Celebrating 50 years

fidelity life

Proud history, strong future.

Annual Report 2023.

50 years on, we're Aotearoa New Zealand's largest locally owned life insurer.

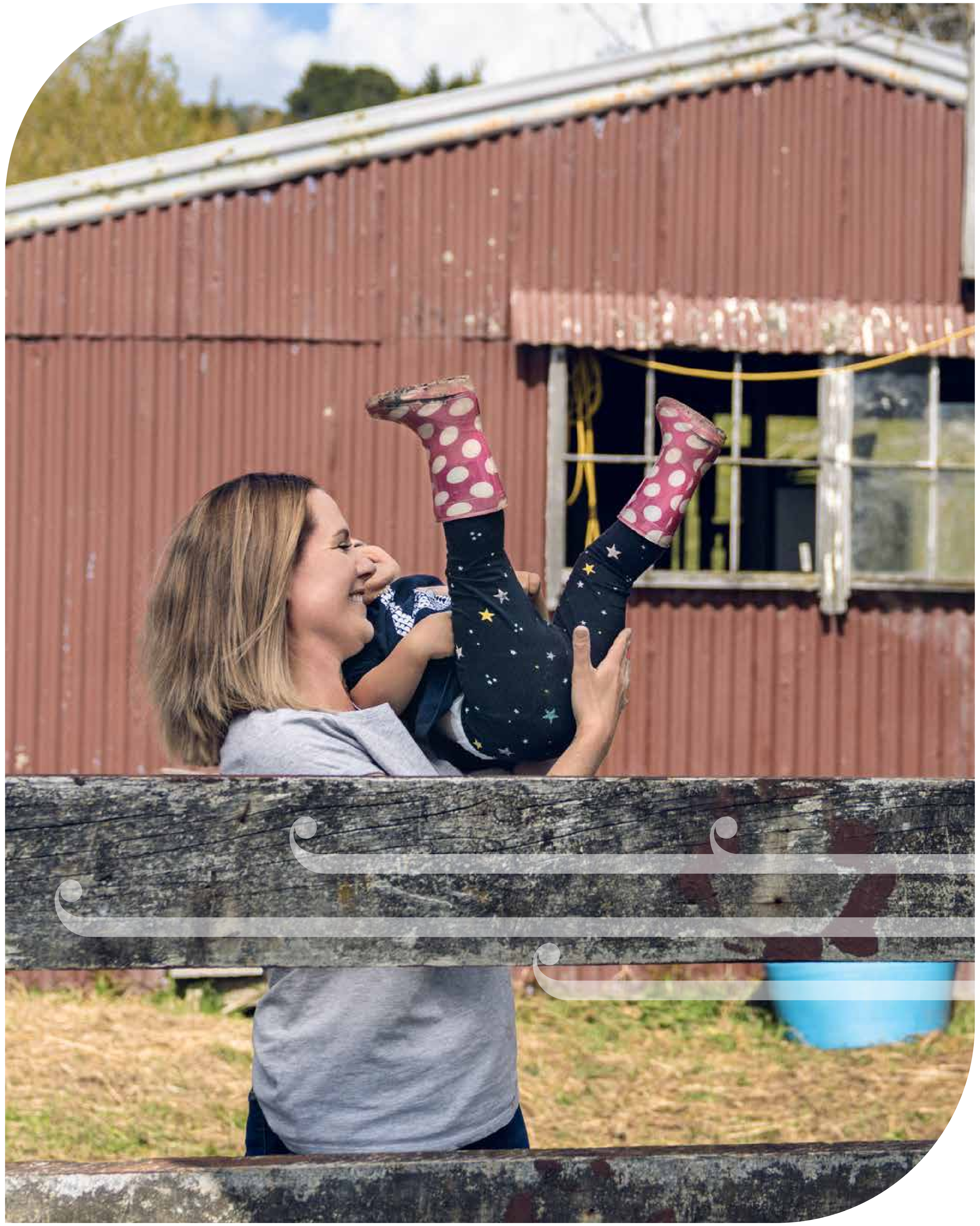
In 2023 we're celebrating 50 years since we were founded by financial adviser Gordon Watson and his wife Shirley – our first ever customer – in 1973.

Today over 304,000 New Zealanders trust us to provide certainty when things don't go to plan, and we're proud to be the only major New Zealand-owned life insurer left in the market.

Backed by our local shareholders, including the NZ Super Fund, Ngāi Tahu Holdings and the Fidelity Family Trust, our decisions are made by New Zealanders, for New Zealanders, here in New Zealand with our future generations in mind.

Financial advisers have been central to our success since 1973 and our commitment to the adviser channel endures to this day. We want more New Zealanders to have meaningful access to advice and insurance and are proud to be working alongside advisers and partners for the long term good of New Zealand and New Zealanders.

Contents.



A trip down memory lane.

The 1970s.

In the era of flared trousers, earth tones and disco dancing, something special was born...

1973 - Fidelity Life was founded.

1974 - Our policy holder count reached 236.

1979 - We issued our first dividend of 2.5 cents per share.

Our founders, Gordon and Shirley Watson.

The 1980s.

The state of the art (at the time) HP 3000.

The decade when homegrown rock stars topped the charts, Te Reo Māori became an official language, and...

1983 - We started computerising our quotes.

1987 - Gordon and Shirley fought off numerous takeover bids.

1988 - Our office welcomed its first computer, the HP 3000.

The 1990s.

The '90s gave NZ a new voting system, our first female PM, and a little thing called the internet. Over on Ponsonby Road...

1993 - We launched Critical Care.

1994 - We celebrated our first million-dollar annual profit.

1998 - We moved house to Carlton Gore Road.

Our second home on Carlton Gore Road.

The 2000s.

Our shiny new logo.

After (narrowly) avoiding a computer apocalypse, this decade gave us Lord of the Rings, Aunty Helen, and...

2002 - We launched a new logo.

2004 - Gordon Watson resigned as Director.

2005 - We formed a strategic alliance with FMG.

The 2010s.

The decade of Marmite shortages, an anticlimactic flag referendum and two more RWC wins. In other news...

2013 - We acquired Tower's life insurance policies.

2018 - We received a $100m investment from NZ Superannuation Fund.

2019 - We won ANZIIF's Life insurer of the year (for the 3rd year running).

Our three consecutive ANZIIF awards.

The 2020s.

The decade we're all still trying to figure out. We got off to a rocky start, but amidst all the commotion...

2020 - We overhauled our brand.

2021 - We introduced our new cloud based platform, Tahi.

2022 - We purchased and integrated Westpac Life and welcomed shareholder Ngāi Tahu Holdings.

fidelity life

Our newest (and current) look.

With that, we're 50.

Since our founding in 1973, we've been committed to protecting the lives of New Zealanders.

Enduring strength.

Summary as at 30 June 2023.

Consolidated Fidelity Life and Fidelity Insurance data.

Total assets.
$1,120.7m

Shareholders equity.
$630.7m

Insurance premium revenue.
$450.4m

Total comprehensive income.
$3.2m

Underlying profit.
$19.0m

Market share[1].
15.7%

Number of customers[2].
304,867

Claims paid in FY23.
$209.7m

Claims paid since 1973.
$1.6b

Number of employees.
402

Customer NPS.
+16

Adviser NPS.
+16

[1] In-force retail and group. [2] Lives assured.

Building the next 50 years of success.

Chair's review.

2023 is a milestone year for Fidelity Life as we celebrate our 50th year in business. During FY23 we continued to make good progress with our transformation strategy while remaining resilient against ongoing external challenges.

While there's still hard work ahead to realise our goals, the benefits of our Westpac Life acquisition are beginning to materialise and we're well positioned for the future.

2023 is a special year for Fidelity Life as we look back on our achievements since Gordon and Shirley Watson realised their vision to establish a New Zealand life insurance company in 1973.

Their legacy lives on as Fidelity Life has grown to become New Zealand's largest locally owned life insurer. We've marked this impressive milestone in a number of ways throughout the year, as highlighted elsewhere in this annual report.

While it's important to take stock of how far we've come since 1973, our eye remains firmly on setting a platform for our next 50 years of success. To this end, FY23 saw us continue to invest in future-proofing our business and the Board is very pleased with the progress made.

At our last AGM, shareholders heard about the imperative to modernise ourselves internally to ensure we keep pace with increasing external challenges. These include ongoing industry consolidation, constantly-evolving customer needs and expectations, and continuing regulatory reform.

You can read more about this important work in the Acting CEO's update, however I would like to highlight the progress we're making on integrating Fidelity Insurance, formerly known as Westpac Life. In particular, we completed the official transfer of Fidelity Insurance into Fidelity Life, simplifying our corporate structure and removing the requirement for separate Boards, RBNZ licenses, statutory funds and financial strength ratings.

Consolidating our financial strength.

As previously signalled to shareholders, the benefits of our Westpac Life acquisition – in particular a full year's contribution from Fidelity Insurance compared to a four month contribution in FY22 – can now be clearly seen in our financial performance.

Total comprehensive income on a statutory basis improved from a loss of $24.0 million in FY22 to a profit of $3.2 million in FY23. We were again impacted by government bond rate changes, although the $15.8 million impact in FY23 was significantly lower than in FY22.

While movements in the government bond market and our planned future-proofing investment continue to play their part, the performance of our core, underlying life insurance business improved significantly.

This year we have changed the way we report underlying profit to better align with other life insurance companies. The following table shows this as total comprehensive income (net of tax), adjusted for the impact of changes in government bond rates.

Reconciliation of Underlying Profit (net of tax)[1]	FY23 $m	FY22 $m
Total comprehensive income (as reported)	3.2	(24.0)
Add back: impact of government bond rate changes (net of hedging)	15.8	28.6
Underlying profit excluding the impact of government bond rate changes	19.0	4.6

[1] Underlying profit is not a prescribed or audited measure under applicable accounting standards and may therefore not be directly comparable to underlying profit as reported by other similar entities. It is shown as total comprehensive income adjusted for the impact of government bond rate changes. In previous years Fidelity Life has also adjusted for transformation and integration expenses, whereas these are now shown in a separate table for reference.

In FY23 we also saw a significant increase in transformation expenses, from a total of $20.1 million in FY22 to $37.4 million in FY23. $16.2 million of FY23 transformation expenses related to the above mentioned Fidelity Insurance integration (all figures net of tax).

Other transformation expenses were incurred in our ongoing implementation of the new IFRS 17 financial reporting standard, as well as ongoing investment in digital initiatives such as our cloud-based CRM and policy platform, Tahi.

Transformation expenses are shown in the table below.

Transformation expenses (net of tax)	FY23 $m	FY22 $m
Fidelity Insurance integration	16.2	6.5
IFRS 17	7.8	2.5
Digital programme	6.8	3.8
Conduct and culture programme	2.2	0.4
Investment opportunity expenses	2.0	5.5
Customer and employee experience	1.6	0.8
Technology rationalisation	0.8	–
Te Whare – head office move and fit out	–	0.6
Total	37.4	20.1

We consolidated our capital strength in FY23 and are comfortably above the Board's target capital levels.

More detail about our financial performance can be found in the next section, and in the financial statements and notes.

Dividends.

We are delighted to resume payment of dividends. Our new policy confirms an affirmative intention to pay dividends and we are confident we can balance investment and dividends moving forwards in a sustainable way.

A positive future trajectory.

The Board is very pleased with the progress made in FY23 and is confident about where we are at on our journey to modernise the business. We are mindful there remains much work to do, and further investment required, to achieve our FY25 goals.

I would like to once again pay tribute to Jeff Meltzer who retired from the Board in March 2023 after 27 years of service. As a trustee of the Fidelity Family Trust Jeff always ensured we maintained a strong link to the Watson family, and we wish him well.

"The Board is very pleased with the progress made in FY23 and is confident about where we are at on our journey to modernise the business."

Director Alan Gourdie also announced his retirement from the Board in September 2023 and will formally stand down at our upcoming Annual Meeting.

On behalf of the Board I would like to thank Jeff and Alan for their dedication and service.

In mid-October we will welcome new CEO Campbell Mitchell. We are very pleased with Campbell's appointment following the departure of Melissa Cantell, and look forward to working with him and the Executive team to see our transformation strategy through to fruition.

On that note I would also like to acknowledge and thank Ian Clancy for stepping into the Acting CEO role – he has done a fantastic job maintaining momentum during the transition period.

Looking ahead, we remain conscious of inflationary pressures affecting household and business budgets, and we're watching lapse rates closely while supporting customers who need assistance to keep their cover in place.

We're also mindful of the ongoing regulatory changes and their significant implementation costs, including IFRS 17, climate related financial disclosures and conduct licensing.

In terms of our future trajectory, we are well placed for strong profitability moving forwards. Since 2018 our investment programme has delivered important foundations for future growth, such as Tahi, and we expect to continue investing in key projects through to the end of FY26.

Shareholders should note, however, that further investment will be necessary on an ongoing basis, albeit at lower levels, to ensure we maintain a competitive edge.

This investment will also unlock opportunities to deliver more value to advisers from FY24 and beyond, for example better digital tools and an uplift in service levels. Advisers have been with us every step of the way since 1973, they are our biggest distribution channel, and will remain an essential ingredient for success for the next 50 years and beyond.

We look forward to sharing further insights into FY23 and our future plans with you at our Annual Meeting on 30 November.

Kind regards,

Brian Blake
Chair

Taking things to the next level.

Acting CEO's review.

50 years in business is certainly a moment in time worth celebrating. As we reflect on our proud history, we remain firmly focussed on the future, ensuring we set ourselves up for another 50 years of success.

During FY23 we tackled an ambitious change agenda, negotiated a very challenging external environment and continued to deliver great long term outcomes for New Zealand and New Zealanders.

Facing into a challenging market.

Achieving 50 years in business doesn't happen very often and we're making sure to mark the occasion with our customers, advisers, shareholders and people throughout the 2023 calendar year.

Gordon and Shirley Watson, our founders, would be extremely proud that the business they created from scratch in January 1973 has grown to become New Zealand's largest locally owned life insurer with well over 300,000 customers and turnover approaching half a billion dollars annually.

FY23, like the previous year, was notable for the influence of external challenges and the weakening economy, which made for a highly competitive life insurance market.

High inflation and interest rates led to higher costs for everything from groceries, to fuel, to energy bills, to rent and mortgage payments. However, unlike some of our competitors, we've worked hard to keep our pricing stable and sustainable.

Together with a great effort from our dedicated arrears management team, alongside advisers and partners, this has meant we've put ourselves in the best possible position to help customers keep their cover in place during these tough times.

Our efforts are paying off and, while we experienced some lapse impact late in FY23, our overall lapse rates remain within acceptable levels. Clearly this is an area we continue to watch closely as ongoing tight economic conditions force people to make tough decisions on where they spend their money.

Another significant challenge, that will by now be very familiar to shareholders, is the sheer amount of regulatory change being faced by the broader financial services industry – and the cost of implementing it.

Even while the dust settles on the new financial advice licensing regime which kicked in from March 2023, insurers are now working through a raft of other new incoming regulatory obligations, including climate-related financial disclosures and conduct licensing.

"The large scale transformation programme we've been driving is an investment in future-proofing our business."

A focus on conduct.

In the wake of the 2019 review by the Reserve Bank of New Zealand and the Financial Markets Authority, we are continuing to identify, investigate and resolve current and historic issues for customers, including those that require remediation. As part of this, Fidelity Insurance credit card related products were withdrawn from the market in FY23.

This important work ensures alignment with regulator expectations and our own commitment to doing the right thing by our customers. During FY23 we incurred $2.2 million (net of tax) on this work and shareholders will note the inclusion of a remediation provision in our financial statements for further potential premium refunds and other remediation.

Our commitment to good conduct is underpinned by a new Code of Conduct launched to our people in April 2023. The code aligns with our purpose and values and guides our way of working with each other and with stakeholders including customers, advisers and partners.

Another regulatory change we have been implementing is the introduction of the IFRS 17 financial reporting standard. This is a hugely complex undertaking, and we incurred $7.8 million (net of tax) on this project during FY23. On the plus side, the new standard will deliver investors with increased transparency and, for Fidelity Life, improved analytics and insights which we can leverage for future growth initiatives.

Future-proofing our business.

The large scale transformation programme we've been driving over the past few years is our response to these and other challenges – an investment in future-proofing our business.

We set ourselves some very ambitious targets for FY23 and overall it was a successful year. We achieved our enterprise scorecard goals and matured into a business that can deliver multiple streams of concurrent change, in parallel to continuing to deliver on our promise to our customers.

The growth foundations we've now locked into place include Tahi and modern human resources and risk management systems. In particular, the ongoing delivery model supporting Tahi is now mature. In practice this means software updates with enhanced functionality are being deployed every two weeks, with a total of 30 updates deployed in FY23 and 50 since Tahi launched.

However our work to integrate the people, operations and systems of Fidelity Insurance into Fidelity Life is by far our biggest and most complex workstream, representing over $16.2 million (net of tax) of our overall FY23 transformation investment of $37.4 million (net of tax).

As previously communicated to shareholders, on 30 June 2023 we officially transferred Fidelity Insurance into Fidelity Life, meaning we no longer have two separate Boards, RBNZ licenses, statutory funds and financial strength ratings.

This significant milestone saw all Fidelity Insurance's assets and liabilities, including its obligations to policyholders, transfer to Fidelity Life. Fidelity Insurance customers are now insured by Fidelity Life, with their policy terms and conditions unchanged. We intend to formally wind up Fidelity Insurance as a registered company in October 2023.

We also made good progress planning the migration of Fidelity Insurance policy administration into the Fidelity Life technology environment.

Our financial performance is improving, as expected.

While rising government bond rates continued to adversely impact our financial performance in FY23 to the tune of $15.8 million, this was markedly less than last year's $28.6 million impact. This improvement helped total comprehensive income return to a profit of $3.2 million in FY23 from a loss of $24.0 million in FY22.

As described above, total comprehensive income was also impacted by our transformation investment which increased to $37.4 million in FY23 compared to $20.1 million last year.

After allowing for these items, the financial performance of our core life insurance business has improved. This reflects growth across the business broadly and, in particular, a full year's contribution from Fidelity Insurance.

Key drivers included a strong lapse performance from our Fidelity Life business, premium growth from Fidelity Insurance and favourable investment returns across both units. These positives helped offset unfavourable lapse and claims experiences from Fidelity Insurance.

Gross premiums increased by a third, reflecting the contribution of Fidelity Insurance, with gross and net claims similarly tracking higher. The increase in gross claims was driven by a large rise in income protection and trauma claims, offset by a favourable experience in life claims. Net claims increased for the same reason, as well as the fact non-life claims are generally less reinsured compared to life claims, so have a greater impact on profit.

Shareholder investment returns increased significantly to a $14.8 million gain in FY23 (as compared to a $4.5 million gain in FY22), reflecting rising interest rates. The balance of investment returns relate to policyholders, which does not flow through to the overall result.

While commission expenses grew modestly, operating expenses grew to a larger extent, reflecting our transformation investment detailed above.

Solvency and capital strength.

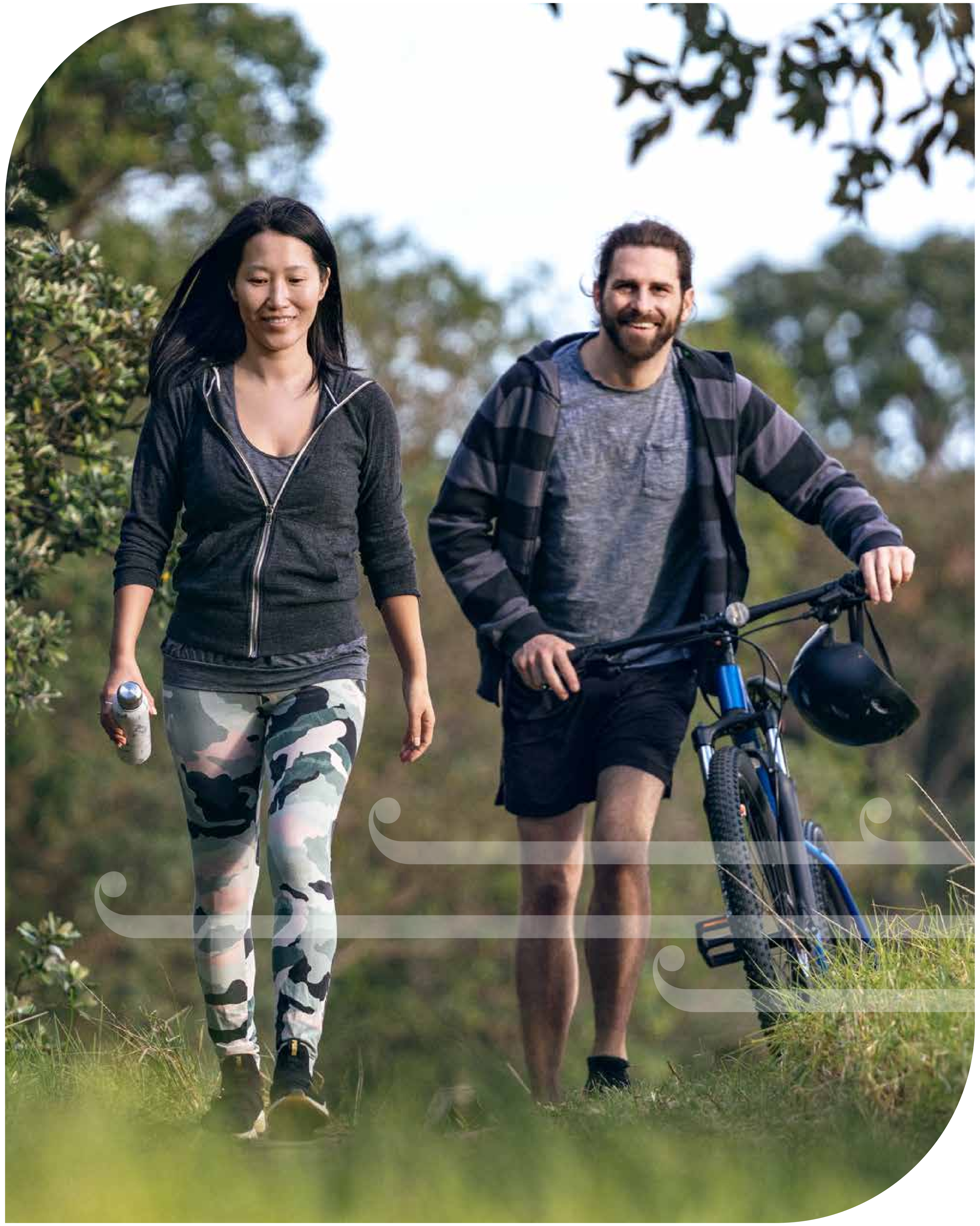
Excess capital above the Minimum Solvency Capital requirements reduced over the year from $174.8 million as at 30 June 2022 to $134.3 million as at 30 June 2023, due largely to the resumption of dividend payments.

