risk (continued)

The Company's Investment Policy ensures that credit concentration is managed appropriately. This is achieved by setting maximum asset allocation limits and limiting the asset class allocations to a maximum level of total assets to be held with one counterparty.

The Company uses risk gradings to categorise exposures according to the degree of risk of default when external credit ratings are not available. The current risk grading framework consists of seven grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with senior management. Specifically, the potential impact of reinsurer default is monitored and managed accordingly. An indicative mapping of how the Company's internal risk grades relate Fitch Ratings is as follows.

Category	Internal Grading	External Rating (when applicable)
High Grade	Grade 1	AAA
	Grade 2	AA- to AA+
	Grade 3	A- to A+
Standard Grade	Grade 4	BBB- to BB+
Substandard	Grade 5	
Past due but not impaired	Grade 6	B+ or Below
Individually impaired	Grade 7	

ii. Credit Quality Analysis

The following table provides information regarding the credit risk exposure of the Company by classifying assets according to external credit ratings (where applicable) and the Company's credit ratings of counterparties. The amounts represent the maximum amount exposure to credit risk. The credit risk analysis below is presented in line with how the Company manages the risk. The Company manages its credit exposure based on the carrying value of the financial instruments and insurance and reinsurance contract assets.

<i>In NZD thousands, for the twelve months ended 31 March</i>	2024	Restated 2023
Cash and Cash Equivalents		
Based on Fitch ratings		
AA- To AAA+	9,924	5,335
BBB- to BBB+	1	1,028
	9,925	6,363
Financial assets designated at FVTPL – Underlying Items		
Based on Fitch ratings		
AAA	1,576	-
AA- to AA+	785	-
A- To A+	524	-
BBB- to BBB+	466	-
Based on internal ratings		
Grade 4	3,080	2,868
	6,431	2,868
Financial assets designated at amortised cost		
Based on Fitch ratings		
A- To AAA+	623	3,948
BBB- to BBB+	-	845
	623	4,793
Trade and Other Receivables		
Based on internal ratings		
Grade 4	8,027	4,895
Grade 6	13	-
	8,040	4,895
Receivables within Insurance Contract Liabilities		
Based on internal ratings		
Grade 3	225	275
	225	275
Reinsurance contact assets		
Based on Fitch ratings		
AA- to AA+	774	1,344
	774	1,344

Notes to the Financial Statements

for the year ended 31 March 2024

7. RISK (continued)

J) CREDIT RISK (Continued)

iii. Concentration of Credit Risk

Concentration of credit risk exists if a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions. The concentration of credit risk on financial assets is generally the carrying amount, net of any provision for impairment. The Company does not expect any investment or reinsurance counterparties to fail to meet their obligations given their high credit ratings.

iv. Amounts Arising from ECL on Financial Assets

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Company's experience, credit assessment and forward-looking information.

The allowance for expected credit losses of financial assets for the 2024 year is nil (2023: nil).

Notes to the Financial Statements

for the twelve months ended 31 March 2024

8. INSURANCE CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD

The table below sets out the carrying amounts of portfolios of insurance and reinsurance contract assets and liabilities:

<i>In NZD thousands</i>						
	2024			2023		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Insurance Contracts	(184)	7,937	7,753	(207)	8,299	8,092
Reinsurance Contracts	(774)	479	(295)	(1,344)	571	(773)
Total Insurance Contracts	(958)	8,416	7,458	(1,551)	8,870	7,319

A. MOVEMENT IN CARRYING AMOUNTS

The following reconciliations show how the net carrying amounts of insurance contracts issued and reinsurance contracts held changed during the period, as a result of cash flows and amounts recognised in the statement of profit or loss and OCI. The Company presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit or loss and OCI. A second reconciliation is presented, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM. The estimates of the present value of future cash flows from insurance and reinsurance contract assets represent the Company's maximum exposure to credit risk from these assets.

Analysis by remaining coverage and incurred claims of insurance contracts

<i>In NZD thousands</i>	Twelve Months Ended 31 March 2024				
	Liabilities for Remaining Coverage		Liabilities for Incurred Claims	Asset for Insurance Acquisition Cash Flows	Total
	Excluding Loss Component	Loss Component			
Opening Insurance Contract Liabilities	4,203	3,168	995	(67)	8,299
Opening Insurance Contract Assets	32	-	107	(346)	(207)
Net Opening Insurance Contract Liabilities/(Assets)	4,235	3,168	1,102	(413)	8,092
Changes in the statement of profit or loss and OCI					
<i>Insurance revenue</i>	(7,301)	-	-	-	(7,301)
Contracts under the modified retrospective transition approach	(7,301)	-	-	-	(7,301)
<i>Insurance service expenses</i>	5,043	(678)	1,985	3	6,353
Incurred claims and other insurance service expenses	2,676	-	3,165	-	5,841
Losses and reversals of losses on onerous contracts	-	(678)	-	-	(678)
Adjustments to liabilities for incurred claims	-	-	(1,180)	-	(1,180)
Amortisation of insurance acquisition cash flows	2,367	-	-	-	2,367
Impairment loss and reversals of impairment	-	-	-	3	3
Insurance service result	(2,258)	(678)	1,985	3	(948)
Insurance finance expenses from insurance contracts recognised in profit or loss	442	-	-	-	442
Total changes in the statement of profit or loss and OCI	(1,816)	(678)	1,985	3	(506)
Cash flows					
Premiums received	7,233	-	-	-	7,233
Insurance acquisition cash flows	(2,207)	-	-	-	(2,207)
Claims and other insurance service expenses paid	(2,675)	-	(2,184)	-	(4,859)
<i>Net cash inflows/(outflows)</i>	2,351	-	(2,184)	-	167
Allocation from assets for insurance acquisition cash flows to groups of insurance contracts	(50)	-	-	50	-
Net Closing Insurance Contract Liabilities/(Assets)	4,720	2,490	903	(360)	7,753
Closing Insurance Contract Liabilities	4,679	2,490	819	(51)	7,937
Closing Insurance Contract Assets	41	-	84	(309)	(184)
Net Closing Insurance Contract Liabilities/(Assets)	4,720	2,490	903	(360)	7,753

Notes to the Financial Statements

for the twelve months ended 31 March 2024

8. INSURANCE CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD (continued)

Analysis by remaining coverage and incurred claims of insurance contracts – Prior Period

In NZD thousands	Liabilities for Remaining Coverage		Twelve Months Ended 31 March 2023		Total
	Excluding Loss Component	Loss Component	Liabilities for Incurred Claims	Asset for Insurance Acquisition Cash Flows	
	Opening Insurance Contract Liabilities	4,510	2,538	845	
Opening Insurance Contract Assets	106	1	-	(345)	(238)
Net Opening Insurance Contract Liabilities/(Assets)	4,616	2,539	845	(497)	7,502
Changes in the statement of profit or loss and OCI					
<i>Insurance revenue</i>	(8,055)	-	-	-	(8,055)
Contracts under the modified retrospective transition approach	(8,055)	-	-	-	(8,055)
<i>Insurance service expenses</i>	5,559	629	2,227	16	8,431
Incurring claims and other insurance service expenses	2,721	-	1,970	-	4,691
Amortisation of insurance acquisition cash flows	2,838	-	-	-	2,838
Losses and reversals of losses on onerous contracts	-	629	-	-	629
Adjustments to liabilities for incurred claims	-	-	257	-	257
Impairment loss and reversals of impairment	-	-	-	16	16
Insurance service result	(2,496)	629	2,227	16	376
Insurance finance expenses from insurance contracts recognised in profit or loss	(253)	-	-	-	(253)
Total changes in the statement of profit or loss and OCI	(2,749)	629	2,227	16	123
Cash flows					
Premiums received	7,928	-	-	-	7,928
Insurance acquisition cash flows	(1,922)	-	-	-	(1,922)
Claims and other insurance service expenses paid	(3,569)	-	(1,970)	-	(5,539)
Net cash inflows/(outflows)	2,437	-	(1,970)	-	467
Allocation from assets for insurance acquisition cash flows to groups of insurance contracts	(69)	-	-	69	-
Net Closing Insurance Contract Liabilities/(Assets)	4,235	3,168	1,102	(413)	8,092
Closing Insurance Contract Liabilities	4,203	3,168	995	(67)	8,299
Closing Insurance Contract Assets	32	-	107	(346)	(207)
Net Closing Insurance Contract Liabilities/(Assets)	4,235	3,168	1,102	(413)	8,092

