Fidelity Life Assurance Company Limited.

Annual report, financial statements & climate statement.

For the year ended 30 June 2024.

The Board of Directors ("Board") of Fidelity Life Assurance Company Limited ("Fidelity Life") is pleased to present the annual report, including financial statements and climate statement, of Fidelity Life for the year ended 30 June 2024.

For and on behalf of the Board

Lindsay Smartt	Melanie Hewitson
Interim Chair	Chair, Audit, Risk and Conduct Committee

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FY24
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Nature of the business.

Fidelity Life is here for the good of New Zealand. Backed by local shareholders including the NZ Super Fund, Ngāi Tahu Holdings and the Fidelity Family Trust, we're the largest New Zealand owned life insurer and have paid more than $1.8 billion in claims since we were founded in 1973. We protect around 300,000 New Zealanders and distribute our products through a nationwide network of 1,800 independent financial advisers, as well as through strategic alliance partners.

Refreshed leadership and a new strategic direction.

During FY24 we introduced new talent to our Board and Executive team.

Brian Blake retired as Board Chair and Independent Director Lindsay Smartt was appointed as Interim Chair. Alan Gourdie retired as an Independent Director and Scott Pickering was appointed as an Independent Director.

Campbell Mitchell commenced as Chief Executive Officer, and subsequently appointed Niall McConville as Chief Insurance Officer, Carly Orr as Chief People and Communities Officer and Angela Henderson as Chief Information and Delivery Officer.

The Board approved a new FY25-27 strategy developed by the Executive team through joint workshops with the Executive and Board. Called our 'New Zealand growth story', our new strategy reflects our desire to be a sustainable, efficient and proud New Zealand life insurer.

Transformation and regulatory change.

We're nearing the end of a large and complex transformation programme, which has been mainly focused on integrating Fidelity Insurance Limited (Fidelity Insurance), formerly known as Westpac Life, which we acquired in 2022. Following completion of the transfer of Fidelity Insurance to Fidelity Life, in October 2023 Fidelity Insurance was wound up and removed from the Companies Register, simplifying and streamlining our group structure.

Adapting to regulatory change, including conduct licensing, climate related disclosures and the new IFRS 17 accounting standard, continued to be a priority during FY24.

Our FY24 business performance will be discussed at our Annual Meeting on 20 November 2024.

Corporate governance & related information.

Fidelity Life Board of Directors at 30 June 2024.*

Lindsay Smartt *BA FIAA FNZSA FAICD*
Non-Executive Director
Independent

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

Ceased FY24
Director: Fidelity Insurance Limited.
Director (Australia): The Infants' Home.

Nicola Greer *MCom (Hons)*
Non-Executive Director
Independent

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

Member: NZX Markets Disciplinary Tribunal.

Added FY24
Director: Vulcan Steel.

Ceased FY24
Director: Fidelity Insurance Limited.

Melanie Hewitson *MNZM MA BSocSci CMInstD AIF CCB.D*
Non-Executive Director
Independent

Chair: Nominating Committee for Waikato-Tainui Group Investment Committee, NZ Trade & Enterprise Active Investor Plus Visa Advisory Panel.

Director: Domain Name Commission, Housing Foundation, Ngāti Whātua Ōrākei Whai Maia, NZ Green Investment Finance Solar Investments, Simplicity NZ, Southern Cross Travel Insurance.

Trustee: Foundation North, NZ Housing Foundation.

Independent Member: FINDEX Advice Services NZ Limited Investment Committee.

Ceased FY24
Director: Fidelity Insurance Limited.

Samuel Inglis *MBA, LLB, BA*
Non-Executive Director
Non-Independent

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

Chief Operating Officer: Ngāi Tahu Holdings.

Independent Member: Rata Foundation Investment Committee.

Added FY24
Director: Central Platea and Honey Limited, Manuka Animals, Oha Exiih GP, Taku Honey

Ceased FY24
Director: Hilton Haulage GP

Scott Pickering *MInstID, CIP, ANZII*
Non-Executive Director
Independent

Chair: Evolution Healthcare

Director: Bowls New Zealand, Engage Consulting, IAG New Zealand, IAG (NZ) Holdings, Insurance Australia Group (IAG), Kiwibank.

Advisory Board Member: Tampi

Advisor: Bain & Co, HealthNow

Simona Turin *MBA, BA*
Non-Executive Director
Independent

Director Professional Development: Women on Boards – WOBSX Syndicate.

Chief Executive Officer: academyEX

Added FY24
Director: Loaded Reports, Hectre Group.

Ceased FY24
Director: AskNicely, Quantiful, Nomos, Nomos One, Nomos One Trustee

*Brian Blake and Alan Gourdie retired from the Board effective 29 April 2024 and 30 November 2023 respectively.

Directors' remuneration.

The Directors of Fidelity Life holding office during the 2024 financial year and their total remuneration and other benefits are shown below.

Director	Total remuneration FY24
Lindsay Smartt (Interim Chair)[1]	$117,917
Nicola Greer (Chair of People and Performance Committee)	$102,000
Melanie Hewitson (Chair of Audit, Risk and Conduct Committee)[2]	$92,583
Samuel Inglis	$90,000
Scott Pickering[3]	$1,000
Simona Turin (Chair of Technology Advisory Committee)[4]	$97,000
Brian Blake (Chair)[5]	$149,500
Alan Gourdie[6]	$42,414

[1] Lindsay Smartt was appointed Interim Chair on 29 April 2024, prior to which he was Chair of the Audit, Risk and Conduct Committee.
[2] Melanie Hewitson was appointed Chair of the Audit, Risk and Conduct Committee on 29 April 2024.
[3] Scott Pickering joined the Board on 27 June 2024.
[4] The Technology Advisory Committee was disestablished on 26 June 2024.
[5] Brian Blake retired from the Board on 29 April 2024.
[6] Alan Gourdie retired from the Board on 30 November 2023.

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
$1,000,000+	0
$700,000 - $710,000	1
$670,000 - $680,000	2
$600,000 - $610,000	1
$590,000 - $600,000	0
$530,000 - $540,000	0
$480,000 - $490,000	0
$370,000 - $380,000	1
$350,000 - $360,000	1
$340,000 - $350,000	1
$330,000 - $340,000	0
$320,000 - $330,000	1
$310,000 - $320,000	0
$300,000 - $310,000	1
$290,000 - $300,000	3
$280,000 - $290,000	2
$270,000 - $280,000	3
$260,000 - $270,000	1
$250,000 - $260,000	3
$240,000 - $250,000	3
$230,000 - $240,000	3
$220,000 - $230,000	0
$210,000 - $220,000	2
$200,000 - $210,000	11
$190,000 - $200,000	10
$180,000 - $190,000	7
$170,000 - $180,000	13
$160,000 - $170,000	13
$150,000 - $160,000	21
$140,000 - $150,000	27
$130,000 - $140,000	16
$120,000 - $130,000	22
$110,000 - $120,000	17
$100,000 - $110,000	16
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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.

Share registrar.

Computershare Investor Services Limited

Private Bag 92119, Auckland 1142

Level 2, 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 manage your shareholding online at Computershare Investor Centre at: **www.computershare.co.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.

Registered office.

Fidelity Life House, Level 4, 136 Fanshawe Street, Auckland 1010
Telephone 09 373 4914
fidelitylife.co.nz

Consolidated financial statements.

For the year ended 30 June 2024.

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Fidelity Life Assurance Company Limited
Consolidated statement of comprehensive income
for the year ended 30 June 2024

	Note	2024 $'000	2023 Restated $'000
Insurance service revenue	4	**449,073**	442,657
Insurance service expenses	4	**(364,412)**	(343,253)
Net expenses from reinsurance contracts held	4	**(9,093)**	(17,366)
Insurance service result		**75,568**	82,038
Interest income from financial assets at amortised cost		**6,091**	8,910
Investment income	4	**23,644**	15,988
Finance (expenses)/income from insurance contracts	4	**(10,154)**	5,769
Finance expenses from reinsurance contracts held	4	**(8,417)**	(967)
Movement in investment contract liabilities		**(4,968)**	(4,257)
Net insurance and investment result		**81,764**	107,481
Operating expenses	5	**62,471**	64,331
Profit before tax		**19,293**	43,150
Income tax expense	6	**5,904**	12,401
Profit for the year attributable to the owners of the Company		**13,389**	30,749
Other comprehensive income			
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year attributable to the owners of the Company		**13,389**	30,749
		$	$
Basic and diluted earnings per share	23	**2.98**	6.84

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

Fidelity Life Assurance Company Limited
Consolidated statement of financial position
as at 30 June 2024

	Note	**30 June 2024 $'000**	30 June 2023 Restated $'000	1 July 2022 Restated $'000
Assets				
Cash and cash equivalents	7	**47,080**	89,498	254,518
Other financial assets at amortised cost	8	**-**	98,652	29,120
Financial assets at fair value through profit or loss	9	**357,173**	298,290	286,714
Insurance contract assets	4	**258,070**	253,159	267,577
Reinsurance contract assets	4	**16,948**	18,452	15,795
Other receivables	10	**6,352**	6,484	4,855
Property, plant and equipment	13	**4,378**	4,800	5,415
Right-of-use assets	11	**16,055**	17,782	19,426
Income tax assets	6	**5,857**	5,857	7,442
Deferred tax assets	6	**94**	597	-
Intangible assets	14	**42,294**	31,517	20,189
Total assets		**754,301**	825,088	911,051
Liabilities				
Payables and other liabilities	15	**34,101**	29,948	65,390
Lease liabilities	11	**26,590**	28,448	30,081
Derivative financial instruments		**-**	-	235
Investment contract liabilities	16	**63,642**	67,648	70,873
Insurance contract liabilities	4	**309,519**	333,879	353,852
Reinsurance contract liabilities	4	**73,834**	101,462	172,946
Deferred tax liabilities	6	**29,735**	24,212	6,541
Total liabilities		**537,421**	585,597	699,918
Net assets		**216,880**	239,491	211,133
Equity				
Share capital	17	**376,181**	376,181	378,572
Retained earnings		**(159,301)**	(136,690)	(167,439)
Total equity		**216,880**	239,491	211,133

For and on behalf of the Board

25 September 2024

Lindsay Smartt

Chair

Mel Hewitson

Director

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

Fidelity Life Assurance Company Limited
Consolidated statement of changes in equity
for the year ended 30 June 2024