On 15 March 2023 ratings agency AM Best affirmed Fidelity Life's A- (Excellent) financial strength rating* for the 27th consecutive year, and also affirmed the A- (Excellent) financial strength rating for Fidelity Insurance.

According to AM Best the ratings reflect each entity's respective 'very strong' balance sheet, adequate operating performance, neutral business profile and appropriate enterprise risk management. The outlook for both ratings was noted as stable.

Following the transfer of Fidelity Insurance to Fidelity Life on 30 June 2023, as explained above, on 13 July 2023 AM Best withdrew its financial strength rating for Fidelity Insurance.

* Fidelity Life Assurance Company Limited has an A- (Excellent) financial strength rating from AM Best. The rating scale that this rating forms part of is available for inspection at our offices. Visit our website for more information on our financial strength.



FY24 outlook – backing our adviser channel.

While we've made good progress in FY23, the year hasn't been without its challenges.

The Fidelity Insurance integration programme is an incredibly complex undertaking and is taking longer than originally expected. We are certainly looking forward to completing the job and shifting our attention to continuing to develop our strategic alliance with Westpac NZ so that together we can protect even more New Zealanders.

However we're broadly on track with our overall future-proofing programme. While the end of FY24 will bring a particularly intense period of change to a close, we're planning further investment in key projects, as Brian has noted.

Another priority for FY24 is to lift our game in the adviser channel. I used my opening address at our annual Engage adviser conferences in September 2023 to explain that our focus over the last few years has been on transforming ourselves internally to evolve with the changes and challenges happening externally.

This has been a conscious and necessary decision to future-proof our business, and it hasn't come without some consequences. Feedback from our Adviser council and from advisers directly is that we're lagging behind our competitors in areas like the digital tools and experiences we offer them, our products, and adviser service levels.

"We're making it our mission to make it easier for advisers to do business with us, focus on growth, and take our respective businesses to the next level."

Advisers have been central to our success since 1973 and we take their feedback seriously. So in our 50th year, and casting our minds forward to the next 50 years, at the Engage conferences we announced a renewed commitment to the adviser channel.

In support of this we unveiled several new initiatives spanning the digital, product and service spaces. We also announced plans for a substantial expansion of our highly successful Career connect adviser skills and training course. The three-tiered Adviser Edge programme will support advisers' training and development at every stage of their career, and is set to launch in the market in early 2024.

Together, these initiatives represent the start of a new chapter for Fidelity Life and advisers. It will take a sustained effort, but we're making it our mission to make it easier for advisers to do business with us, focus on growth, and together take our respective businesses to the next level.

From FY25 our goal is to be a more efficient, effective and productive life insurer, so we can meet New Zealanders' life insurance needs better than anyone else in market.

Reaching this goal will create even more choice and opportunity for us to grow beyond FY25 – the choice to innovate and differentiate, and the opportunity to provide meaningful and affordable help to those New Zealanders who need us most.

I've enjoyed the past six months as Acting CEO and am proud of what we've achieved during FY23, moving ever closer to our purpose of giving New Zealanders certainty to enjoy a more rewarding life.

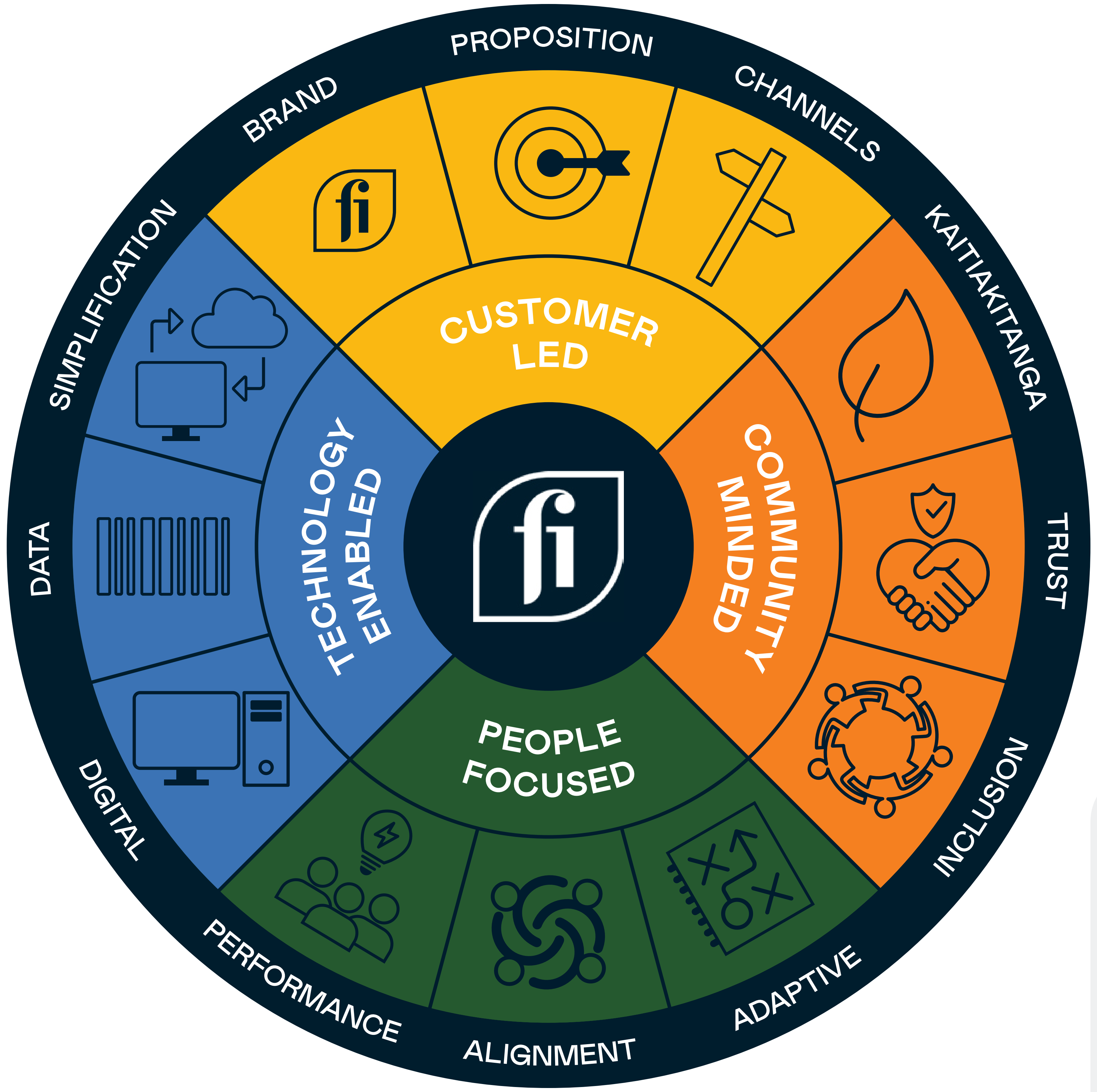
I've been fortunate to have had a strong Executive team and supportive Board alongside me during this time and we're all very much looking forward to an exciting new era beginning when Campbell Mitchell steps into the CEO role from mid-October.

The power of financial advice and insurance protection, combined with our collective community and environment efforts, mean together we can continue making a real and lasting difference to New Zealand and New Zealanders.

Ian Clancy
Acting CEO

Staying focused on what matters most.

Our strategy compass aligns everything we do with our purpose. It ensures we remain focused on 12 strategic priorities anchored on four key themes: customer led, community minded, people focused and technology enabled.



Our enterprise scorecard tracks our progress by the value and outcomes we're delivering to our four key stakeholder groups: our customers (and advisers/partners), our people, our shareholders and our community.

Customers.

Success looks like:
Exceptional customer experiences.

People.

Success looks like:
Exceptional people experiences.

Shareholders.

Success looks like:
Sustainable, profitable growth.

Community.

Success looks like:
Strong, trusted reputation.

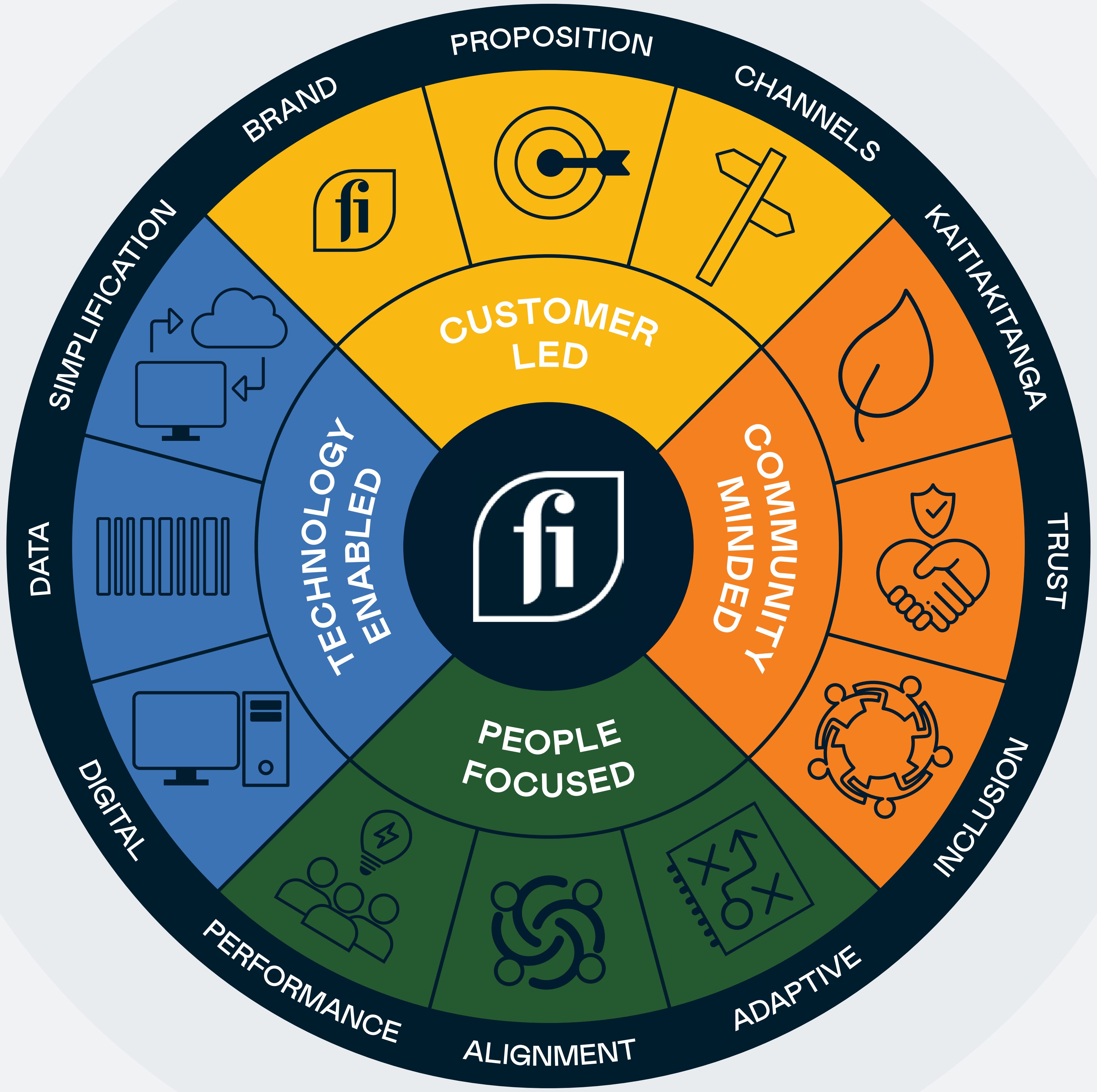
FY23 transformation highlights.

Customer led.

- Supported almost 1,800 advisers to comply with the new financial advice regime, enabling them to continue partnering with us and protecting more New Zealanders.
- Established a 10-member Adviser council to provide us with objective feedback on our future initiatives and propositions.
- Launched Cancer companion, a New-Zealand first support service that equips customers to better navigate their cancer diagnosis.
- Handled 52,411 calls and processed 128,752 requests from customers and advisers.

Technology enabled.

- New people, risk management and document storage solutions launched.
- Improved system stability and cyber security.
- Increased adoption of cloud technology across the business.
- 30 functional software releases on the Tahi platform.
- Acquisition of a new cloud based automated underwriting solution.



Community minded.

- Launched our new risk management system, Rex, which provides better visibility and insights into our organisation risks, obligations and incidents.
- Reduced our carbon footprint by 55%.
- Celebrated the first 11 newly qualified financial advisers from our Career connect programme.
- Engaged our people and advisers in our Outward Bound and Bellyful sponsorships.

People focused.

- Refreshed our employee proposition with enhanced leave benefits.
- Developed a Diversity, Equity, Inclusion and Belonging (DEIB) strategy.
- Launched My place, a new integrated human resources system which provides a central source of people data, enabling better quality planning and decision making.
- Launched a new Code of Conduct to guide our way of working and ensure we meet our customer commitments and regulatory obligations.

Here for the long term good of New Zealand.

Environment, Social and Governance (ESG) principles are a strong fit with our nature-and people-inspired brand, and with our community minded strategic focus. In FY23 we continued to make steady progress.

Environment.

We do what we can to be a sustainable business and reduce our impact on the environment.

Reducing our carbon footprint.

In 2021 we joined New Zealand's journey towards a lower carbon future by signing up to Toitū Envirocare's carbonreduce programme.
We measure our greenhouse gas emissions each year in accordance with global best practice and work towards reduction targets.

FY23 highlights:

- Our Engage adviser conference in July 2022 was a Toitū certified carbonzero event.
- Our total gross greenhouse gas emissions for the year ended 30-June 2022 were 225 tonnes of CO_2 (carbon dioxide), down 55% from 503 tonnes in 2021. At the time of writing we're measuring our FY23 emissions.

Business-related travel is the biggest contributer to our emissions. Our top 4 sources are:

Staff commuting.
25%

Electricity.
20%

Air travel.
18%

Company cars.
16%

Social.

Our community and sponsorship initiatives aim to make a difference to the lives of New Zealanders.

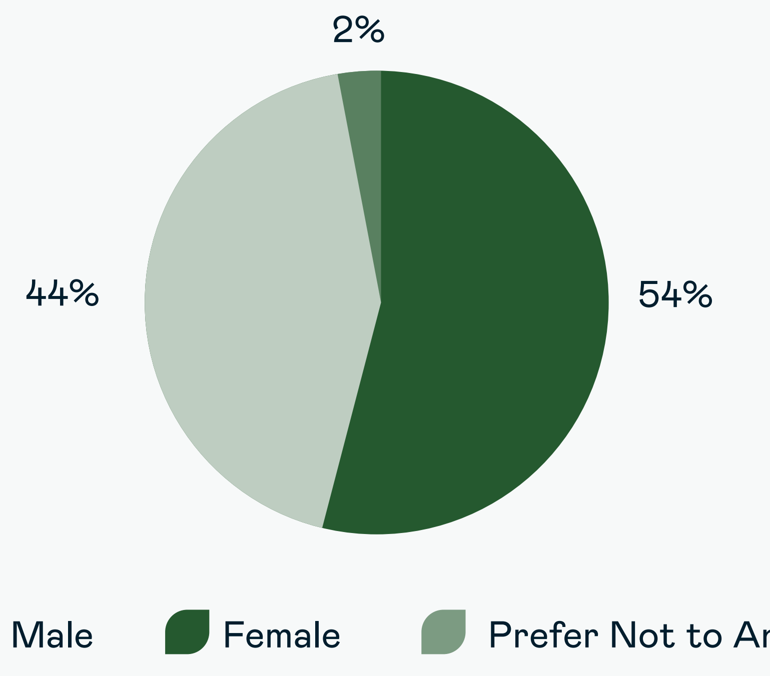
Diversity, equity, inclusion and belonging (DEIB).

We know that to be here for all New Zealanders, we need to reflect the diversity of our communities. Ultimately that means diversity at all levels of our organisation; across our people, advisers, partners, and customers, with equitable outcomes and experiences for all.

FY23 highlights:

- Developed our DEIB strategy.
- Commenced collection of DEIB data in My place, our new integrated human resources system, starting with the gender and ethnicity of our people. Data shown below and at right as at August 2023:

Gender diversity.



Ethnic diversity.

Social.

Career connect
from fidelity life

Career connect.

We launched Career connect, our skills and training programme to develop New Zealand's next, more diverse generation of financial advisers. The programme helps up to 40 candidates each year gain the required qualifications and skills, and then connects them with financial advice businesses for potential employment to kick start their new careers.

FY23 highlights:

- 110 applications received.
- 12 scholarships awarded, including two rural scholarships provided by FMG, one of our strategic alliance partners.
- 11 newly-qualified financial advisers graduated from our inaugural intake, with 5 immediately commencing roles with advice businesses around New Zealand.

auticon

First to partner with auticon.

We were the first organisation in New Zealand to partner with auticon, the largest autistic majority company in the world, employing over 465 autistic technologists in 15 countries. auticon helped our leaders and people upskill on ways to provide a more inclusive working environment for neurodivergent employees.

FY23 highlights:

- Neuro-inclusion training delivered.
- 2 auticon consultants completed short-term projects.

Social.

OUTWARD BOUND
— EST. ANAKIWA NZ 1962 —

Outward Bound.

Based in Anakiwa in the Marlborough Sounds, Outward Bound helps people realise their potential through learned experiences of challenge, success and self-reflection, commonly utilising the outdoors and its elements to teach key life skills.

Our sponsorship supports 20 diverse young New Zealanders to complete a 21-day course at Anakiwa per year, as well as courses for advisers and our people.

FY23 highlights:

- 20 students were awarded scholarships and completed a course.
- 5 advisers completed a professional course.
- 7 Fidelity Life people completed a leadership course.

Bellyful

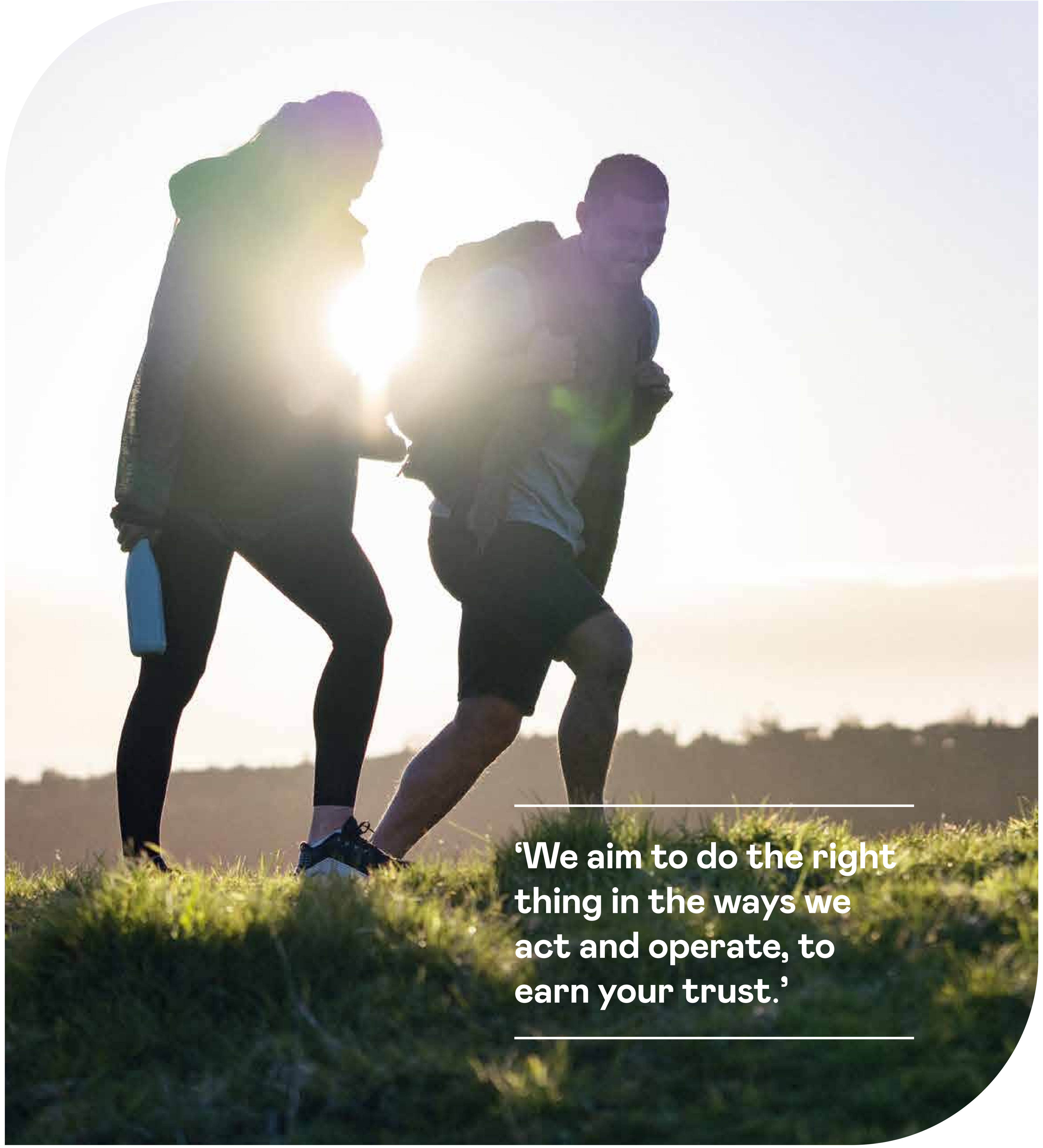
Bellyful.

Bellyful is a growing, nationwide volunteer-driven charity, which nourishes and connects communities by cooking and delivering free meals to families with babies or young children who need support.

Our sponsorship helps scale and expand Bellyful's operations through attending cookathons and conducting food drives.

FY23 highlights:

- We funded 5,000 meals.
- We supported 720 families around New Zealand.
- 90% of recipients said Bellyful made them feel cared for.



Governance.

We aim to do the right thing in the ways we act and operate, to earn your trust.

Our customers are at the heart of what we do.

We established 3 principles to guide our ways of working and serve the needs of our customers. Our people work to provide you with:

Trust
We do the right thing and provide you with certainty.

Value.
We offer quality products and services that are suitable.

Clarity.
We provide products and services that are clear and easy to understand.

We foster a culture of good conduct.