Notes to the Financial Statements

for the twelve months ended 31 March 2024

8. INSURANCE CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD (continued)

Analysis by measurement component of insurance contracts

<i>In NZD thousands</i>	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Twelve Months Ended 31 March 2024		
			CSM	Acquisition Cash Flows	TOTAL
Opening Insurance Contract Liabilities	5,064	1,746	1,556	(67)	8,299
Opening Insurance Contract Assets	(73)	41	171	(346)	(207)
Net Opening Insurance Contract Liabilities/(Assets)	4,991	1,787	1,727	(413)	8,092
Changes in the statement of profit or loss and OCI					
<i>Changes that relate to current services</i>	1,449	(302)	(996)	-	151
CSM recognised for services provided	-	-	(996)	-	(996)
Change in risk adjustment for non-financial risk	-	(302)	-	-	(302)
Experience adjustments	1,449	-	-	-	1,449
<i>Changes that relate to future services</i>	(1,344)	169	1,254	-	79
Contracts initially recognised in the period	(739)	195	888	-	344
Changes in estimates that adjust the CSM	(345)	(21)	366	-	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	(260)	(5)	-	-	(265)
<i>Changes that relate to past services</i>	(1,181)	-	-	3	(1,178)
Adjustments to liabilities for incurred claims	(1,181)	-	-	-	(1,181)
Impairment loss and reversals of impairment	-	-	-	3	3
Insurance service result	(1,076)	(133)	258	3	(948)
Insurance finance expenses from insurance contracts recognised in profit or loss	258	115	69	-	442
Total changes in the statement of profit or loss and OCI	(818)	(18)	327	3	(506)
Cash flows					
Premiums received	7,233	-	-	-	7,233
Insurance acquisition cash flows	(2,207)	-	-	-	(2,207)
Claims and other insurance service expenses paid	(4,859)	-	-	-	(4,859)
<i>Net cash inflows</i>	167	-	-	-	167
Allocation from assets for insurance acquisition cash flows to groups of insurance contracts	(50)	-	-	50	-
Net Closing Insurance Contract Liabilities/(Assets)	4,290	1,769	2,054	(360)	7,753
Closing Insurance Contract Liabilities	4,383	1,724	1,881	(51)	7,937
Closing Insurance Contract Assets	(93)	45	173	(309)	(184)
Net Closing Insurance Contract Liabilities/(Assets)	4,290	1,769	2,054	(360)	7,753

Notes to the Financial Statements

for the twelve months ended 31 March 2024

8. INSURANCE CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD (continued)

Analysis by measurement component of insurance contracts – Prior Period

<i>In NZD thousands</i>	Twelve Months Ended 31 March 2023				
	Estimates of present value of future cash flows	Risk adjustment for non- financial risk	CSM	Acquisition Cash Flows	TOTAL
Opening Insurance Contract Liabilities	3,378	2,086	2,429	(153)	7,740
Opening Insurance Contract Assets	(124)	39	192	(345)	(238)
Net Opening Insurance Contract Liabilities/(Assets)	3,254	2,125	2,621	(498)	7,502
Changes in the statement of profit or loss and OCI					
<i>Changes that relate to current services</i>	462	(436)	(1,351)	-	(1,325)
CSM recognised for services provided	-	-	(1,351)	-	(1,351)
Change in risk adjustment for non-financial risk	-	(436)	-	-	(436)
Experience adjustments	462	-	-	-	462
<i>Changes that relate to past services</i>	880	156	392	-	1,428
Contracts initially recognised in the period	(962)	178	1,113	-	329
Changes in estimates that adjust the CSM	733	(11)	(722)	-	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	1,110	(11)	-	-	1,099
<i>Changes that relate to past services</i>	257	-	-	16	273
Adjustments to liabilities for incurred claims	257	-	-	-	257
Impairment loss and reversals of impairment	-	-	-	16	16
Insurance service result	1,599	(280)	(959)	16	376
Insurance finance expenses from insurance contracts recognised in profit or loss	(260)	(58)	65	-	(253)
Total changes in the statement of profit or loss and OCI	1,339	(338)	(894)	16	123
Cash flows					
Premiums received	7,928	-	-	-	7,928
Insurance acquisition cash flows	(1,922)	-	-	-	(1,922)
Claims and other insurance service expenses paid	(5,539)	-	-	-	(5,539)
<i>Net cash inflows</i>	467	-	-	-	467
Allocation from assets for insurance acquisition cash flows to groups of insurance contracts	(69)	-	-	69	-
Net Closing Insurance Contract Liabilities/(Assets)	4,991	1,787	1,727	(413)	8,092
Closing Insurance Contract Liabilities	5,064	1,746	1,556	(67)	8,299
Closing Insurance Contract Assets	(73)	41	171	(346)	(207)
Net Closing Insurance Contract Liabilities/(Assets)	4,991	1,787	1,727	(413)	8,092

Notes to the Financial Statements

for the twelve months ended 31 March 2024

8. INSURANCE CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD (continued)

Analysis by remaining coverage and incurred claims of reinsurance contracts held

<i>In NZD thousands</i>	Assets for Remaining Coverage		Twelve Months Ended 31 March 2024	
	Excluding Loss Component	Loss Component	Assets for Incurred Claims	Total
	Opening Reinsurance Contract Assets	(242)	1,219	367
Opening Reinsurance Contract Liabilities	(626)	-	55	(571)
Net Opening Reinsurance Contract Assets/(Liabilities)	(868)	1,219	422	773
Changes in the statement of profit or loss and OCI				
<i>Allocation of reinsurance premiums</i>	(1,193)	-	-	(1,193)
Amounts relating to the changes in the assets for remaining coverage	(1,193)	-	-	(1,193)
<i>Amounts recoverable from reinsurers</i>	-	(381)	595	214
Amounts recoverable for claims and other expenses incurred during the period	-	-	646	646
Changes in the amounts recoverable arising from changes in liability for incurred claims	-	-	(51)	(51)
Changes in fulfilment cash flows which relate to onerous underlying contracts	-	(260)	-	(260)
Recoveries and reversals of recoveries of losses on onerous underlying contract	-	(121)	-	(121)
Reinsurance service result	(1,193)	(381)	595	(979)
Reinsurance finance income from reinsurance contracts recognised in profit or loss	163	-	-	163
Total changes in the statement of profit or loss and OCI	(1,030)	(381)	595	(816)
Cash flows				
Premiums paid	1,085	-	-	1,085
Amounts received	-	-	(747)	(747)
<i>Net cash (inflows)/outflows</i>	1,085	-	(747)	338
Net Closing Reinsurance Contract Assets/(Liabilities)	(813)	838	270	295
Closing Reinsurance Contract Assets	(275)	838	211	774
Closing Reinsurance Contract Liabilities	(538)	-	59	(479)
Net Closing Reinsurance Contract Assets/(Liabilities)	(813)	838	270	295

Notes to the Financial Statements

for the twelve months ended 31 March 2024

8. INSURANCE CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD (continued)

Analysis by remaining coverage and incurred claims of reinsurance contracts held – Prior Period

