

TELECO INSURANCE (NZ) LIMITED

ANNUAL REPORT 2024

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**TELECO INSURANCE (NZ) LIMITED
ANNUAL REPORT 2024**

COMPANY DIRECTORY

Nature of business: Mobile phone insurance

Registered office: Level 2
Spark City
167 Victoria Street West,
Auckland, 1010
New Zealand

Company registration number: 509425

Directors: Richard Quince
Stefan Knight

Shareholder: Spark New Zealand Limited

Auditors: Deloitte Limited
Deloitte Centre Whiria Te Kaha
Level 20
1 Queen Street
Auckland 1010

Bankers: Westpac New Zealand Limited



Richard Quince
DIRECTOR

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Stefan Knight
DIRECTOR

Date 23 October 2024

TELECO INSURANCE (NZ) LIMITED
ANNUAL REPORT 2024

Statement of profit or loss and other comprehensive income

YEAR ENDED 30 JUNE	NOTES	2024	2023
		\$'000	\$'000
Insurance revenue	7	11,301	13,725
Insurance service expense	2, 7	(6,614)	(6,852)
Insurance service result		4,687	6,873
Operating expenses	3	(240)	(239)
Finance income	4	5,498	5,053
Net earnings before income tax		9,945	11,687
Income tax expense	5	(2,798)	(3,089)
Net earnings for the year		7,147	8,598
Total comprehensive income for the year		7,147	8,598

See accompanying notes to the financial statements.

Statement of financial position

AS AT 30 JUNE	NOTES	2024	2023
		\$'000	\$'000
Current assets			
Cash and cash equivalents	6	588	562
Interest receivable		4	1
Prepayments		19	59
Amounts due from related parties	10	93,250	88,257
Deferred tax assets	5	13	19
Total current assets		93,874	88,898
Total assets		93,874	88,898
Current liabilities			
Insurance contract liabilities	7	105	961
Amounts due to related parties	10	31	882
Taxation payable	5	2,808	3,272
Total current liabilities		2,944	5,115
Total liabilities		2,944	5,115
Equity			
Share capital	8	1	1
Retained earnings		90,929	83,782
Total equity attributable to equity holders of the Company		90,930	83,783
Total liabilities and equity		93,874	88,898

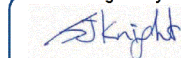
See accompanying notes to the financial statements.

On behalf of the Board



Richard Quince
Director

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Director

23 October

Authorised for issue on _____ 2024

TELECO INSURANCE (NZ) LIMITED
ANNUAL REPORT 2024

Statement of changes in equity

YEAR ENDED 30 JUNE 2024	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
	\$'000	\$'000	\$'000
Balance at 1 July 2023	1	83,782	83,783
Net earnings for the year	-	7,147	7,147
Total comprehensive income for the year	-	7,147	7,147
Balance at 30 June 2024	1	90,929	90,930

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

See accompanying notes to the financial statements.

Statement of cash flows

YEAR ENDED 30 JUNE	2024	2023
	\$'000	\$'000
Cash flows from operating activities		
Interest income	26	19
Net cash flows from operating activities	26	19
Net cash flow	26	19
Opening cash position	562	543
Closing cash position	588	562

Reconciliation of net earnings to net cash flows from operating activities

YEAR ENDED 30 JUNE	2024	2023
	\$'000	\$'000
Net earnings for the year	7,147	8,598
Adjustments to reconcile net earnings to net cash flows from operating activities		
Insurance revenue	(11,301)	(13,725)
Insurance service expense	6,614	6,852
Operating expenses	240	239
Intercompany interest income	(5,469)	(5,033)
Income tax expense	2,798	3,089
Changes in assets and liabilities net of effects of non-cash and investing and financing activities		
Movement in interest receivable	(3)	(1)
Net cash flows from operating activities	26	19

See accompanying notes to the financial statements.

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

TELECO INSURANCE (NZ) LIMITED
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Notes to the financial statements

Note 1 Accounting Policies

Reporting entity

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

The principal activity of the Company is to provide insurance policies for mobile phone handsets sold by the Spark Group. The Company has a credit rating with Standard and Poor's of BBB+ with a Stable Outlook which was reaffirmed on 12 March 2024.