Our Code of Conduct guides our way of working with each other, businesses, advisers, customers, partners, and all stakeholders. It helps to bring our company values to life and achieve our purpose of protecting New Zealanders' way of life and ensures we meet the expectations of the regulatory and legislative environment that we operate within.

As a long-standing member of the Financial Services Council (FSC) we're also committed to complying with the FSC Code of Conduct.

We also have policies and processes in place that set out how we operate responsibly and ethically, including:

- Complaints.
- Conflicts of interest.
- Privacy statement.
- Vulnerable customers.
- Whistleblower.

For more information about governance at Fidelity Life please refer to the Statement of corporate governance.

Our financial strength rating: A- (Excellent).

Fidelity Life has maintained an A- (Excellent) financial strength rating from AM Best since December 1996.

The rating scale that this rating forms part of is available for inspection at our offices. Visit our website for more information on our financial strength.

Here when we're most needed.

Fidelity Life customers - claims highlights.

1-July 2022 to 30-June 2023.

Life.

$77.4m paid out in all claims.

100 Oldest age.
25 Youngest age.
69 Average age.

Top conditions.

32% Cancer.
23% Cardiovascular conditions.
14% Respiratory conditions.

Income protection.

$40.0m paid out in all claims.

66 Oldest age.
20 Youngest age.
45 Average age.

Top conditions.

53% Injury to bones, muscles, limbs & joints.
13% Cancer.
8% Neurological conditions.

Trauma & Trauma multi.

$29.1m paid out in all claims.

82 Oldest age.
2 Youngest age.
52 Average age.

Top conditions.

56% Cancer.
24% Cardiovascular conditions.
13% Neurological conditions.

Total & permanent disability (TPD).

$2.7m paid out in all claims.

65 Oldest age.
40 Youngest age.
56 Average age.

Top conditions.

43% Neurological conditions.
29% Cardiovascular conditions.
14% Cancer.

Here when we're most needed.

Fidelity Insurance customers - claims highlights.

1-July 2022 to 30-June 2023.

Life.

$44.6m paid out in all claims.

101 Oldest age.
22 Youngest age.
71 Average age.

Top conditions.

31% Cancer.

28% Respiratory & circulatory conditions.

Disability income.

$2.7m paid out in all claims.

65 Oldest age.
20 Youngest age.
48 Average age.

Top conditions.

40% Accident & disability.

15% Cancer.

Trauma.

$13.1m paid out in all claims.

67 Oldest age.
25 Youngest age.
50 Average age.

Top conditions.

63% Cancer.

17% Respiratory & circulatory conditions.

13% Nervous system conditions.

Other.*

$0.1m paid out in all claims.

65 Oldest age.
26 Youngest age.
46 Average age.

Top conditions.

50% Nervous system conditions.

25% Accident & disability.

25% Respiratory & circulatory conditions.

* Other refers to Redundancy/Bankruptcy and TPD cover claims.

Financial summary.

For the years ended 30 June.

	2023[1]	2022[1]	2021	2020	2019
Insurance premium revenue ($'000)	450,350	338,365	278,606	275,478	269,493
Investment income/(loss) ($'000)	24,898	(9,745)	18,094	3,721	15,332
Claims expense ($'000)	209,738	164,613	130,786	139,720	125,715
Net (loss)/profit after taxation ($'000)	3,216	(23,986)	4,329	20,111	18,254
Ordinary dividend per share	–	–	–	–	–
Special dividend per share	–	–	–	–	–
Earnings per share	$0.72	($8.27)	$2.07	$9.62	$8.73
Shareholders' equity ($'000)	630,747	632,584	359,584	355,255	337,336
Net policyholder (assets)/liabilities ($'000)	(109,428)	(87,908)	(93,268)	(77,936)	(55,882)
Total assets ($'000)	1,120,700	1,178,560	642,791	647,710	647,305
Shares on issue ('000)	4,493	4,491	2,091	2,091	2,091

[1] The 2023 and 2022 numbers are not directly comparable with prior years due to the acquisition of Fidelity Insurance Limited ('FIL') in 2022 and consequential inclusion of FIL's net assets from 30 June 2022 and net result from 28 February 2022.

Statement of corporate governance.

For the year ended 30 June 2023.

Role of the Fidelity Life Board.

Note – the following information applies to the Board of Fidelity Life Assurance Company Limited. Additional information is provided in relation to the Board of subsidiary company Fidelity Insurance Limited where applicable.

Fidelity Life Assurance Company Limited (Fidelity Life, the Company) is committed to sound and prudent corporate governance. The Board of Directors oversees the Company's business and is responsible for its corporate governance. The Board sets broad corporate policies and works with management to set strategic direction with the objective of protecting the Company's policyholders and creating and building sustainable value for shareholders while having due regard for its stakeholders and the communities and regulatory environment in which it operates.

The Board includes in its decision making: dividend payments, the management of capital and the approval of annual and interim financial statements.

The Board is accountable for the performance of the Company and its compliance with laws and applicable standards. The Board of each subsidiary company is responsible for the performance of the subsidiary and compliance by the subsidiary with laws and applicable standards.

The Board draws on best practice corporate governance principles to assist with its oversight of the business. The Board is committed to maintaining the highest standards of governance by implementing frameworks, practices and processes that it considers reflect best practice and encompass relevant professional standards. The Board reviews its performance against these frameworks, practices and processes regularly.

Board membership.

Each shareholder who holds more than 20 percent of the ordinary shares in Fidelity Life (Large Shareholder) may appoint one Director (Appointed Director) for every complete 20 percent holding of ordinary shares. The Fidelity Family Trust may appoint one Director if it holds at least 10% of the ordinary shares in Fidelity Life.

As at 30 June 2023, the New Zealand Superannuation Fund (49.62 percent) was eligible to appoint two Directors, Ngāi Tahu Holdings (24.93 percent) was eligible to appoint one Director, and the Trustees of the Fidelity Family Trust (14.64 percent) were eligible to appoint one Director. The balance of the Board is elected by the shareholders of the Company by ordinary resolution.

The Company's Constitution provides for a minimum of five Directors and a maximum of nine Directors; with at least two being ordinarily resident in New Zealand.

The Board may appoint Directors to fill casual vacancies that occur or add persons to the Board up to the maximum number prescribed by the Constitution.

A Director appointed by the Board holds office until the next Annual Meeting, at which time that Director is eligible for election by the shareholders. A Large Shareholder who appoints a Director may remove or replace that Director. Other Directors may be removed by a shareholder ordinary resolution.

As at 30 June 2023 the Board consisted of seven non-executive Directors, including a non-executive Chair. Of these seven, the New Zealand Superannuation Fund had two Appointed Directors, Ngāi Tahu Holdings had one Appointed Director, and the Trustees of the Fidelity Family Trust did not have an Appointed Director.

During FY23, The New Zealand Superannuation Fund appointed Simona Turin to the Board on 15 July 2022. The process set out in the Company's Constitution was followed for this appointment.

During FY23, Jeffrey Meltzer retired from the Board on 31 March 2023.

Alan Gourdie announced his retirement from the Board on 27 September 2023 and will formally stand down at our Annual Meeting on 30 November 2023.

The Nomination Committee has a formal process by which it assesses the diversity of skills and experience required on the Board. In FY24 the Board will review the Director skills matrix and expects to return to its full complement of eight directors.

Each Large Shareholder that is entitled to appoint a Director may appoint an observer to the Board. Observers may attend and speak at Board meetings and receive all documents provided to Directors but do not have any right to vote at Board meetings. The New Zealand Superannuation Fund and the Trustees of the Fidelity Family Trust have each appointed an observer to the Board. The Trustees of the Fidelity Family Trust have also appointed an alternate observer in the event that the appointed observer is unavailable.

Delegation to management.

The Board has formally delegated to the Chief Executive Officer the day-to-day management of the Company. Comprehensive formal delegations of financial authority to management are in place, as are agreed policy frameworks for the principal operational aspects of the Company.

The Chief Executive Officer recommends to the Board changes in the business, performance, goals, strategies and plans of the Company. Annual budgets and longer term strategic financial plans are agreed by the Board, which monitors management's performance relative to these goals and plans. Management is responsible for promoting risk management across the organisation and liaising with the Board about these matters.

To keep the Board informed about the business, it is provided with regular operating and financial reports, together with access to senior management at Board and Committee meetings.

Risk management.

Risk management is an integral part of Fidelity Life's business. Fidelity Life has a Risk Management Programme which enables it to identify, manage and report on its fulfilment of regulatory obligations and material risks.

The Board and its Committees document their duties and authorities which include the oversight and monitoring of the day-to-day management of business risks faced by the Company and its subsidiaries. In order to ensure that procedures are current and comprehensive, the responsibilities of each Committee are reviewed on a periodic basis.

Fidelity Life has a fit for purpose Risk Management Framework, Risk Appetite Statement, policies and programmes. These are proportionate to the scale and complexity of its operations and safeguard good customer outcomes and the Company's assets, performance and reputation.

Within FY23, Fidelity Life uplifted its risk capability via the delivery of Project Mōhio which includes the creation of new Risk Appetite Statements and successful implementation of the new Risk Management System "Rex." Risk culture was also uplifted in FY23 by the Risk Essentials Campaign which involved new Risk and Compliance training modules being created and completed by employees. Risk based conversations are commonplace amongst Fidelity Life employees and by the end of the financial year, the Company's risk maturity metrics were achieved.

Health, safety and wellbeing.

Fidelity Life is committed to providing a healthy, safe and harm-free work environment for all employees, contractors or visitors of Fidelity Life and its subsidiary companies. Fidelity Life is committed to its continual and progressive improvement in its health, safety and wellbeing performance which is formally evaluated on an annual basis using externally benchmarked health and safety tools and analysis.

Fidelity Life's commitments and requirements for health, safety and wellbeing are set out in the Health, Safety and Wellbeing Board Policy which is reviewed annually.

Directors' insurance and indemnities.

In accordance with the Company's Constitution and the Companies Act 1993, the Company has arranged Directors' & Officers' liability insurance which, together with a deed of indemnity, ensure that Directors will incur no monetary loss, subject to certain exceptions which are normal in such indemnities, arising out of acts or omissions of Directors or employees in that capacity. The Directors certified that the premium was fair and reasonable. This insurance extends to Directors acting in their capacity as a Director of a subsidiary or related company.

Committees.

The Board has formally established the following committees to act for, and/or make recommendations to, the full Fidelity Life Board. All committees act under formal charters which set out the role, authority and operation of the committee.

1. Audit, Risk and Conduct Committee.

Formerly known as the Audit and Risk Committee, the Committee provides oversight of the effectiveness of the Fidelity Life's financial and risk functions and reporting, acting as a link between the Board and the internal and external auditors. The Committee is responsible for establishing and evaluating risk management policies and procedures for risk assessment. Committee membership is reviewed annually.

On 31 March 2023, Jeff Meltzer retired from the Board and therefore retired from the Audit, Risk and Conduct Committee.

Members at 30 June 2023: Lindsay Smartt (Chair), Mel Hewitson, Samuel Inglis, and Brian Blake (ex-officio).

2. People and Performance Committee.

The Committee's primary purpose is to establish sound remuneration strategies, policies and practices. Responsibilities for the Committee include reviewing and recommending remuneration levels and packages for Directors, the Chief Executive Officer and senior executives.

Members at 30 June 2023: Nicola Greer (Chair), Mel Hewitson, and Brian Blake (ex officio).

3. Nomination Committee.

The Committee is responsible for planning the Fidelity Life Board's composition and the appointment of new Directors.

On 15 July 2022 Simona Turin was appointed to the Fidelity Life Board, and therefore joined the Nomination Committee at the date of her appointment to the Fidelity Life Board. On 31 March 2023, Jeff Meltzer retired from the Fidelity Life Board and therefore retired from the Nomination Committee.

Members: all Directors.

4. Technology Advisory Committee.

The Committee is responsible for developing and overseeing Fidelity Life and its subsidiaries' digital strategy, providing input into technology delivery and promoting digital agility to respond to changing business requirements.

On 15 July 2022 Simona Turin was appointed to the Board and joined the Technology Advisory Committee.

Members at 30 June 2023: Alan Gourdie (Chair), Simona Turin, and Brian Blake (ex officio).

Board attendance.

Attendance at the scheduled and unscheduled formal meetings of the Fidelity Life Board and its committees for the period 1 July 2022 to 30 June 2023 is shown in the table below.

The annual schedule of Board and committee meetings is decided in advance in order to ensure, so far as possible, the availability of all Directors. Unscheduled meetings of the Board or Committees may occur on short notice. In the event that Directors are unable to attend any meeting, they receive papers in the normal manner and have the opportunity to provide comments and questions in advance of the meeting.

	Board		Audit & risk		Nomination	People & performance	Technology advisory	Totals
	Scheduled	Unscheduled	Scheduled	Unscheduled	Unscheduled	All	All	
Meetings	8	7	4	1	3	6	9	**38**
Brian Blake	8	7	4	1	3	6	9	**38**
Alan Gourdie	8	5	n/a	n/a	3	n/a	9	**25**
Nicola Greer	8	6	n/a	n/a	3	6	n/a	**23**
Mel Hewitson	8	7	4	1	3	6	n/a	**29**
Samuel Inglis	8	7	4	0	3	n/a	n/a	**22**
Jeff Meltzer*	6	6	2	1	2	n/a	n/a	**17**
Lindsay Smartt	8	7	4	1	3	n/a	n/a	**23**
Simona Turin+	8	7	n/a	n/a	3	n/a	9	**27**

*Jeff Meltzer retired from the Board on 31 March 2023.
+Simona Turin joined the Board, the Nomination Committee, and the Technology Advisory Committee on 15 July 2022.
Directors may attend any meeting by videoconference. An n/a indicates that the Director is not a member of that particular committee.

Subsidiaries.

1. Fidelity Insurance Limited.

Fidelity Insurance Limited is a wholly owned subsidiary of Fidelity Life. During FY23, in order to simplify the structure of the Fidelity Group, Fidelity Insurance transferred its insurance business, including but not limited to all insurance policies it has on issue, to Fidelity Life (Portfolio Transfer).

On 6 March 2023, all employees of Fidelity Insurance were transferred to the employ of Fidelity Life and at the end of FY23, the Portfolio Transfer was completed. Fidelity Insurance ceased trading and cancelled its insurance licence under the Insurance (Prudential Supervision) Act 2010 on 30 June 2023.

Ronald James Hill (Chair of the Fidelity Insurance Board) and David Benison retired from the Fidelity Insurance Board on 30 June 2023. Brian Blake, Nicola Greer, Mel Hewitson and Lindsay Smartt remained on the Fidelity Insurance Board at 30 June 2023. It is Fidelity Life's intention to wind up Fidelity Insurance due to it being a non-trading entity.

2. Fidelity Life Custodial Services Limited.

Fidelity Life Custodial Services Limited is a wholly-owned subsidiary of Fidelity Life and the bare trustee for approximately 60 minority shareholders. Its Directors are Brian Blake and Alan Gourdie. Alan Gourdie announced his retirement from the Board of Fidelity Life on 27 September 2023, and will formally stand down at our Annual Meeting on 30 November 2023. He will also retire as a director of Fidelity Life Custodial Services at this time.

Directors' remuneration.

The level of non-executive Fidelity Life Directors' base remuneration was last approved at the Annual Meeting on 2 November 2021 as $82,000 per Director and $164,000 for the Chair. This remained unchanged for FY23.

A Director remuneration pool, in addition to base remuneration, payable to all Directors taken together for the 2022 financial year in the amount of $50,000 was approved at the Annual Meeting on 2 November 2021 to remunerate Directors for Committee work. The quantum of the Director remuneration pool remained unchanged for FY23. The total Director remuneration pool for Committee work for the 2023 financial year was not fully exhausted in that $28,000 of the $50,000 was paid to Directors for Committee work. The Chairs of the Audit, Risk and Conduct Committee, the Technology Advisory Committee and the People and Performance Committee received $12,000, $10,000 and $6,000 respectively from the approved Director remuneration pool for their Committee work.

The Directors of Fidelity Life holding office during the 2023 financial year and their total remuneration and other benefits are shown below.

Fidelity Life Director	Total Fidelity Life Remuneration FY23
Brian Blake (Chair)	$164,000
Alan Gourdie	$92,000
Nicola Greer	$88,000
Mel Hewitson	$82,000
Samuel Inglis	$82,000
Jeff Meltzer**	$61,500
Lindsay Smartt	$94,000
Simona Turin*	$78,880

*Simona Turin joined the Board on 15 July 2022.
**Jeff Meltzer retired from the Board on 31 March 2023.

From 28 February 2022, the level of non-executive Fidelity Insurance Directors' base remuneration was set at $63,500 per Director and $100,000 for the Chair. The Chair of the Fidelity Insurance Audit, Risk and Conduct Committee receives an additional $10,000 per annum.

The Directors of Fidelity Insurance holding office during the 2023 financial year and their total remuneration and other benefits are shown below.

Fidelity Insurance Director	Total Fidelity Insurance Remuneration FY23
Ronald Hill (Chair)+	$100,000
David Benison+	$63,500
Brian Blake	$63,500
Nicola Greer	$63,500
Mel Hewitson	$63,500
Lindsay Smartt	$73,500

+Ronald James Hill and David Benison retired from this Board on 30 June 2023 when Fidelity Insurance transferred its business to Fidelity Life.

It is Fidelity Life's intention to wind up Fidelity Insurance due to it being a non-trading entity.

Other interests in Fidelity Life shares.

Samuel Inglis, who was appointed to the Board by Ngāi Tahu Holdings, is the Chief Operating Officer of Ngāi Tahu Holdings which as at 30 June 2023 held 1,120,000 (2022: 1,120,000) shares in Fidelity Life.

Jeff Meltzer is a Trustee of the Fidelity Family Trust which as at 30 June 2023 held 657,936 (2022: 657,936) shares in Fidelity Life. Jeffrey Meltzer retired from the Fidelity Life Board on 31 March 2023.

Independence.

For the purpose of assessing the independence of any Director the Board has adopted the Reserve Bank of New Zealand's Governance Guidelines Licenced Insurers (June 2011) (Guidelines), including legislation referenced in the Guidelines. The adoption of the Guidelines is also consistent with the Fidelity Life Constitution's definition of Independent Director.

When assessing Director independence, the Board and each Director will have regard to the scope and intent of the Guidelines in the context of the Constitution. It is noted that the Constitution regulation 11.1 states "For clarity, an Appointed Director may be an Independent Director".

The Board has assessed the following Directors as at 30 June 2023 to be Independent Directors: Brian Blake, Alan Gourdie, Nicola Greer, Mel Hewitson, Lindsay Smartt, and Simona Turin. Samuel Inglis is not an independent director.

Ethics.

The Board has adopted the New Zealand Institute of Directors' Code of Proper Practice for Directors. The Board acknowledges the need for the continued maintenance of a high standard of corporate governance practices and ethical conduct by all of our directors and employees.

Avoiding conflicts of interest.

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest between their duty to Fidelity Life and their own interests, and between subsidiary companies. The Directors of Fidelity Life and Fidelity Insurance completed an external online training session prepared by Bell Gully to effectively identify, disclose and manage conflicts of interest.

Where potential conflicts of interest do exist, a Director must disclose this interest so that other members of the Board can determine the most appropriate way of mitigating any actual or perceived conflicts of interest. Directors and employees are required to minimise any potential conflicts in line with the Conflicts of Interest policy.

Directors' shareholdings.

In the event that Directors and senior management wish to trade in the Company's shares they must refrain from doing so except for the periods from the announcement of the annual results to 30 November, and the announcement of the interim results to 30 April; and must refrain from trading at any time if they have market sensitive information.

As at 30 June 2023, no Director directly or indirectly held shares in Fidelity Life. No Director traded Fidelity Life shares during the 2023 financial year.

Other information.

Shareholders.

The names and holdings of the ten largest shareholders of the Company as at 30 June 2023 are:

Shareholder	Shares held
1. Guardians of New Zealand Superannuation	2,229,159
2. Ngāi Tahu Holdings	1,120,000
3. Whale MJ & Meltzer JP	657,936
4. Burgess GAJ & Burgess MS	292,283
5. Fidelity Life Custodial Services Limited	84,128
6. Gold Star Corporation Limited	80,000
7. Ballynagarrick Investments Limited	6,050
8. Hamilton YD, Vanderwee JC, Hamilton RB & Hamilton GR	5,701
9. Watson HJ	2,073
10. Watson MW	2,072

Auditor.

PricewaterhouseCoopers have indicated their willingness to continue as auditor of Fidelity Life and any subsidiary, if applicable.

Events after balance date.

The Directors are not aware of any matter or circumstance since the end of the financial year, not otherwise dealt with in this report or attached financial statements that has significantly affected the operations of the Company or its subsidiaries.

Credit rating.

The AM Best financial strength rating for Fidelity Life Assurance Company Limited is A- (Excellent) with a stable outlook.

See the rating table below.

This rating was affirmed on 15 March 2023 and the rating of A- (Excellent) remained unchanged following the Portfolio Transfer.

All the insurance contracts inside Fidelity Insurance Statutory Fund No 1 were transferred into the Fidelity Life Statutory Fund No 1 on 30 June 2023. Consequently, the rating for Fidelity Insurance was withdrawn as the affected policyholders are now covered by Fidelity Life which has an identical financial strength rating.

AM Best's Financial Strength Rating (FSR) Scale.

A- (Excellent)

Fidelity Life has an A- (Excellent) financial strength rating given by AM Best.

Secure

A++, A+ (Superior)
A, A- (Excellent)
B++, B+ (Good)

Vulnerable

B, B- (Fair)
C++, C+ (Marginal)
C, C- (Weak)
D (Poor)
E (Under Regulatory Supervision)
F (In liquidation)
S (Suspended)

Annual meeting.

The next Annual Meeting of Fidelity Life Assurance Company Limited will be held at the Park Hyatt Auckland hotel, 99 Halsey Street, Auckland 1010 on 30 November 2023 commencing at 11am.

Employee remuneration.

During the financial year the number of employees or former employees (excluding non-executive Directors of Fidelity Life and its subsidiaries) who received remuneration and grossed-up benefits in their capacity as employees of Fidelity Life and its subsidiaries, the value of which was or exceeded $100,000 per annum, is shown in the following table*.