<i>In NZD thousands</i>	Assets for Remaining Coverage		Twelve Months Ended 31 March 2023	
	Excluding Loss Component	Loss Component	Assets for Incurred Claims	Total
Opening Reinsurance Contract Assets	(192)	539	-	347
Opening Reinsurance Contract Liabilities	(683)	3	-	(680)
Net Opening Reinsurance Contract Assets/(Liabilities)	(875)	542	-	(333)
Changes in the statement of profit or loss and OCI				
<i>Allocation of reinsurance premiums</i>	(1,573)	-	-	(1,573)
Amounts relating to the changes in the assets for remaining coverage	(1,573)	-	-	(1,573)
<i>Amounts recoverable from reinsurers</i>	-	677	968	1,645
Amounts recoverable for claims and other expenses incurred during the period	-	-	546	546
Changes in the amounts recoverable arising from changes in liability for incurred claims	-	-	-	-
Changes in fulfilment cash flows which relate to onerous underlying contracts	-	734	422	1,156
Recoveries and reversals of recoveries of losses on onerous underlying contract	-	(57)	-	(57)
Reinsurance service result	(1,573)	677	968	72
Reinsurance finance income from reinsurance contracts recognised in profit or loss	484	-	-	484
Total changes in the statement of profit or loss and OCI	(1,089)	677	968	556
Cash flows				
Premiums paid	1,096	-	-	1,096
Amounts received	-	-	(546)	(546)
Net cash outflows/(inflows)	1,096	-	(546)	550
Net Closing Insurance Contract Liabilities	(868)	1,219	422	773
Closing Reinsurance Contract Assets	(242)	1,219	367	1,344
Closing Reinsurance Contract Liabilities	(626)	-	55	(571)
Net Closing Reinsurance Contract Assets/(Liabilities)	(868)	1,219	422	773

Notes to the Financial Statements

for the twelve months ended 31 March 2024

8. INSURANCE CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD (continued)

Analysis by measurement component of reinsurance contracts

In NZD thousands	Estimates of the present value of future cash flows	Risk Adjustment	Twelve Months Ended 31 March 2024	
			Contractual service margin	Total
Opening Reinsurance Contract Assets	(262)	693	913	1,344
Opening Reinsurance Contract Liabilities	(2,584)	1,405	608	(571)
Net Opening Reinsurance Contract Assets/(Liabilities)	(2,846)	2,098	1,521	773
Changes in the statement of profit or loss and OCI				
<i>Changes that relate to current services</i>				
Contractual service margin recognised for services received	-	-	(161)	(161)
Risk adjustment recognised for the risk expired	-	(123)	-	(123)
Experience adjustments	(263)	-	-	(263)
<i>Changes that relate to future services</i>				
Contracts initially recognised in the period	(12)	5	7	-
Changes in estimates that adjust the contractual service margin	(1,525)	231	1,294	-
Changes in estimate that do not adjust the contractual service margin	-	-	-	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	-	-	(381)	(381)
<i>Changes that relate to past services</i>				
Changes in amounts recoverable arising from changes in liability for incurred claims	(51)	-	-	(51)
Reinsurance service result	(1,851)	113	759	(979)
Reinsurance finance income/(expense) from reinsurance contracts recognised in profit or loss	112	(4)	55	163
Total changes in the statement of profit or loss and OCI	(1,739)	109	814	(816)
Cash flows				
Premiums paid	1,085	-	-	1,085
Amounts received	(747)	-	-	(747)
<i>Net cash outflows</i>	338	-	-	338
Net Closing Reinsurance Contract Assets/(Liabilities)	(4,247)	2,207	2,335	295
Closing Reinsurance Contract Assets	(995)	670	1,099	774
Closing Reinsurance Contract Liabilities	(3,252)	1,537	1,236	(479)
Net Closing Reinsurance Contract Assets/(Liabilities)	(4,247)	2,207	2,335	295

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for the twelve months ended 31 March 2024

8. INSURANCE CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD (continued)

Analysis by measurement component of reinsurance contracts – Prior Period

In NZD thousands	Estimates of the present value of future cash flows	Risk Adjustment	Twelve Months Ended 31 March 2023	
			Contractual service margin	Total
Opening Reinsurance Contract Assets	(688)	574	461	347
Opening Reinsurance Contract Liabilities	(4,560)	1,677	2,203	(680)
Net Opening Reinsurance Contract (Liabilities)	(5,248)	2,251	2,664	(333)
Changes in the statement of profit or loss and OCI				
<i>Changes that relate to current services</i>				
Contractual service margin recognised for services received	(295)	(163)	(309)	(767)
Risk adjustment recognised for the risk expired	-	-	(309)	(309)
Risk adjustment recognised for the risk expired	-	(163)	-	(163)
Experience adjustments	(295)	-	-	(295)
<i>Changes that relate to future services</i>				
Contracts initially recognised in the period	1,419	(73)	(929)	417
Changes in estimates that adjust the contractual service margin	-	-	-	-
Changes in estimates that adjust the contractual service margin	1,419	186	(1,605)	-
Changes in estimate that do not adjust the contractual service margin	-	(259)	-	(259)
Changes in estimates that result in losses and reversal of losses on onerous contracts	-	-	676	676
<i>Changes that relate to past services</i>				
Changes in amounts recoverable arising from changes in liability for incurred claims	422	-	-	422
Changes in amounts recoverable arising from changes in liability for incurred claims	422	-	-	422
Reinsurance service result	1,546	(236)	(1,238)	72
Reinsurance finance income from reinsurance contracts recognised in profit or loss	306	83	95	484
Total changes in the statement of profit or loss and OCI	1,852	(153)	(1,143)	556
Cash flows				
Premiums paid	1,096	-	-	1,096
Amounts received	(546)	-	-	(546)
Net cash outflows	550	-	-	550
Net Closing Reinsurance Contract Assets/(Liabilities)	(2,846)	2,098	1,521	773
Closing Reinsurance Contract Assets	(262)	693	913	1,344
Closing Reinsurance Contract Liabilities	(2,584)	1,405	608	(571)
Net Closing Reinsurance Contract Assets/(Liabilities)	(2,846)	2,098	1,521	773

B. Significant Judgements and Estimates

i. Fulfilment Cash Flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

Notes to the Financial Statements

for the twelve months ended 31 March 2024

8. INSURANCE CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD (continued)

B. Significant Judgements and Estimates (continued)

ii. **Fulfilment Cash Flows (continued)**

Estimates of future cash flows

The Company's objective in estimating future cash flows is to determine the expected value or probability-weighted mean of the full range of possible outcomes. The Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events. The estimates of future cash flows reflect the Company's view of current conditions at the reporting date and the estimates of any relevant market variables are consistent with observable market prices. When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted. Cash flows are within the boundary of a contract if they arise from substantive right and obligations that exist during the reporting period. They relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance and administration costs, and recurring commissions payable on instalment premiums receivable within the contract boundary. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Methodology and assumptions

Mortality Assumptions have been developed based on recent historical experience, and expectations of current and expected future experience including mortality improvement. Where historical experience is not credible, reference has been made to pricing assumptions supplemented by market data, where available. Mortality assumptions have been expressed as a percentage of either standard industry experience tables or, where experience is sufficiently credible, as a percentage of tables that have been developed internally by the Company. Morbidity Assumptions have been developed based on recent historical experience, and expectations of current and expected future experience. Morbidity rate assumptions have been expressed as a percentage of standard industry experience tables or as expected claims ratios.

Persistence

Persistence covers the assumptions required, where relevant, for policy lapse (including surrender), premium persistency and premium holidays. Assumptions have been developed based on recent historical experience, and best estimate expectations of expected future experience. Persistence assumptions would vary by policy year and product type with different rates for regular and single premium products where appropriate. Where experience for a particular product was not credible enough to allow any meaningful analysis to be performed, experience for similar products was used as a basis for future persistency experience assumptions.

Expenses

The expense assumptions have been set based on the most recent expense analysis. The purpose of the expense analysis is to allocate total expenses between acquisition, maintenance and other activities, and then to allocate these acquisition and maintenance expenses that can be directly attributed to the portfolio of insurance contracts to derive unit cost assumptions. Where the expenses associated with certain activities have been identified as being one-off, these expenses have been excluded from the expense analysis. Expense assumptions have been determined for acquisition and maintenance activities that can be directly attributed to the portfolio of insurance contracts, split by product type, and unit costs expressed as a percentage of premiums, sum assured and an amount per policy. Expense assumptions do not make allowance for any anticipated future expense savings as a result of any strategic initiatives aimed at improving policy administration and claims handling efficiency. Assumptions for commission rates and other sales-related payments have been set in line with actual experience.

Reinsurance

Reinsurance assumptions have been developed based on the reinsurance arrangements in-force as at the reporting date and the recent historical and expected future experience.

Notes to the Financial Statements

for the twelve months ended 31 March 2024

8. INSURANCE CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD (continued)

B. Significant Judgements and Estimates (continued)

iii. Contractual Service Margin (CSM)

Determination of coverage units

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period (see Note 4(A)(vii)). The coverage units are reviewed and updated at each reporting date.