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

Going concern

In December 2022, Spark New Zealand Trading Limited made the decision to cease offering the insurance product through the Company by 31 December 2023, which was ratified by the Board of the Company in February 2023. The insurance product stopped being sold to new customers from 1 December 2023 and on 2 April 2024 all policies were cancelled. This will result in the Company winding down its operations within twelve months of the date these financial statements were approved by the Board.

Basis of preparation

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

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

Measurement basis

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

Taxation

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

Financial assets backing general insurance liabilities

The Company's financial assets consist primarily of surplus funds invested with Spark Finance Limited, and these funds are used to back both general insurance liabilities and financial liabilities arising under non-insurance contracts. The Company has an agreement with Westpac New Zealand Limited to guarantee \$25 million of its receivable from Spark Finance Limited (2023: \$25 million).

Cash and cash equivalents

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

Interest income

Interest income is recognised on an effective interest basis.

Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments. Upon recognition, financial assets and liabilities are measured at fair value. Cash, interest receivable and amounts due from related parties are subsequently measured at amortised cost using the effective interest method, less any impairment. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are assessed for indicators of impairment at the end of each reporting period and when there exists an indicator of impairment. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Financial liabilities, including amounts due to related parties, are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

Notes to the financial statements

Note 1 Accounting Policies (continued)

New standards adopted in the current year

Adoption of NZ IFRS 17 Insurance contracts (NZ IFRS 17)

The Company has adopted NZ IFRS 17, which replaces NZ IFRS 4 Insurance Contracts and related interpretations, in the current financial year.

The Company has applied NZ IFRS 17 using the full retrospective approach, with opening comparative information about insurance contracts restated to comply with NZ IFRS 17. Under the full retrospective approach, the Company identified, recognised and measured insurance contracts as if NZ IFRS 17 had always been applied. There was no material impact on the financial results, therefore only disclosures have been updated to align with NZ IFRS 17. Refer to page 7 for changes to presentation and disclosures.

Insurance contracts

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The Company issues the following type of contract which is accounted for in accordance with NZ IFRS 17:

Mobile phone insurance policies

These policies protect the holder in the event of accidental damage, loss or theft of their mobile device in New Zealand, or when they have temporarily taken their mobile device overseas whilst travelling. The Company will, at the Company's option, repair or replace their mobile device with a new or refurbished same or a similarly featured Spark approved mobile device. The contract period and contract boundary of each contract is assessed to be one month.

The Company accounts for these contracts applying the Premium Allocation Approach (PAA) as each of these contracts has a coverage period of one year or less. PAA is similar to the Company's previous accounting treatment. 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). Cohorts are not divided into groups depending on profitability of contracts, as all contracts are expected to be profitable they remain in one group. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

The PAA incorporates two elements to measure the insurance contract liability:

1. Liability for remaining coverage

Premiums are collected by Spark New Zealand Trading Limited on behalf of the company and are included in the intercompany receivables accounts. Premiums are considered received when Spark New Zealand Trading Limited collects the cash from policyholders and this is the point when the liability for remaining coverage (LRC) is recognised. On initial recognition the Company measures the liability for remaining coverage at the amount of premiums received in cash. As all issued insurance contracts to which the PAA is applied have coverage of a year or less, the Company applies a policy of expensing all insurance acquisition cash flows, if any, as they are incurred. The carrying amount of the liability for the remaining coverage at the end of each reporting period represents the carrying amount at the start of the reporting period adjusted for the premiums received in the period and the amount recognised as insurance revenue for insurance contract services provided in that period.

The Company has determined that there is no significant financing component in mobile phone insurance contracts as they have a coverage period of one year or less. Therefore, the Company does not discount the liability for remaining coverage to reflect the time value of money and financial risk for such insurance contracts. Furthermore, the Company determines that mobile phone insurance policies are not onerous at initial recognition, therefore there is no loss component included in the liability for remaining coverage.

2. Liability for incurred claims

The liability for incurred claims is the Company's liability to pay valid claims for insured events that have already incurred, other incurred insurance expenses arising from past coverage and the liability for claims incurred but not yet reported.