Remuneration ranges	Number of employees or former employees	
	FY23	FY22
$1,000,000+	1	0
$930,000 – $940,000	0	1
$820,000 – $830,000	0	1
$650,000 – $660,000	0	1
$600,000 – $610,000	2	0
$590,000 – $600,000	1	0
$530,000 – $540,000	1	1
$480,000 – $490,000	1	0
$460,000 – $470,000	0	3
$400,000 – $410,000	0	1
$360,000 – $370,000	0	1
$350,000 – $360,000	1	0
$340,000 – $350,000	1	2
$330,000 – $340,000	2	1
$320,000 – $330,000	5	0
$310,000 – $320,000	1	0
$300,000 – $310,000	1	2
$290,000 – $300,000	2	1
$280,000 – $290,000	2	0
$270,000 – $280,000	1	1
$260,000 – $270,000	4	1
$250,000 – $260,000	5	1
$240,000 – $250,000	1	3
$230,000 – $240,000	2	0
$220,000 – $230,000	2	5
$210,000 – $220,000	4	6
$200,000 – $210,000	6	6
$190,000 – $200,000	6	6
$180,000 – $190,000	9	6
$170,000 – $180,000	8	10
$160,000 – $170,000	12	9
$150,000 – $160,000	11	15
$140,000 – $150,000	15	12
$130,000 – $140,000	19	14
$120,000 – $130,000	16	17
$110,000 – $120,000	25	13
$100,000 – $110,000	21	18
	188	158

*The figures shown in the FY23 column include employees who began FY23 working for Fidelity Insurance but were transferred to Fidelity Life during the financial year as part of our integration programme. There were no remaining Fidelity Insurance employees as at 30 June 2023. The figures shown in the FY22 column include employees of Fidelity Life and Fidelity Insurance combined to provide an accurate comparison of the remuneration paid to all employees of the Group for FY22 and FY23.

Directory/external services.

Fidelity Life Board of Directors.

Brian Blake
BCA FACA CMA CMInstD

Director: Fidelity Insurance, Fidelity Life Custodial Services.

Ceased FY23

Director: Joylab Group, Joylab Holdings.

Alan Gourdie
Msc (Hons)

Director: Fidelity Life Custodial Services, Flatwhite Property, Healthcare Applications

Exec Director: Quantiful.

Chair: Eden Park

Added FY23

Director and CEO: The Tiny Cargo Company.

Alan Gourdie announced his retirement from the Board on 27 September 2023, and will formally stand down at our Annual Meeting on 30 November 2023. He will also retire as a director of Fidelity Life Custodial Services at this time.

Lindsay Smartt
BA FIAA FNZSA FAICD

Chair (Australia): IOOF Investment Management, NULIS Nominees, Oasis Fund Management, OnePath Custodians.

Director: Fidelity Insurance.

Director (Australia): The Infants' Home.

Ceased FY23

Director (Australia): Westpac Life Insurance Services.

Nicola Greer
MCom (Hons)

Director: Fidelity Insurance, Awarua Holdings, New Zealand Railways Corporation, Precinct Properties NZ, South Port NZ.

Member: NZX Markets Disciplinary Tribunal.

Ceased FY23

Director: Airways Corporation of New Zealand, Airways International.

Jeff Meltzer
JP BCom FCA CMInstD AAMINZ, Chartered Accountant

Partner: Meltzer Mason.

Chair: Big Buddy Foundation.

Trustee: Fidelity Family Trust.

Ceased FY23

Director: Fidelity Life Assurance Company.

Jeff Meltzer retired from the Fidelity Life Board during the 2023 financial year and the disclosure of his interests above are as disclosed to Fidelity Life at the time of his retirement on 31 March 2023.

Samuel Inglis
MBA, LLB, BA

Director: Hilton Haulage GP, Hobsonville Development GP, New Ground Living (Hobsonville Point), Ngāi Tahu Capital (Australia), Puketeraki, Taramea Fragrance.

Chief Operating Officer: Ngāi Tahu Holdings.

Added FY23

Director: Bendemeer Trustees Company.

Ceased FY23

Director: Trailblazer.

Mel Hewitson
MNZN MA BSocSci CMInstD AIF CCB.D

Chair: Nominating Committee for Waikato-Tainui Group Investment Committee.

Director: Fidelity Insurance, Domain Name Commission, Housing Foundation, Housing Foundation No.1, Ngāti Whātua Ōrākei Whai Maia, Ngāti Whātua Ōrākei Education, Ngāti Whātua Ōrākei Health, Simplicity NZ.

Trustee: Foundation North, NZ Housing Foundation.

Independent Member: FINDEX Advice Services NZ Limited Investment Committee.

Added FY23

Chair: NZ Trade & Enterprise Active Investor Plus Visa Advisory Panel.

Director: NZ Green Investment Finance Solar Investments, Southern Cross Travel Insurance.

Simona Turin
MBA, BA

Director: Nomos, Nomos One, Nomos One Trustee.

Director Professional Development: Women on Boards – WOBSX Syndicate.

Founder: GetReal.

Added FY23

Director and Chief Product and Experience Officer: AskNicely.

Director: Quantiful.

Ceased FY23

Director: Planday.

Executive General Manager Business Products: Xero.

Other Fidelity Insurance Board of Directors.

Fidelity Insurance transferred its insurance business to Fidelity Life on 30 June 2023. Ronald James Hill and David Benison retired from the Fidelity Insurance Board on 30 June 2023.

Ronald James Hill

CFInstD, FCA (ICAEW)

Chair: Caspex Corporation.
Trustee: Ralph & Eve Seelye Charitable Trust.
Ceased FY23
Fidelity Insurance.

David Benison

BSC (Econ) FNZSA (retired member)

Ceased FY23
Fidelity Insurance.

Remuneration paid to Directors of subsidiary companies is included under the Directors' Remuneration section.

Company officers at 30 June 2023.

Acting Chief Executive Officer: Ian Clancy

Chief Financial Officer: Simon Pennington

Appointed Actuary: Chris Marston-Fergusson

Alternate Appointed Actuary: John Smith

Company Secretary: Marcus McClosky

Solicitors.

Bell Gully, Simpson Grierson, Chapman Tripp.

Bankers.

Westpac Banking Corporation.

ANZ Bank New Zealand Limited.

ASB Bank Limited.

Bank of New Zealand.

Group External Auditor.

PricewaterhouseCoopers.

Group Internal auditor.

KPMG.

Investment managers.

Harbour Asset Management Limited.

Mercer (NZ) Limited.

Mint Asset Management Limited.

Nikko Asset Management New Zealand Limited.

Russell Investment Group Limited.

Reinsurers.

General Reinsurance Life Australia Limited.

Hannover Life Re of Australasia Limited.

Munich Reinsurance Company of Australasia Limited.

RGA Reinsurance Company of Australia Limited.

Swiss Re Life and Health Australia Limited.

AXIS Re.

HCC International Insurance Company.

Registered office.

Fidelity Life House, Level 4, 136 Fanshawe Street, Auckland.

Telephone 09 373 4914

fidelitylife.co.nz

Share registrar.

Computershare Investor Services Limited
Private Bag 92119, Auckland 1142.
159 Hurstmere Road, Takapuna, Auckland 0622.

Managing your shareholding online:

To change your address, update your payment instructions and to view your investment portfolio, including transactions, please visit: www.investorcentre.com/nz.

General enquiries can be addressed to:

enquiry@computershare.co.nz

Private Bag 92119, Auckland 1142.

Telephone: +64 9 488 8777

Please assist our registrar by quoting your CSN or shareholder number.

Consolidated Financial Statements.

For the year ended 30 June 2023.

Consolidated income statement.
For the year ended 30 June 2023.

	Note	2023 $'000	2022 $'000
Revenue			
Insurance premium revenue	5	450,350	338,365
Insurance premium ceded to reinsurers	5	(175,048)	(131,478)
Net premium revenue		275,302	206,887
Investment income/(loss)	6	24,898	(9,745)
Fee and commission revenue		82	93
Reinsurance commission income	7	–	170,000
Total revenue		300,282	367,235
Expenses			
Claims expense	8	209,738	164,613
Reinsurance recoveries	8	(114,799)	(93,654)
Net claims expense		94,939	70,959
Commission expenses	8	69,864	58,740
Loan loss allowance movement		–	(695)
Operating expenses	8	139,843	101,290
Other expenses	5	355	33,791
Net change in life insurance contract assets		(17,517)	140,237
Net change in life investment contract liabilities		5,320	(10,411)
Total expenses		292,804	393,911
Profit/(loss) before tax		7,478	(26,676)
Income tax expense/(benefit)	9	4,262	(2,690)
Profit/(loss) for the year attributable to the owners of the Company	4	3,216	(23,986)
		$	$
Basic and diluted earnings per share	29	0.72	(8.27)

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

Consolidated statement of comprehensive income.
For the year ended 30 June 2023.

	2023 $'000	2022 $'000
Profit/(loss) for the year	3,216	(23,986)
Other comprehensive income		
Other comprehensive income for the year, net of tax	–	–
Total comprehensive income/(loss) for the year attributable to the owners of the Company	3,216	(23,986)

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

Consolidated statement of financial position.
As at 30 June 2023.

	Note	2023 $'000	2022 Restated[1] $'000	2021 Restated[1] $'000
Assets				
Cash and cash equivalents	10	**89,498**	254,518	184,484
Other financial assets at amortised cost	11	**98,652**	29,120	20,032
Assets arising from reinsurance contracts	12	**57,551**	29,202	25,472
Financial assets at fair value through profit or loss	13	**298,290**	286,712	138,774
Life insurance contract assets	20	292,945	303,475	243,530
Loans and other receivables	14	15,255	13,973	9,474
Property, plant and equipment	17	4,800	5,415	2,837
Right-of-use assets	15	17,782	19,426	300
Income tax assets	9	5,857	7,442	5,547
Deferred tax assets	9	597	–	–
Intangible assets	18	239,473	230,558	13,622
Total assets		**1,120,700**	1,179,841	644,072
Liabilities				
Payables and other liabilities	19	**108,560**	143,243	62,539
Lease liabilities	15	**28,448**	30,081	270
Derivative financial instruments	13	–	235	47
Deferred tax liabilities	9	169,428	160,108	72,664
Life insurance contract assets ceded under reinsurance	20	100,132	128,179	39,137
Life investment contract liabilities	21	83,385	87,388	111,125
Deferred income		–	685	1,368
Total liabilities		**489,953**	549,919	287,150
Net assets		**630,747**	629,922	356,922
Equity				
Share capital	22	**376,181**	378,572	81,586
Retained earnings		**254,566**	251,350	275,336
Total equity		**630,747**	629,922	356,922

[1] Refer to note 2 for details regarding the restatement made.

For and on behalf of the Board
27 September 2023

B.G Blake

Brian Blake
Chair

Lindsay Smartt
Director

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

Consolidated statement of changes in equity.
For the year ended 30 June 2023.

	Note	Share capital $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2021		81,586	277,998	359,584
Correction of balance (net of tax)1	2	–	(2,662)	(2,662)
Restated balance at 1 July 2021		81,586	275,336	356,922
Loss for the year		–	(23,986)	(23,986)
Total comprehensive income for the year		–	(23,986)	(23,986)
Transactions with owners				
Issue of new shares, net of transaction costs		318,190	–	318,190
Buy back of ordinary shares		(21,204)	–	(21,204)
Total transactions with owners		**296,986**	**–**	**296,986**
Balance at 30 June 2022 (restated)		**378,572**	**251,350**	**629,922**
Balance at 1 July 2022 (restated)		**378,572**	**251,350**	**629,922**
Profit for the year		–	3,216	3,216
Total comprehensive income for the year		**–**	**3,216**	**3,216**
Transactions with owners				
Issue of new shares, net of transaction costs	22	154	–	154
Buy back of ordinary shares	22	(2,545)	–	(2,545)
Total transactions with owners		**(2,391)**	**–**	**(2,391)**
Balance at 30 June 2023		**376,181**	**254,566**	**630,747**

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

Consolidated statement of cash flows.
For the year ended 30 June 2023.

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Premiums from life insurance contracts		449,756	339,552
Deposits from life investment contracts	21	3,381	3,038
Reinsurance commission received	7	–	170,000
Reinsurance received on claims paid		94,412	96,342
Interest received		7,397	1,837
Interest paid on lease liabilities	15	(1,167)	(889)
Dividends and distributions received	6	1,887	1,464
Other income received		131	4,381
Benefits paid under life insurance contracts		(201,296)	(160,843)
Benefits paid under life investment contracts	21	(12,704)	(16,364)
Reinsurance premiums paid		(188,089)	(123,430)
Reinsurance recapture paid	2	(39,500)	–
Reinsurance service and brokerage expenses paid		(1,089)	–
Commission paid		(70,840)	(58,725)
Payments to suppliers and employees		(128,800)	(86,387)
Transaction costs paid		–	(5,525)
Income tax received/(paid)		6,046	(8,819)
Short term and low value lease payments	15	(69)	(62)
Net cash (outflows)/inflows from operating activities		(80,544)	155,570
Cash flows from investing activities			
Payment for acquisition of a subsidiary, net of cash acquired		–	(389,177)
Gross sale proceeds from sale of financial assets		327,593	59,918
Payments for financial assets		(325,821)	(41,416)
Purchase of intangible assets	18	(14,146)	(8,818)
Purchase of property, plant and equipment	17	(379)	(3,317)
Proceeds from sale of property, plant and equipment	17	26	23
Lease incentive received	15	–	10,607
Cash invested in to term deposits		(127,002)	(24,000)
Proceeds from maturity of term deposits		59,500	15,000
Net cash (outflows) from investing activities		(80,229)	(381,180)

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

	Note	2023 $'000	2022 $'000
Cash flows from financing activities			
Principal element of lease liabilities	15	(1,856)	(1,342)
Buy back of ordinary shares	22	(2,545)	(21,204)
Proceeds from issue of ordinary shares	22	154	321,204
Share issue and buy-back transaction costs	22	–	(3,014)
Net cash (outflows)/inflows from financing activities		(4,247)	295,644
Net (decrease)/increase in cash and cash equivalents		(165,020)	70,034
Cash and cash equivalents at the beginning of the year	10	254,518	184,484
Cash and cash equivalents at the end of the year	10	89,498	254,518

Reconciliation of net profit after taxation to cash flows from operating activities.

	Note	2023 $'000	2022 $'000
Net profit/(loss) after tax		3,216	(23,986)
Non-cash items	21	3,381	3,038
Loss on sale of property, plant and equipment	17	–	59
Fair value (gain)/loss on investments	6	(13,584)	13,128
Gain on bargain purchase		–	(797)
Depreciation of property, plant and equipment and right-of-use assets	15, 17	2,835	2,077
Amortisation of intangibles	18	5,231	3,307
Other movements		(2,715)	(772)
Loan loss allowance movement	14	–	(695)
Total non-cash items		(8,233)	16,307
Changes in working capital			
(Increase)/decrease in life insurance and life investment contract assets and liabilities		(21,520)	116,500
(Increase)/decrease in other assets		(29,632)	976
Increase/(decrease) in income tax balances		10,308	(11,509)
(Decrease)/increase in other liabilities		(34,683)	57,282
Total changes in working capital		(75,527)	163,249
Cash flows from operating activities		(80,544)	155,570

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

Notes to the consolidated financial statements .
For the year ended 30 June 2023.

1. General information.

Fidelity Life Assurance Company Limited ('FLAC') (the 'Company') and its subsidiaries (together called the 'Group') are financial services companies that provide insurance and investment management services. The Company and its subsidiaries are for-profit entities.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 136 Fanshawe Street, Auckland Central, Auckland, New Zealand.

These consolidated financial statements have been approved for issue by the Board of Directors (the 'Board') on 27 September 2023. The directors do not have the power to amend the consolidated financial statements once issued.

Prior period comparatives.

In the prior period, FLAC acquired its wholly owned subsidiary, Fidelity Insurance Limited ('FIL'), with the acquisition completing on 28 February 2022. Accordingly, the financial information for the current reporting period is not fully comparable to the prior reporting period. The lack of comparability arises from the inclusion of FIL' s financial information for the entire current reporting period, whilst it was only included for the 4 last months of the financial year in the comparative reporting period.

2. Summary of significant accounting policies.

Basis of preparation.

The consolidated financial statements have been prepared on the historical cost basis, modified by the revaluation of certain assets and liabilities as stated.

Statement of compliance.

The consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice ('GAAP'). They comply with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards ('IFRS').

The Company is registered under the Companies Act 1993 and licensed under the Insurance (Prudential Supervision) Act 2010 ('IPSA'). The consolidated financial statements of the Group have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013.

Statutory fund.

IPSA requires that a life insurer keep at least one statutory fund in respect of its life insurance business. Both FLAC and FIL established one statutory fund each, known as 'Fidelity Life Statutory Fund Number 1' (the 'FLAC Statutory Fund') and 'Statutory Fund No. 1' (the 'FIL Statutory Fund') respectively, although the latter was disestablished at 30 June 2023 on the cancellation of FIL's insurance license following the Intragroup portfolio transfer (note 16).
The activities of the statutory funds are reported in aggregate with non-statutory funds amounts in these consolidated financial statements. For details of the statutory funds refer to note 30.

Principles of consolidation.

Subsidiaries are all entities controlled by the Group. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

In preparing the consolidated financial statements, all intra-group transactions, balances, income and expenses have been eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation.

Functional and presentation currency.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in New Zealand dollars which is the functional currency of the Company and its subsidiaries, and the presentation currency of the Group.

Transactions and balances.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Goods and Services Tax (GST).

The consolidated income statement and the consolidated statement of cash flows have been prepared so that the components are stated exclusive of GST. All items in the consolidated statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Accounting policies.

Accounting policies that summarise the measurement basis used and that are relevant to the understanding of the consolidated financial statements are provided throughout the accompanying notes. The accounting policies adopted have been applied consistently throughout the periods presented in these consolidated financial statements.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

2. Summary of significant accounting policies (continued).

New and amended standards adopted by the Group.

A number of new or amended standards became applicable for the current reporting period:

- Amendments to NZ IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use;
- Amendments to NZ IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract;
- Annual Improvements to NZ IFRS 2018-2020; and
- Amendments to NZ IFRS 3 – Reference to the Conceptual Framework.

The Group has also elected to adopt the following amendments early:

- Amendments to NZ IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Amendments to NZ IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies.

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments, nor are these amendments expected to significantly affect the current of future periods.

Impact of standard issued but not yet applied by the Group.

NZ IFRS 17: Insurance Contracts ('NZ IFRS 17')

NZ IFRS 17 Insurance Contracts replaces NZ IFRS 4 Insurance Contracts effective for annual periods beginning on or after 1 January 2023.

The Group will apply NZ IFRS 17 for the first time on 1 July 2023 and in the financial statements for the year ending 30 June 2024. The Group's transition date will be 1 July 2022. NZ IFRS 17 will bring significant changes to the accounting for insurance and reinsurance contracts. It is expected to have a material impact on the Group's financial statements in the period of initial application.

Estimated impact of the adoption of NZ IFRS 17.

The Group established a project team to assess and implement the requirements of NZ IFRS 17. The implementation work is well progressed, but is ongoing in a number of areas, including assessing the transition impact, preparing the opening balance sheet and restating comparative information for reporting in the financial statements for the year ending 30 June 2024.

The requirements of NZ IFRS 17 are complex and determination of the impact is subject to:

- finalisation of key assumptions and methodologies (including transition methodologies) in relation to each of the relevant components;
- assessing the relevant measurement models for certain contracts;
- completing development of the systems and processes comprising the Group's NZ IFRS 17 end to end infrastructure; and
- refinement of the new accounting processes and internal controls required by the Group for applying NZ IFRS 17.

The new accounting policies, assumptions, judgements, and estimation techniques employed are subject to change until the Group finalises its first set of financial statements after the date of initial application.

Due to the ongoing nature of the above activities, the financial impact of adopting NZ IFRS 17 is not reasonably estimable at the date of these consolidated financial statements.

Impact of transition to NZ IFRS 17.

As required by NZ IFRS 17, to the extent practicable, changes in accounting policies resulting from the adoption of NZ IFRS 17 will be applied using a full retrospective approach ('FRA'). Where it is impracticable to apply an FRA, a fair value approach ('FVA') will be applied.

Under the FRA, the Group will identify, recognise, and measure each group of insurance contracts issued and reinsurance contracts held as if NZ IFRS 17 had always applied.

Irrespective of the transition approach used, as at 1 July 2022 the Group will:

- derecognise previously reported balances that would not have existed if NZ IFRS 17 had always applied; and
- recognise any resulting net difference in equity.

Use of the full retrospective approach may be impracticable for various reasons including those shown below.

- unavailability or inadequate granularity of essential information needed for retrospective application and hence, inability to determine respective transition effects. This could result from data collection gaps, system migrations, data retention mandates or other causes. Such information may include:
- historical cash flow details (including pre-recognition cash flows and insurance acquisition cash flows) and discount rates required for determining the estimates of the present value of future cash flows on initial recognition and subsequent changes on a retrospective basis;
- requisite data to determine historical acquisition and maintenance expenses that are directly attributable to acquisition or fulfilment of insurance contracts as required by NZ IFRS 17 and to allocate fixed and variable overheads to groups of contracts, because such information is not required by the Group's current accounting policies.
- considerations in respect of contract profitability and risks of becoming onerous that are required for identifying groups of contracts; and
- the full retrospective approach requires assumptions about what the intentions of the Group's management would have been in previous periods, or significant accounting estimates that cannot be made without the use of hindsight. Such assumptions and estimates include assumptions for determining the risk adjustment for non-financial risk.

Under NZ IFRS 17, all profits will continue to be recognised in profit or loss over the lifetime of the contracts, but the pattern of recognition is expected to differ from reporting under NZ IFRS 4 because:

- profits will be recognised through the release of a contractual service margin ('CSM') and risk adjustments for General Measurement Model ('GMM') contracts which will be in line with coverage units.
- profits for Premium Allocation Approach ('PAA') contracts will largely be cash flow driven combined with the gradual recognition of initial acquisition cash flow assets.

Transition to NZ IFRS 17 will result in a change in net assets for the Group as at the transition date of 1 July 2022 and consequently at subsequent dates. Any changes to the treatment of taxation on adoption of NZ IFRS 17 as well as the transition approach applied will affect the change in net assets.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

2. Summary of significant accounting policies (continued).

The key topics for which the Group has progressed in its conclusions relative to NZ IFRS 17 are presented below.

(i) Identifying contracts in the scope of NZ IFRS 17.

Most of the Group's insurance contracts issued and reinsurance contracts held pass the significant risk transfer test and thus qualify as insurance or reinsurance contracts within the scope of NZ IFRS 17. Unit of account for NZ IFRS 17 is an accounting contract (rather than a legal contract), which considers rider level information.

(ii) Level of aggregation.

Portfolios are determined by identifying contracts with similar risks which are managed together. Each portfolio is then divided into groups based on expectations of profitability and time bound cohorts containing contracts issued more than 12 months apart. The Group will aggregate portfolios with similar risks across annual cohorts aligned with its financial year.

(iii) Contract boundary.