	Note	Share capital $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2022		378,572	251,350	629,922
Impact of transition to NZ IFRS 17 (net of tax)	2	-	(418,789)	(418,789)
Restated balance at 1 July 2022		378,572	(167,439)	211,133
Profit for the year (restated)		-	30,749	30,749
Total comprehensive income for the year (restated)		-	30,749	30,749
Transactions with owners				
Issue of new shares, net of transaction costs	17	154	-	154
Buy back of ordinary shares	17	(2,545)	-	(2,545)
Total transactions with owners		**(2,391)**	**-**	**(2,391)**
Balance at 30 June 2023 (restated)		**376,181**	**(136,690)**	**239,491**
Balance at 1 July 2023 (restated)		**376,181**	**(136,690)**	**239,491**
Profit for the year		-	13,389	13,389
Total comprehensive income for the year		**-**	**13,389**	**13,389**
Transactions with owners				
Dividend		-	(36,000)	(36,000)
Total transactions with owners		**-**	**(36,000)**	**(36,000)**
Balance at 30 June 2024		**376,181**	**(159,301)**	**216,880**

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

Fidelity Life Assurance Company Limited
Consolidated statement of cash flows
for the year ended 30 June 2024

	Note	2024 $'000	2023 Restated[1] $'000
Cash flows from operating activities			
Net profit after tax		**13,389**	30,749
Adjusted for:			
Fair value (gain) on investments	4.3	**(19,574)**	(13,692)
Depreciation of property, plant and equipment and right-of-use assets	11, 13	**2,954**	2,835
Amortisation of intangibles	14	**2,861**	2,818
Income tax expense	6	**5,904**	12,401
Interest expense on lease liability	11	**1,103**	1,167
Interest income	4.3	**(6,091)**	(8,910)
Dividend and distribution income	4.3	**(4,070)**	(2,296)
Other movements		**122**	211
		(16,791)	(5,466)
Changes in working capital			
(Increase)/decrease in insurance contract assets	4.5	**(4,911)**	14,418
Decrease/(increase) in reinsurance contract assets	4.6	**1,504**	(2,657)
Decrease/(increase) in other receivables	10	**132**	(1,629)
Increase/(decrease) in payables and other liabilities	15	**4,153**	(35,442)
(Decrease) in insurance contract liabilities	4.5	**(24,360)**	(19,973)
(Decrease) in reinsurance contract liabilities	4.6	**(27,628)**	(71,484)
(Decrease) in investment contract liabilities	16	**(4,006)**	(3,225)
Total changes in working capital		**(55,116)**	(119,992)
Tax refund		**-**	6,047
Dividend and distribution income received		**4,070**	2,296
Interest received		**8,243**	6,880
Interest paid on lease liabilities		**(1,103)**	(1,167)
Net cash (outflows) from operating activities		**(47,308)**	(80,653)
Cash flows from investing activities			
Gross sale proceeds from sale of financial assets		**421,168**	327,702
Payments for financial assets		**(460,477)**	(325,821)
Purchase of intangible assets	14	**(13,638)**	(14,146)
Purchase of property, plant and equipment	13	**(673)**	(353)
Cash invested in term deposits		**-**	(127,002)
Proceeds from maturity of term deposits		**96,500**	59,500
Net cash inflows/(outflows) from investing activities		**42,880**	(80,120)
Cash flows from financing activities			
Ordinary dividends paid		**(36,000)**	-
Principal element of lease liabilities	11	**(1,990)**	(1,856)
Buy back of ordinary shares	17	**-**	(2,391)
Net cash (outflows) from financing activities		**(37,990)**	(4,247)
Net (decrease) in cash and cash equivalents		**(42,418)**	(165,020)
Cash and cash equivalents at the beginning of the year	7	**89,498**	254,518
Cash and cash equivalents at the end of the year	7	**47,080**	89,498

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

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

1. General information

Fidelity Life Assurance Company Limited (‘FLAC’) (the ‘Company’) and its subsidiaries (together called the ‘Group’) are financial services companies that provide life 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 25 September 2024. The directors do not have the power to amend the consolidated financial statements once issued.

2. Material 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 Accounting Standards’) as issued by the International Accounting Standards Board (‘IASB’).

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 its former subsidiary, Fidelity Insurance Limited (‘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 on 30 June 2023 on the cancellation of FIL’s insurance licence following the Intragroup portfolio transfer (note 12). The activities of the FLAC Statutory Fund are reported in aggregate with non-statutory funds amounts in these consolidated financial statements.

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.

2. Material accounting policies (continued)

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 statement of comprehensive income.

Goods and Services Tax (GST)

The consolidated statement of comprehensive income 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.

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.

Transition to NZ IFRS 17 *Insurance Contracts ('NZ IFRS 17')*

The Group has applied NZ IFRS 17 for the annual reporting period beginning on 1 July 2023. The Group exercises judgement in determining the transition approach, applying the transition methods and measuring the transition impacts on the transition date, which will affect the amounts recognised in the consolidated financial statements on the transition date. Further details of the transition methods applied, related accounting policies and information on the date of initial application are provided below and in note 4.

(a) Insurance and reinsurance contract assets and liabilities

Liabilities and assets arising from insurance, and related reinsurance, are calculated at each reporting date using mathematical and statistical models. These liabilities and asset valuations are made by suitably qualified members of the New Zealand Society of Actuaries. The methodology used takes into account the risks and uncertainties of the particular classes of business written.

Insurance contracts issued and reinsurance contracts held

The Group has based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.
Significant judgments, estimates and assumptions associated with measuring insurance products and associated reinsurance are outlined below:

- Classification of insurance and investment contracts – assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features (refer note 3(a)).
- Level of aggregation and measurement model for insurance and reinsurance contracts – identifying portfolios of contracts and application of Premium Allocation Approach ('PAA'), General Measurement Model ('GMM') or Variable Fee Approach ('VFA') models (refer note 3(b)).
- Measurement of insurance and reinsurance contracts (refer note 3(c)).

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

2. Material accounting policies (continued)

Following the issue of shares in 2022 a breach of shareholder continuity arose. However, while the Group has assessed that concessionary relief remains available in the current period under the business continuity test, it has also confirmed that all tax losses subject to the business continuity test have been utilised and all remaining tax losses are carried forward under the shareholder continuity test. The impact of the historical acquisition of FIL coupled with the prior period Intragroup portfolio transfer (note 12) 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 2028 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 6 for the deferred tax accounting policy.

(c) Remediation provision

During the period the Group continued work on its remediation project to ensure customer outcomes consistent with regulatory expectations. The remediation provision (note 15) 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.

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.

The following new or revised NZ IFRS and interpretations have been applied in the 2024 financial period:

Effective 1 July 2023:

- Disclosure of Accounting Policies (Amendments to NZ IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*).

The amendments to NZ IAS 1 and IFRS Practice Statement 2 provide guidance and examples to assist in applying materiality judgements to accounting policy disclosures. The amendments aim to assist in providing more useful accounting policy disclosures by withdrawing the requirement to disclose 'significant' accounting policy information and replacing it with a requirement to disclose 'material' accounting policies. Further guidance is added on how to apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments have been considered as part of the adoption of NZ IFRS 17.

- Definition of Accounting Estimate (Amendments to NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*).

The amendments to NZ IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no material impact on the Group's financial statements.

- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 *Income Taxes* (IAS 12)).

The amendment provides an exception to the initial recognition exemption in NZ IAS 12. Under this amendment, an entity does not need to apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

The Group has leasing arrangements which are accounted for under NZ IFRS 16 *Leases* (note 11). The deferred tax amounts arising on the right-of-use asset and lease liability have been disclosed separately in the note 6.

- NZ IFRS 17 *Insurance Contracts.*

In these financial statements, the Group has applied NZ IFRS 17, for the first time. Additional information on the NZ IFRS 17 impact is disclosed later in this note.

The Group does not expect other amendments to standards issued by the IASB and XRB, but not yet effective, to have a material impact, however the impact is still being assessed. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. Material accounting policies (continued)

The following are new or revised NZ IFRS and interpretations, effective in future years but not early adopted:

Effective 1 July 2024:

- Classification of liabilities as current or non-current (Amendments to NZ IAS 1 *Presentation of Financial Statements*)

Amendments to NZ IAS 1 specified the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

- Lease Liability in a Sale and Leaseback (Amendments to NZ IFRS 16 *Leases*)

Amendments to NZ IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

- Supplier Finance Arrangements (Amendments to NZ IAS 7 *Statement of Cash Flows* and NZ IFRS 7 *Financial Instruments: Disclosures*)

Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

- Disclosure of Fees for Audit Firms' Services (Amendments to FRS-44 *New Zealand Additional Disclosures*)

The amendments aim to address concerns about the quality and consistency of disclosures an entity provides about fees paid to its audit or review firm for different types of services.

Effective at a later date:

- Presentation and Disclosure in Financial Statements (NZ IFRS 18 *Presentation and Disclosure in Financial Statements*).

NZ IFRS 18 was issued in May 2024 as a replacement for NZ IAS 1 *Presentation of Financial Statements* (NZ IAS 1). Most of the presentation and disclosure requirements (e.g., statement of financial position*, statement of presenting comprehensive income*, statement of changes in equity*, etc.) would largely remain unchanged together with other disclosures carried forward from NZ IAS 1 (e.g. capital management, debt covenants. etc.) NZ IFRS 18 primarily introduces the following:

- A defined structure for the statement of profit or loss* by classifying items into one of the five categories: operating, investing, financing, income taxes and discontinued operations. Entities will also present expenses in the operating category by nature, function, or a mix of both, based on facts and circumstances.
- Disclosure of management-defined performance measures in a single note together with reconciliation requirements.
- Additional guidance on aggregation and disaggregation principles (applied to all primary financial statements and notes).

** Both NZ IFRS 18 and NZ IAS 1 do not mandate a specific naming convention for primary financial statements so long as the description is not misleading.*

NZ IFRS 18 also made limited changes to certain presentation and disclosure requirements in the financial statements, e.g. NZ IAS 7 *Statement of Cash Flows*; as well as consequential changes to various NZ IFRS.

NZ IFRS 18 will be effective for annual reporting periods beginning on or after 1 January 2027 and entities could early adopt this accounting standard. The Group does not expect to adopt NZ IFRS 18 and relevant consequential changes of other accounting standards early. The Group is currently assessing the impact and will disclose more detailed assessments in the future.

2. Material accounting policies (continued)

Change in Accounting Policy: Consolidated statement of cash flows presentation

NZ IAS 7 *Statement of Cash Flows* allows for both a direct and indirect method for the presentation of the statement of cash flows, with the direct method reporting cash inflows and outflows from operating activities directly and the indirect method starting with net profit and adjusting for non-cash items and working capital to arrive at the same position. On adoption of NZ IFRS 17, the Group has determined that the direct method would result in inconsistency with how cash is presented in the insurance contract and reinsurance contract notes (see notes 4.5 and 4.6). Accordingly, the Group has elected to change to the indirect method for presentation from the current period. This change has been applied retrospectively with the prior year comparative information restated. The adoption of the indirect method has resulted in changes to the presentation of the consolidated statement of cash flows from operating activities, although the underlying cash flow position remains unchanged.