The Company determines the quantity of the benefits provided under each contract as follows:

Product	Basis for determining quantity of benefits provided
Term assurance	Sum assured payable on death
Critical illness	Maximum amount payable (including any premiums waived) on detection of illness
Proportionate reinsurance	The same basis as the underlying contracts, including expected new business within the reinsurance contract boundary (see Note 4 (A)(iv))
Excess of loss and stop loss reinsurance	Expected amount of underlying claims to be covered in each period

An analysis of the expected timing of the allocation of the CSM to profit or loss is disclosed in (C).

C. CSM Recognition in profit or loss

The disclosure of when the CSM is expected to be in income in future years is presented below:

<i>In NZD thousands, as at 31 March</i>		2024	2023
a) Life Insurance Contracts Issued			
Less than one year		720	741
One to two years		309	288
Two to three years		188	162
Three to four years		130	97
Four to five years		94	60
More than five years		613	378
		2,054	1,726
b) Reinsurance Contracts Held			
Less than one year		(233)	(158)
One to two years		(210)	(142)
Two to three years		(191)	(127)
Three to four years		(173)	(115)
Four to five years		(157)	(105)
More than five years		(1,371)	(874)
		(2,335)	(1,521)

Notes to the Financial Statements

for the twelve months ended 31 March 2024

8. INSURANCE CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD (continued)

D. Expected Derecognition of Assets for Insurance Acquisition Cashflows

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

<i>In NZD thousands, as at 31 March</i>	2024	2023
Life Insurance Contracts Issued		
Less than one year	39	49
One to two years	34	43
Two to three years	31	38
Three to four years	27	33
Four to five years	24	28
More than five years	205	222
Total Assets for Insurance Acquisition Cashflows	360	413

E. Effects of Contracts Initially Recognised in the Year

The following tables summarise the effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts.

<i>In NZD thousands, as at 31 March</i>			
2024	Profitable Contracts Issued	Onerous Contracts Issued	Total
Life Insurance Contracts Issued			
Claims and other insurance service expenses payable	1,834	1,036	2,870
Insurance acquisition cash flows	1,289	386	1,675
Estimates of present value of future cash outflows	3,123	1,422	4,545
Estimates of present value of future cash inflows	(4,103)	(1,181)	(5,284)
Risk adjustment for non-financial risk	92	103	195
CSM	888	-	888
Losses recognised on initial recognition	-	344	344
2023	Profitable Contracts Issued	Onerous Contracts Issued	Total
Life Insurance Contracts Issued			
Claims and other insurance service expenses payable	1,837	1,043	2,880
Insurance acquisition cash flows	1,625	492	2,117
Estimates of present value of future cash outflows	3,462	1,535	4,997
Estimates of present value of future cash inflows	(4,654)	(1,304)	(5,958)
Risk adjustment for non-financial risk	79	99	178
CSM	1,113	-	1,113
Losses recognised on initial recognition	-	330	330

9. INSURANCE REVENUE

<i>In NZD thousands, for the twelve months ended 31 March</i>	2024	2023
Amount relating to changes in the liability for remaining coverage:		
Insurance service expenses expected during the period	3,531	3,462
Acquisition cash flows	2,367	2,838
Amortisation of Contractual Service Margin (CSM)	996	1,351
Release of risk adjustment for non-financial risk	302	436
Premium and other experience adjustments	105	(32)
Total Insurance Revenue recognised in the period	7,301	8,055

Notes to the Financial Statements

for the twelve months ended 31 March 2024

10. EXPENSES

<i>In NZD thousands, for the twelve months ended 31 March</i>	2024	2023
Claims and benefits	3,273	3,135
Commission expense	1,773	1,751
Losses on onerous insurance contracts	(678)	1,429
Impairment of deferred acquisition costs	6	17
Reversal of impairment of deferred acquisition costs	(4)	(1)
Employee benefit expenses	2,518	1,899
Audit fees paid or payable to the external auditor KPMG		
Audit of financial statements	113	63
Audit of annual financial statements - NZ IFRS17	80	80
Audit on annual solvency return	23	17
Amortisation	2	5
Director fees	239	211
Depreciation	99	78
Investment management expenses	14	-
Finance costs	50	59
Other operating expenses	1,878	1,446
Insurance service and other expenses	9,386	10,189
Represented by:		
Insurance service contracts	6,353	8,431
Other expenses	2,983	1,699
Other finance costs	50	59
Total Expenses	9,386	10,189

11. NET REVENUE / EXPENSES FROM REINSURANCE CONTRACTS HELD

<i>In NZD thousands, for the twelve months ended 31 March</i>	2024	2023
Amounts relating to the changes in the assets for remaining coverage		
Expected recovery for insurance service expenses incurred in the period	(832)	(773)
Change in the risk adjustment for non-financial risk	(123)	(423)
CSM recognised for services received	(161)	(309)
Experience adjustments for premiums paid	(77)	(67)
Allocation of reinsurance premiums	(1,193)	(1,572)
Amounts recoverable for claims and other expenses incurred in the period	646	546
Changes in amounts recoverable arising from changes in liability for incurred claims	(51)	422
Recognition of Loss Recovery from onerous underlying contracts	7	-
Reversal of loss recovery from onerous underlying contracts	(388)	676
Amounts recoverable from reinsurers	214	1,644
Net expense from reinsurance contracts held	(979)	72

Notes to the Financial Statements

for the twelve months ended 31 March 2024

12. INVESTMENT INCOME

<i>In NZD thousands, for the twelve months ended 31 March</i>	2024	2023
Interest revenue on financial assets		
Cash and cash equivalents interest income	292	101
Financial assets at amortised cost		
Interest income	189	178
Financial assets at fair value through profit or loss		
Interest income	13	36
Interest revenue on financial assets	494	315
Other investment return		
Income from managed investment funds	125	-
Dividend income	55	105
At fair value through profit or loss		
Net (losses)/gains of debt securities	(48)	3
Net losses of equities securities	(26)	(161)
Net gains of managed funds	305	-
Other investment return	411	(53)
Net finance (expenses)/income from insurance contracts		
Interest accreted	(352)	(204)
Effect of changes in interest rates and other financial assumptions	(90)	457
Total net finance (expenses)/income from insurance contracts	(442)	253
Net finance income/(expense) from reinsurance contracts		
Interest accreted	(31)	38
Effect of changes in interest rates and other financial assumptions	194	446
Total net finance income from insurance contracts	163	484
Net finance result	626	999

13. COMMISSION AND FEE REVENUE

<i>In NZD thousands, for the twelve months ended 31 March</i>	2024	2023
Commission and Fee income		
Commission income - fire and general insurance	1,734	1,222
Commission income - life insurance	219	145
Fee income - fire and general insurance premium funding	593	273
Commission and Fee Revenue	2,546	1,640

14. OTHER INCOME

<i>In NZD thousands, for the twelve months ended 31 March</i>	2024	2023
Gain on sale of shares in Associate	14,117	-
Gain on disposal of property, plant and equipment	8	-
Rental income	2	2
Other income	14,127	2

15. OTHER FINANCE COSTS

<i>In NZD thousands, for the twelve months ended 31 March</i>	2024	2023
Interest expenses on lease liabilities	50	59
Other finance costs	50	59