Yearly Renewable Term ('YRT') contracts which represent most of the in-force business for the Group are considered to have a contract boundary and a coverage period of one year, matching the current policy year.

For level premium contracts, the coverage period and contract boundary align with the level premium period.

Group risk contracts are considered to have a contract boundary of one year or less.

For individual risk reinsurance treaties, cash flows for the reinsurance contract will be projected until the underlying legal policy expiration.

(iv) Measurement models.

The Group intends to apply the default measurement model, the GMM, for most of its insurance contracts issued for longer than one year. Insurance contracts with a coverage period of a year or less are expected to be measured using the PAA, which is a simplified measurement model available under NZ IFRS 17.

GMM is expected to be applied for all individual risk reinsurance contracts held. All other reinsurance contracts held are expected to be measured under PAA.

The Group intends to apply the bottom-up approach for determining the NZ IFRS 17 discount rate, which is a risk-free discount rate curve with an additional illiquidity premium to reflect the liquidity characteristics of the contracts. The Group intends to continue to determine risk-free discount rates using the observed NZ Government bond yield curve. The Group does not intend to apply discount rates to the liability for remaining coverage ('LRC') components of PAA contracts, nor to the liability for incurred claims ('LIC') components of any lump sum contracts.

The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk and is expected to be determined using a confidence level approach.

(v) Insurance Acquisition Cash Flows ('IACF').

IACF that are directly attributable to a group of insurance contracts will be allocated to that group and to future groups that will include renewals of those contracts, using a systematic and rational method. The allocation to future groups that will include renewals will only apply to YRT contracts that have a one-year coverage period.

(vi) Presentation and disclosure.

The Group is intending to make an accounting policy choice to present insurance finance income or expenses in the statement of comprehensive income without disaggregation between profit or loss and other comprehensive income. This accounting policy choice broadly aligns with the measurement approach of underlying investments.

The Group is also intending to make an accounting policy choice to disaggregate the change in the risk adjustment due to financial assumption changes between the insurance service result and insurance finance income or expense.

Critical accounting estimates and judgements.

Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates. Estimates and associated assumptions are based on historical experience and other factors, as appropriate to the particular circumstances. The Group reviews the estimates and assumptions on an ongoing basis.

Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are shown below.

(a) Life insurance and life investment contract assets and liabilities.

Liabilities and assets arising from life insurance, and related reinsurance, and life investment contracts are calculated at each reporting date using mathematical and statistical models. These policyholder liabilities and asset valuations are made by suitably qualified members of the New Zealand Society of Actuaries on the basis of actuarial methods set out in Professional Standards issued by the New Zealand Society of Actuaries. The methodology takes into account the risks and uncertainties of the particular classes of business written.

The key factors that affect the calculation of these liabilities and assets are:

- The cost of providing benefits and administering these contracts;
- Mortality and morbidity experience on life insurance products;
- Persistency (or discontinuance) experience, which affects the Group's ability to recover the cost of acquiring new business over the lives of the contracts;
- Long-term interest rates which affect the rate at which cash flows are discounted; and
- Other factors such as regulation, competition, the performance of the capital markets and general economic conditions.

2. Summary of significant accounting policies (continued).

Actual experience will vary from assumptions used to calculate the policyholder liabilities and assets at the reporting date. Refer to note 3 for more detail on the valuation of the policyholder liabilities and assets and the assumptions applied.

(b) Deferred tax.

Significant judgement is required in determining the Group's deferred tax liabilities and tax assets. In arriving at the deferred tax amounts, the Group has made an assessment of anticipated tax assets and liabilities based on estimates of when additional taxes will be due and benefits will arise. In respect of deferred tax on carried forward tax losses, this has included an assessment of the likelihood of future taxable profits arising in the foreseeable future and of shareholder continuity being maintained during that period, factoring in the business continuity test.

Following the issue of shares in the prior period a breach of shareholder continuity arose, however the Group has assessed that concessionary relief remains available in the current period under the business continuity test such that no carried forward tax losses are forfeited as a result. The impact of the prior period acquisition of FIL coupled with the Intragroup portfolio transfer (note 16) have been included in management's forecast of future taxable profits with the Group expecting to fully utilise its carried forward tax losses by the end of the 2026 financial year.

Where the expected tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the reported profit or loss and current and deferred tax amounts in the period in which such determination is made.

Refer to note 9 for the deferred tax accounting policy.

(c) Reinsurance treaties – tax treatment.

During the prior period the Group entered into new reinsurance arrangements under which it received $170m of upfront initial commission payments (refer to note 7).

Reinsurance arrangements which contain significant upfront initial commission payments are generally considered 'life financial reinsurance' for income tax purposes. The Group has therefore treated these arrangements as such considering both historical experience and indicative guidance from Inland Revenue. The Group sought a binding ruling from Inland Revenue to confirm this treatment in respect of the most significant arrangement entered into in the prior period. As at balance date, a draft of this ruling has been obtained from Inland Revenue which is broadly consistent with the ruling requested. The binding ruling is expected to be issued as final ahead of the next interim reporting date.

(d) Valuation of the acquired contractual insurance rights and obligations.

A significant part of acquisition accounting for a business combination is the valuation of the fair value of the acquired contractual insurance rights and obligations as at acquisition date. To the extent this valuation exceeds the carrying value acquired, a Value of Business Acquired ('VOBA') intangible asset arises (note 18).

The valuation process involves the use of estimates and assumptions as well as the exercise of significant judgement including in respect of a risk discount rate, maintenance expense ratio and integration costs allowance. The fair value is determined by applying actuarial appraisal valuation techniques (namely, a Traditional Embedded Value ('TEV')) to the insurance rights and obligations acquired, as well as the associated reinsurance contracts, using a market participant view.

Under the TEV, the Value of In-force ('VIF') cash flows are adjusted for a number of factors relevant to the rights and obligations being acquired that a market participant would be expected to take into account.

The amortisation of VOBA is being done in line with the expected amortisation of policyholder liabilities for the acquired insurance contracts as at the date of acquisition.

(e) Remediation provision.

The remediation provision (note 19) requires significant judgement in determining the Group's best estimate of the amount required to settle the obligation to repay customers. The remediation provision includes estimates for premium refunds and claim adjustments.

(f) Reinsurance recapture.

During the prior period, the Group reached an agreement with a reinsurer to recapture (take back) the risks initially ceded to the reinsurer within a reinsurance arrangement. The key commercial terms and risks transferred were agreed with the reinsurer on 29 June 2022 with the risk transfer effected as at 29 June 2022. The total settlement of the recapture was $39.5m, which was paid by the Group in July 2022.

NZ IFRS does not provide explicit guidance on the accounting treatment of transactions of a similar nature. Therefore, significant judgement was applied to determine the appropriate accounting treatment, including a review of other contracts entered into by the Group at the same time (see note 7 for further details) as well as industry practice. The key outcome of this assessment was that the recapture transaction was substantively linked to the new reinsurance treaties entered into on the same date (that is, the former would not have occurred without the latter). Therefore, these transactions were considered together, resulting in separate recognition of the effects of the recapture fee and the reinsurance initial commission payments in the profit and loss with a simultaneous modification of the insurance reserves for the above effects in the prior reporting period. These effects will subsequently be unwound over the future reinsurance coverage period.

(g) Unconditional financial liabilities.

Transaction costs that give rise to unconditional financial liabilities are recognised as expenses when incurred (refer to note 8).

(h) Financial liabilities contingent on future events.

Financial liabilities contingent on future events that are beyond the Group's control are measured at each reporting date using a probability-weighted matrix.

Comparative information – restatement of prior period balances.

During the period the Group continued work on its remediation project to ensure customer outcomes consistent with regulatory expectations. In the current year, as part of this project, the Group identified various instances in the past where policies were not administered consistent with policy wordings and has accounted for the proposed remediation as a prior period error. The restatement was made to the opening balances of the comparative period presented in the consolidated statement of financial position and consolidated statement of changes in equity and has had no impact on the consolidated income statement or cash flows of the prior period.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

2. Summary of significant accounting policies (continued).

The restatement affected the following lines items on the consolidated statement of financial position:

Consolidated statement of financial position (extract)	Correction amount (both periods) $'000	As at 30 June 2022 Reported $'000	As at 30 June 2022 Restated $'000	As at 1 July 2021 Reported $'000	As at 1 July 2021 Restated $'000
Loans and other receivables	1,281	12,692	13,973	8,193	9,474
Total assets	**1,281**	**1,178,560**	**1,179,841**	**642,791**	**644,072**
Payables and other liabilities	4,978	138,265	143,243	57,561	62,539
Deferred tax liabilities	(1,035)	161,143	160,108	73,699	72,664
Total liabilities	**3,943**	**545,976**	**549,919**	**283,207**	**287,150**
Net assets	**(2,662)**	**632,584**	**629,922**	**359,584**	**356,922**
Retained earnings	(2,662)	254,012	251,350	277,998	275,336
Total equity	**(2,662)**	**632,584**	**629,922**	**359,584**	**356,922**

Other note disclosures amended include:

- Note 9 Taxation
- Note 14 Loans and receivables
- Note 19 Payables and other liabilities
- Note 24 Disaggregated information
- Note 25 Risk management
- Note 30 Statutory fund

This has been reflected in the current year comparatives.

3. Actuarial methods and policies.

The Group actuarial reports on the policy contract values and solvency calculations for the year ended 30 June 2023 were prepared by the Chief Actuary, Nicholas Smart M.Com, FNZSA, FIAA (2022: Nicholas Smart), and reviewed by the Appointed Actuary Chris Marston-Fergusson B.Sc. FNZSA, FIAA (2022: Chris Marston-Fergusson). Messrs Smart and Marston-Fergusson are satisfied as to the accuracy of the data from which the amount of the policyholder liabilities and assets and related reinsurance have been determined.

Following the intragroup portfolio transfer (refer to note 16), FIL's insurance licence was cancelled on 30 June 2023. As a result of this, the actuarial valuation and solvency calculations were prepared for the Group only, as described above.

In the prior period, the actuarial valuation and solvency calculations for FIL were prepared by the Chief Actuary, Nicholas Smart M.Com, FNZSA, FIAA, and reviewed by Lee Ann Du-Toit, FNZSA, who was the Appointed Actuary of FIL before the intragroup portfolio transfer. Mr. Smart and Ms. Du-Toit were satisfied as to the accuracy of the data from which the amount of the policyholder liabilities and assets and related reinsurance were determined.

The values of the policyholder liabilities and assets have been determined in accordance with Professional Standard 20 issued by the New Zealand Society of Actuaries and the requirements of NZ IFRS 4 Insurance Contracts.

The projection method is used to determine most individual life insurance contract liabilities and assets. The projection method uses expected cash flows (premiums, investment income, surrenders or benefits payments, expenses) plus profit margins to be released in future periods, to calculate the present value of life insurance contract assets and liabilities.

The accumulation method is used to determine life investment and group life contract liabilities and assets, as well as some smaller lines of individual life business.

The key assumptions used in determining life insurance and life investment contract liabilities and assets are shown below.

Discount rates.

Policyholder liability annual discount rates[1]	At 30 June 2023	At 30 June 2022
Discounted cash flows on renewable risk plans and level premium risk plans based on NZ Government bond rate – gross interest rate. Bond term varying by Related Product Group.	4.67%	3.32% - 3.89%
Non-participating assurances – net interest rate	3.36%	2.80%
Claim reserves and provisions for investment guarantees – gross interest rate	4.67%	3.89%
Annuities – net interest rate	3.36%	2.80%
Participating plans with reversionary bonuses. Derived from expected after-tax return on the assets backing the participating fund	3.50%	2.60%

[1] Prior to the 2023 financial year FIL used discount rates that were net of tax but these are now aligned with the Group.

Profit carriers.

Policies are divided into related product groups with profit carriers and profit margins as follows:

Product type	Carrier
Risk	Expected premiums or claims payments
Savings business	Funds under management/investment management expenses
All other policies	Bonuses

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

3. Actuarial methods and policies (continued).

Inflation and automatic indexation of benefits.

Insurance contracts with automatic inflation linked indexation of benefits are assumed to have benefits increase in line with inflation. Expectations on inflation are in line with New Zealand Treasury forecasts as at May 2023, with the rate of inflation projected to range between 3.3%-7.2% for the calendar years 2023 to 2025 before returning to the long-term assumption of 2%.

Maintenance expenses.

Future maintenance expenses of policies are based on an analysis of existing and projected costs and product margins. Expenses have been assumed to increase in line with the inflation rate.

Tax.

The rates of tax enacted or substantially enacted at the date of the valuation are assumed to continue into the future. The corporate tax rate used is 28% (2022: 28%).

Mortality rates.

Mortality rates for life insurance contracts are based on a proportion of the NZ10 insured lives mortality table. These rates are adjusted based on the recent experience of the various products. Allowance is made for the level of underwriting and type of product.

Participating plans are assumed to experience mortality in line with the NZ10 select mortality table.

Annuitants are assumed to experience mortality in line with the IMA92C20 / IFA92C20 tables with an additional age rating to allow for future mortality improvements.

Morbidity rates.

Future morbidity rates are based on proportions of reinsurance rate tables and premium rates. The methods differed for Income Protection products where FIL used the ADI tables from 2007-2011, until 30 June 2023.

Adjustments to base rates are made to allow for underwriting, product and where experience by age and gender differs from base tables.

Rates of discontinuance.

The range of annual rates of discontinuance assumed are shown in the table below:

Rates of discontinuance	2023	2022
Yearly Renewable Term: Lump sum	6.0% - 27.0%	5.0% - 34.0%
Yearly Renewable Term: Income Protection	7.0% - 50.0%	6.0% - 50.0%
Whole of Life and Endowments including participating contracts	3.0%	3.0%
Level Term	2.0% - 11.0%	3.0% - 14.0%
Automatic acceptance with premiums limited to ten years	1.0% - 37.0%	2.0% - 53.0%
Automatic acceptance with level or reviewable premiums	1.0% - 37.0%	2.0% - 53.0%
Loan cover	6% - 25.0%	35% - 60%
Lifetime Guarantee	2.0%	1.0%

Surrender values.

Surrender values are based on the provisions specified in the policy contracts and include a recovery of policy establishment and maintenance costs. It is assumed that the current surrender value bases will be maintained.

Participating business.

Assumed future bonus rates per annum for the major classes of individual participating business were:

	At 30 June 2023	At 30 June 2022
Participating business - policies with-profit assurances	Assumed that the current bonus allocation will continue indefinitely. The bonus is equal to conservative portfolio return on cash deposits.	Assumed that the current bonus allocation will continue indefinitely. The bonus is equal to conservative portfolio return on cash deposits.
Participating plans with reversionary bonuses - supportable bonus rate	0.0% of the sum assured and reversionary bonus.	0.0% of the sum assured and reversionary bonus.
Participating plans with reversionary bonuses - current bonus declaration	0.8%	0.0%
Policyholder's share of the surplus in the participating pool	83.3%	83.3%

Profit margins.

Profit margins have been incorporated for existing product categories to release future profits in line with the services offered. Profit margins were adjusted to ensure that there was no impact on current year profits arising from changes to demographic assumptions and rates used in the projection. However, changes to economic and financial assumptions do impact on current year profit.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

3. Actuarial methods and policies (continued).

Changes to underlying assumptions.

The Group has made changes to the estimates to align economic assumptions across entities. Further alignment may occur in the future where appropriate.

Assumptions used for measuring life insurance contract liabilities and assets and related reinsurance balances are reviewed each year. Where the review leads to a change in assumptions, the change is deemed to have occurred from the end of the year.

The financial effect of a change in discount rates resulting from a change in market conditions is recognised in the year that the rates are changed. The financial effect of all other changes to assumptions is recognised in the consolidated income statement over the future years during which the services are provided to policyholders.

The impact of changes in actuarial assumptions made during the reporting period are:

	2023		2022	
Assumption change	**Effect on future profit margins $'000**	**Effect on life insurance contract assets $'000**	Effect on future profit margins $'000	Effect on life insurance contract assets $'000
Discontinuance rates	**54,834**	**(58)**	26,108	–
Mortality/morbidity rates	**(7,766)**	**(2,550)**	(4,842)	(1,557)
Short-term CPI indexation	**9,783**	**1,992**	22,228	–
Other modelling changes[1]	**(50,146)**	**276**	11,985	(818)
Reinsurance costs	**17,837**	**(1)**	(22,766)	–
Maintenance costs	**(33,983)**	**–**	(67,141)	–
Discount rates	**(33,187)**	**(24,075)**	(186,215)	(43,997)
Commission costs	**–**	**–**	6,317	–
Claim Termination Rates	**28**	**(194)**	–	–
Total equity	**(42,600)**	**(24,610)**	(214,326)	(46,372)

[1]This includes bringing FIL products onto the Group valuation models during the year. There has also been an alignment of discount rates with FIL moving to a gross of tax basis whereas previously it reported on a net of tax basis.

Assets backing life insurance and life investment business.

Investment assets inside the FLAC Statutory Fund are divided into asset sectors and ownership is pooled across the following.

- Policyholders investing in a single sector portfolio;
- Policyholders investing in a multi-sector portfolio;
- Participating policyholders; and
- Other.

Investment assets in the FIL Statutory Fund (up to 30 June 2023) and the Non-statutory Funds are allocated fully to shareholders.

Investment assets are administered in accordance with the Statement of Investment Policy & Objectives adopted by the Boards of each entity and their respective Investment Policy & Procedures Manual adopted by the Asset and Liability Committee ('ALCO').

4. Sources of profit.

Profit for the year arose from:	**2023 $'000**	2022 $'000
Life insurance contracts		
Planned margins of revenues over expenses	**55,926**	35,603
Difference between actual and assumed experience[1]	**(12,483)**	(788)
Effects of changes in underlying economic and financial assumptions	**(22,016)**	(44,139)
Unwinding of discount rate effects on life insurance contract assets and liabilities	**11,105**	6,755
	32,532	(2,569)
Life investment contracts		
Difference between actual and assumed experience	**(1,082)**	(194)
Effects of changes in underlying assumptions	**43**	49
	(1,039)	(145)
Investment earnings on assets in excess of policyholder liabilities (within the statutory funds)	**12,709**	(722)
Shareholder tax	**(4,647)**	4,055
Non-statutory fund (before tax)	**(33,926)**	(23,626)
Amortisation of VOBA (note 18)	**(2,413)**	(1,055)
Other	**–**	76
Profit/(loss) after tax	**3,216**	(23,986)

[1] The difference between actual and assumed experience in the current year is primarily due to additional expenses that are not allowed for inplanned margins.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

5. Revenue.

Accounting policy.

Insurance premium revenue.

(i) Life insurance contracts.

Premiums on life insurance contracts with a regular due date are recognised on an accruals basis. Where a policy provides for a payment on a specific date, then such premiums are recognised as revenue when due. Unearned premiums are recognised within the statement of financial position as deferred income. Unpaid premiums on policies that are deemed to have lapsed at balance date are not recognised as revenue.

(ii) Life investment contracts.

Amounts received under life investment contracts are separated into their fee and deposit components. The fee component is recognised as income on an accruals basis and the deposit component is recognised as an increase in the liability for life investment contracts.

Insurance premium ceded to reinsurers.

Premiums ceded to reinsurers under reinsurance contracts are recorded as an outwards reinsurance expense and recognised when they become due and payable in accordance with the terms and conditions of the reinsurance contracts. Where reinsurance is paid in advance the expense is recognised over the period of indemnity of the relevant contract and a portion is treated at balance date as a prepayment. Where the reinsurance premium is paid in arrears the outstanding amount at balance date is treated as a payable.

Other income/(expense).

Other income is primarily comprised of reinsurance treaty policy administration fees income. It is recognised over time in profit or loss in the accounting period in which the underlying contractual performance obligations associated with that income are satisfied. Consideration received is recognised as liability if there are remaining performance obligations or refunds are expected.

	Note	2023 $'000	2022 $'000
Net premium revenue			
Insurance premium revenue		**450,350**	338,365
Insurance premium ceded to reinsurers		**(175,048)**	(131,478)
Total net premium revenue		**275,302**	206,887
Other expense/(income)[1]			
Reinsurance recapture[2]	2	**–**	39,500
Reinsurance treaty policy administration fees		**–**	(4,214)
Reinsurance service and brokerage expense		**1,089**	–
(Gain) on bargain purchase		**–**	(797)
Loss on sale of assets		**–**	59
Other (income)		**(734)**	(757)
Total other expense		**355**	33,791

[1] In the prior period 'Other income/(expenses) line was presented as 'Revenue' in the consolidated income statement and has been reclassified to 'Expenses' for presentation purpose.
[2] In the prior period, the Group reached an agreement with a reinsurer to take back the risks initially ceded to the reinsurer within the reinsurance arrangement. Settlement of the agreement was concluded in June 2022 (note 2).

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

6. Investment income/(loss).

Accounting policy.

Interest income is recognised using the effective interest method.

Dividend and distribution income 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 on financial assets at fair value through profit or loss are recognised through the consolidated income statement.

	2023 $'000	2022 $'000
Dividends and distributions	1,887	1,464
Net realised and unrealised gains/(losses) on unit trusts	12,629	(16,809)
Total investment income/(loss) from unit trusts	14,516	(15,345)
Interest received on investments at fair value through profit or loss	9,319	1,919
Total investment income from cash, term deposits, loans and debt securities	9,319	1,919
Net realised and unrealised gains on derivatives	1,063	3,681
Total investment income from derivatives	1,063	3,681
Total investment income/(loss)	24,898	(9,745)

7. Reinsurance commission income.

Accounting policy.

Upfront reinsurance commissions are initially recognised in the consolidated income statement and then deferred as liabilities arisen from reinsurance contracts. This amount is then amortised over the life of the underlying policies, in line with the release of profit margins associated with these policies.

In the prior period, the Group entered into two new reinsurance treaty arrangements. This included one on 28 February 2022, subsequent to the acquisition of FIL, under which the Group received an upfront reinsurance commission payment of $130m, and another on 29 June 2022 under which the Group received an upfront reinsurance commission payment of $40m.

8. Expenses.

Insurance claims and related reinsurance.

Accounting policy.

Claims.

Life insurance contract claims are recognised as an expense when a liability has been established. Claims under life investment contracts represent withdrawals of investment deposits and are recognised as a reduction in life investment contract liabilities.

Reinsurance recoveries.

Reinsurance recoveries are recognised as revenue at the same time as the claim expense is recognised, if the underlying policy is reinsured.

Claims and reinsurance recoveries are as follows.

	2023 $'000	2022 $'000
Death, disabilities and income protection claims	207,481	162,534
Maturities	157	177
Surrenders	1,207	787
Annuities	893	1,115
Total claims	209,738	164,613
Less: Reinsurance recoveries	(114,799)	(93,654)
Total net claims expense	94,939	70,959

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

8. Expenses (continued).

Commission and operating expenses.