The Company expects that all claims will be paid within one year or less from the date incurred, therefore the Company does not adjust future cashflows for the time value of money and the effect of financial risks. The liability for insured claims is calculated using an average term to settlement based on historic settlement patterns, which for the current and previous financial years was deemed to be 50% of the total claims settlement value for the month subsequent to the period-end date.

The Company measures the compensation it would require for bearing the uncertainty about the amount and timing of cash flows arising from insurance contracts, other than financial risk, separately as an adjustment for non-financial risk. The Company has selected a confidence level approach and selected a confidence level of 75% which equates to a risk adjustment of 15% on the liability for incurred claims. A 1% increase / (decrease) in the risk adjustment assumption does not result in a material impact on the reported profit, liability for incurred claims and equity of the Company.

The variation in outcome of the claims liability will be small because the number of open claims relating to the financial year is known, and the insurance settlement date is short.

Notes to the financial statements

Note 1 Accounting Policies (continued)

Insurance service results from insurance contracts issued

Insurance revenue

Insurance revenue depicts the provision of services arising from the group of insurance contracts at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services, adjusted for a financing effect, if any, and excluding any investment components. The Company recognises insurance revenue based on the passage of time over the coverage period of the contract.

Insurance service expenses

Insurance service expense presents the costs arising from a group of insurance contracts issued, comprising:

1. incurred claims and benefits excluding investment components;
2. other incurred directly attributable insurance service expenses;
3. amortisation of insurance acquisition cash flows;
4. changes that relate to past service (i.e. changes in the fulfilment cash flows relating to the liability for incurred claims); and
5. changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

As the contracts are measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates portfolios of insurance contracts issued and reinsurance contracts held and presents separately:

- Portfolios of insurance contracts issued that are assets
- Portfolios of insurance contracts issued that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the NZ IFRS 17 requirements.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Insurance premiums
- Claims expense
- Change in outstanding claims liability

Instead, NZ IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expense
- Insurance finance income or expenses

The Company provides disaggregated qualitative and quantitative information in the notes to the financial statements about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard.

Notes to the financial statements (continued)

Note 2 Insurance service expenses

	2024	2023
YEAR ENDED 30 JUNE	\$'000	\$'000
Claims incurred in current year	6,141	6,404
Risk adjustment expense	(37)	(2)
Claims management fee	510	450
Total insurance service expenses	6,614	6,852

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

Note 3 Operating expenses

	2024	2023
YEAR ENDED 30 JUNE	\$'000	\$'000
Credit rating fee	69	66
Directors' fees	10	10
Other operating expenses	161	163
Total operating expenses	240	239

The Company had no employees in the current year (2023: nil). Audit fees of \$12,400 (2023: \$11,500) and fees for the reasonable assurance engagement in relation to the Annual Solvency Return of \$6,300 (2023: \$5,800) have been paid for and recorded by a fellow subsidiary. Some other costs are incurred by other Spark Group subsidiaries on behalf of the Company for administration and accounting services.

Note 4 Finance income

	2024	2023
YEAR ENDED 30 JUNE	\$'000	\$'000
Intercompany interest income	5,469	5,033
Other interest income	29	20
Total finance income	5,498	5,053

Note 5 Taxation

	2024	2023
YEAR ENDED 30 JUNE	\$'000	\$'000
Current year income tax expense		
Current year income tax	2,814	3,272
Adjustment in respect of prior periods	(14)	(184)
Deferred income tax		
Provisions	-	-
Adjustment in respect of prior periods	(2)	1
Income tax expense per statement of profit or loss and other comprehensive income	2,798	3,089
Reconciliation of tax expense		
Net earnings before income tax	9,945	11,687
Tax at 28%	2,784	3,272
Adjustment in respect of prior periods	14	(183)
Income tax expense per statement of profit or loss and other comprehensive income	2,798	3,089
Taxation payable	2024	2023
AS AT 30 JUNE	\$'000	\$'000
Balance at the beginning of the year	3,272	4,305
Income tax expense per statement of profit or loss and other comprehensive income	2,798	3,089
Tax paid and inter-group allocation	(3,262)	(4,122)
Balance at the end of the year	2,808	3,272