Insurance and reinsurance contracts

Classification of contracts

The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. The Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. The Group issues Individual and Group Risk contracts.

The Group does not issue any new contracts with direct participation features.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract held transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

The Group applies NZ IFRS 17 to insurance contracts it issues and reinsurance contracts it holds. Investment contracts without discretionary participation features (with or without investment management services) that fall within the scope of NZ IFRS 9 *Financial Instruments* are classified as investment contracts and accounted for as financial instruments under NZ IFRS 9.

A summary of the Group's insurance and reinsurance contracts by product type and measurement model are as follows:

Product type	Measurement model
Stepped Premium Individual Risk	PAA
Level Premium Individual Risk	GMM
Group Risk	PAA
Investment-linked with protection	VFA
Traditional Products (incl. participating and non-participating business and Annuities)	GMM
Individual Risk Reinsurance	GMM
Catastrophe, Pandemic, Group Reinsurance	PAA

Separation of components from insurance and reinsurance contracts

Before the Group accounts for an insurance contract, it analyses whether the contract contains any of the below components that should be accounted for separately:

- Cash flows relating to embedded derivatives that are required to be separated;
- Cash flows relating to distinct investment components; and
- Promises to transfer distinct goods or distinct non-insurance services.

The Group applies NZ IFRS 17 to all remaining components of the contract. Currently, the Group's products do not include distinct components that require separation.

The Group has closed books of Income Protection, Investment-linked and Traditional Participating contracts which contain non-distinct investment components ('NDIC') which are paid to policyholders in all circumstances. The Traditional Participating contracts pay out a surrender value when a policyholder chooses to lapse or surrender their policy. The Income Protection policies payback a benefit of premiums less claims on maturity to policyholders. Gold Medal investment contracts, which include protection cover, have a fund value which is payable to the policyholder at any time. These three components are disclosed as an NDIC.

2. Material accounting policies (continued)

Measurement models

The Group applies three measurement models to insurance and reinsurance contracts as follows:

The Group applies judgement when determining whether the criteria for the VFA and PAA measurement models are met (refer below), otherwise the default GMM measurement model is applied. Under each measurement model, insurance contract liabilities are measured as the sum of the liability for remaining coverage ('LRC') and the liability for incurred claims ('LIC'). The LRC represents the obligation under the insurance contract for insured events that have not yet occurred i.e., the obligation that relates to the unexpired portion of the coverage period, including the contractual service margin ('CSM') where insurance contracts are measured under the GMM and VFA. The LIC reflects the obligation to investigate and pay valid claims for insured events that have already occurred, including events that have already occurred but for which claims have not been reported. The key features of each measurement model are set out below.

General Measurement Model

The GMM is the default NZ IFRS 17 measurement model. The fulfilment cash flows comprise the present value of future cash flows within the boundary of the contract, discounted at current discount rates, and an explicit risk adjustment for non-financial risk.

At inception, a CSM liability is recognised for each new group of contracts which represents the unearned profit to be recognised over the coverage period. Initial measurement is based on the cash flows within the boundary of the contract discounted at the rate at the start of the financial year. Except for reinsurance contracts held, losses on groups of contracts that are onerous at inception are recognised immediately.

For subsequent measurement, fulfilment cash flows are discounted at current rates at each balance sheet date, while the CSM is remeasured applying the discount rate when the contract is written (the locked-in rate). The benefit indexation assumption is also locked in at inception for the purposes of remeasuring the CSM. The CSM is remeasured for changes in the fulfilment cash flows relating to non-financial risk only, applying these locked in financial assumptions. Interest is accreted on the CSM using the locked-in discount rate and the CSM is recognised as the Group provides insurance contract services under the insurance contract over the coverage period of the contract. The coverage period is determined based on the service provided to customers including both insurance and investment services.

Losses on groups of contracts that are profitable at inception but subsequently become onerous are recognised immediately. In contrast to insurance contracts, the CSM for groups of reinsurance contracts held can be an asset or liability. If reinsurance is in place when underlying groups of insurance contracts become onerous, the reinsurance CSM recognised is adjusted to offset the gross losses arising. Where the net cost of purchasing reinsurance contracts held relates to events that occurred prior to purchase no CSM is recognised, and the net cost is recognised immediately in profit or loss.

Premium Allocation Approach

The Group uses the PAA for measuring contracts with a coverage period of one year or less, or where it reasonably expects that such a simplification would produce a measurement of the liability for remaining coverage that would not differ materially from the one that would be produced by applying the GMM (refer PAA Eligibility below).

On initial recognition of insurance contracts issued, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows allocated to the group of contracts adjusted for any amounts arising from the derecognition of any asset for insurance acquisition cash flows.

For groups of insurance contracts measured under the PAA that do not contain contracts with a coverage period greater than one year, except for Income Protection sold via the Retail channel, the Group capitalises acquisition cash flows as the costs are incurred and amortises them over the coverage period of underlying contracts as appropriate. Insurance acquisition cash flows in respect of Income Protection sold via the Retail channel are expensed as incurred.

The Group determined that for Income Protection products the insured event is the initial claim under the policy. Payments caused by a claim are treated as a liability for incurred claims.

On initial recognition of reinsurance contracts held, the Group measures the remaining coverage at the amount of ceding premiums paid.

If facts and circumstances such as loss ratios or cash flows within the contract boundary, indicate that a group of contracts may be onerous, the LRC is measured using GMM principles and losses for onerous contracts are recognised immediately in the statement of comprehensive income. The Group has used internal management information to identify facts and circumstances that may indicate that a group of insurance contracts is onerous.

The Group does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money where, at initial recognition, the Group expects the time between any premium becoming due and providing the related insurance contact services is one year or less.

2. Material accounting policies (continued)

The Group does not adjust the LIC for the effect of the time value of money where the settlement is expected to occur within one year.

Assessment of measurement model

PAA eligibility

Where the Group's insurance contracts have a coverage period of one year or less and are automatically eligible for the PAA model the PAA has been applied. For reinsurance contracts, financial modelling is performed to compare the value of the LRC measured under GMM and PAA. Where the LRC does not materially differ between the two measurement models (over the coverage period of the contract and in a range of reasonably foreseeable scenarios) the group of contracts is PAA eligible and the PAA model has been applied.

All insurance and all reinsurance contracts, except for Group Reinsurance, were assessed as being automatically eligible.

VFA assessment

Where insurance contracts are considered to have direct participation features, they are required to be measured under the VFA model where:

- Contractual terms evidence that policyholders participate in a pool of clearly identified underlying items;
- The policyholders expect to receive a substantial share of the returns on underlying items; and
- A substantial proportion of changes in amounts payable to policyholders varies with returns on the underlying items. (refer note 3(a))

The Group has a small portfolio of insurance contracts that are substantially investment related – a subset of the legacy Gold Medal contracts. These contracts have been measured under the VFA. Due to materiality of the remaining contracts, the combined values are presented under the GMM disclosures. The exposure to Gold Medal cashflows is expected to unwind by 2030.

Reinsurance contracts held are not eligible to apply the VFA.

Level of aggregation of insurance and reinsurance contracts

Groups of insurance contracts have been determined by identifying portfolios of insurance contracts, comprising contracts subject to similar risks that are managed together, and dividing each portfolio into annual cohorts by year of issue. Each annual cohort is then further subdivided into three groups based on the profitability of contracts determined at initial recognition and comprising:

- Contracts that are onerous;
- Contracts that have no significant possibility of becoming onerous; (based on the probability that changes in assumptions would result in contracts becoming onerous); and
- All remaining contracts.

This means that, for determining the level of aggregation, the Group identifies a contract as the smallest 'unit'. However, the Group makes an evaluation of whether a series of contracts can be treated together in making the profitability assessment based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal).

Discrete CSMs are determined for each group of insurance contracts applying the GMM.

Reinsurance contracts held are also subdivided into three profitability groups, determined by reference to net cost or net gain on initial recognition, and comprising:

- Contracts that have a net gain at initial recognition;
- Contracts that have no significant possibility of a net gain arising subsequently; and
- All remaining contracts.

The groups of contracts for which the fair value approach ('FVA') has been adopted on transition include contracts issued more than one year apart. Please refer to 'Impact of transition to NZ IFRS 17' section in this note for an overview of the transition approaches applied by the Group.

2. Material accounting policies (continued)

Recognition and derecognition

Insurance contracts issued

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- The beginning of the coverage period;
- The date when the first payment from the policyholder is due or actually received, if there is no due date; and
- When the Group determines that a group of contracts becomes onerous.

Insurance contracts acquired in a business combination or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

Reinsurance contracts held

The Group recognises a group of proportionate reinsurance contracts held from the later of:

- The beginning of the coverage period of the group of reinsurance contracts held; or
- The date of initial recognition of any underlying contract.

If the Group recognises an onerous group of underlying contracts before the beginning of the coverage period of the group of reinsurance contracts held, then the group of proportionate reinsurance contracts held is recognised at the same time as the onerous group of underlying contracts. This is if the Group entered into the related reinsurance contract held in the group of reinsurance contracts held, at or before that date.

The Group recognises a group of non-proportionate reinsurance contracts held (such as catastrophe reinsurance) from the beginning of the coverage period of the group of reinsurance contracts. Reinsurance contracts are to be recognised in full for all underlying insurance contracts expected to be issued that fall within the boundary of the reinsurance contracts held.

Derecognition

Insurance contracts are derecognised when the contract is extinguished, i.e., when the specified obligations expire, are discharged, or are cancelled. The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised.

Estimates of future cash flows

The estimate of future cash flows is assessed at the level of groups of contracts and represents the best estimate of the Group's cost to fulfil a contract incorporating current estimates of non-financial assumptions. The estimate allows for all the cash inflows and outflows expected to occur within the contract boundary (refer below).

Cash flows are modelled separately for insurance and reinsurance contracts.

In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Group uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Contract boundary

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums, or the Group has a substantive obligation to provide the policyholder with insurance coverage or other services. A substantive obligation ends when:

- The Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- Both of the following criteria are satisfied:
  - The Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
  - The pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

2. Material accounting policies (continued)

In assessing the practical ability to reprice, risks transferred from the policyholder to the Group, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that cannot remain in in-force on a standalone basis form part of a single insurance contract with all the cash flows within its boundary.

Cash flows outside the insurance contract's boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive services from the reinsurer.