Accounting policy.

Commission and operating expenses are recognised in the consolidated income statement on an accrual basis, unless otherwise stated.

Expenses are categorised into acquisition, maintenance or investment management on the basis of a detailed functional analysis of activities carried out by the Group. Expenses are further categorised into life insurance and life investment expenses based on new business volumes (acquisition costs) and in-force volumes (maintenance and investment management costs).

(i) Acquisition costs.

Policy acquisition costs comprise the costs of acquiring new business, including commission, advertising, policy issue and underwriting costs, agency expenses and other sales costs.

Where the overall product profitability of new life insurance business written during the year is expected to support the recovery of acquisition costs incurred in that year, these costs are effectively deferred as an element of life insurance contract assets and amortised over the life of the policies written. Unamortised acquisition costs are a component of life insurance assets. Amortisation of acquisition costs is recognised in the consolidated income statement as a component of net change in life insurance contract assets.

Commission that varies with and is directly related to securing new life insurance contracts is capitalised as a deferred acquisition cost asset along with an administration and marketing allowance. All other acquisition costs are recognised as expenses in the consolidated income statement when incurred. The deferred acquisition cost asset is subsequently amortised over the life of the contracts and is recognised in the consolidated income statement as part of net change in life insurance contract assets.

(ii) Maintenance costs.

Maintenance costs are the fixed and variable costs of administrating policies subsequent to sale.

(iii) Investment management expenses.

Investment management expenses are the fixed and variable costs of managing life investment funds.

Maintenance and investment management expenses are recognised in the consolidated income statement on an accrual basis.

The following table shows a summary of the commission and management expense apportionment between life insurance contracts and the Non-Statutory Funds:

	2023 $'000	2022 $'000
Life insurance contracts		
Acquisition costs		
Commission expenses	**25,221**	22,411
Operating expenses	**35,918**	31,168
Maintenance costs		
Commission expenses	**44,324**	35,982
Operating expenses	**89,364**	43,598
	194,827	133,159
Life investment contracts		
Maintenance costs		
Commissions	**319**	347
Operating expenses	**1,589**	786
Investment management expenses	**(12)**	(16)
	1,896	1,117
Non-Statutory Funds		
Operating expenses	**12,984**	25,754
Total commission and operating expenses	**209,707**	160,030

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

8. Expenses (continued).

Included within other operating expenses are the following:

	Note	2023 $'000	2022 $'000
Salaries and wages and other employee costs		**59,523**	44,529
Restructure costs		**315**	143
Remuneration of auditor (appointed auditor: PricewaterhouseCoopers)			
Audit of statutory financial statements including accelerated audit procedures in relation to NZ IFRS 17		**1,267**	1,173
Audit fees in relation to prior year		**41**	44
Assurance services over the solvency returns		**77**	85
Audit procedures in respect of reporting to shareholder		**21**	173
Tax compliance services		**78**	22
Custodial control assurance engagement		**21**	19
Other services[1]		**62**	13
Total remuneration of auditor		**1,567**	1,529
Directors' fees		**1,246**	916
Project and other professional fees		**12,053**	9,451
Depreciation[2]	17	**968**	657
Amortisation	18	**5,231**	3,307
Transaction costs		**–**	5,525

[1] PwC carried out other services for the Group in the areas of NZ IFRS 17 education workshops, provision of training materials and of access to online resource platform covering generic technical content, directors' fee and executive remuneration benchmarking. In the previous year, PwC carried out other services for the Group in the areas of general training and workshop facilitation.
[2] Depreciation excludes right-of-use depreciation. For right-of-use depreciation, please refer to note 15.

9. Taxation.

Accounting policy.

Current and deferred income tax.

Income tax expense comprises current and deferred tax, calculated using the tax rate enacted or substantively enacted at balance date and any adjustments to tax payable in respect of prior periods. Income tax expense is recognised in the consolidated income statement except when it relates to items recognised directly in the consolidated statement of comprehensive income, in which case the tax expense is recognised in the consolidated statement of comprehensive income.

Income tax expense reflects tax imposed on both shareholders and policyholders. Tax on shareholders is imposed on cash flows (premiums less claims, less expenses, plus shareholder investment income). Tax on policyholders is imposed on investment income allocated to the policyholders.

Deferred tax expense is recognised in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent it is probable that it will be utilised.

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

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

9. Taxation (continued).

The tax expense in the consolidated income statement is analysed as follows:

	2023 $'000	2022 $'000
Profit/(loss) before tax	7,478	(26,676)
Tax at the New Zealand income tax rate of 28% (2022: 28%)	2,094	(7,469)
Tax effect of non-taxable income	(6,724)	(4,648)
Tax effect of non-deductible expenses	9,573	9,982
Benefit of imputation credits received	(204)	(313)
Tax effect of bargain purchase	–	(223)
Prior period adjustment	(477)	(19)
Tax effect of agreement to amend treatment of reinsurance arrangement	–	–
Income tax expense/(benefit) reported in the consolidated income statement	**4,262**	(2,690)
Comprising:		
Current tax (benefit)/expense	(415)	4,503
Deferred tax expense/(benefit)	4,677	(7,193)
	4,262	(2,690)
Tax (benefit)/expense attributed to policyholders	(385)	1,645
Tax expense/(benefit) attributed to shareholders	4,647	(4,335)
	4,262	(2,690)
Income tax assets		
Income tax prepaid[1]	3,562	3,562
Current tax asset	2,295	3,879
Tax benefit recognised on acquired policies	–	1
Total income tax assets	5,857	7,442

[1] The income tax prepaid amount will be utilised to meet the Company's future shareholder income tax liabilities once tax losses carried forward have been exhausted. The Company cannot request a refund of the amount and it will not be utilised in the next financial year.

Deferred tax assets.

The balance comprises temporary differences attributable to:

	Financial assets at fair value through profit or loss	Deferred income $'000	Property, plant and equipment $'000	Payables and other liabilities $'000	Unused tax losses $'000	IFRS 16 (Right-of use asset/lease liability) $'000	Total $'000
Balance at 1 July 2021	–	710	–	2,037	16,921	–	19,668
Correction of balance (note 2)	–	–	–	1,035	–	–	1,035
Restated balance at 1 July 2021	–	710	–	3,072	16,921	–	20,703
Assets acquired in the business combination	–	–	–	85	–	–	85
Movement through the consolidated income statement	1,399	(355)	–	72	11,464	178	12,758
Balance at 30 June 2022 (restated)	1,399	355	–	3,229	28,385	178	33,546
Intragroup subvention payment[1]	–	–	–	–	(4,046)	–	(4,046)
Movement through the consolidated income statement	(1,399)	(355)	7	642	(9,749)	251	(10,603)
Balance at 30 June 2023	–	–	7	3,871	14,590	429	18,897

[1] The Group's tax liability in relation to 2022 was reduced by tax losses of $14,452,088 transferred from FLAC by subvention payment of $4,046,585 and loss offset of $10,405,504.

Deferred tax liabilities.

The balance comprises temporary differences attributable to:

	Financial assets at fair value through profit or loss	Property, plant and equipment $'000	Life insurance contract assets $'000	Deferred acquisition costs[1] $'000	Intangible assets $'000	I IFRS 16 (Right-of- Use Asset / Lease Liability) $'000	Total $'000
Balance at 1 July 2021	38	35	7,221	85,647	418	8	93,367
Liabilities acquired in the business combination	–	–	–	35,523	59,199	–	94,722
Movement through the consolidated income statement	(38)	(2)	628	4,824	161	(8)	5,565
Balance at 30 June 2022	–	33	7,849	125,994	59,778	–	193,654
Movement through the consolidated income statement	328	(33)	(328)	1,486	(7,379)	–	(5,926)
Balance at 30 June 2023	328	–	7,521	127,480	52,399	–	187,728

[1] Deferred acquisition costs are a component of life insurance contract assets.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

9. Taxation (continued).

	2023 $'000	2022 Restated[1] $'000
Net deferred tax liabilities	**168,831**	160,108

Imputation credits.

	2023 $'000	2022 $'000
Imputation credits available for use in subsequent reporting periods based on a tax rate of 28% (2022: 28%)	**2,067**	8,897

10. Cash and cash equivalents.

Accounting policy.

Cash and cash equivalents are held with banks and financial institutions. The assets are short term in nature and the carrying value is approximately equal to their fair value.

Statement of cash flows.

The following are the definitions of the terms used in the consolidated statement of cash flows:

(i) Operating activities include all transactions and other events that are not investing or financing activities.

(ii) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangible assets and investments.

Cash flows from the sale and purchase of financial assets in respect of investing activities have been reported on a gross basis as they predominantly relate to funds held for the benefit of policyholders or reflect the purchase and sale of investments where turnover is quick, amounts are large and maturities are short.

(iii) Financing activities are those activities relating to the changes in equity and debt structure of the Group.

Cash and cash equivalents comprise:

	2023 $'000	2022 $'000
Bank balances	**39,049**	75,722
Deposits at call[1]	**50,449**	178,796
Total cash and cash equivalents	**89,498**	254,518

[1] Deposits at call are held with A+ (2022: A+) rated banks with 42% (2022: 38%) of the deposits at call held with one bank.

11. Other financial assets at amortised cost.

Accounting policy.

Other financial assets at amortised cost comprise term deposits that are held with banks and financial institutions. The carrying value of these assets is approximately equal to their fair value.

Other financial assets at amortised cost comprise:

	2023 $'000	2022 $'000
Term deposits	**98,652**	29,120
Total other financial assets at amortised cost	**98,652**	29,120
Due:		
Within 12 months	98,652	29,120
Later than 12 months	–	–
	98,652	29,120

Fixed interest rates in the year to 30 June 2023 were between 2.99% and 6.10% (2022: between 1.19% and 3.36%). Term deposits are held with A+ (2022: A+) rated banks with 45% of the term deposits being held with one bank (2022: 38% held with each bank). The term deposits are backing shareholder funds.

12. Assets arising from reinsurance contracts.

Accounting policy.

Assets arising from reinsurance contracts are recognised initially at fair value and subsequently measured at amortised cost less any provision for impairment.

	2023 $'000	2022 $'000
Life insurance contracts reinsurance assets		
Balance at 1 July	**29,202**	25,472
Assets acquired in the business combination	**–**	6,731
Reinsurance claims made to reinsurers	**122,761**	93,341
Payments received from reinsurers	**(94,412)**	(96,342)
Balance at 30 June (expected to be recovered within 12 months)	**57,551**	29,202

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

13. Financial instruments.

Accounting policy.

NZ IFRS 9 contains a classification and measurement approach for financial assets that reflects the business model in which the assets are managed and the contractual terms of the cash flows.

(i) Classification.

The Group classifies its financial assets into the following measurement categories:

- those to be measured at amortised cost; and
- those to be measured subsequently at fair value, either through other comprehensive income ('FVOCI') or through profit or loss ('FVPL').

Financial assets are not reclassified subsequent to their initial recognition, except if in the period the Group changes its business model for managing those financial assets. Subsequent measurement of the Group's financial assets depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition and derecognition.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement.

Amortised Cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as being measured at FVPL:

- the asset is held within a business model whose objective is to hold assets 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.

FVPL.

The Group classifies the following financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortised cost or FVOCI;
- equity investments that are held for trading; and
- equity investments for which the Group has not elected to recognise fair value gains or losses through OCI.

Business model assessment.

The Group must make an assessment of the objective of the business model in which a financial asset is held at a portfolio level as this best reflects the way the business is managed. The information considered includes:

- the stated policies and objectives for the portfolio and operation of those policies in practice; and
- how the performance of the portfolio is evaluated and reported to the Group's management.

Assessment whether contractual cash flows are solely payments of principal and interest.

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time, for other basis lending risks and costs and for a profit margin.

Assets arising from reinsurance contracts are recognised initially at fair value and subsequently measured at amortised cost less any provision for impairment.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

Recognition of gains or losses

FVPL.

A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and presented net within investment income/(losses) in the period in which it arises.

Amortised Cost.

Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in investment income/(losses) together with foreign exchange gains or losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

13. Financial instruments (continued).

Financial instruments by category.

	Fair value through profit or loss $'000	Amortised cost $'000	Total $'000
Financial assets			
At 30 June 2023			
Cash and cash equivalents	–	89,498	89,498
Other financial assets at amortised cost	–	98,652	98,652
Assets arising from reinsurance contracts	–	57,551	57,551
Financial assets at fair value through profit or loss	298,290	–	298,290
Loans and other receivables	–	8,604	8,604
Total financial assets	298,290	254,305	552,595
At 30 June 2022			
Cash and cash equivalents	–	254,518	254,518
Other financial assets at amortised cost	–	29,120	29,120
Assets arising from reinsurance contracts	–	29,202	29,202
Financial assets at fair value through profit or loss	286,712	–	286,712
Loans and other receivables	–	8,634	8,634
Total financial assets	286,712	321,474	608,186
Financial liabilities			
At 30 June 2023			
Payables and other liabilities	–	94,046	94,046
Lease liabilities	–	28,448	28,448
Life investment contract liabilities	83,385	–	83,385
Total financial liabilities	83,385	122,494	205,879
At 30 June 2022			
Payables and other liabilities	–	129,104	129,104
Lease liabilities	–	30,081	30,081
Derivative financial instruments (held for trading)	235	–	235
Life investment contract liabilities	87,388	–	87,388
Total financial liabilities	87,623	159,185	246,808

Fair values of financial instruments.

The following table shows the Group's financial assets and liabilities at fair value through profit or loss categorised by fair value measurement hierarchy levels. The levels are as follows:

Level 1: Fair values are determined using quoted market prices where an active market exists.

Level 2: Where quoted market prices are not available, or markets are considered inactive, fair values have been estimated using present value or other techniques based on market conditions existing at balance date. The valuation techniques rely on market observable inputs.

Level 3: Fair values are estimated using inputs that are not based on observable market data.

At 30 June 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Financial assets				
Financial assets at fair value through profit or loss				
Debt securities - Unitised funds	–	237,029	–	237,029
Equity securities - Unitised funds	–	61,261	–	61,261
Total financial assets at fair value	–	298,290	–	298,290
Financial liabilities				
Life investment contract liabilities	–	–	83,385	83,385
Total financial liabilities at fair value	–	–	83,385	83,385
At 30 June 2022				
Financial assets				
Financial assets at fair value through profit or loss				
Debt securities - Unitised funds	–	222,913	–	222,913
Equity securities - Unitised funds	–	63,799	–	63,799
Financial assets at fair value through profit or loss	–	286,712	–	286,712
Total financial assets at fair value	–	286,712	–	286,712
Financial liabilities				
Derivative financial instruments				
Forward currency contracts	–	235	–	235
Life investment contract liabilities	–	–	87,388	87,388
Total financial liabilities at fair value	–	235	87,388	87,623

There were no outstanding derivatives at 30 June 2023 (2022 notional amount: $24,591,064).
The following table shows movements in the fair value of financial instruments categorised as level 3:

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

13. Financial instruments (continued).

Fair values of financial instruments (continued).

The following table shows movements in the fair value of financial instruments categorised as level 3:

	Balance at the beginning of the year $'000	Net fair value gains $'000	Purchases/ deposits $'000	Withdrawals/ disposals $'000	Balance at the end of the year $'000
Liabilities classified as level 3					
2023					
Life investment contract liabilities	**87,388**	**5,320**	**3,381**	**(12,704)**	**83,385**
2022					
Life investment contract liabilities	111,125	(10,411)	3,038	(16,364)	87,388

14. Loans and other receivables.

Accounting policy.

Loans and other receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost less any provision for impairment.

Impairment.

The Group recognises a loss allowance for the estimated credit losses ('ECLs') on financial assets measured at amortised cost subject to NZ IFRS 9 impairments, being loan receivables, cash, cash equivalents and term deposits.

A majority of the Group's financial assets represent rights and obligations arising under insurance contracts as defined in NZ IFRS 4 Insurance Contracts which are out of scope and therefore not subject to the NZ IFRS 9 impairment model.

The Group applies a three-stage approach to measuring ECLs on financial assets measured at amortised cost. Assets migrate through the three stages on their change in credit quality since initial recognition.

Other assets.

Other assets include assets recoverable from reinsurers related to the reinsurance portion of the remediation provision recognised (note 19). The receivable is recognised where there is either a contractual or other entitlement to a share of the remediation cost from the reinsurer.

Loans and other receivables comprise:

	2023 $'000	2022 Restated[1] $'000
Prepayments	5,370	4,058
Sundry receivables	2,074	3,052
Outstanding premiums	6,530	5,582
Other assets	1,281	1,281
Total loans and other receivables	**15,255**	13,973
Due:		
Within 12 months	15,255	12,692
Later than 12 months	–	1,281
	15,255	13,973

[1] Refer to note 2 for details regarding the restatement made..

15. Leases.

Accounting policies.

Rental contracts are typically made for fixed periods of 3 to 12 years with extension options available. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group's lease agreements do not impose any covenants, but lease assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

15. Leases (continued).

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessees as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate and adjusted for credit risks; and
- makes adjustments specific to the lease (e.g. term, security).

Lease payments are allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise low-value IT equipment.

Variable lease payments relate to operating expenses on regional office leases. Operating expenses include charges for water, gas, electricity, telephone and other utilities.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. None of the total lease payments made in the current financial period (2022: none) were as a result of exercising the extension option.

The Group leases various assets including offices, IT equipment and motor vehicles. Information about leases for which the Group is a lessee is presented below:

	Office $'000	IT equipment $'000	Motor vehicle $'000	Total $'000
Right-of-use assets				
Balance at 1 July 2021	42	160	98	300
Additions	31,149	–	–	31,149
Depreciation charge for the period	(1,301)	(49)	(70)	(1,420)
Lease incentive received	(10,607)	–	–	(10,607)
Modification to lease terms	–	–	4	4
Balance at 30 June 2022	**19,283**	**111**	**32**	**19,426**
Balance at 1 July 2022	19,283	111	32	19,426
Additions	–	–	186	186
Depreciation charge for the period	(1,696)	(101)	(70)	(1,867)
Lease incentive received	–	–	–	–
Modification to lease terms	38	–	(1)	37
Balance at 30 June 2023	**17,625**	**10**	**147**	**17,782**
Lease liabilities				
Balance at 1 July 2021	–	170	100	270
Additions	31,149	–	–	31,149
Interest expense	882	5	2	889
Modification to lease terms	–	–	4	4
Lease payments	(2,065)	(92)	(74)	(2,231)
Balance at 30 June 2022	**29,966**	**83**	**32**	**30,081**
Current	2,819	72	17	2,908
Non-current	27,147	11	15	27,173
	29,966	**83**	**32**	**30,081**
Balance at 1 July 2022	29,966	83	32	30,081
Additions	–	–	186	186
Interest expense	1,154	2	11	1,167
Modification to lease terms	38	–	(1)	37
Lease payments	(2,873)	(73)	(77)	(3,023)
Balance at 30 June 2023	**28,285**	**12**	**151**	**28,448**
Current	2,904	12	80	2,996
Non-current	25,381	–	71	25,452
	28,285	**12**	**151**	**28,448**

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

15. Leases (continued).

Significant lease entered in the prior period.

The lease of the Group's new premises located at 136 Fanshawe Street, Auckland commenced on 8 October 2021 for an initial 10 year term. When measuring the lease liability associated with the lease the Group discounted lease payments using its incremental borrowing rate of 4.06% at the lease commencement date.

The lease agreement grants a single right of lease renewal for a further 6-years period. This right of renewal was not included in the measurement of lease liabilities as no reasonable certainty exists over the likelihood of executing this extension right.

At the time of entering the lease, the Group received a $10.6m cash incentive that has been recorded as a reduction in the value of the right-of-use asset. Cash receipt under the lease incentive is classified within the investing activities in the consolidated statement of cash flows.

	2023 $'000	2022 $'000
Amounts recognised in profit or loss (included in 'Operating expenses')		
Interest on lease liabilities	**1,167**	889
Depreciation charges on right-of-use assets	1,867	1,420
Expense relating to short-term leases	726	545
Expense relating to leases of low-value assets	69	62

16. Intragroup portfolio transfer.

Portfolio transfer of assets and liabilities held by Fidelity Insurance Limited.

On 30 June 2023, a portfolio transfer was effected under which all insurance policy assets and liabilities of FIL, including all insurance portfolios, were transferred to FLAC ('Portfolio Transfer'). Following the Portfolio Transfer, FIL discontinued its business operations, with its insurance license with RBNZ terminated on 30 June 2023. FIL continues operating as a dormant entity until the date of its liquidation, which is expected to be prior to 31 October 2023.

As FIL was owned by the Group as at the time of the Portfolio Transfer, this was a business combination under common control, which is not in the scope of NZ IFRS 3 nor any other applicable NZ IFRS standard.

The total consideration for the portfolio transfer was $78.9m, being the book value of the net assets included as part of the Portfolio Transfer. The initial consideration was based on pre-30 June 2023 accounts and allowed for $5m in cash to be maintained in FIL to cover any outstanding obligations and movements in FIL's net asset position between the pre- and 30 June 2023 accounts. This remaining cash balance, after any costs being deducted, will be transferred to FLAC prior to the liquidation of FIL.

17. Property, plant and equipment.

Accounting policies.

Property, plant and equipment.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. The cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation.

Depreciation is calculated using the straight-line method to allocate an asset's cost or revalued amount, net of any residual value, over the asset's estimated useful life. The rates are as follows:

Building fit-out	7-12 years
Leasehold improvements	8-12 years
Plant and equipment	1-14 years

Building fit-out and improvements that are in a work-in-progress state and yet to be capitalised are not depreciated until they are available for use, i.e. when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Impairment of assets.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

17. Property, plant and equipment (continued).

Property, plant and equipment can be analysed as follows:

	Building fit-out and improvements $'000	Plant and equipment $'000	Total $'000
At 1 July 2021			
Cost	2,275	6,310	8,585
Accumulated depreciation	–	(5,748)	(5,748)
Net book amount	2,275	562	2,837
Year ended 30 June 2022			
Opening net book amount	2,275	562	2,837
Additions	1,672	1,645	3,317
Transfers in/(out)	60	(60)	–
Depreciation	(232)	(425)	(657)
Disposals	–	(82)	(82)
Closing net book amount	3,775	1,640	5,415
At 1 July 2022			
Cost	4,007	2,387	6,394
Accumulated depreciation	(232)	(747)	(979)
Net book amount	3,775	1,640	5,415
Year ended 30 June 2023			
Opening net book amount	**3,775**	**1,640**	**5,415**
Additions	**–**	**379**	**379**
Depreciation	**(348)**	**(620)**	**(968)**
Disposals	**–**	**(26)**	**(26)**
Closing net book amount	**3,427**	**1,373**	**4,800**
At 30 June 2023			
Cost	**4,007**	**2,740**	**6,747**
Accumulated depreciation	**(580)**	**(1,367)**	**(1,947)**
Net book amount	**3,427**	**1,373**	**4,800**

In the prior period, the Group wrote off existing plant and equipment with a cost value of $5.4m. As the written-off plant and equipment had already been fully depreciated in prior financial periods, this write-off did not have any impact on profit or loss.