Notes to the Financial Statements

for the twelve months ended 31 March 2024

16. TAXATION

<i>In NZD thousands, for the twelve months ended 31 March</i>		2024	<i>Restated</i> 2023
a)	Current income tax expense		
	Current income tax	453	-
	Movement in deferred tax	(447)	79
	Adjustments for current tax of prior periods	-	26
	Expense reported in the Statement of Profit or Loss	6	105
b)	Numeric reconciliation between tax expense and profit before tax		
	Surplus before taxation per Statement of Profit or Loss	15,293	1,809
	Prima Facie Taxation @ 28%	4,282	507
	Adjusted for tax effect of:		
	Effect of Pre-2010 Life Tax Regime	(25)	(41)
	Net Insurance Contract Related Adjustments	-	(2)
	Income tax included within share of Income from Associate	(296)	(344)
	Income tax on dividends received from Associate	154	150
	Non-assessable income	(3,946)	3
	Non-deductible expenses	9	2
	Other non-assessable items	-	(22)
	Dividend Income Grossed up for Imputation Credits	68	68
	Benefit of Imputation Credits Received	(243)	(242)
	Income tax under / (over) provided in prior years	-	26
	Prior period adjustment to deferred tax	3	-
	Taxation as per Statement of Profit or Loss	6	105
c)	Net deferred tax benefits/(liabilities)		
	Balance at beginning of the year	(1,480)	(1,401)
	Deferred tax benefit/(charge) charged to income	447	(79)
	Balance at end of the year	(1,033)	(1,480)
	The balance of deferred tax benefits/(liabilities) comprises:		
	i. Deferred tax liabilities		
	Insurance contract liabilities	(1,005)	(1,975)
	Funds with financial institutions	(85)	(82)
	Right of use assets	(185)	(185)
		(1,275)	(2,242)
	ii. Deferred tax assets		
	Losses available for offset against future taxable income	-	509
	Staff Provisions	23	18
	Lease liabilities	208	219
	Commission revenue not yet derived	11	16
		242	762
	Net deferred tax liability	(1,033)	(1,480)
d)	Current Tax (Asset) / Liability		
	Balance at beginning of year	(796)	384
	Under/(over) provision in prior years	-	26
	Tax payments	(697)	(1,206)
	Current income tax expense / (benefit)	453	-
	Balance at end of the year (Asset) / Liability	(1,040)	(796)

Notes to the Financial Statements

for the year ended 31 March 2024

16. TAXATION (continued)

<i>In NZD thousands, for the twelve months ended 31 March</i>		2024	2023
e)	Imputation Credit Account		
	Balance at beginning of year	3,494	2,813
	Income tax paid (refund received) during the year	-	23
	Provisional tax paid during the year	611	1,182
	Add credits attached to dividends received	243	242
	Less credits attached to dividends paid	-	(766)
	Balance at end of year	4,348	3,494

17. DIVIDENDS

<i>In NZD thousands, for the twelve months ended 31 March</i>	2024		2023	
	Per Share	\$000	Per Share	\$000
<u>Dividends paid during the period</u>				
2024 Special Dividend	19.00	19,000	-	-
2023 No Final Dividend Paid	-	-	-	-
2022 Final Dividend	-	-	1,970	1,970
Total		19,000		1,970

During the 2024 year, a special dividend was paid, which did not contain any imputation credits. (2023: Imputation credits of \$766,111 were attached to the final dividend).

18. SHARE CAPITAL

<i>In thousands, as at 31 March</i>	2024		2023	
	No.	\$	No.	\$
(a) <u>Authorised share capital</u>				
Ordinary shares – fully paid. No par value	1,000	1,000	1,000	1,000
Held:				
Directly	1,000		1,000	
(b) <u>Ordinary shares</u>				
Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.				

Company in proportion to the number of and amounts paid on the shares held.

19. RETAINED EARNINGS

<i>In NZD thousands, for the twelve months ended 31 March</i>	2024	Restated 2023
(a) <u>Retained earnings</u>		
Movements in Retained Earnings were as follows:		
Opening Balance	15,556	15,410
Adjustment on initial application of NZ IFRS17, net of tax	-	412
Current year profit, net of tax	15,287	1,704
Dividends	(19,000)	(1,970)
Balance at 31 March	11,843	15,556

Notes to the Financial Statements

for the year ended 31 March 2024

20. PAYABLES AND OTHER FINANCIAL LIABILITIES

<i>In NZD thousands, as at 31 March</i>	2024	2023
Creditors and accruals	652	561
Payables on broking / underwriting agency operations	3,764	2,938
Employee entitlements	228	175
Remediation	54	54
Clawback provision	40	52
	4,738	3,780
Expected maturity		
Within 12 months	4,738	3,780
Later than 12 months	-	-
	4,738	3,780

21. LEASE LIABILITIES

<i>In NZD thousands, as at 31 March</i>	2024	2023
a) Maturity Analysis - Contractual Undiscounted Cash Flows		
Less than one year	65	50
One to five years	179	183
More than five years	501	549
	745	782
Expected maturity		
Within 12 months	65	50
Later than 12 months	680	732
	745	782

<i>In NZD thousands, for the twelve months ended 31 March</i>	2024	2023
b) Amounts recognised in the statement of profit or loss		
Interest on lease liabilities	50	48
	50	48
Amounts recognised in the statement of cash flows		
Total cash outflow for leases	111	83
	111	83

c) Information about leases for which the Company is a lessee are presented below.

<i>In NZD thousands</i>	Buildings	Vehicles	Total
Cost			
Balance at 1 April 2022	736	-	736
Additions to right of use assets	-	29	29
Depreciation charge for the year	(50)	(1)	(51)
Balance at 31 March 2023	686	28	714
Balance at 1 April 2023	686	28	714
Additions to right of use assets	-	25	25
Depreciation charge for the year	(51)	(27)	(78)
Balance at 31 March 2024	635	26	661

Notes to the Financial Statements

for the year ended 31 March 2024

22. CASH AND CASH EQUIVALENTS

<i>In NZD thousands, as at 31 March</i>	2024	2023
Cash at bank and in hand		
Bank balances	3,885	5,176
Deposits at call	5,000	1,012
Cash held on trust – broking trust account	1,040	175
Cash and cash equivalents	9,925	6,363

23. TRADE AND OTHER RECEIVABLES

<i>In NZD thousands, as at 31 March</i>	2024	2023
Prepayments	211	210
Premium funding receivables	7,798	4,661
Sundry receivables	31	24
Total other receivables	8,040	4,895
Expected maturity		
Within 12 months	8,040	4,895
Later than 12 months	-	-
	8,040	4,895

The Company has made an allowance for anticipated lapses and cancellations. This is recognised as a reduction in commission revenue and as a clawback provision, which is disclosed in Note 20. This provision represents an obligation to return commission, due to policy cancellations.

NZ IFRS 9 requires the Company to recognise Expected Credit Loss (ECL) on financial assets measured at amortised cost, which includes trade receivables. ECL addresses credit risk and reflects the risk of non-payment by customers. Refer to Note 7(J).

24. INVESTMENTS

<i>In NZD thousands, as at 31 March</i>	2024	2023
Financial assets designated at fair value through profit or loss		
Equity securities	-	2,280
Debt securities		
Bonds	-	535
Capital notes	-	53
Managed funds		
Nikko AM Wholesale NZ Corporate Bond Fund	1,064	-
Nikko AM Wholesale Cash Fund	992	-
Nikko AM Wholesale NZ Bond Fund	997	-
Nikko AM Wholesale Global Shares Fund	1,252	-
Nikko AM Wholesale Global Bond Fund	1,060	-
Nikko AM Wholesale Core Equity Fund	1,066	-
	6,431	2,868
Financial assets at amortised cost		
Debt securities		
Bank paper	623	4,793
	623	4,793
Total Investments	7,054	7,661
Expected maturity		
Within 12 months	7,054	6,771
Later than 12 months	-	890
	7,054	7,661

Notes to the Financial Statements

for the year ended 31 March 2024

25. INVESTMENT IN ASSOCIATE

On 22 February 2024, the Company sold its 26.35% interest in Abbott NZ Holdings Limited, which is an insurance brokerage firm with its head office located in Christchurch, New Zealand. The consideration was received fully in cash in February 2024.

Abbott NZ Holdings Limited is a private entity that is not listed on any public exchange and there are no published price quotations for the fair value of this investment. The Company's interest in the entity was accounted for using the equity method in the financial statements. The reporting date of the entity is 30 June which was within 3 months of the Company's reporting date. Abbott NZ Holdings Limited and the Company had uniform accounting policies.

The Company's share of profit for the 2024 year to 22 February 2024 was \$1,057,510 (31 March 2023: \$1,229,960).

The following table illustrates the summarised financial information of the Company's investment in Abbott NZ Holdings Limited as at the date of sale 22 February 2024 and for the prior financial year.