Discount rates

Discounting is applied to the estimates of future cash flows. The Group uses a bottom-up discount rate for all insurance contracts issued and reinsurance contracts held. The discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The percentage applied reflects the liquidity characteristics of the liabilities including the propensity and ability of policyholders to lapse or surrender their contracts. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation (refer note 3).

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows.

Inflation assumptions

Future inflation assumptions are treated as a financial assumption when applied to policyholder benefits that are contractually linked to an inflation index.

Non-financial assumptions

Principal non-financial assumptions used in the calculation of insurance and reinsurance contracts fulfilment cash flows include those in respect of assurance mortality and future expenses (refer note 3).

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

The Group allocates the cashflows to groups in the portfolio using a fixed annual proportion. The fixed annual percentage is derived after consideration of a range of factors such as expected policy and coverage unit run-off which are both indicators of expected service provided to that group of contracts associated with the portfolio.

Contracts acquired

When the Group acquires insurance contracts in a transfer of contracts or a business combination, at the date of acquisition, it recognises an asset for insurance acquisition cash flows at fair value for the rights to obtain:

- Renewals of contracts recognised at the date of acquisition; and
- Other future contracts after the date of acquisition without paying again insurance acquisition cash flows that the acquiree has already paid.

Recoverability assessment

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

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

2. Material accounting policies (continued)

The Group reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts. The Group disaggregates the change in the Risk Adjustment due to financial assumption changes between the insurance service result and insurance finance income or expense.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer.

Contractual service margin

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognise as it provides coverage in the future.

For profitable groups of insurance contracts, the CSM is established to ensure no profit is recognised at inception, hence it is equal and opposite to the net present value of the expected cash flows (including initial premiums and insurance acquisition cash flows) and the risk adjustment. For groups of insurance contracts issued that are onerous at initial recognition, the CSM is set to nil and losses are recognised in profit or loss. For reinsurance contracts the CSM is initially recognised at a value that ensures no gain or loss is recognised but may be adjusted for loss offsetting.

Subsequently, the CSM is adjusted for:

- Accretion of interest at locked-in discount rates, which is charged to net finance expenses in profit or loss;
- New contracts added to the same group;
- Changes in fulfilment cash flows (including risk adjustment) that relate to future service;
- For reinsurance contracts held, income recognised in profit or loss on initial recognition of onerous underlying contracts and adjustments to the loss-recovery component.

The following adjustments relate to future service and adjust the CSM:

- Experience variances in premiums received during the period that relate to future service;
- Changes in expected future cash flows and risk adjustment on GMM contracts arising from non-financial assumption changes and experience variances, measured using locked in financial assumptions;
- Experience variances in non-distinct investment components, premium refunds, and right to withdraw payable in the period.

The following adjustments do not relate to future service and do not adjust the CSM:

- Experience variances in claims and expenses incurred, which are recognised as the difference between insurance revenue (expected claims and expenses incurred) and insurance service expenses (actual claims and expenses incurred); and
- Changes in expected future cash flows and risk adjustment on GMM contracts arising from financial assumption changes and experience variances, including changes in cash flows that are contractually linked to an inflation index, which are recognised in net finance expenses from insurance contracts.

The balance on the CSM at the end of the period is available for release to profit or loss. The amount of CSM recognised in insurance revenue each period (the CSM amortisation) is determined by considering, for each group of contracts, coverage units that reflect the quantity of the benefits provided in each period and the expected coverage period.

Coverage units are updated at each reporting date to reflect the current best estimate of the quantity of service expected to be provided in future periods.

Coverage units for reinsurance contracts held are typically consistent with the underlying insurance contracts, adjusted for differences in the services provided.

2. Material accounting policies (continued)

Onerous contracts

Loss component

Onerous testing for GMM contracts is performed at a contract level based on fulfilment cash flows at initial recognition of the contract. Onerous testing for PAA contracts is performed at a group of insurance contract ('GIC') level based on facts and circumstances such as loss ratios and cash flows within the contract boundary.

The Group aggregates contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes.

The Group has established a loss component ('LC') of the LRC for any onerous group depicting the future losses recognised and recognises the excess in insurance service expenses. A LC represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous).

The LC is released based on a systematic allocation of the subsequent changes relating to future service in the fulfilment cash flows between the LC and the LRC excluding the LC using the proportion at the beginning of the period of the LC of the LRC relative to the total estimate of the present value of the future cash outflows and the risk adjustment for non-financial risk.

The LC is also updated for subsequent changes relating to future service in estimates of the fulfilment cash flows and the risk adjustment for non-financial risk. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to nil by the end of the coverage period of a group of contracts (since the LC will have been materialised in the form of incurred claims). The Group uses the proportion at the beginning of the period to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the LRC excluding the LC.

Decreases in the fulfilment cash flows in subsequent periods reduce the remaining LC and reinstate the CSM after the LC is reduced to nil. Increases in the fulfilment cash flows in subsequent periods increase the LC.

Loss-recovery component

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

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

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

Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the consolidated statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) are included in the carrying amount of the related portfolios of contracts.

The Group disaggregates amounts recognised in the statement of comprehensive income into:

- Insurance service result, comprising:
  - Insurance service revenue;
  - Insurance service expenses; and
  - Net expenses from reinsurance contracts held.
- Finance income or expenses from insurance contracts.
- Finance income or expenses from reinsurance contracts held.

2. Material accounting policies (continued)

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

Insurance service revenue and expenses

Insurance service revenue and insurance service expenses exclude any investment components. The Group recognises insurance service revenue as it satisfies its performance obligations – i.e., as it provides services under groups of insurance contracts.

General measurement model – GMM

Insurance service revenue relating to services provided for each year represents the total of the changes in the LRC that relate to services for which the Group expects to receive consideration and comprises the following items:

- A release of the CSM, measured based on coverage units provided.
- Changes in the risk adjustment for non-financial risk relating to current service.
- Claims and other insurance service expenses incurred in the year, measured at the amounts expected at the beginning of the year.
- Other amounts, including experience adjustments for premium receipts for current or past service.

In addition, the Group allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the run-off of accounting contracts in each group of insurance contracts. The Group recognises the allocated amount as insurance revenue and an equal amount as insurance service expenses.

Premium allocation approach – PAA

The insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Group allocates expected premiums equally to each period of related insurance contract services. Expected premium receipts are allocated to the period based on the passage of time over the coverage period of a group of contracts.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss as they are incurred. They exclude repayments of investment components and comprise the following items.

- Incurred claims and other insurance service expenses.
- Amortisation of insurance acquisition cash flows: For contracts measured under the GMM, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Group amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts, except for Retail Income Protection, which are expensed when incurred.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Net expenses from reinsurance contracts held

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

The Group recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts.

- For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Group expects to pay consideration.
- For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

Finance income and expenses from insurance contracts and reinsurance contracts held

Finance income and expenses from insurance contracts comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein.

2. Material accounting policies (continued)

The Group has chosen not to disaggregate insurance finance income and expenses between profit or loss and other comprehensive income (‘OCI’). All insurance and reinsurance finance income and expenses for the period is presented in profit or loss.

The Group disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

Adoption and transition to NZ IFRS 17 *Insurance Contracts*

NZ IFRS 17 replaces NZ IFRS 4 *Insurance Contracts* and is effective for annual periods beginning on or after 1 January 2023. The Group applied NZ IFRS 17 for the first time on 1 July 2023. The Group’s transition date is 1 July 2022.

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 were applied using the full retrospective approach (‘FRA’). Where it was impracticable to apply the FRA, a fair value approach was applied. This includes:

- Reinsurance contracts held for Individual Risk measured under GMM, and
- Insurance contracts issued by FLAC measured under GMM.

Under the FRA, the Group identified, recognised, and measured each group of insurance contracts issued and reinsurance contracts held as if NZ IFRS 17 had always applied.

For insurance contracts acquired as part of the Westpac Life business acquisition (i.e. the Bank channel) on 28 February 2022 the FRA was applied.

The contract inception date for the Stepped and Level Premium Individual Risk contracts sold through the Bank channel was the date of the business acquisition (i.e. 28 February 2022). The fair value of the underlying insurance contracts acquired was apportioned across PAA and GMM portfolios using present value (‘PV’) Premium or PV Claims as a driver.

For PAA portfolios relating to the Bank channel, this balance was then grossed up for tax and run-off to 30 June 2022 after allowing for acquisition costs incurred and deferred between 28 February 2022 and 30 June 2022 to arrive at a transition Asset for insurance acquisition cash flows (‘AIACF’) balance for the Stepped Premium Individual Risk portfolio.

For GMM portfolios relating to the Bank channel, the CSM on 28 February 2022 was derived as the difference between the fair value and the fulfilment cashflows. This was then rolled forward to 30 June 2022 to arrive at a transition balance for the Level Premium Individual Risk portfolio.

For FLAC PAA portfolios, which are measured under the FRA approach, the Group has opted to expense all acquisition cashflows as they were incurred prior to the transition date.

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

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

Transition to NZ IFRS 17 results in a change in net assets for the Group as at the transition date of 1 July 2022 and consequently at 30 June 2023.

The impact of initial application of NZ IFRS 17 on the consolidated financial statements was a decrease of $419 million to the Group’s total equity at 1 July 2022. Total equity as at 30 June 2022 under NZ IFRS 4 was $630 million. The impact on Group’s equity as a result of the transition to NZ IFRS 17 arises because of the different requirements of NZ IFRS 17 compared to the accounting policies and actuarial methodologies used under NZ IFRS 4. This predominantly related to the derecognition of acquisition costs on transition which had previously been capitalised to the balance sheet under NZ IFRS 4. This has had no impact on the Group's solvency position and hence ability to pay dividends in the future.

The table below shows the impact at 1 July 2022 on equity. The impact of balances or components of balances that are not impacted by NZ IFRS 17 are not included in the change analysis in the table below. As a result, each line item in the table represents a subset of the line item in the consolidated statement of financial position.

2. Material accounting policies (continued)

	$ million
Net assets under NZ IFRS 4	**630**
Derecognise:	
NZ IFRS 4 gross of reinsurance stepped premium insurance contract asset	- 568
NZ IFRS 4 gross of reinsurance level premium insurance contract assets and NZ IFRS 4 insurance contracts ceded under reinsurance	+ 328
NZ IFRS 4 'Value of Business Acquired' intangible asset	- 210
Recognise:	
NZ IFRS 17 insurance contract assets	+ 268
NZ IFRS 17 reinsurance contract assets and re/insurance contract liabilities	- 391
Change in deferred tax liability	+ 154
Net assets under NZ IFRS 17	**211**

Fair value approach

The Group has applied the FVA on transition for certain groups of insurance contracts and Individual Risk Reinsurance contracts held as, prior to transition obtaining reasonable and supportable information to apply the FRA was impracticable.