Notes to the financial statements (continued)

Note 5 Taxation (continued)

	2024	2023
Deferred tax asset		
AS AT 30 JUNE	\$'000	\$'000
Balance at the beginning of the year	19	20
Adjustment in respect of prior periods	2	(1)
Adjustments relating to current period provisions	(8)	-
Balance at the end of the year	13	19

Note 6 Cash and cash equivalents

	2024	2023
AS AT 30 JUNE	\$'000	\$'000
Cash at bank	38	12
Short-term investments	550	550
Total cash and cash equivalents	588	562

Note 7 Insurance contract liabilities

A reconciliation of the movements in insurance contract liabilities is outlined below:

	2024				2023			
	Liability for remaining coverage	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total	Liability for remaining coverage	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening insurance contract liabilities 1 July	574	337	50	961	566	346	52	964
Changes in the statement of profit or loss and other comprehensive income								
Insurance revenue	(11,301)	-	-	(11,301)	(13,725)	-	-	(13,725)
Insurance service expenses								
Incurred claims and other insurance service expenses	-	6,915	-	6,915	-	7,147	-	7,147
Adjustments to liabilities for incurred claims	-	(264)	(37)	(301)	-	(293)	(2)	(295)
Insurance service result	(11,301)	6,651	(37)	(4,687)	(13,725)	6,854	(2)	(6,873)
Total changes in the statement of profit or loss and other comprehensive income	(11,301)	6,651	(37)	(4,687)	(13,725)	6,854	(2)	(6,873)
Movement in balances with fellow group companies¹								
Premiums received	10,727	-	-	10,727	13,733	-	-	13,733
Claims and other insurance service expenses paid	-	(6,896)	-	(6,896)	-	(6,863)	-	(6,863)
Total movement in balances with fellow group companies	10,727	(6,896)	-	3,831	13,733	(6,863)	-	6,870
Closing insurance contract liabilities at 30 June	-	92	13	105	574	337	50	961

¹ Operating activities of the Company are generally settled through intercompany current accounts and so are non-cash. The relevant movements in the intercompany current accounts and other balances with fellow group are presented here and represent cash received and paid by Spark New Zealand Trading Limited from/to policyholders as described in accounting policy note 1 *Liability for remaining coverage*.

Christine Ormrod FNZSA FIA (PwC) is the Appointed Actuary for the Company. The Company has selected a confidence level approach and selected a confidence level of 75% which equates to a risk adjustment of 15% on the liability for incurred claims.

Note 8 Equity

Ordinary shares

	ORDINARY SHARES	
	Number	\$'000
As at 30 June 2024	100	1
As at 30 June 2023	100	1

Each share confers on the holder the right to vote at any meeting of shareholders. The Company maintains equity in the form of retained earnings of \$91 million (2023: \$84 million), and the Directors believe that this is an appropriate level to cover its exposure to risk, based on annual aggregate exposure and loss history.

Notes to the financial statements (continued)

Note 9 Risk management

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

Insurance risk

The Company is no longer exposed to insurance risk since the Company ceased offering insurance in April 2024 and there were no live policies at year-end.

Financial risk

a) Liquidity risk

Nature of the risk

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

Exposure and risk management

The company manages liquidity through risk by holding surplus funds of \$93 million (2023: \$87 million) in an on-call current account with Spark Finance Limited. The Company has entered into an agreement with Westpac New Zealand Limited to guarantee \$25 million of the \$93 million funds held by Spark Finance Limited, in order to mitigate the risk of asset concentration of these funds being held by a related party. All financial liabilities, including outstanding claims liabilities are treated as current with the settlement of recognised insurance liabilities expected to be within 12 months. Westpac New Zealand Limited has current credit ratings of AA- with Standard and Poor's, and A1 with Moody's Investor Services.

b) Interest rate risk

Nature of the risk

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

Exposure and risk management

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

c) Credit risk

Nature of the risk

The Company incurs credit risk related to financial assets of \$94 million (2023: \$89 million).