<i>In NZD thousands</i>	22-Feb-2024	31-Mar-2023
Proportion of Company's ownership	0.00%	26.35%
Statement of Financial Position		
Current assets	-	39,199
Non-current assets	-	19,507
Current liabilities	-	(24,214)
Non-current liabilities	-	(7,419)
Net Assets	-	27,073
Company's share of net assets 0.00% (2023: 26.35%)	-	7,134
Income Statement		
Revenue	23,166	22,317
Profit for the year from continuing operations	4,013	4,769
Company's share of profit for the year	1,058	1,257
Effect of changes in shareholding	-	(27)
Total Company's share of profit for the year	1,058	1,230
Movement in the carrying amount of the Investment in Associate:		
Balance at the beginning of the financial year	9,374	8,680
Company's share of profits of the Associate	1,058	1,230
Company's share of dividends	(549)	(536)
Proceeds from sale of investment of shares in Associate	(24,000)	-
Gain on sale of investment in associate	14,117	-
Carrying amount of the investment	-	9,374

26. PROPERTY, PLANT & EQUIPMENT

<i>In NZD thousands</i>	Computer Equipment	Leasehold Improvements	Other Assets	Total
Balance at 1 April 2022	22	8	98	128
Additions	3	-	5	8
Disposals	-	-	-	-
Depreciation charge for the year	(11)	(1)	(15)	(27)
Balance at 31 March 2023	14	7	88	109
Balance at 1 April 2023	14	7	88	109
Additions	4	2	6	12
Disposals	-	-	(5)	(5)
Depreciation charge for the year	(8)	(1)	(13)	(22)
Balance at end of year	10	8	76	94

Notes to the Financial Statements

for the year ended 31 March 2024

27. INTANGIBLE ASSETS

<i>In NZD thousands</i>	Software	Total
Balance at 1 April 2022	10	10
Acquisitions	-	-
Amortisation	(5)	(5)
Balance at 31 March 2023	5	5
Balance at 1 April 2023	5	5
Acquisitions	-	-
Amortisation	(2)	(2)
Balance at end of year	3	3

28. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

<i>In NZD thousands, for the twelve months ended 31 March</i>	Note	2024	2023
Net profit after taxation		15,287	1,704
Add/(Deduct) Non-Cash Items:			
Depreciation	21,26	99	78
Amortisation	27	2	5
Other Finance Costs	15	50	48
Gain on disposal of associate	25	(14,117)	-
Share of (profit)/loss from associate	25	(1,058)	(1,230)
Realised (gains)/losses		(238)	120
Fair value (gains)/losses on investments		1	38
Changes in Assets and Liabilities:			
Insurance and Reinsurance Contracts		139	(441)
Payables		958	2,638
Current tax		(244)	(1,180)
Deferred tax		(447)	79
Receivables		(3,144)	(4,207)
Accrued interest		62	(44)
Leases		(112)	(83)
Net cash flows from Operating Activities		(2,762)	(2,475)

Notes to the Financial Statements

for the twelve months ended 31 March 2024

29. FINANCIAL INSTRUMENTS BY CATEGORY

<i>In NZD thousands, as at 31 March</i>			
2024			
NZ IFRS 9 Measurement category	Fair Value through profit or loss	Amortised Cost	Total
Financial assets			
Cash and cash equivalents	-	9,925	9,925
Trade and other receivables	-	8,040	8,040
Investments	6,431	623	7,054
Total financial assets	6,431	18,588	25,019
Financial liabilities			
Trade and other payables	-	4,416	4,416
Lease liabilities	-	745	745
Total financial liabilities	-	5,161	5,161
<i>Restated</i>			
2023			
NZ IFRS 9 Measurement category	Fair Value through profit or loss	Amortised Cost	Total
Financial assets			
Cash and cash equivalents	-	6,363	6,363
Trade and other receivables	-	4,895	4,895
Investments	2,868	4,793	7,661
Total financial assets	2,868	16,051	18,919
Financial liabilities			
Trade and other payables	-	3,499	3,499
Lease liabilities	-	782	782
Total financial liabilities	-	4,281	4,281

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

There are no material differences between the carrying amounts of all financial assets and liabilities presented in the Statement of Financial Position and their fair values.

The Company invests in the Nikko AM Wholesale Investment Funds managed by Nikko.

A) Fair Value Methodologies

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values are based on relevant information available as at balance date. While judgement is used in obtaining the fair value of financial instruments, there are inherent weaknesses in any estimation technique. Many of the estimates involve uncertainties and matters of significant judgement, and changes in underlying assumptions could significantly affect these estimates. Furthermore, market prices or rates of discount are not available for many of the financial instruments valued and surrogates have been used which may not reflect the price that would apply in an actual sale. The methodologies and assumptions used when determining fair value depend on the terms and risk characteristics of the various instruments and include the following:

Cash and Cash Equivalents, On Call and Term Deposits

For Cash, Cash On Call and Short Term Deposits, balances with other financial institutions with maturities of less than three months and other types of short term financial assets, the carrying values of these financial instruments are considered to approximate their fair values as they are short term in nature or are receivable on demand.

Notes to the Financial Statements

for the twelve months ended 31 March 2024

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

A) Fair Value Methodologies (continued)

Nikko Wholesale Funds

The fair value for investments in managed funds is determined based on unit prices provided by the relevant fund manager.

B) Fair Value Hierarchy

The following table shows an analysis of financial instruments recorded at fair value, by level of the fair value hierarchy. The Company uses valuation techniques within the following hierarchy for determining the fair value of financial instruments:

- Level 1:** Fair values are determined using quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2:** Fair values are determined using other techniques where all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3:** Fair values are determined using techniques that use inputs which have a significant effect on the recorded fair value and are not based on observable market data.

Financial assets and liabilities that are recognised and measured at fair value on a recurring basis are categorised below:

<i>In NZD thousands, as at 31 March</i>	2024	2023
Level 1		
Equity securities	-	2,280
	-	2,280
Level 2		
Debt securities		
Bonds	-	535
Capital notes	-	53
Managed funds		
Nikko AM Wholesale NZ Corporate Bond Fund	1,064	-
Nikko AM Wholesale Cash Fund	992	-
Nikko AM Wholesale NZ Bond Fund	997	-
Nikko AM Wholesale Global Shares Fund	1,252	-
Nikko AM Wholesale Global Bond Fund	1,060	-
Nikko AM Wholesale Core Equity Fund	1,066	-
	6,431	2,868

There have been no transfers between the levels during the year (2023: no transfers).

31. RELATED PARTY TRANSACTIONS

(a) Parent Entity Southland Building Society (SBS)

The Company is a wholly owned subsidiary of Southland Building Society (SBS).

The Company purchases selected support services from SBS.

The Company has a current account with SBS. Interest is paid between related parties on a monthly basis at the official cash rate applicable at month end.

The Company held a number of term investments with SBS. Interest was received from SBS for these investments.

(b) Finance Now Limited (FNL)

Finance Now Limited (FNL) is a wholly owned subsidiary of SBS. FNL distributes the Company's products. FNL collects and remits premium income owing to the Company. All balances owing between the parties at balance date are included in Payable and Receivable balances.

(c) Abbott NZ Holdings Limited (AHL)

The Company owned a 26.35% (2023: 26.35%) shareholding in Abbott NZ Holdings Limited (AHL) until this shareholding was sold on 22 February 2024. Transactions and balances with AHL while it was a related party are disclosed below. Post-sale, AHL pays a referral commission to the Company for commercial insurance policies.

Notes to the Financial Statements

for the twelve months ended 31 March 2024

31. RELATED PARTY TRANSACTIONS (continued)

From time to time the Company may purchase commercial insurance products from AHL at current market rates. There were no balances owing between the parties at balance date.

The following transactions occurred with related parties:

<i>In NZD thousands, for the twelve months ended 31 March</i>		2024	2023
SBS			
Interest received		(129)	(47)
Commission paid		286	260
Dividend		19,000	1,970
Other sundry items		285	341
		19,442	2,524
FNL			
Commission paid		1,314	1,486
		1,314	1,486
AHL			
Commission received		(37)	(34)
		(37)	(34)
Directors and Key Management Personnel			
Premium income from insurance policies held		1	1
Commission income from insurance policies placed		1	1
		2	2

During the year, the Company earned premium revenue from insurance policies held by key management personnel. The Company receives commission income for placing insurance policies with third party underwriters. The key management personnel are all directors of the Company and the executives with the greatest authority for the strategic direction and management of the Company.