Use of the FRA approach was impracticable in certain instances as indicated below:

- Unavailable or inadequate granularity of data needed for retrospective application. This is due to data gaps, system migrations, data retention mandates or other causes. Such information includes:
  - Historical cash flow data (including pre-recognition cash flows and insurance acquisition cash flows);
  - 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;
  - Considerations in respect of contract profitability and risks of becoming onerous that are required for identifying groups of contracts; and
- The FRA requires assumptions 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.

The Group has determined the CSM of the LRC at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date. In determining fair value, the Group has applied the requirements of NZ IFRS 13 *Fair Value Measurement*. The fair value is effectively the consideration that would be paid or received for a group of insurance contracts to enable a market participant to earn their required rate of return in a notional transaction involving the group of contracts. The Group used the income approach to determine this amount.

The fair value was calculated by discounting the expected funds becoming available for distribution to a market participant (referred to as distributable income under the income approach) at the required rate of return. This calculation allows for a market participants’ view of capital requirements and expectations of future real-world returns. The Group applied judgement to determine the method and assumptions used to calculate the fair value.

The Group determines the Fair Value of each portfolio by taking the present value of the expected future cashflows and the cost of holding capital including target surplus required to back the portfolio. Expected cash flows are based on similar cash flows to NZ IFRS 17 fulfilment cash flows, but have been adjusted to reflect factors a market participant would consider in agreeing a price, such as:

- Discounting cash flows using a risk discount rate of 9% p.a.;
- Allowing for all expenses rather than only attributable expenses under NZ IFRS 17;
- No allowance for NZ IFRS 17 risk adjustments or reinsurance non-performance;
- Allowing for capital projections based on the regulatory capital requirement at transition date, including allowance for target surplus.

The Group has also used reasonable and supportable information available at the transition date in order to:

- Identify groups of insurance contracts;
- Determine whether contracts are eligible for the VFA; and

2. Material accounting policies (continued)

- Identify any discretionary cash flows for insurance contracts measured under the GMM.
- The Group uses the discount rates determined at the date of transition instead of at date of initial recognition or date of incurred claim.

In applying the FVA, the Group combined contracts that were issued more than a year apart. Thus, at transition each portfolio adopting the FVA contained at most three groups of contracts, these being a group of onerous contracts, a group of contracts with no significant possibility of becoming onerous and a group of any other contracts.

3. Insurance significant judgements and estimates

This note provides details of the significant judgements made in applying NZ IFRS 17, explaining the inputs, assumptions, methods and estimation techniques used to measure insurance and reinsurance contracts. This note sets out the critical accounting judgements (refer Section (a) and (b)) and the material accounting estimates (refer Section c) that are considered particularly susceptible to changes in assumptions and of how these are applied.

(a) Classification of insurance and investment contracts

The Group assesses the significance of insurance risk transferred and discretionary participation features in determining whether a contract should be accounted for as an insurance or investment contract.

Insurance contracts are defined as those containing significant insurance risk. Contracts that transfer financial risks, but not significant insurance risk are classified as investment contracts. Judgement is required to assess whether insurance risk is significant at inception of the contract.

The Group previously issued certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders.

The Group uses its judgement to assess on a case-by-case basis whether the amounts expected to be paid to the policyholder constitute a substantial share of the fair value returns on the underlying items.

The assessment is done at the individual contract level based on the Group’s expectations at the contract’s inception or transition, and is not repeated in subsequent periods, unless the contract is modified. The variability in the cash flows is assessed over the expected duration of a contract. The duration of a contract takes into account all cash flows within the boundary.

The Group has assessed all insurance contracts at transition to be without direct participation features, except for the investment-linked with protection product.

(b) Level of aggregation and measurement model for insurance and reinsurance contracts

The grouping of insurance contracts into portfolios involves judgment on the similarity of risks between contracts and whether the contracts are managed together. The Group has defined portfolios of insurance and reinsurance contracts issued based on its product lines due to the fact that the products are subject to similar risks and take into consideration where these product lines are managed together. The Group has assessed there to be seventeen portfolios of insurance contracts and four for reinsurance contracts held. Judgement is then applied to determine if the group of contracts meet the criteria to apply the VFA or are eligible for the PAA (refer to note 2 and 3(a)).

(c) Measurement of insurance and reinsurance contracts

The following items are considered particularly susceptible to changes in estimates and assumptions, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The principal subjective or complex assumptions used in the calculation of insurance contract fulfilment cash flows include non-financial assumptions (in particular mortality, morbidity and future expenses) and the allowance for non-financial risk through the risk adjustment. The immediate impact of changes in these assumptions on the carrying amounts of insurance and reinsurance contracts is reduced when there is a corresponding adjustment to the CSM, i.e., for all changes in non-financial assumptions (calculated at locked-in discount rates for GMM contracts), unless contracts are onerous.

Estimation of fulfilment cash flows

Fulfilment cash flows comprise:

A. Estimates of future cash flows;

3. Insurance significant judgements and estimates (continued)

B. An adjustment (discount rate) to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
C. A risk adjustment.

The Group's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. A deterministic approach, producing point estimates based on best estimate assumptions, is used for valuing all of the Group's business.

A. Estimates of future cash flows

In estimating future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events. The estimates of future cash flows reflect the Group's view of current conditions at the reporting date.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include:

- Claims handling, maintenance and administration costs;
- Costs that the Group will incur in providing investment services.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Contract boundaries

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Group's substantive rights and obligations under the contract.

Insurance contracts

For Stepped Premium Individual Risk contracts, the Group retains the right to reprice at a portfolio level and has historically exercised these to reprice these contracts at policy anniversary, where premiums are not guaranteed. Thus, the coverage period for these contracts has been assessed as being no greater than one year.

Group protection policies issued by the Group have terms that are guaranteed to be renewable every year. The Group determines that the cash flows related to future renewals (i.e., the guaranteed renewable terms) of these contracts are outside the contract boundary. This is because the premium charged for the period reflects the Group's expectation of its exposure to risk for that period and, on renewal, the Group can reprice the premium to reflect the reassessed risks for the next period based on claims experience and expectations for the respective portfolio. Any renewal of the contract is treated as a new contract and is recognised, separately from the initial contract, when the recognition criteria are met.

Reinsurance contracts

Each of the following Group's proportional reinsurance contracts have a coverage period that runs until the end of the policy term (can either be a fixed term, specific age or until death depending on the contract):

- Reinsurance treaties covering individual risk;
- Reinsurance treaties covering group risk.

For the reinsurance contracts on individual risk, the reinsurer is able to reprice premium with notice. However, there is no unilateral cancellation clauses to terminate treaties without incurring a significant recapture fee. Given that, the coverage period for individual and group risk reinsurance contracts run until the end of the reinsurance contract term – which is when the last reinsured risk falls off under the treaty.

Reinsurance contracts that are closed to new business have contract boundaries ending at the end of the last expected underlying policy's term.

Each of the Group's excess of loss reinsurance contracts has an annual term and covers claims from underlying contracts incurred within the year (i.e., loss occurring). Cash flows within the contract boundary are those arising from underlying claims incurred during the year.

3. Insurance significant judgements and estimates (continued)

Assumptions in the measurement of insurance contracts

Assumptions about mortality/longevity, morbidity and policyholder behaviour that are used in estimating future cash flows are developed by product type, reflecting recent experience and the profiles of policyholders within a group of insurance contracts.

Mortality/longevity and morbidity assumptions are generally developed using a blend of national mortality data, industry trends and the local entity's recent experience. Experience is monitored through regular studies, the results of which are reflected both in the pricing of new products and in the measurement of existing contracts.

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 which can be subject to a minimum or maximum amount. Expectations on inflation are in line with New Zealand Treasury forecasts as at May 2024, with the rate of inflation projected to range between 5.6%-2.0% for the calendar years 2024 to 2026 before returning to the long-term assumption of 2%.

Mortality and morbidity rates

Mortality rates for life insurance contracts are based on a proportion of the NZ08-10 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.

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

Future morbidity rates are based on proportions of reinsurance rate tables and premium rates.

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

Lapses relate to the termination of policies due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends.

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

	2024	2023
Yearly Renewable Term: Lump sum	**6% - 27%**	6% - 27%
Yearly Renewable Term: Income Protection	**7% - 50%**	7% - 50%
Whole of Life and Endowments including participating contracts	**3.0%**	3.0%
Level Term	**2% - 11%**	2% - 11%
Automatic acceptance with premiums limited to ten years	**1% - 37%**	1% - 37%
Automatic acceptance with level or reviewable premiums	**1% - 37%**	1% - 37%
Loan cover	**6% - 25%**	6% - 25%
Lifetime Guarantee	**2.0%**	2.0%

In addition, to the above rates an overlay has been applied to the projected discontinuances for 2025. This is to reflect a recent uplift in discontinuance rates that is expected to continue before returning to the long-term trend in 2026.

Surrender values

Surrender values, where applicable, are based on the provisions specified in the policy contracts. While most Fidelity Life contracts do not have a surrender value payable, there are closed books of Income Protection (part of the Level Premium Individual Risk portfolios), Traditional Participating and Investment based contracts which contain non-distinct investment components (NDIC) which are paid to policy holders in all circumstances. The Traditional Participating contracts pay out a surrender value when a policy holder chooses to lapse or surrender their policy. The Income Protection policies pay back a benefit of premiums less claims on maturity to policyholders. Gold Medal investment contracts, which include protection cover, have a fund value which is payable to the policyholder at any time. These three components are disclosed as an NDIC.

Expenses

Operating expense assumptions reflect the projected directly attributable costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation based on NZ Treasury forecasts, if appropriate.

An increase in the expected level of expenses will reduce future expected profits of the Group.

3. Insurance significant judgements and estimates (continued)

B. Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. The long-term view of interest rates follows the methodology in the Interim Solvency Standard issued by the RBNZ.

The Illiquidity premium is determined with reference to spreads between corporate and government bonds based on a method specified by Australian Prudential Regulation Authority ('APRA') for calculating illiquidity premiums for Australian regulatory capital purposes. Australian data is used because the New Zealand market is not sufficiently deep or liquid. A factor is applied to each portfolio based on the liquidity characteristics of the contracts which ranges between 0% and 0.5%. The illiquidity premium is re-assessed annually or if significant market events occur, subject to the Appointed Actuary's professional judgement.