18 Intangible assets.

Accounting policies.

Software.

Acquired software licences are capitalised on the basis that they are costs incurred to acquire and use specific software.

Internally developed software.

Costs associated with developing identifiable and unique software controlled by the Group, including employee and contractor costs, are capitalised and treated as intangible assets when the products will generate probable future economic benefits. Amortisation commences once the software is available for use.

Software under development.

Costs that are directly associated with the development of software are recognised as intangible assets where the following criteria are met.

It is technically feasible to complete the software so that it will be available for use; there is an ability to use the software; it can be demonstrated how the software will generate probable future economic benefits; the expenditure attributable to the software during its development can be reliably measured.

Software development costs that meet the above criteria are capitalised. Other development expenditure that does not meet the above criteria is recognised as an expense as incurred.

Software costs are amortised over the useful life of 2 to 7 years on a straight-line basis.

Value of business acquired ('VOBA').

The difference between the carrying value and the fair value of the insurance contract assets acquired in a business combination is initially recognised as an intangible asset and is subsequently amortised to profit or loss in line with the expected change in the policy liabilities on active lives as at the date of acquisition.

VOBA reflects the estimated fair value of in-force contracts acquired and represents the portion of the purchase price that is allocated to the value of the right to receive future cash flows from the life insurance contracts in force at the acquisition date. VOBA is based on actuarially determined projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns and other factors.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

18. Intangible assets (continued).

Impairment.

VOBA

Under NZ IFRS 4, VOBA is subject to a liability adequacy test ('LAT') to assess the sufficiency of the future profit margins and consider any potential loss recognition. The assumptions used for determining the planned margins are consistent with the assumption used for valuation of policy liabilities.

Other intangible assets.

Intangible assets are reviewed for impairment annually to identify events or changes in circumstances that indicate that the carrying amount may not be recoverable. If an asset's carrying amount is greater than its estimated recoverable amount, the carrying amount is written down to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the asset's value in use. Any impairment loss is recognised immediately in the consolidated income statement.

Intangible assets can be analysed as follows:

	Value of Business acquired $'000	Software $'000	Internally developed software $'000	Software under development $'000	Total $'000
At 1 July 2021					
Cost	–	2,637	17,107	6,302	26,046
Accumulated amortisation/impairment	–	(2,329)	(10,095)	–	(12,424)
Net book amount	–	308	7,012	6,302	13,622
Year ended 30 June 2022					
Opening net book amount	–	308	7,012	6,302	13,622
Acquisition of business	211,424	–	–	–	211,424
Additions	–	–	–	8,819	8,819
Transfer in/(out)	–	(1)	10,848	(10,847)	–
Amortisation	(1,055)	(155)	(2,097)	–	(3,307)
Closing net book amount	210,369	152	15,763	4,274	230,558
At 1 July 2022					
Cost	211,424	518	19,371	4,274	235,587
Accumulated amortisation/impairment	(1,055)	(366)	(3,608)	–	(5,029)
Net book amount	210,369	152	15,763	4,274	230,558
Year ended 30 June 2023					
Opening net book amount	**210,369**	**152**	**15,763**	**4,274**	**230,558**
Additions	**–**	**–**	**–**	**14,146**	**14,146**
Transfer in/(out)	**–**	**–**	**–**	**–**	**–**
Amortisation	**(2,413)**	**(91)**	**(2,727)**	**–**	**(5,231)**
Disposals	**–**	**–**	**–**	**–**	**–**
Other mozzvements	**–**	**–**	**–**	**–**	**–**
Closing net book amount	**207,956**	**61**	**13,036**	**18,420**	**239,473**
At 30 June 2023					
Cost	**211,424**	**518**	**19,371**	**18,420**	**249,733**
Accumulated amortisation/impairment	**(3,468)**	**(457)**	**(6,335)**	**–**	**(10,260)**
Net book amount	**207,956**	**61**	**13,036**	**18,420**	**239,473**

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

18. Intangible assets (continued).

Policy administration system development.

In 2019 the Group began work on developing a new policy administration system to replace several legacy systems. The first phase of the system development was completed in July 2020 and the second phase in March 2022.

In the prior period, following the Phase 1 system deployment, the Group wrote off existing systems with a cost value of $10.7m. As the replaced systems had already been fully amortised/impaired in prior financial periods, this write-off did not impact the profit or loss.

19. Payables and other liabilities.

Accounting policies.

Payables.

Payables are liabilities for goods and services provided to the Group which are unpaid at reporting date. The carrying value of payables is considered to approximate fair value as amounts are unsecured and are usually paid within a month of recognition.

Refer to the accounting policy on Revenue (note 5), and Expenses (note 8) for further details.

Provisions.

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The remediation provision has been recorded as a result of an error identified this year (note 2). The remediation provision has been recognised for the expected present value of the estimated customer premium refunds, claims top-up and other related expenses.

Payables and other liabilities comprise:

	2023 $'000	2022 Restated[1] $'000
Financial liabilities		
Creditors and accruals	**18,803**	14,378
Claims notified	**54,669**	45,730
Reinsurance liabilities[2]	**20,574**	68,996
Total financial liabilities	**94,046**	129,104
Other liabilties		
Income in advance	**361**	1,434
Employee entitlements	**9,175**	7,727
Remediation provision	**4,978**	4,978
Total other liabilities	**14,514**	14,139
Total payables and other liabilities	**108,560**	143,243
Due:		
Within 12 months	**104,731**	134,575
Later than 12 months	**3,829**	8,668
	108,560	143,243

[1] Refer to note 2 for details regarding the restatement made.
[2] In the prior period, the Group reached an agreement with a reinsurer to recapture (take back) the risks initially ceded to the reinsurer within a reinsurance arrangement. The recapture expense amount of $39.5m was included into the 'Other (expense)/income' line in the consolidated income statement and the full settlement occurred in July 2022.

There was no movement in the remediation provision in the current period (2022: none). The remediation provision for refunds is expected to be settled within twelve months of balance date.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

20. Life insurance contract liabilities and assets.

Accounting policies.

Life insurance contracts are those contracts that transfer significant insurance risk. Contracts that contain a discretionary participation feature are also classified as life insurance contracts. A participating contract is eligible for a share of the value of future planned shareholder profit margins and an allowance for future supportable bonuses.

The methodology used to determine the value of life insurance contract liabilities and assets is referred to as Margin on Services ('MoS'), as set out in New Zealand Society of Actuaries Professional Standard No 20: Determination of Life Insurance Policyholder Liabilities ('PS20').

MoS is designed to recognise profits on life insurance policies as services are provided to policyholders and income is received. Under MoS, the planned profit margins are deferred and amortised over the life of the contract, whereas losses are recognised immediately.

Life insurance contract assets and liabilities are generally determined as the present value of all future expected payments, expenses and profit margins, reduced by the present value of all future expected premiums.

The movement in life insurance contract liabilities and assets is recognised in the consolidated income statement.

Payables and other liabilities comprise:

Movement in life insurance contract liabilities/(assets).

	2023 $'000	2022 $'000
Opening balance at 1 July	**(303,475)**	(243,530)
Assets acquired in the business combination	**–**	(106,497)
Premiums received	**450,350**	338,365
Liabilities released for payments on death, surrender and other terminations in the year	**(209,738)**	(164,613)
Commission and other expenses	**(209,707)**	(160,030)
Other movements[1]	**(20,375)**	32,830
Closing balance at 30 June	**(292,945)**	(303,475)

[1] This includes $1.2m for remediating customers where outcomes were not fully in alignment with regulatory expectations and amortisation, experience impacts and experience changes during the financial year.

Movement in life insurance contract assets ceded under reinsurance.

	2023 $'000	2022 $'000
Opening balance at 1 July	**128,179**	39,137
Assets acquired in the business combination	**–**	(4,643)
Movement in consolidated income statement	**(28,047)**	93,685
Closing balance at 30 June	**100,132**	128,179
Net of reinsurance life insurance contract (assets) at 30 June	**(192,813)**	(175,296)
Due:		
Within 12 months	**36,603**	23,296
Later than 12 months	**(229,416)**	(198,592)
	(192,813)	(175,296)

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

20. Life insurance contract liabilities and assets (continued).

Life insurance contract assets net of reinsurance contain the following components[1].

	2023 $'000	2022 $'000
Future policy benefits	**1,372,473**	1,729,427
Future expenses	**926,602**	1,506,522
Planned margins of revenues over expenses	**788,604**	848,589
Future revenues	**(3,280,492)**	(4,259,834)
	(192,813)	(175,296)
Life insurance contracts with a discretionary participation feature that have a guaranteed element	**31,447**	32,070

21. Life investment contract liabilities.

Accounting policies.

Life investment contracts are those contracts with no significant insurance risk, but which give rise to a financial liability.

Life investment contracts issued by the Group are mostly unit-linked and are measured at fair value. The fair value of a unit-linked contract is determined by using the current unit values that reflect the fair values of the financial assets backing the contract, multiplied by the number of units attributed to the contract holder.

Movement in life investment contract liabilities.

	2023 $'000	2022 $'000
Opening balance at 1 July	**87,388**	111,125
Contributions received	**3,514**	3,200
Fees deducted from account balances	**(133)**	(162)
Liabilities released for payments on death, surrender and other terminations in the year	**(12,704)**	(16,364)
Investment return credited to policyholders	**6,609**	(9,679)
Other movements	**(1,289)**	(732)
Closing balance at 30 June	**83,385**	87,388
Due:		
Within 12 months	**22,698**	26,868
Later than 12 months	**60,687**	60,520
	83,385	87,388
Life investment contracts with a guaranteed element	**71,322**	74,309

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

22. Share capital and dividends.

Accounting policies.

Share capital.

The incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of FLAC as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of FLAC.

Dividends.

Ordinary dividends are recognised as a movement in equity in the year within which they are paid.

Where a dividend is declared after balance date, but prior to the issue of the financial statements, disclosure of the declaration is made but no liability is recognised for the amount.

Share capital.

	2023 Shares	2022 Shares	2023 $'000	2022 $'000
Opening balance at 1 July	4,491,440	2,091,440	378,572	81,586
Ordinary shares bought back and cancelled	–	(169,628)	(2,545)	(21,204)
Ordinary shares issued for cash	1,230	2,569,628	154	321,204
Less: Transaction costs arising on share issues and buy backs	–	–	–	(3,014)
Closing balance at 30 June	4,492,670	4,491,440	376,181	378,572

All shares are fully paid and have no par value. All ordinary shares rank equally, and shareholders are entitled to receive one vote per share.

Share buy-back arbitration outcome.

In March 2023 an arbitration decision was reached in relation to a disagreement over the share price used in a share buy-back transaction that occurred in the prior financial year. Under the decision the Group was required to pay an additional $2.55m to the Company's former shareholder. This liability was settled in March 2023.

23. Capital management.

During the year the Group has applied the Internal Capital Adequacy Assessment Process ('ICAAP') framework to prioritise capital management in decision making.

The objectives of the Group with regards to capital management are to:

(i) Maintain a level of target surplus which creates a buffer over minimum regulatory capital while still allowing for efficient use of capital;

(ii) Maintain a strong capital base to cover the inherent risks of the business; and

(iii) Support the future development and growth of the business to maximise shareholder value.

The Board has the ultimate responsibility for managing capital and compliance with the Solvency Standard for Life Insurance Business 2014 issued by the Reserve Bank of New Zealand ('RBNZ') ('Solvency Standard'). The Board approves the capital policy and minimum capital levels and limits via the ICAAP. Minimum capital levels are set based on maintaining a target surplus in excess of solvency margin requirements under the Solvency Standard. The Company has two life funds, the Statutory Fund and the Non-Statutory Fund.

Separate solvency calculations were maintained for each entity of the Group with a separate Statutory Fund for policies covered under FLAC and FIL (together – the 'Companies'), although FIL's Statutory Fund was disestablished on 30 June 2023 following the Portfolio Transfer and the cancellation of its insurance licence.

During the years ended 30 June 2023 and 30 June 2022, the Companies complied with all capital licensing requirements.

The Solvency Standard has been replaced from 1 July 2023 with the new Interim Solvency Standard issued by RBNZ. The company continues to monitor the development of new RBNZ standards.

The Board has ultimate responsibility for maintaining the optimal capital structure. The Audit and Risk Committee oversees the capital computations and advises the Board on dividend payments, capital management and solvency. In addition, the Company manages its required level of capital through analysis and optimisation of the Company's product and asset mix, reinsurance programme, insurance risk exposure and investment strategy.

The Appointed Actuary is satisfied that appropriate actions within the Board's control are sufficient to ensure a solvency margin is maintained at all times over the next four years.

The solvency position of the Company is as follows:

	2023			2022			
	FLAC Statutory Fund $'000	Non-Statutory Fund $'000	Total $'000	FLAC Statutory Fund $'000	FIL Statutory Fund $'000	Non-Statutory Fund $'000	Total $'000
Actual solvency capital	356,782	15,147	371,929	278,377	102,824	46,409	427,610
Minimum solvency capital	236,762	868	237,630	250,682	–	2,116	252,798
Solvency margin	120,020	14,279	134,299	27,695	102,824	44,293	174,812
Solvency ratio	151%	1745%	157%	111%	N/A	2193%	169%

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

24. Disaggregated information.

NZ IFRS 4 requires disclosure of disaggregated information in respect of amounts relating to investment linked business and non-investment linked business for certain categories as shown below. Non-investment linked business includes shareholders' funds held within the Statutory Fund.

Disaggregated information for the FLAC's Statutory Fund is presented below:

	Investment linked $'000	Non-Investment linked $'000	Total Statutory Fund $'000
2023			
Investment assets	83,385	270,412	353,797
Other (liabilities)/assets	–	289,552	289,552
Policy (liabilities)/assets	(83,385)	192,813	109,428
Liabilities other than policy liabilities	–	245,989	245,989
Shareholders' retained earnings	–	506,788	506,788
Insurance premium revenue and contributions received	3,381	446,969	450,350
Investment income	6,609	16,212	22,821
Claims expense and investment contracts payments	–	209,738	209,738
Other operating expense	1,896	169,355	171,251
(Loss)/profit before tax	(1,424)	19,600	18,176
(Loss)/profit after tax	(1,039)	12,403	11,364
2022 (restated[1])			
Investment assets	87,520	405,865	493,385
Other (liabilities)/assets	(132)	118,240	118,108
Policy liabilities/(assets)	(87,388)	175,296	87,908
Liabilities other than policy liabilities	–	275,030	275,030
Shareholders' retained earnings	–	424,371	424,371
Insurance premium revenue and contributions received	3,038	335,327	338,365
Investment loss	8,712	1,395	10,107
Claims expense and investment contracts payments	–	164,613	164,613
Other operating expense	1,117	133,158	134,275
(Loss)/profit before tax	1,500	(12,825)	(11,325)
Profit after tax	(145)	(7,308)	(7,453)

[1] Refer to note 2 for details regarding the restatement made.

FIL operated only the non-investment linked business, therefore no disaggregation was presented.

25. Risk management.

Risk management framework.

Whilst the Intragroup Portfolio Transfer (note 16) has led to the consolidation of risk management frameworks from 1 July 2023, for the full financial year ended 30 June 2023 separate frameworks were maintained. The Boards of each entity had responsibility for the establishment and oversight of their respective Risk Management Programme. This included the responsibility for approving the Risk Management Framework and Risk Appetites of each entity.

While the Boards are ultimately responsible for risk management, specific responsibility for the day-to-day monitoring and evaluation of the effectiveness of risk management is delegated to the respective Board Audit Risk and Conduct Committees who ensure that management have identified, assessed and managed each entity's risks in accordance with approved policies and risk objectives.

Each entity had a formalised Risk Management Programme comprising the following components:

(i) The Risk Management Framework, the purpose of which is to communicate why risk management is important and describe the approach to managing risk. Risk management is the culture, capabilities and practices integrated with the Group's strategy (and its execution), that the Group relies on to manage risk in creating, preserving and realising value. Risk Management is a critical business discipline that reduces uncertainty in the achievement of the Group's objectives. it also strengthens and complements other corporate governance initiatives.

(ii) The Risk Management Framework details how each entity ensures that effective risk management is reflected in the operational activities of the entities. The Risk Management Framework considers risks at a strategic and operational level. The Framework follows the principles of AS/NZ ISO 31000 Risk Management Principles and Guidelines. All documents within the Risk Management Programme are regularly reviewed to ensure effective management of the risks and obligations pertaining to each entity.

(iii) The Risk Appetite Statements for each entity describe the material risks to which each entity is exposed and specify the type and level of risk each entity will accept in pursuit of strategic, business and financial objectives. The risk appetite statements span the risk categories in the risk management framework and are reviewed at least annually.

(iv) The risk and compliance programme of work forms part of the annual strategic and business planning documents, identifying the key risk management initiatives that need to be planned and budgeted for.

(v) The Enterprise Risk and Obligation Profiles allow the Executive Risk Management Committees to stay abreast of risk developments and critically evaluate if the controls in the business are effectively addressing risk exposures and satisfying legislative obligations. The Risk and Obligation Profiles ensure all risks and obligations are recorded in FLAC's Risk Management System "Rex," with oversight provided by the Line 2 Risk and Compliance function.

(vi) The Internal Audit function, whose purpose is to provide independent and objective assurance on the adequacy and effectiveness of controls, remains in place and has continued to be an outsourced function provided by KPMG for each entity. The internal audit function follows an agreed program of work which is agreed annually by the respective Audit, Risk and Conduct Committees.

Asset and Liability Committees ('ALCO') are management committees comprised of the Chief Financial Officer, the respective Appointed Actuary, the Chief Risk Officer, the Head of Investment, Reinsurance and Capital Strategy and an independent actuarial advisor.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

25. Risk management (continued).

Risk management framework (continued).

The Group's business lines are exposed to balance sheet and regulatory solvency risks associated with movements in investments (including derivative instruments) plus the changes to actuarial valuations (including projected value of asset and liability cash flows, as well as the discounting applied to these.

The purpose of each ALCO is to perform regular reviews on investment strategies for both statutory and non-statutory funds. The objective is to construct asset portfolios taking account of future expected liability cashflows and reasonable policyholder expectations, whilst maximising expected future risk-adjusted investment returns for the shareholders. This is subject to the risks appetite and constraints established by the Board. The Group's activities expose it to market risk, insurance risk, liquidity risk and credit risk:

A. Market risk.

Market risk is the risk of losses arising from adverse movements in market prices or rates (including exchange rate, interest rate, equity price and property). Market risk arises from investments held in both the Statutory Fund and the Shareholder Fund.

For each of the major components of market risk, each entity has put in place procedures to set out how risk should be managed and monitored, and the approach to setting an appropriate risk appetite. The management of market risk is undertaken by the respective ALCO's. The ALCO's oversee the selection of wholesale managers, construction of wholesale mandates and asset allocation within the permitted guidelines of the Statements of Investment Policy and Objectives ('SIPO').

a) Exchange rate risk.

Exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

Although all financial instruments are denominated in New Zealand dollars, exchange rate risk arises as certain instruments are held in investment funds that invest in international bonds and equities. As at 30 June 2023, foreign currency denominated assets were less 5% of total assets (2022: 5% of total assets).

The Group uses foreign currency forward contracts to mitigate its exposure to currency risk from foreign denominated assets.

b) Equity price risk.

Equity price risk is the risk of loss due to changes in the value of investments. It also includes the risk of losses from fee income due to changes in the value of any equity positions held by administered funds. The risk is managed by ensuring a diverse range of investments, limits on counterparty exposure and restrictions on types of instruments.

The Group derives fee income based on the value of the underlying funds; hence revenues are sensitive to changes in market value. For assets which are not contractually linked to policy liabilities and assets, the Group is exposed to equity price risk. The risk is managed by ensuring a diverse range of investments, limits on counterparty exposure and restrictions on types of instruments and/or investing in a well-diversified managed fund.

c) Interest rate risk.

Interest rate risk is the loss in value of fixed-interest investments caused by fluctuating interest-rates. The Group's exposure to the risk of changes in market interest rates relates primarily to:

Fair value interest rate risk.

Fair value interest rate risk arises from the potential for a change in interest rates to cause a fluctuation in the fair value of financial instruments and life insurance contract liabilities and assets.

Cash flow interest rate risk.

Cash flow interest rate risk is the potential for a change in interest rates to change interest expense and interest income in future periods.

The Group manages its interest rate risk by regular monitoring of its exposure and assessing whether it is appropriate to adopt interest rate swaps given strategic objectives.

Sensitivity to market risk.

The following table shows the change in profit after tax and the effect on equity if there was a change in market risk assumptions with all other variables assumed unchanged:

Market risks.

		2023		2022	
		Impact on post-tax profit $'000	Impact on equity $'000	Impact on post-tax profit $'000	Impact on equity $'000
Currency rates	Increase by 10%	194	194	206	206
	Decrease by 10%	(158)	(158)	(169)	(169)
Equity prices	Increase by 10%	77	77	850	850
	Decrease by 10%	(77)	(77)	(850)	(850)
Interest rates	Increase by 1%	(1,257)	(1,257)	(1,494)	(1,494)
	Decrease by 1%	1,257	1,257	1,494	1,494

This table refers only to the effect on financial instruments and does not include the impact on life insurance contract liabilities and assets.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

25. Risk management (continued).

B. Insurance Risk.

Insurance risk manifests as the inherent uncertainty as to the volume, value, and timing of insurance liabilities. The business is exposed to this risk through its underwriting philosophy, product design, retention limits, reinsurance arrangements, natural disasters and mortality/morbidity fluctuations and trends.

The Group's objectives in managing risks arising from its insurance business are:

- To ensure that an appropriate return on capital is made in return for accepting insurance risk.
- To ensure that internal controls are in place within the business to mitigate underwriting risk.
- To ensure that internal and external solvency and capital requirements are met.
- To use reinsurance as a component of insurance risk management strategy.