(b) Balances with Related Parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

<i>In NZD thousands, as at 31 March</i>		2024	2023
SBS			
Transaction account		1	1
Current account balance		12	15
Call account balance		-	1,005
Investments		-	1,808
Payables		(97)	(162)
Net Balance		(84)	2,667
FNL			
Receivables		180	257
Payables		(62)	(72)
Net Balance		118	185

(c) Key Management Personnel Compensation

Key management personnel compensation for the twelve months ended 31 March 2024 and the twelve months ended 31 March 2023 is set out below. The key management personnel are all the directors of the Company and the executives with the greatest authority for the strategic direction and management of the Company.

<i>In NZD thousands, for the twelve months ended 31 March</i>		2024	2023
Short term benefits		1,230	850
Total		1,230	850

Notes to the Financial Statements

for the twelve months ended 31 March 2024

32. CONTINGENCIES

From time to time in the ordinary course of business, the Company may receive notifications of disputes from customers in regard to policies underwritten by the Company or policies underwritten by other providers but arranged by the Company under agency agreements. The Company has an established and formal dispute resolution process in place to resolve any disputes and is a member of the Banking Ombudsman Scheme which provides a free independent dispute resolution process for customers should any dispute fail to be resolved satisfactorily. Customers may also seek to resolve disputes through a court process. The Company does not consider the mere notification of a dispute as a contingent liability. As at 31 March 2024 no court proceedings had been filed in relation to any notified dispute (31 March 2023: Nil).

33. CAPITAL COMMITMENTS

As at 31 March 2024 there were no material capital commitments (31 March 2023: Nil).

34. SUBSEQUENT EVENTS

There have been no material subsequent events after 31 March 2024 (31 March 2023: Nil).

35. FINANCIAL STRENGTH RATING

Southsure Assurance Limited has a Financial Strength Rating of BBB+ (outlook stable) by Fitch Ratings (Affirmed on 7 February 2024). The previous credit rating of BBB+ (outlook stable) was issued by Fitch Ratings (Affirmed on 16 February 2023).



Section 78 Appointed Actuary's Report of the Insurance (Prudential Supervision) Act 2010

To: The Board of Directors
Southsure Assurance Limited

From: Nathan Thomas
Appointed Actuary for Southsure Assurance Limited
Actuary & Governance Limited

Date: 18 July 2024

1. I have reviewed the actuarial information included in the audited accounts for Southsure Assurance Limited (SAL) effective for 31 March 2024, where 'actuarial information' includes the following:
 - a. Insurance contract liabilities
 - b. Solvency calculations in accordance with the relevant solvency standards set by the Reserve Bank of New Zealand (RBNZ)
 - c. Statement of Financial Position information allowed for in the calculation of SAL's solvency position
 - d. Disclosure regarding the methodology and assumptions used for calculating the policy liabilities and other disclosures

2. No material limitations have been placed on my work based on the materiality defined in SAL's financial statements for 31 March 2024.

3. I am independent with respect to SAL as defined under professional standard ISA (NZ) 620 of the External Reporting Board.

Appointed Actuary's Report

for the year ended 31 March 2024

4. I have been provided with all material information that I have requested in order to carry out this review.
5. In my view, the actuarial information contained in SAL's Financial Statements for 31 March 2024 has been appropriately included, and the actuarial information used in the preparation of the financial statements has been appropriately used.
6. SAL's Actual Solvency Capital exceeds the Prescribed Capital Requirement (statutory minimum requirement) as defined in the RBNZ's Interim Solvency Standards as at 31 March 2024, and it is projected to exceed the statutory minimum requirement at all times over the next 4 years.
7. In my opinion SAL is maintaining the solvency margin that applies under a condition imposed under section 21 (2) (b) and 21 (2) (c) of the Insurance (Prudential Standards) Act 2010.
8. In my opinion, SAL does not need to consider reporting to the RBNZ under Section 24 of the Insurance (Prudential Standards) Act 2010.



Nathan Thomas, FNZSA, EMBA, BSc(Hons), BCA
Appointed Actuary for Southsure Assurance Limited
Director, Actuary & Governance Limited

Date: 18 July 2024



Independent Auditor's Report

To the shareholder of Southsure Assurance Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Southsure Assurance Limited (the 'company') on pages 6 to 59 present fairly, in all material respects:

i. the company's financial position as at 31 March 2024 and its financial performance and cash flows for the 12 month period ended on that date;

in accordance with New Zealand Equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards issued by the International Accounting Standards Board.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2024;
- the statements of profit or loss, comprehensive income, changes in equity, and cash flows for the 12 month period then ended; and
- notes, including material accounting policy information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

Our firm has also provided other services to the company in relation to reasonable assurance over the company's year-end insurer solvency return. Subject to certain restrictions, partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditor of the company. The firm has no other relationship with, or interest in, the company.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and



on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$227k determined with reference to a benchmark of company net assets. We chose the benchmark because, in our view, this is a key measure of the company's performance.

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 in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholder as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Transition to NZ IFRS 17 and restated opening balances as at 1 April 2022 and comparatives at 31 March 2023

Refer to Notes 3 and 8 to the Financial Statements.

NZ IFRS 17: *Insurance Contracts* ("NZ IFRS 17/the standard") became effective for the Company from 1 April 2023, replacing the existing standard NZ IFRS 4.

The transition to NZ IFRS 17 has introduced new financial statement line items and disclosures, requiring significant changes to the measurement of transactions and balances in the financial statements, including new areas of judgement and estimation.

The company's financial statements for the year ended 31 March 2024 are the first prepared under the new standard.

In accordance with NZ IFRS 17, comparative financial information has been restated at 1 April 2022 and 31 March 2023, with the first-time adoption of NZ IFRS 17 resulting in an increase in equity of \$412k upon transition, as shown in the statement of changes in equity.

The application of NZ IFRS 17 to the company's insurance and reinsurance contracts requires significant management judgement to develop accounting policies and determine appropriate valuation methodologies and assumptions. The judgements made have the potential to significantly impact the financial results of the company and its key performance indicators.

In particular, we consider the key risks in relation to the transition to NZ IFRS 17 and restatement of comparatives to be as follows:

- The determination of the transition approach adopted for each group of insurance and reinsurance contracts;

We involved our actuarial specialists and performed audit procedures, which included:

- Assessing whether the judgements applied by management in determining the company's accounting policies were in accordance with NZ IFRS 17 and challenging significant new accounting policies, choices and technical interpretations made against the requirements of the standard.
- Assessing the transition approaches taken for conformity with the requirements of the standard, and where the FVA and MRA were applied, challenging the impracticability of applying the fully retrospective approach ("FRA").
- Assessing, using industry knowledge, the methodology, models and assumptions used in determining the risk adjustment, initial CSM, and discounted NZ IFRS 17 FCF against expected market practice and the requirements of the standard.
- Checking the completeness and accuracy of the data underpinning the transition calculations.
- Assessing the new expense allocation methodology and model, including the appropriateness of the expense allocation between directly attributable and non-directly attributable expenses and consider management's impairment analysis.
- Evaluating the measurement of the Liability for Remaining Coverage (LRC) and Liability for Incurred Claims (LIC) as at the transition date by:

The key audit matter

- The methodology and assumptions that have been used to determine the Contractual Service Margin ("CSM") on transition, particularly for groups of contracts applying the fair value approach ("FVA") & Modified retrospective Approach ("MRA"). Under the FVA, the initial CSM of insurance contracts at transition date is the difference between the fair value of a group of insurance contracts, and the fulfilment cash flows ("FCF") at that date. Under MRA the initial CSM of insurance contracts at transition date is the unearned profit or loss from insurance contracts and is recognised as an adjustment to the opening retained earnings. SAL has also determined the Asset for Insurance Acquisition Cashflows ("AIACF") at transition date using both the FVA and MRA;
- The methodology and assumptions in respect of determining the risk adjustment, which reflects the Company's estimates of how actual policyholder behaviour may differ from expectation;
- The methodology applied to the amortisation of the CSM from initial recognition to subsequent measurement where the MRA is being applied;
- The methodology used by management to determine discount rates, both the determination of the risk-free rate and the determination of the illiquidity premium;
- The methodology and assumptions used by management to determine the fair value of the Asset for Insurance Acquisition Cash Flows ("AIACF") for the rights to obtain renewals of contracts on transition, and subsequent impairment testing; and
- The integrity of models to produce the NZ IFRS 17 results.