The Illiquidity premium used in discount rates is shown below:

Liquidity assessment and product groups	Illiquidity Premium (bps)
Very liquid (Stepped Premium Individual Risk and Group Risk)	0
Partially liquid (Traditional Non-Participating, Level Premium Individual Risk and Individual Risk Reinsurance)	25
Highly illiquid (Annuities and LIC - where applicable)	50

Risk-free rates applied for discounting of future cash flows are listed below:

	2024					2023 Restated				
Years	**1**	**5**	**10**	**15**	**20**	1	5	10	15	20
Risk-free yield curve	5.2%	4.4%	5.2%	5.4%	5.3%	5.5%	4.6%	4.7%	4.8%	4.9%

C. Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the Group would require for bearing non-financial risk and are allocated to groups of contracts based on an analysis of the risk profiles of the groups.

The Risk Adjustment is calculated using the confidence level approach, based on stressed assumptions calculated using a statistical distribution, with a mean, standard deviation and degrees of freedom calculated using the existing experience analysis data. A confidence level approach requires several key inputs:

- An appropriate distribution for the shape of the underlying probability distribution for the non-economic experience of the portfolios.
- Statistics, such as Mean and Standard Deviation, dependant on the distribution that has been assumed.
- An appropriate target confidence level – or Probability of Sufficiency ('PoS') – which aligns with the Risk Appetite.

The Cost of Capital approach was used to help calibrate the PoS to be used in the confidence level approach. The Group used 75% PoS (2023: 75% PoS) for insurance and reinsurance contracts.

Contractual service margin

Determination of coverage units

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date. CSM is allocated to coverage units with no allowance for the time value of money associated with the coverage units.

The Group determines the quantity of the benefits provided under each contract as follows.

Benefit type	Coverage unit
Non-participating non-accelerated lump sum contracts	Projected sum assured in-force.
Non-participating accelerated lump sum contracts (e.g. accelerated Trauma cover on a contract with Term Life cover)	Nil (as the maximum coverage available is the Term Life cover)
Income protection contracts	Sum of the projected sum assured in force at each future period multiplied by the maximum number of possible payments, adjusted for wait period where necessary.
Contracts that include multiple insurance components (such as Term Life, Trauma, TPD and Income Protection):	Sum of the term life sum assured (as the Trauma and TPD are accelerated benefits) and, the sum of the projected sum assured in force at each future period on the Income Protection cover multiplied by the maximum number of possible payments, adjusted for wait period where necessary.

3. Insurance significant judgements and estimates (continued)

Investment components

All references to investment components in these financial statements apply to investment components in scope of NZ IFRS 17 that are not distinct, unless specifically stated otherwise. Non-distinct investment components are included in the measurement of insurance liabilities.

The Group identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance.

Assets for insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Insurance acquisition cashflows may contain both direct costs and an allocation of fixed and variable overheads.

Where insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, they must be allocated to a group in the portfolio using a systematic and rational method. The Group allocates the cashflows to groups in the portfolio using a fixed annual proportion. The fixed annual percentage was derived after consideration of a range of factors such as expected policy and coverage unit run-off which are both indicators of expected service provided to that group of contracts associated with the portfolio.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. The asset for insurance acquisition cash flow is derecognised, fully or partly, from the statement of financial position when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts.

In the current and prior year, the Group did not identify any facts and circumstances indicating that the assets may be impaired.

Fair value of insurance contracts and measurement of contracts on transition to NZ IFRS 17

The Group has measured the fair value of insurance contracts when it acquired contracts in a business combination prior to transition and when it applied the fair value approach on transition to NZ IFRS 17.

For further details on the measurement of contracts on transition to NZ IFRS 17, refer to note 2.

4. Insurance and reinsurance contracts

4.1 Composition of the consolidated statement of financial position

The Group disaggregates information to provide disclosure in respect of life insurance contracts issued and reinsurance contracts held separately. This disaggregation has been determined based on how the Group is managed.

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

	At 30 June 2024			At 30 June 2023 (restated)		
	Total $'000	**Current portion $'000**	**Non-current portion $'000**	Total $'000	Current portion $'000	Non-current portion $'000
Insurance contracts						
Insurance contract assets						
- Assets for insurance acquisition cash flows	**345,576**	**19,250**	**326,326**	290,220	15,472	274,748
- Insurance contract balances	**(87,506)**	**(80,002)**	**(7,504)**	(37,061)	(35,033)	(2,028)
	258,070	**(60,752)**	**318,822**	253,159	(19,561)	272,720
Insurance contract liabilities						
- Assets for insurance acquisition cash flows	**-**	**-**	**-**	31,223	1,665	29,558
- Insurance contract balances	**(309,519)**	**(63,591)**	**(245,928)**	(365,102)	(108,330)	(256,772)
	(309,519)	**(63,591)**	**(245,928)**	(333,879)	(106,665)	(227,214)
Total insurance contract assets/(liabilities)	**(51,449)**	**(124,343)**	**72,894**	(80,720)	(126,226)	45,506

4.1 Composition of the consolidated statement of financial position (continued)

	At 30 June 2024			At 30 June 2023 (restated)		
	Total $'000	**Current portion $'000**	**Non-current portion $'000**	Total $'000	Current portion $'000	Non-current portion $'000
Reinsurance contracts						
Reinsurance contract assets	**16,948**	**7,304**	**9,644**	18,452	7,282	11,170
Reinsurance contract liabilities	**(73,834)**	**52,918**	**(126,752)**	(101,462)	56,110	(157,572)
Total reinsurance contract assets/(liabilities)	**(56,886)**	**60,222**	**(117,108)**	(83,010)	63,392	(146,402)

Detailed reconciliations of changes in insurance contract balances during the reporting periods are included in note 4.5. For credit risk disclosures relating to insurance and reinsurance contract assets, refer to note 19.

4.2 Insurance service result

An analysis of insurance revenue, insurance service expenses and net expenses from reinsurance contracts held for 2024 and 2023 is included in the following tables. Additional information on amounts recognised in profit or loss is included in the insurance contract balances reconciliations in note 4.5.

	2024 $'000	2023 $'000
Insurance service revenue		
Contracts not measured under the PAA		
Amounts relating to changes in liabilities for remaining coverage		
- Expected incurred claims and other directly attributable expenses	**26,263**	26,150
- Change in risk adjustment for non-financial risk for risk expired	**3,096**	2,402
- CSM recognised for the services provided	**639**	430
- Experience adjustments - arising from premiums received in the period other than those that relate to future service	**(248)**	93
Insurance acquisition cash flows recovery	**1,947**	179
Insurance service revenue for contracts not measured under the PAA	**31,697**	29,254
Insurance service revenue from contracts measured under the PAA	**417,376**	413,403
Total insurance service revenue	**449,073**	442,657
Insurance service expenses		
Incurred claims and other directly attributable expenses	**(340,987)**	(318,782)
Changes that relate to past service - changes in the FCF relating to the LIC	**15,869**	13,145
Losses on onerous contracts and reversal of those losses	**(4,730)**	(8,484)
Insurance acquisition cash flows expensed as incurred	**(13,940)**	(12,291)
Insurance acquisition cash flows amortisation	**(20,624)**	(16,841)
Total insurance service expenses	**(364,412)**	(343,253)
Net expenses from reinsurance contracts held		
Contracts not measured under the PAA		
Amounts relating to the changes in the remaining coverage		
- Expected incurred claims and other directly attributable expenses recovery	**(106,791)**	(103,269)
- Change in the risk adjustment for non-financial risk for the risk expired	**(10,325)**	(9,719)
- CSM recognised for the services received	**(3,393)**	(9,059)
- Experience adjustments – arising from ceded premiums paid in the period other than those that relate to future service	**1,500**	935
Net expenses from reinsurance contracts held – contracts not measured under the PAA	**(119,009)**	(121,112)

4.2 Insurance service result (continued)

	2024 $'000	2023 $'000
Net expenses from reinsurance contracts held – contracts measured under the PAA	**(15,574)**	(16,523)
Effect of changes in the risk of reinsurers' non-performance	**93**	81
Incurred claims recovery	**126,800**	126,626
Changes that relate to past service – changes in the FCF relating to incurred claims	**(2,751)**	(8,454)
Income on initial recognition of onerous underlying contracts	**913**	691
Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	**(7)**	-
Changes in the FCF of reinsurance contracts held from onerous underlying contracts	**442**	1,325
Total net expenses from reinsurance contracts held	**(9,093)**	(17,366)
Total insurance service result	**75,568**	82,038

4.3 Investment income and net insurance finance result

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 statement of comprehensive income.

The tables below present an analysis of total investment income, insurance and reinsurance finance result recognised in the consolidated statement of comprehensive income in the period.

	2024 $'000	2023 $'000
Dividends and distributions	**4,070**	2,296
Net realised and unrealised gains on unit trusts	**19,574**	12,629
Total investment income from unit trusts	**23,644**	14,925
Net realised and unrealised gains on derivatives	**-**	1,063
Total investment income	**23,644**	15,988

	2024 $'000	2023 $'000
Finance (expenses)/income from insurance contracts		
Interest accreted to insurance contracts	**(11,195)**	(8,019)
Due to changes in interest rates and other financial assumptions	**1,041**	13,788
Total finance (expenses)/income from insurance contracts	**(10,154)**	5,769
Finance expenses from reinsurance contracts held		
Interest accreted to reinsurance contracts	**(4,512)**	(6,381)
Due to changes in interest rates and other financial assumptions	**(3,905)**	5,414
Total finance expenses from reinsurance contracts held	**(8,417)**	(967)
Net insurance finance (expenses)/income	**(18,571)**	4,802

The interest accreted to insurance/reinsurance contracts line items contains interest accreted on CSM and FCF at locked-in interest rates. However, interest on LIC is accreted at current interest rates.