Exposure and risk management

Except for \$550,000 invested with a financial institution (2023: \$550,000), the Company's funds are invested in Spark Finance Limited. The board of directors of Spark Finance Limited have approved a credit risk policy that limits exposure with counterparties by placing its cash and short-term investments with high credit quality financial institutions and sovereign bodies, and it also limits the amount of credit exposure to any one of these financial institutions.

The Parent (which guarantees Spark Finance Limited's debt) has a credit rating from Standard & Poor's as at 30 June 2024 as follows:

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

Notes to the financial statements (continued)

Note 9 Risk management (continued)

Capital adequacy

Capital management policies and objectives

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

Under the Interim Solvency Standard 2023 ("the solvency standard") issued by the Reserve Bank of New Zealand, the Company is required to maintain a solvency margin as determined under the solvency standard at or above the minimum solvency capital level.

The Company satisfied all externally imposed capital requirements which they were subject to during the year ended 30 June 2024. The Company has embedded in its capital management framework the necessary tests to ensure continuous and full compliance with the solvency standard.

Capital composition

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

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

	2024	2023
AS AT 30 JUNE	\$'000	\$'000
Actual solvency capital	90,966	83,764
Minimum solvency capital	69,990	70,295
Solvency margin	20,976	13,469
Solvency ratio	1.30	1.19

Note 10 Related parties

	2024	2023
AS AT 30 JUNE	\$'000	\$'000
Current assets		
Amounts due from Spark Finance Limited	93,250	86,859
Amounts due from Spark New Zealand Trading Limited	-	1,398
Total amounts due from related parties	93,250	88,257
Current liabilities		
Amounts due to Spark New Zealand Trading Limited	30	566
Amounts due to Entelar Group Limited	1	316
Total amounts due to related parties	31	882

Transactions occurring during the year:

YEAR ENDED 30 JUNE	2024	2023
Spark Finance Limited:	\$'000	\$'000
Net operating transactions	4,193	7,721
Interest received	5,470	5,033
Tax adjustments and loss offsets	(3,272)	(4,121)
Spark New Zealand Trading Limited:		
Replacement mobile handsets	(2,359)	(2,367)
Entelar Group Limited:		
Replacement mobile handsets	(3,745)	(4,035)

At 30 June 2024, the Company owes amounts to Spark New Zealand Trading Limited for the reimbursement of expenses paid to suppliers and for replacement mobile handsets provided to insurance claimants on the Company's behalf (30 June 2023: same). No related party debts have been written off or forgiven during the year.

Insurance premium revenue is net of administration costs charged by Spark New Zealand Trading Limited of \$1,133,000 (30 June 2023: \$1,413,000). The expense for claims incurred in the current year is net of rebates given to the Company by Spark New Zealand Trading Limited of \$1,797,000 (30 June 2023: \$1,868,000).

Note 11 Contingent liabilities

The Directors are not aware of any significant contingent liabilities at 30 June 2024 (30 June 2023: nil).

Note 12 Capital commitments

There are no capital commitments at 30 June 2024 (30 June 2023: nil).

Note 13 Subsequent events

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

Independent Auditor's Report

To the Shareholder of Teleco Insurance (NZ) Limited

Opinion

We have audited the financial statements of Teleco Insurance (NZ) Limited (the 'Company'), which comprise the statement of financial position as at 30 June 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements, on pages 3 to 11, present fairly, in all material respects, the financial position of the Company as at 30 June 2024, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to IFRS Accounting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

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

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

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

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

Emphasis of Matter – Basis other than going concern

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

Key audit matters

Other than the matter described in "Emphasis of Matter – Basis other than going concern" section, we have determined that there are no key audit matters to communicate in our report.