The determination of the value of insurance contract liabilities on transition to NZ IFRS 17 includes a high degree of actuarial estimation, including complex calculation methodologies and assumptions determined by management.

We have concluded that the impact of the transition to NZ IFRS 17 and the restated comparative financial information is a key audit matter as this is a new and complex accounting standard requiring significant management judgement. The assessment of NZ IFRS 17 accounting policies and application of judgements to assess the NZ IFRS 17 restated comparatives required a high degree of auditor judgment and an increased involvement of actuarial specialists and more experienced audit team members.

How the matter was addressed in our audit

- Assessing the assumptions and methodology applied in determining the FCF;
- Evaluating the appropriateness of the methodology and assumptions used to determine the risk adjustment;
- Assessing the discounting methodology, including the determination of the risk-free rate and the illiquidity premium against the requirements of the standard and comparing to external market data where available;
- Checking if the CSM and loss component/loss recovery component have been measured in compliance with the requirements of NZ IFRS 17; and
- Examining the mathematical accuracy and internal consistency of the supporting calculations used to determine the transition amounts.
- Assessing the methodology and assumptions to determine the fair value of the AIACF recorded on transition, and the methodology used to test the recorded AIACF for subsequent impairment.
- Understanding and assessing the adjustments made to the previously reported NZ IFRS 4 balances for completeness and accuracy and reconciling those adjustments to the outputs of the NZ IFRS 17 models to check the reasonableness of the transition adjustments and that the restatements are accurately reflected in the financial statements.
- Assessing the reasonableness of the new and restated disclosures in the financial statements against the requirements of NZ IFRS 17.



The key audit matter

How the matter was addressed in our audit

Valuation of insurance contract liabilities and associated reinsurance assets, comprising the Liabilities for Incurred Claims ("LIC") (\$903k), the associated reinsurance Amounts recoverable on Incurred Claims ("AIC") (-\$270k); the Liabilities for Remaining Coverage ("LRC") (\$7,210k), the associated reinsurance Assets for Remaining Coverage ("ARC") (-\$25k); and the Assets for Insurance Acquisition Cashflows ("AIACF") (-\$360k)

We considered the valuation of insurance contract assets and liabilities and associated reinsurance assets and liabilities to be a key audit matter due to the significant judgement required by the company in their measurement. These estimates are inherently uncertain and require specific audit and actuarial expertise to evaluate complex and subjective actuarial methodologies, judgements, and assumptions.

Refer to Note 8 to the financial statements.

The company's insurance contract assets and liabilities and associated reinsurance assets and liabilities represent financially significant balances.

Insurance contract liabilities are comprised of the Liability for Incurred Claims ("LIC") and the Liability for Remaining Coverage ("LRC"), which includes the Asset for Insurance Acquisition Cashflows ("AIACF"), and the associated Reinsurance Assets; Assets for Incurred Claims ("AIC") and Assets for Remaining Coverage ("ARC"). Insurance contract liabilities are measured under NZ IFRS 17, and the company has adopted the General Measurement Method ("GMM") for the measurement of insurance and reinsurance contracts.

The LRC comprises fulfilment cashflows related to future services to be provided under groups of insurance contracts, inclusive of a loss component where insurance contracts are onerous, a risk adjustment for non-financial risk, and an adjustment to reflect the time value of money. Within the LRC, the company has recognised a CSM of \$2 million, which represents the unearned profit the entity will recognise as it provides services.

The LIC comprises fulfilment cashflows related to past services provided under groups of insurance contracts which have not yet been paid, including claims that have been incurred but not reported ("IBNR") and Outstanding Claims Reserve ("OCR"). This balance is also inclusive of a risk adjustment for non-financial risk and is adjusted to reflect the time value of money.

Insurance contract assets and liabilities are valued using actuarial methods that take into account the risks and uncertainties of the particular classes of insurance business written.

Key elements of uncertainty and judgement relate to the following:

Our audit procedures included, in conjunction with our actuarial specialists:

- Selecting a sample of premiums, incurred claim reserves, claims payments and expenses to check the accuracy of the data to source documentation, including financial and non-financial attributes.
- Checking the completeness and accuracy of the data used in the valuation process, including the data used in the experience studies.
- Assessing the appropriateness of any valuation model changes.
- Challenging the actuarial methods and key assumptions used in the measurement of insurance contracts by comparing key assumptions and expected experience to:
 - actual historical experience;
 - observable market data, including industry average and experience for certain classes of business and assumptions; and
 - recognised industry actuarial practices and accounting standard requirements.
- Assessing the methodology and assumptions used in setting the risk adjustment and the discount rate, including the illiquidity premium.
- In the case of onerous contracts, assessing whether the loss component has been accurately measured and reported (including the reinsurer's share).
- Evaluating the company's actuarial assumptions and methodologies for consistency with those used in the industry and with prior periods.
- Assessing the historical accuracy of the estimate by testing the reconciliation of opening and closing liabilities, which shows the impact of the company's experience adjustments.
- Evaluating the work of the company's Appointed Actuary and assessing their competence and objectivity.
- Checking that information in the actuarial valuation report is consistent with the information disclosed in the financial statements.

The key audit matter

How the matter was addressed in our audit

- The LRC is determined by estimating FCF which are projected to the end of the contract's boundary, and are subject to a number of management assumptions and judgements. All forward looking assumptions are inherently uncertain, in particular assumptions around expected life, trauma and redundancy claims, and the duration and incidence of disability income claims. Key judgements and assumptions underlying the FCF include:
 - Directly attributable expenses incurred in acquiring and maintaining the contracts;
 - Mortality and morbidity experience;
 - The timing and duration of claims and resulting cashflows;
 - Reinsurance arrangements and timing of cashflows under these arrangements;
 - Contract boundaries; and
 - Future inflation levels.
 - Forward-looking assumptions are also impacted by other factors such as regulation, competition, interest rates, and general economic conditions.
 - The AIACF must be tested for impairment annually, and if the carrying amount exceeds the fair value of the related contracts, an impairment loss recorded. Determining the fair value of the related contracts in the impairment test is subject to similar uncertainties as those in determining the LRC, along with additional assumptions including:
 - Future premium rates;
 - Discontinuance experience; and
 - New business volumes.
 - The LIC is determined by estimating cashflows in respect of past services, and judgement is required when considering historical experience of claims development to determine current estimates, required in estimating a reserve for claims IBNR and OCR. This estimate relies on the quality of underlying data, including historic claims data, and the application of complex and subjective actuarial models and methodologies, judgements and assumptions about future events.
 - Estimated cashflows are discounted using a risk-free rate adjusted for an illiquidity premium to reflect the liquidity characteristics of insurance contracts.
 - A risk adjustment is included in the FCF, to reflect the non-financial risk the company bears in respect of its contracts.
- Evaluating the adequacy of disclosures in accordance with the requirements of NZ IFRS 17 and reconciling the disclosures to underlying accounting records and supporting actuarial data.

The key audit matter

How the matter was addressed in our audit

Judgement is required in both the methodology and the assumptions used to determine the risk adjustment.

- The CSM is released to the statement of comprehensive income over the coverage period of the contracts, so the judgements and assumptions applied have a significant impact on the company's financial performance.

Valuation of reinsurance assets involves a high degree of uncertainty due to the dependence on the estimate of related claims costs. Therefore, the valuation of the ARC and AIC is subject to the same uncertainties.

NZ IFRS 17 requires significant new financial statement disclosure with high levels of granularity, based on underlying actuarial models.

Other information

The Directors, on behalf of the company, are responsible for the other information included in the entity's Annual Report. Other information includes the Directors' statement, Statement of Corporate Governance and Directors profiles. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent 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 shareholder as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a set of financial statements that is free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objective is:

- 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 independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our independent auditor's report.

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

For and on behalf of



KPMG New Zealand

26 July 2024