4.4 Contractual service margin

Insurance contracts issued

The impact on the current period of the transition approaches adopted to establishing CSMs for insurance contracts portfolios not measured under the PAA is disclosed in the table below:

	2024			2023		
	New contracts and contracts measured under the full retrospective approach at transition	**Contracts measured under the fair value approach at transition**	**Total**	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the fair value approach at transition	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
CSM as at 1 July	**1,838**	**5,610**	**7,448**	-	9,783	9,783
Changes that relate to current service						
CSM recognised for the services provided	**(283)**	**(356)**	**(639)**	(62)	(368)	(430)
Changes that relate to future service						
Changes in estimates that adjust the CSM	**(237)**	**(105)**	**(342)**	606	(4,240)	(3,634)
Changes in estimates that result in onerous contract losses or reversals of those losses	**3**	**-**	**3**	-	87	87
Contracts initially recognised in the period	**1,278**	**-**	**1,278**	1,271	-	1,271
	1,044	**(105)**	**939**	1,877	(4,153)	(2,276)
Finance expenses from insurance contracts issued	**107**	**206**	**313**	23	348	371
Total amounts recognised in comprehensive income	**868**	**(255)**	**613**	1,838	(4,173)	(2,335)
CSM as at 30 June	**2,706**	**5,355**	**8,061**	1,838	5,610	7,448

4.4 Contractual service margin (continued)

Reinsurance contracts held

The impacts on the current period of the transition approaches adopted to establishing CSMs for reinsurance contracts held not measured under the PAA is disclosed in the table below:

	2024			2023		
	New contracts and contracts measured under the full retrospective approach at transition $'000	**Contracts measured under the fair value approach at transition $'000**	**Total $'000**	New contracts and contracts measured under the full retrospective approach at transition $'000	Contracts measured under the fair value approach at transition $'000	Total $'000
CSM as at 1 July	**392**	**86,831**	**87,223**	-	94,122	94,122
Changes that relate to current service						
CSM recognised for the services provided	**34**	**(3,427)**	**(3,393)**	(17)	(9,042)	(9,059)
Changes that relate to future service						
Changes in estimates that adjust the CSM	**(1,259)**	**(55,986)**	**(57,245)**	(693)	(1,651)	(2,344)
Contracts initially recognised in the period	**(687)**	**-**	**(687)**	404	-	404
CSM adjustment for income on initial recognition of onerous underlying contracts	**913**	**-**	**913**	691	-	691
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	**(1)**	**(6)**	**(7)**	-	-	-
	(1,034)	**(55,992)**	**(57,026)**	402	(1,651)	(1,249)
Finance income from reinsurance contracts held	**(4)**	**3,362**	**3,358**	7	3,402	3,409
Total amounts recognised in comprehensive income	**(1,004)**	**(56,057)**	**(57,061)**	392	(7,291)	(6,899)
CSM as at 30 June	**(612)**	**30,774**	**30,162**	392	86,831	87,223

Changes in estimates that adjust the reinsurance CSM includes alignment of the methodology between the Bank and Retail channels used to quantify mortality risk in the risk adjustment for FY2024.

Expected recognition of the contractual service margin

The following table sets out when the Group expects to recognise the remaining CSM in profit or loss after the reporting date for contracts not measured under the PAA.

4.4 Contractual service margin (continued)

Life risk	Less than one year $'000	One to two years $'000	Two to three years $'000	Three to four years $'000	Four to five years $'000	Five to ten years $'000	Greater than ten years $'000	Total $'000
As at 30 June 2024								
Insurance contracts issued	**687**	**616**	**563**	**522**	**484**	**1,861**	**3,328**	**8,061**
Reinsurance contracts held	**(3,013)**	**(2,733)**	**(2,491)**	**(2,272)**	**(2,073)**	**(7,897)**	**(9,683)**	**(30,162)**
Net CSM	**(2,326)**	**(2,117)**	**(1,928)**	**(1,750)**	**(1,589)**	**(6,036)**	**(6,355)**	**(22,101)**
As at 30 June 2023								
Insurance contracts issued	637	582	522	478	445	1,722	3,062	7,448
Reinsurance contracts held	(8,410)	(7,803)	(7,157)	(6,530)	(5,961)	(22,783)	(28,578)	(87,222)
Net CSM	(7,773)	(7,221)	(6,635)	(6,052)	(5,516)	(21,061)	(25,516)	(79,774)

4.5 Insurance contracts issued

The roll-forward of the asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in life insurance unit, is disclosed in the table below.

		Liability for remaining coverage		Liability for incurred claims			Total
	Assets for insurance acquisition cash flows $'000	Excluding Loss component $'000	Loss component $'000	LIC for contracts not under PAA $'000	Present value of future cash flows $'000	Risk adjustment for non-financial risk $'000	$'000
As at 1 July 2023							
Insurance contract assets	290,220	3,460	-	-	(38,940)	(1,581)	**253,159**
Insurance contract liabilities	31,223	(131,718)	(21,811)	(8,529)	(195,313)	(7,731)	**(333,879)**
Net insurance contract assets/(liabilities)	**321,443**	**(128,258)**	**(21,811)**	**(8,529)**	**(234,253)**	**(9,312)**	**(80,720)**
Insurance service revenue							
Contracts under the fair value approach	-	30,910	-	-	-	-	**30,910**
Other contracts	-	418,163	-	-	-	-	**418,163**
Total insurance service revenue	**-**	**449,073**	**-**	**-**	**-**	**-**	**449,073**
Insurance service expenses							
Incurred claims and other attributable expenses	-	-	1,647	(32,106)	(306,440)	(4,088)	**(340,987)**
Changes that relate to past service	-	-	-	1,707	15,185	(1,023)	**15,869**
Losses on onerous contracts and reversal of those losses	-	-	(4,730)	-	-	-	**(4,730)**
Insurance acquisition cash flows expensed as incurred	-	-	-	-	(13,940)	-	**(13,940)**
Insurance acquisition cash flows amortisation	-	(20,624)	-	-	-	-	**(20,624)**
Total insurance service expenses	**-**	**(20,624)**	**(3,083)**	**(30,399)**	**(305,195)**	**(5,111)**	**(364,412)**

4.5 Insurance contracts issued (continued)

		Liability for remaining coverage		Liability for incurred claims			Total
	Assets for insurance acquisition cash flows $'000	**Excluding Loss component $'000**	**Loss component $'000**	**LIC for contracts not under PAA $'000**	**Present value of future cash flows $'000**	**Risk adjustment for non-financial risk $'000**	**$'000**
Finance expenses from insurance contracts issued	-	(4,792)	-	(102)	(6,035)	775	**(10,154)**
Total amount recognised in the comprehensive income	**-**	**423,657**	**(3,083)**	**(30,501)**	**(311,230)**	**(4,336)**	**74,507**
Allocation from AIACF to groups of insurance contracts	(19,804)	19,804	-	-	-	-	**-**
Investment components and premium refunds	-	4,516	-	(4,516)	-	-	**-**
Cash flows							
Premiums received	-	(452,680)	-	-	-	-	**(452,680)**
Claims and other directly attributable expenses paid	-	-	-	34,183	308,120	-	**342,303**
Insurance acquisition cash flows	43,937	7,264	-	-	13,940	-	**65,141**
Total cash flows	**43,937**	**(445,416)**	**-**	**34,183**	**322,060**	**-**	**(45,236)**
As at 30 June 2024							
Insurance contract assets	345,576	(298)	-	-	(82,044)	(5,164)	**258,070**
Insurance contract liabilities	-	(125,399)	(24,894)	(9,363)	(141,379)	(8,484)	**(309,519)**
Net insurance contract assets/(liabilities)	**345,576**	**(125,697)**	**(24,894)**	**(9,363)**	**(223,423)**	**(13,648)**	**(51,449)**

		Liability for remaining coverage		Liability for incurred claims			Total
	Assets for insurance acquisition cash flows $'000	Excluding Loss component $'000	Loss component $'000	LIC for contracts not under PAA $'000	Present value of future cash flows $'000	Risk adjustment for non-financial risk $'000	$'000
As at 1 July 2022							
Insurance contract assets	300,707	3,061	-	-	(34,898)	(1,293)	267,577
Insurance contract liabilities	-	(143,275)	(14,567)	(8,391)	(180,367)	(7,252)	(353,852)
Net insurance contract assets/(liabilities)	300,707	(140,214)	(14,567)	(8,391)	(215,265)	(8,545)	(86,275)
Insurance service revenue							
Contracts under the fair value approach	-	28,416	-	-	-	-	28,416
Other contracts	-	414,241	-	-	-	-	414,241
Total insurance service revenue	-	442,657	-	-	-	-	442,657

4.5 Insurance contracts issued (continued)

		Liability for remaining coverage		Liability for incurred claims			Total
	Assets for insurance acquisition cash flows $'000	Excluding Loss component $'000	Loss component $'000	LIC for contracts not under PAA $'000	Present value of future cash flows $'000	Risk adjustment for non-financial risk $'000	$'000
Insurance service expenses							
Incurred claims and other directly attributable expenses	-	-	1,240	(32,635)	(285,690)	(1,697)	(318,782)
Changes that relate to past service	-	-	-	1,811	11,313	21	13,145
Losses on onerous contracts and reversal of those losses	-	-	(8,484)	-	-	-	(8,484)
Insurance acquisition cash flows expensed as incurred	-	-	-	-	(12,291)	-	(12,291)
Insurance acquisition cash flows amortisation	-	(16,841)	-	-	-	-	(16,841)
Total insurance service expenses	-	(16,841)	(7,244)	(30,824)	(286,668)	(1,676)	(343,253)
Finance income from insurance contracts issued	-	5,188	-	13	(341)	909	5,769
Total amount recognised in the comprehensive income	-	431,004	(7,244)	(30,811)	(287,009)	(767)	105,173
Allocation from AIACF to groups of insurance contracts	(17,607)	17,607	-	-	-	-	-
Investment components and premium refunds	-	5,622	-	(5,622)	-	-	-
Cash flows							
Premiums received	-	(448,564)	-	-	-	-	(448,564)
Claims and other directly attributable expenses paid	-	-	-	36,295	255,730	-	292,025
Insurance acquisition cash flows	38,343	6,287	-	-	12,291	-	56,921
Total cash flows	38,343	(442,277)	-	36,295	268,021	-	(99,618)
As at 30 June 2023							
Insurance contract assets	290,220	3,460	-	-	(38,940)	(1,581)	253,159
Insurance contract liabilities	31,223	(131,718)	(21,811)	(8,529)	(195,313)	(7,731)	(333,879)
Net insurance contract assets/(liabilities)	321,443	(128,258)	(21,811)	(8,529)	(234,253)	(9,312)	(80,720)

4.5 Insurance contracts issued (continued)

The table below presents a roll-forward of the net asset or liability for insurance contracts issued showing estimates of the present value of future cash flows, risk adjustment and CSM for contracts not measured under the PAA.