Directors' responsibilities for the financial statements

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

In preparing the financial statements, the directors are responsible on behalf of the Company for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors

either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Where the financial statements have been prepared using the going concern basis, conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Where the financial statements have been prepared on a basis other than going concern, consider if the other basis of accounting used by the directors is appropriate in the specific circumstances and if the financial statements contain the necessary disclosures. If we conclude that the preparation of the financial statements on a basis other than going concern is appropriate, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse

consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Restriction on use

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

Deloitte Limited

Bennie Greying, Partner
for Deloitte Limited
Auckland, New Zealand
23 October 2024



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

15 October 2024

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

Background

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

For the purpose of this review, actuarial information includes:

- a) Information relating to an insurer's calculations of premiums, claims, reserves, dividends, insurance and annuity rates, and technical provisions
- b) Information relating to assessments of the probability of uncertain future events occurring and the financial implications for the insurer if those events do occur
- c) Information specified in an applicable solvency standard as being actuarial information for the purposes of section 77 of the Act, being.
 - o the liability for remaining coverage
 - o the liability for incurred claims
 - o the reinsurance liability for remaining coverage
 - o the reinsurance liability for incurred claims
 - o any DAC or deferred fee revenue relevant to the liability for remaining coverage
 - o the policyholder share of the estate for participating life business
 - o results of any tests for onerousness, as detailed in NZ IFRS 17.

I have reviewed the actuarial information in the version of the financial statements provided on 14 October 2024, which I understand is the information which will included in the audited accounts for Teleco as at 30 June 2024.

The following items do not exist as there are no liability for remaining coverage, reinsurance, deferred acquisition costs or participating life business:

- reinsurance liability for remaining coverage
- reinsurance liability for incurred claims
- DAC or deferred fee revenue relevant to the liability for remaining coverage
- policyholder share of the estate for participating life business
- onerous contracts.



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

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

In my opinion and from an actuarial perspective:

- the actuarial information contained in the financial statements has been appropriately included in those statements
- the actuarial information used in the preparation of the financial statements has been used appropriately
- at the balance date, 30 June 2024, Teleco was maintaining a solvency margin as required under the Solvency Standard for Non-Life Insurance Business 2014 (incorporating amendments effective 1 August 2023), issued by the Reserve Bank of New Zealand.

Reliances and limitations

This report has been prepared at the request of and solely for the use of Teleco Insurance (NZ) Limited and for the purposes stated above. It should not be relied upon for any other purpose. We accept no liability to any party should it be used for any purpose other than that for which it was prepared. This report is strictly confidential and (save to the extent required by applicable law and/or regulation) must not be released to any party without our express written consent, which is at our sole discretion. A copy may be provided to the Reserve Bank of New Zealand.

The sources of information we have relied on are set out in section 3 of the Teleco Insurance (NZ) Limited Financial Condition Report as at 30 June 2024 and this letter. In the course of carrying out our work we perform some data validation checks (as set out in this report), but we have not verified all of the information provided to us, nor have we carried out anything in the nature of an audit. Accordingly, we express no opinion on the reliability, accuracy or completeness of the information provided to us, and upon which we have relied.

Our engagement did not constitute a statutory audit (the objective of which is the expression of an opinion on financial statements) or an examination (the objective of which is the expression of an opinion on management's assertions).

To the fullest extent permitted by law, PwC accepts no duty of care to any third party in connection with the provision of this document and/or any related information or explanation (together, the "Information").

Accordingly, regardless of the form of action, whether in contract, tort (including without limitation, negligence) or otherwise, and to the extent permitted by applicable law, PwC accepts no liability of any kind to any third party and disclaims all responsibility for the consequences of any third party acting or refraining to act in reliance on the Information.

This document has been prepared with care and diligence and the statements and opinions within it are given in good faith and in the belief on reasonable grounds that such statements and opinions are not false or misleading. No responsibility arising in any way for errors or omissions (including responsibility to any person for negligence) is assumed by us or any of our partners or employees for the preparation of the document to the extent that such errors or omissions result from our reasonable



reliance on information provided by others or assumptions disclosed in the document or assumptions reasonably taken as implicit.

We reserve the right, but are under no obligation, to revise or amend the document if any additional information (particularly as regards the assumptions we have relied upon) which exists at the date of this document but was not drawn to our attention during its preparation, subsequently comes to light.

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

We are available to answer any questions on this report. We are happy to extend our report to include further explanation if required, or to provide any further information where appropriate.

This report is issued pursuant to the terms and conditions set out in our letter of engagement with Teleco Insurance (NZ) Limited dated 12 July 2024.

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

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

A handwritten signature in black ink, appearing to read 'Ormrod', written in a cursive style.

Christine Ormrod FNZSA
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