Controls implemented to manage insurance risk include:

- Premium rates are set based on the expected incidence of claims, costs of running the insurance pool (including commission) and a contingency margin to cover the variability risk and cost of capital that provide solvency support for the insurance pool.
- Underwriting decisions are made in accordance with the procedures detailed in each entity's underwriting manuals.
- Claim management procedures are in place to assist in the timely and correct payment of claims in accordance with policy conditions.
- Reinsurance that caps the total amount payable on each claim to a predefined amount of risk is used to control the exposure of each entity to variation in the incidences of claims and concentration of risk. The Group holds a catastrophe reinsurance treaty to limit large losses arising from concentrations of risk due to geographical exposure or single events. The Group also holds an excess of loss reinsurance treaty to limit the net exposures to high levels of claims from all sources. The Group actively manages its exposure under its retention agreements with its reinsurers. Levels of retained risk are increased or decreased to reflect changes in the Group's retention risk profile.

Concentration of insurance risk.

The Group is not exposed to any significant concentration risk as it is mitigated by distribution partners providing individual underwritten and reviewable business that is dispersed:

- Geographically across all regions of New Zealand;
- Across market segments by virtue of age, gender and occupation class;
- Though product mix and varying combinations of Life, Trauma, Income Protection and TPD benefits across multiple reinsurance arrangements;
- Through multiple channels to market, strategic alliances and mix of new and existing business including legacy.

Terms and conditions of insurance contracts.

The nature of the terms of insurance contracts written is such that certain variables can be identified on which related cash flow payments depend. The table below provides an overview of these:

Type of contract	Detail of contract terms and conditions	Nature of compensation for claims	Key variables that affect the timing and uncertainty of future cash flows
Non-participating life insurance contracts with fixed and guaranteed terms	Benefits paid on death, ill health, disability or maturity that are fixed and guaranteed and not at the discretion of the insurer. Premiums may be guaranteed through the life of the contract, guaranteed for a specific term or variable at the insurer's discretion.	Benefits, defined by the life insurance contract, are determined by the contract and are not directly affected by the performance of underlying assets or the performance of contracts as a whole.	• Mortality • Morbidity • Discontinuance rates
Life insurance contracts with discretionary participating benefits	These policies include a clearly defined initial guaranteed sum assured which is payable on death. The guaranteed amount is a multiple of the amount that is increased throughout the duration of the policy by the addition of regular bonuses annually which once added are not removed. Regular bonuses are added retrospectively.	Benefits arising from the discretionary participation feature are based on the performance of a specified pool of contracts or a specified type of contract.	• Mortality • Morbidity • Market risk • Discontinuance rates • Market returns on underlying assets
Life annuity contracts	These policies provide regular payments to the life assured.	The amount of the payment is set at inception of the policy.	• Longevity • Market returns on underlying assets

Sensitivity analysis.

The analysis assumes that the value of liabilities will not be affected by changes in demographic assumptions. The following table shows the changes in the value of profit (post-tax) at 30 June if actuarial assumptions change as follows:

		2023 Impact on post-tax profit $'000	2022 Impact on post-tax profit $'000
Discount rate	Increase by 0.5%	(13,104)	(11,745)
	Decrease by 0.5%	13,845	12,433
Mortality / morbidity	Increase by 10%	(1,965)	(139)
	Decrease by 10%	1,969	168
Discontinuance	Increase by 10%	128	(1)
	Decrease by 10%	(158)	(21)
Expenses	Increase by 10%	(179)	(1)
	Decrease by 10%	179	27

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

25. Risk management (continued).

B. Insurance Risk (continued).

Variable	Impact of a movement in the underlying variable
Mortality risk	For insurance contracts providing death benefits, greater mortality rates would lead to higher levels of claims. This contrasts with annuities where greater mortality leads to lower levels of claims.
Morbidity risk	The cost of health-related claims depends on both the incidence of policyholders being diagnosed with a critical illness or becoming temporarily or permanently disabled and the duration for which they remain temporarily or permanently disabled. Higher than expected incidence and duration would likely to increase claim costs, reducing profit and shareholders' equity.
Discontinuance risk	The impact of the discontinuance rate assumption depends on a range of factors, including the type of contract, the surrender value basis (where applicable) and the duration in-force.

C. Liquidity risk.

Liquidity risk is the risk that the organisation is unable to meet its obligations immediately as they fall due. Each entity is exposed to daily calls on its available cash resources from maturing policies, policy claims, surrenders and cashing in or switching between investment portfolios.

Through the application of a liquidity management philosophy the Group seeks to maintain sufficient resources to meet its obligations as they fall due including adverse scenarios for voluntary withdrawals by policyholders.

Investment durations are matched with the expected time frames of liabilities to ensure that liabilities are adequately covered.

Each investment portfolio has a small proportion of non-linked funds to provide immediate liquidity for any policyholder that wishes to withdraw funds or switch portfolios.

Maturity analysis.

The table below shows the maturity of the contractual undiscounted cash flows of the Group's financial assets and liabilities. Where the counterparty has discretion in requesting immediate payment without exit penalty, liabilities have been classified according to the earliest time period in which the Group may be required to pay. Cash flows on derivative financial instruments are analysed on a gross basis, unless they are settled net. Life insurance contract liabilities/(assets) cash flows are in relation to contractual maturity values payable.

	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000	Carrying amount $'000
2023						
Financial assets						
Cash and cash equivalents	89,498	–	–	–	89,498	89,498
Other financial assets at amortised cost	98,652	–	–	–	98,652	98,652
Assets arising from reinsurance contracts	52,438	–	–	–	52,438	52,438
Financial assets at fair value through profit or loss	298,290	–	–	–	298,290	298,290
Loans and other receivables	8,604	–	–	–	8,604	15,255
	547,482	–	–	–	547,482	547,482
Financial liabilities						
Payables and other liabilities	93,087	–	–	–	93,087	93,087
Lease liabilities	3,052	3,116	9,643	19,122	34,933	28,448
Life investment contracts	22,697	10,409	18,194	32,083	83,385	83,385
	118,836	13,525	27,837	51,205	211,405	204,920
Life insurance contract liabilities/(assets) net of reinsurance	742	850	1,981	3,321	6,894	(194,036)
2022						
Financial assets						
Cash and cash equivalents	254,518	–	–	–	254,518	254,518
Other financial assets at amortised cost	29,120	–	–	–	29,120	29,120
Assets arising from reinsurance contracts	29,202	–	–	–	29,202	29,202
Financial assets at fair value through profit or loss	286,712	–	–	–	286,712	286,712
Loans and other receivables	8,634	–	–	–	8,634	12,692
	608,186	–	–	–	608,186	612,244
Financial liabilities						
Payables and other liabilities	129,104	–	–	–	129,104	129,104
Lease liabilities	2,961	2,964	9,356	22,429	37,710	30,081
Derivative financial instruments	235	–	–	–	235	235
Life investment contracts	26,868	8,231	17,929	34,360	87,388	87,388
	159,168	11,195	27,285	56,789	254,437	246,808
Life insurance contract liabilities/(assets) net of reinsurance	596	600	1,656	2,857	5,709	(175,296)

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

25. Risk management (continued).

D. Credit risk.

Credit risk is the risk of default by third parties to satisfy their financial obligations to the organisation in a timely manner.

Credit risk principally arises from investments in financial instruments and reinsurer payment obligations.

The Group manages its exposure to credit risk by investing and transacting with high credit quality financial institutions. The Group continuously monitors the credit quality of the institutions that it invests and transacts with and further minimises its credit exposure by limiting the amount of funds placed or invested with any one institution at any time. Credit risk with respect to reinsurance programmes is minimised by placement of cover with a number of reinsurers with strong credit ratings.

The following table provides information regarding the aggregated credit risk exposure. Other financial asset categories are unrated.

	AAA+ to A- $'000	BBB+ to BBB- $'000	BB+ to B- $'000	Unrated $'000	Total $'000
2023					
Cash and cash equivalents	**89,498**	**–**	**–**	**–**	**89,498**
Other financial assets at amortised cost	**98,652**	**–**	**–**	**–**	**98,652**
Assets arising from reinsurance contracts	**52,438**	**–**	**–**	**–**	**52,438**
	240,588	**–**	**–**	**–**	**240,588**
2022					
Cash and cash equivalents	254,518	–	–	–	254,518
Other financial assets at amortised cost	29,120	–	–	–	29,120
Assets arising from reinsurance contracts	29,202	–	–	–	29,202
	312,840	–	–	–	312,840

Included in the consolidated statement of financial position are unitised funds of $298,291,000 (2022: $286,712,000) which are unrated. Unitised products are invested within the guidelines of each entity's SIPO. The SIPO requires investments to be well diversified, and sets exposure limits for each class of asset and credit rating.

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 Group does not expect any investment or reinsurance counterparties to fail to meet their obligations given their high credit ratings.

The Group has significant funds invested in cash at banks. Although the risk is low, there is an asset concentration risk mitigation strategy of spreading cash between banks.

26. Related parties.

Subsidiaries.

FLAC is the ultimate parent of the Group. The Company holds the following interests in subsidiaries:

Company	Nature of activities	Class of shares $'000	Ownership 2023	Ownership 2022
Fidelity Insurance Limited1	Non-trading company	**Ordinary**	**100%**	100%
Fidelity Life Custodial Services Limited	Custodial / Trustee services	**Ordinary**	**100%**	100%

[1] During the year the nature of activities was "provision of life insurance services" but this changed on 30 June 2023 upon the intra-group portfolio transfer. Refer to note 16.

All subsidiaries are incorporated in New Zealand and have a balance date of 30 June.

Related party transactions.

a) Key management personnel compensation.

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.

	2023 $'000	2022 $'000
Short-term benefits	**5,713**	5,826
Total	**5,713**	5,826

b) Transactions with related parties.

The following transactions occurred with related parties:

	2023 $'000	2022 $'000
Commission paid to related parties comprise:	**242**	2,746
Shareholders as at 30 June who held agency agreements with the Group	**242**	2,746
Total		

c) Terms and conditions.

Commissions paid to shareholders.

Commissions paid to shareholders who hold agency agreements with the Group are paid at standard rates applicable to other commission agents.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

27. Commitments and contingent liabilities.

a) Capital commitments.

Significant capital expenditure committed for at the end of the reporting period but not recognised as part of liabilities is as follows:

	2023 $'000	2022 $'000
Intangible assets	6,600	9,391
	6,600	9,391

b) Contingent liabilities.

There is the possibility of legal and other claims against the Group (other than claims under contracts of insurance), the likelihood of which cannot be readily ascertained and the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The Group does not consider the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position. The directors are of the opinion that provisions are not required in respect of these matters as it is not probable that an outflow of future economic benefits will be required, nor is the amount capable of reliable measurement.

28. Events occurring after balance date.

On 27 September 2023 the Company declared an ordinary dividend of $8.01 per share issued amounting to $36,000,000 (gross of tax). Dividends are not imputed. There were no other events requiring adjustment to or disclosure in the consolidated financial statements.

29. Earnings per share.

Basic earnings per share.

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares on issue during the year.

	2023 $'000	2022 $'000
Total profit/(loss) for the year attributable to the owners of the Company	3,216	(23,986)
	Shares	Shares
Weighted average number of ordinary shares on issue	4,492,518	2,900,674
	$	$
Basic earnings per share	0.72	(8.27)

Diluted earnings per share

There is no dilution in earnings per share as all shares have been issued.

30. Statutory Fund.

FLAC and FIL operate under IPSA which requires that their life businesses are conducted within at least one statutory fund.

Investments held in the life statutory fund can only be used in accordance with the relevant regulatory restrictions imposed under IPSA and associated rules and regulations. The main restrictions are that the assets in a life statutory fund can only be used to meet the liabilities and expenses of the life statutory fund, to acquire investments to further the business of the life statutory fund or as distributions provided solvency, capital adequacy and other regulatory requirements are met.

The following table shows a summary of the balances of the FLAC Statutory Fund.

	2023 $'000	2022 Restated[1] $'000
Income statement		
Insurance premium revenue	297,448	288,024
Insurance premium ceded to reinsurers	(118,893)	(113,822)
Investment income/(loss)	17,105	(12,509)
Reinsurance commission income	–	40,000
Other income/(expense)	8,856	(32,573)
Claims expense	(147,519)	(142,863)
Reinsurance recoveries	90,551	87,116
Commission and operating expenses	(145,567)	(125,685)
Net change in life insurance contract assets	13,116	(2,069)
Net change in life investment contract liabilities	(5,319)	10,411
Income tax (expense)/benefit	(9,069)	2,104
Profit/(loss) for the period attributable to the owners of the Company (non-participating)	709	(1,866)

[1] Refer to note 2 for details regarding the restatement made.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

30. Statutory Fund (continued).

	2023 $'000	2022 Restated[1] $'000
Assets		
Cash and cash equivalents	73,643	201,105
Other assets	98,652	29,120
Assets arising from reinsurance contracts	57,550	21,289
Financial assets at fair value through profit or loss	275,153	116,753
Life insurance contract assets	292,945	218,079
Loans and other receivables	14,965	13,557
Property, plant and equipment	4,800	5,415
Right-of-use assets	17,782	19,426
Income tax assets	2,342	1,535
Intangible assets	15,769	14,680
Total assets	853,601	640,959
Liabilities		
Payables and other liabilities	103,751	112,622
Lease liabilities	28,448	30,081
Derivative financial instruments	–	235
Deferred tax liabilities	114,636	73,723
Life insurance contract assets ceded under reinsurance	100,132	15,755
Life investment contract liabilities	83,385	87,388
Deferred income	–	683
Total liabilities	430,352	320,487
Net assets	423,249	320,472
Equity		
Share capital	–	–
Retained earnings	423,249	320,472
Total equity	423,249	320,472
Transfer of capital to/(from) Shareholder Fund	(102,068)	10,000

During the year no distributions were made from the FLAC Statutory Fund (2022: none).

There are no other restrictions on the use of assets invested for policyholder benefits, nor any restrictions on legal titles to assets.

The following table shows a summary of the balances of the FIL Statutory Fund.

	2023 $'000	2022 $'000
Income statement		
Insurance premium revenue	152,902	50,341
Insurance premium ceded to reinsurers	(56,155)	(17,656)
Investment income	5,715	2,403
Reinsurance commission income	–	130,000
Other (expense)/income	(34,810)	(10,473)
Claims expense	(62,219)	(21,750)
Reinsurance recoveries	24,248	6,538
Commission and operating expenses	(25,684)	(8,589)
Net change in life insurance contract assets	4,401	(138,168)
Income tax benefit/(expense)	2,257	1,768
(Loss)/profit for the period attributable to the owners of the Company (non-participating)	10,655	(5,586)
Assets		
Cash and cash equivalents	–	9,505
Assets arising from reinsurance contracts	–	7,913
Financial assets at fair value through profit or loss	–	166,023
Life insurance contract assets	–	85,396
Loans and other receivables	–	1,806
Income tax assets	–	2,396
Total assets	–	273,039

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2023.

30. Statutory Fund (continued).

a) Capital commitments (continued).

	2023 $'000	2022 $'000
Liabilities		
Payables and other liabilities	–	27,074
Deferred tax liabilities	–	29,644
Life insurance contract assets ceded under reinsurance	–	112,423
Total liabilities	–	169,141
Net assets	–	103,898
Equity		
Share capital	–	79,520
Retained earnings	–	24,378
Total equity	–	103,898
Transfer of capital to Shareholder Fund	112,068	152,502

During the period $112m of distributions were made from the FIL Statutory Fund.

There are no other restrictions on the use of assets invested for policyholder benefits, nor any restrictions on legal titles to assets.

Our people came together in June 2023 to celebrate 50 years of Fidelity Life in true 70s style.

Independent auditor's report

To the shareholders of Fidelity Life Assurance Company Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of Fidelity Life Assurance Company Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 June 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Our firm carries out other services for the Group in the areas of assurance over custodial controls, solvency return, and shareholder reporting as well as tax compliance services, general training and workshop facilitation, directors' fee and executive remuneration benchmarking, provision of training materials and access to an online resource platform covering generic technical content. In addition, our firm has insurance arrangements with the Group covering partners and employees within the firm.

Those arrangements were contracted on normal terms within the ordinary course of trading activities of the Group. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. The provision of these other services and relationships have not impaired our independence as auditor of the Group.

Key audit matter

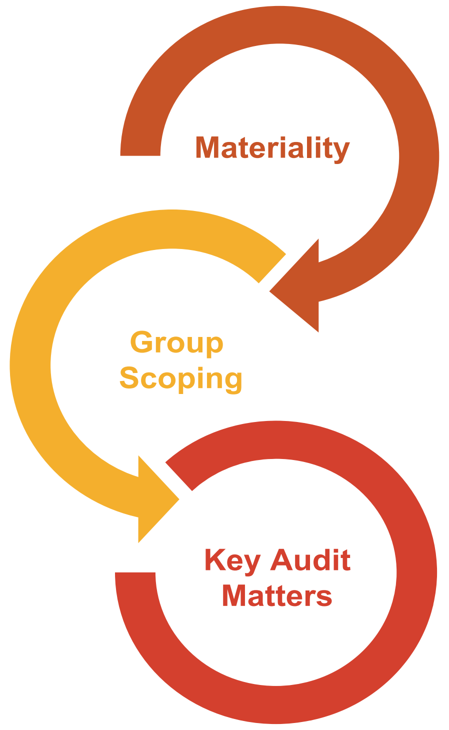
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Description of the key audit matter	How our audit addressed the key audit matter
Measurement of life insurance contract assets and life insurance contract assets ceded under reinsurance Refer to the following notes in the consolidated financial statements: Note 2 Summary of significant accounting policies, Note 3 Actuarial methods and policies and Note 20 Life insurance contract liabilities and assets. As at 30 June 2023, the Group has life insurance contract assets of $292.9 million (30 June 2022: $303.5 million) and life insurance contract assets ceded under reinsurance of $100.1 million (30 June 2022: $128.2 million). The valuation of these balances involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the measurement of these balances. We considered this a key audit matter due to the subjective actuarial judgements made and the complexity of the actuarial calculations and models. The key actuarial assumptions include: • Long-term interest rates which affect the rate at which cash flows are discounted (discount rates) • The cost of providing benefits and administering these contracts (maintenance expenses) • Mortality and morbidity experience on life insurance products • Persistency (or discontinuance) experience, which affects the Group's ability to recover the cost of acquiring new business over the lives of the contracts • Bonus rates per annum for classes of participating business • Inflation and automatic indexation of benefits which affect contractual sum assured indexation and maintenance expenses.	Together with PwC actuarial experts, we have: • Assessed the reasonableness of the key actuarial assumptions including the discount rates, maintenance expenses, mortality rates, morbidity rates, rates of discontinuance, bonus rates, inflation and automatic indexation of benefits. Our assessment of the assumptions included: - Obtaining an understanding of, and testing on a sample basis, the Group's controls in place to determine the assumptions - Examining the approach used by management to derive the assumptions by applying our industry knowledge and experience - Challenging the key assumptions used by management against past experience, market observable data (as applicable) and our experience of market practice • Assessed the reasonableness of the analysis of profit prepared by management to consider whether assumption changes are consistent with the experience and whether the movement in life insurance contract assets and associated reinsurance liabilities from the prior reporting period have been adequately explained • Assessed the valuation models and methodologies used by applying our industry knowledge and experience to compare whether the models and methodologies and changes to those are consistent with recognised actuarial practices and expectations derived from market experience • Tested, on a sample basis, the underlying calculations in certain valuation models • Assessed the outcome of the liability adequacy test in order to ascertain whether the insurance contract balances are adequate in the context of a valuation based on best estimate assumptions at the reporting date. Policy data is a key input to the actuarial estimates. Accordingly, we: • Evaluated the design effectiveness and tested the operating effectiveness of certain controls over underwriting, policy administration and actuarial data reconciliation processes • Tested, on a sample basis, the completeness and accuracy of data between source and actuarial valuation systems.

Independent auditor's report (continued).

Our audit approach

Overview



Overall group materiality: $4.5 million, which represents approximately 1% of insurance premium revenue.The Group's consolidated financial statements comprise:

We chose insurance premium revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark in the life insurance industry.

We performed a full scope audit over the consolidated financial statements of the Group.

As reported above, we have one key audit matter, being the measurement of life insurance contract assets and life insurance contract assets ceded under reinsurance.

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

Materiality

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

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

How we tailored our group audit scope

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
27 September 2023

Auckland

Appointed Actuary's Report Required under Section 78 of the Insurance (Prudential Supervision) Act 2010.
To the Board of Directors of Fidelity Life Assurance Company Limited ("FLAC").

Appointed actuary's report.

Background.

This report has been prepared by Chris Marston-Fergusson FNZSA FIAA, the Appointed Actuary of FLAC, for the purpose of Section 78 of the Insurance (Prudential Supervision) Act 2010 ("IPSA").

Other than my role as Appointed Actuary, I am an employee of FLAC and receive remuneration in the form of fixed salary with eligibility for performance bonuses.

The report provides information to the Board and management of FLAC regarding a review of the FLAC entity's actuarial information (Section 77 of IPSA) contained in the 30 June 2023 FLAC financial statements and provides an opinion as to its appropriateness.

This report has not been prepared with any other additional purpose in mind and the results and opinions contained within may not be applicable or appropriate for other purposes.

Appointed Actuary's Responsibility.

My responsibility is to review the actuarial information in, or used in the preparation of FLAC's financial statements. The financial statements comprise the statements of financial position as at 30 June 2023, the statements of comprehensive income, changes in equity and cash flows for the year, and a summary of significant accounting policies and other explanatory information.

My review involves:

- Ascertaining the completeness of the actuarial information;
- Evaluating the accuracy and appropriateness of the actuarial information; and
- Providing an opinion of whether the solvency margins for FLAC and its life funds (including the statutory fund) are maintained at the balance date.

There were no restrictions or limitations placed on my work or on my report. I obtained all the information I required.

Opinion.

In my opinion, and from an actuarial perspective:

- The actuarial information contained in FLAC's financial statements has been appropriately included;
- The actuarial information contained in FLAC's financial statement has been used appropriately;
- FLAC maintains a solvency margin in accordance with the Solvency Standard for Life Insurance Business 2014 for the purposes of section 21(2)(b) of IPSA as at 30 June 2023; and
- FLAC maintains, in respect of its Statutory Fund and Shareholder Fund a solvency margin in accordance with the Solvency Standard for Life Insurance Business 2014 for the purposes of section 21(2)(c) of IPSA as at 30 June 2023.

I have prepared, dated and signed this report solely in my capacity as Fidelity Life Appointed Actuary under section 76(1) of the Act. To the fullest extent permitted by law, I do not accept responsibility to anyone other than the Reserve Bank of New Zealand, Fidelity Life, its Board and shareholder for the contents of this report.

Chris Marston-Fergusson

Appointed Actuary
27 September 2023

Celebrating 50 years

fidelity life

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