	Present value of future cash flows $'000	Risk adjustment for non-financial risk $'000	Contractual service margin $'000	Total $'000
As at 1 July 2023				
Insurance contract assets	-	-	-	**-**
Insurance contract liabilities	(121,665)	(20,736)	(7,448)	**(149,849)**
Net insurance contract assets/(liabilities)	**(121,665)**	**(20,736)**	**(7,448)**	**(149,849)**
Changes that relate to current service				
CSM recognised for services provided	-	-	639	**639**
Change in the risk-adjustment for non-financial risk expired	-	1,823	-	**1,823**
Experience adjustments	(3,162)	(9)	-	**(3,171)**
	(3,162)	**1,814**	**639**	**(709)**
Changes that relate to future service				
Changes in estimates that adjust the CSM	(1,865)	1,523	342	**-**
Changes in estimates that result in onerous contract losses or reversals of those losses	(1,777)	(124)	(3)	**(1,904)**
Contracts initially recognised in the period	(814)	(734)	(1,278)	**(2,826)**
	(4,456)	**665**	**(939)**	**(4,730)**
Changes that relate to past service				
Adjustment to liabilities for incurred claims	1,690	17	-	**1,707**
	1,690	**17**	**-**	**1,707**
Insurance service result	**(5,928)**	**2,496**	**(300)**	**(3,732)**
Finance expenses from insurance contracts issued	(3,630)	(952)	(313)	**(4,895)**
Total amounts recognised in comprehensive income	**(9,558)**	**1,544**	**(613)**	**(8,627)**
Cash flows				
Premiums received	(35,576)	-	-	**(35,576)**
Claims and other directly attributable expenses paid	34,183	-	-	**34,183**
Insurance acquisition cash flows	7,264	-	-	**7,264**
Total cash flows	**5,871**	**-**	**-**	**5,871**
As at 30 June 2024				
Insurance contract assets	-	-	-	**-**
Insurance contract liabilities	(125,352)	(19,192)	(8,061)	**(152,605)**
Net insurance contract assets/(liabilities)	**(125,352)**	**(19,192)**	**(8,061)**	**(152,605)**

4.5 Insurance contracts issued (continued)

	Present value of future cash flows $'000	Risk adjustment for non-financial risk $'000	Contractual service margin $'000	Total $'000
As at 1 July 2022				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	(121,740)	(21,592)	(9,783)	(153,115)
Net insurance contract assets/(liabilities)	(121,740)	(21,592)	(9,783)	(153,115)
Changes that relate to current services				
CSM recognised for services provided	-	-	430	430
Change in the risk-adjustment for non-financial risk expired	-	1,738	-	1,738
Experience adjustments	(4,423)	(65)	-	(4,488)
	(4,423)	1,673	430	(2,320)
Changes that relate to future services				
Changes in estimates that adjust the CSM	(3,711)	77	3,634	-
Changes in estimates that result in onerous contract losses or reversals of those losses	(5,392)	(961)	(87)	(6,440)
Contracts initially recognised in the period	(144)	(630)	(1,271)	(2,045)
	(9,247)	(1,514)	2,276	(8,485)
Changes that relate to past services				
Adjustment to liabilities for incurred claims	1,809	2	-	1,811
	1,809	2	-	1,811
Insurance service result	(11,861)	161	2,706	(8,994)
Finance income from insurance contracts issued	4,877	695	(371)	5,201
Total amounts recognised in comprehensive income	(6,984)	856	2,335	(3,793)
Cash flows				
Premiums received	(35,523)	-	-	(35,523)
Claims and other directly attributable expenses paid	36,295	-	-	36,295
Insurance acquisition cash flows	6,287	-	-	6,287
Total cash flows	7,059	-	-	7,059
As at 30 June 2023				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	(121,665)	(20,736)	(7,448)	(149,849)
Net insurance contract assets/(liabilities)	(121,665)	(20,736)	(7,448)	(149,849)

4.5 Insurance contracts issued (continued)

The components of new business for insurance contracts issued and not measured under the PAA is disclosed in the table below. New contracts were issued on market terms. The Group did not acquire any portfolios of insurance contracts in the current or comparative periods presented.

	2024			2023		
	Non-onerous contracts originated $'000	**Onerous contracts originated $'000**	**Total $'000**	Non-onerous contracts originated $'000	Onerous contracts originated $'000	Total $'000
Estimates of the present value of future cash outflows						
Insurance acquisition cash flows	**2,341**	**4,923**	**7,264**	2,694	3,595	6,289
Claims and other directly attributable expenses	**4,031**	**5,654**	**9,685**	4,390	3,988	8,378
Total estimates of the present value of future cash outflows	**6,372**	**10,577**	**16,949**	7,084	7,583	14,667
Estimates of the present value of future cash inflows	**(7,993)**	**(8,142)**	**(16,135)**	(8,720)	(5,803)	(14,523)
Risk adjustment for non-financial risk	**343**	**391**	**734**	365	265	630
CSM	**1,278**	**-**	**1,278**	1,271	-	1,271
Increase in insurance contract liabilities from contracts recognised in the period	**-**	**2,826**	**2,826**	-	2,045	2,045

4.6 Reinsurance contracts held

Reconciliation of the asset for remaining coverage and the asset recoverable for incurred claims ('IC')

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims from business ceded to reinsurers in the life insurance unit is disclosed in the table below.

	Remaining coverage		**Amounts recoverable: incurred claims**			**Total**
	Excluding loss recovery component	**Loss-recovery component**	**IC for contracts not under PAA**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
As at 1 July 2023						
Reinsurance contract assets	**(1,555)**	**-**	**-**	**19,342**	**665**	**18,452**
Reinsurance contract liabilities	**(255,242)**	**5,383**	**148,397**	**-**	**-**	**(101,462)**
Net reinsurance contract assets/(liabilities)	**(256,797)**	**5,383**	**148,397**	**19,342**	**665**	**(83,010)**

4.6 Reinsurance contracts held (continued)

	Remaining coverage		Amounts recoverable: incurred claims			Total
	Excluding loss recovery component	Loss-recovery component	IC for contracts not under PAA	Present value of future cash flows	Risk adjustment for non-financial risk	
	$'000	$'000	$'000	$'000	$'000	$'000
Net expenses from reinsurance contracts held						
Reinsurance expenses	(134,583)	-	-	-	-	(134,583)
Incurred claims recovery	-	(249)	117,468	9,393	188	126,800
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(1,808)	(996)	53	(2,751)
Income on initial recognition of onerous underlying contracts	-	913	-	-	-	913
Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	(7)	-	-	-	(7)
Changes in the FCF of reinsurance contracts held from onerous underlying contracts	-	442	-	-	-	442
Effect of changes in the risk of reinsurers' non-performance	93	-	-	-	-	93
Total net expenses from reinsurance contracts held	(134,490)	1,099	115,660	8,397	241	(9,093)
Finance expenses from reinsurance contracts held	(11,664)	-	2,720	595	(68)	(8,417)
Total amounts recognised in the comprehensive income	(146,154)	1,099	118,380	8,992	173	(17,510)
Cash flows						
Premiums paid net of ceding commissions and other directly attributable expenses paid	172,350	-	-	-	-	172,350
Recoveries from reinsurance	-	-	(117,404)	(11,312)	-	(128,716)
Total cash flows	172,350	-	(117,404)	(11,312)	-	43,634
As at 30 June 2024						
Reinsurance contract assets	(912)	-	-	17,022	838	16,948
Reinsurance contract liabilities	(229,689)	6,482	149,373	-	-	(73,834)
Net reinsurance contract assets/(liabilities)	(230,601)	6,482	149,373	17,022	838	(56,886)

4.6 Reinsurance contracts held (continued)

	Remaining coverage		Amounts recoverable: incurred claims			Total
	Excluding loss recovery component	Loss-recovery component	IC for contracts not under PAA	Present value of future cash flows	Risk adjustment for non-financial risk	
	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 July 2022						
Reinsurance contract assets	(1,579)	-	-	16,723	651	15,795
Reinsurance contract liabilities	(302,158)	3,556	125,656	-	-	(172,946)
Net reinsurance contract assets/(liabilities)	(303,737)	3,556	125,656	16,723	651	(157,151)
Net expenses from reinsurance contracts held						
Reinsurance expenses	(137,635)	-	-	-	-	(137,635)
Incurred claims recovery	-	(189)	114,840	11,894	81	126,626
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(8,200)	(261)	7	(8,454)
Income on initial recognition of onerous underlying contracts	-	691	-	-	-	691
Changes in the FCF of reinsurance contracts held from onerous underlying contracts	-	1,325	-	-	-	1,325
Effect of changes in the risk of reinsurers' non-performance	81	-	-	-	-	81
Total net expenses from reinsurance contracts held	(137,554)	1,827	106,640	11,633	88	(17,366)
Finance expenses from reinsurance contracts held	(826)	-	(55)	(13)	(74)	(968)
Total amounts recognised in the comprehensive income	(138,380)	1,827	106,585	11,620	14	(18,334)
Cash flows						
Premiums paid net of ceding commissions and other directly attributable expenses paid	185,320	-	-	-	-	185,320
Recoveries from reinsurance	-	-	(83,844)	(9,001)	-	(92,845)
Total cash flows	185,320	-	(83,844)	(9,001)	-	92,475
As at 30 June 2023						
Reinsurance contract assets	(1,555)	-	-	19,342	665	18,452
Reinsurance contract liabilities	(255,242)	5,383	148,397	-	-	(101,462)
Net reinsurance contract assets/(liabilities)	(256,797)	5,383	148,397	19,342	665	(83,010)

4.6 Reinsurance contracts held (continued)

Reconciliation of the measurement components of reinsurance contract balances

The table below presents a roll-forward of the net asset or liability for reinsurance contracts held showing estimates of the present value of future cash flows, risk adjustment and CSM for reinsurance held portfolios not measured under the PAA, included in the life insurance unit.

	Present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
	$'000	$'000	$'000	$'000
As at 1 July 2023				
Reinsurance contract assets	-	-	-	-
Reinsurance contract liabilities	(305,869)	117,184	87,223	(101,462)
Net reinsurance contract assets/(liabilities)	**(305,869)**	**117,184**	**87,223**	**(101,462)**
Changes that relate to current service				
CSM recognised for services provided	-	-	(3,393)	(3,393)
Change in the risk-adjustment for non-financial risk expired	-	(10,325)	-	(10,325)
Experience adjustments – relating to incurred claims and other directly attributable expenses recovery	10,314	1,612	-	11,926
	10,314	**(8,713)**	**(3,393)**	**(1,792)**
Changes that relate to future service				
Changes in estimates that adjust the CSM	24,646	32,599	(57,245)	-
Contracts initially recognised in the period	(2,383)	3,070	(687)	-
CSM adjustment for income on initial recognition of onerous underlying contracts	-	-	913	913
Changes in the FCF of reinsurance contracts held from onerous underlying contracts	372	70	-	442
Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	(7)	(7)
	22,635	**35,739**	**(57,026)**	**1,348**
Changes that relate to past service				
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	(2,288)	481	-	(1,807)
	(2,288)	**481**	**-**	**(1,807)**
Effect of changes in the risk of reinsurers non-performance	93	-	-	93
Net expenses from reinsurance contracts held	**30,754**	**27,507**	**(60,419)**	**(2,158)**
Finance expenses from reinsurance contracts held	(14,379)	2,080	3,358	(8,941)
Total amounts recognised in comprehensive income	**16,375**	**29,587**	**(57,061)**	**(11,099)**
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	156,131	-	-	156,131
Recoveries from reinsurance	(117,404)	-	-	(117,404)
Total cash flows	**38,727**	**-**	**-**	**38,727**
As at 30 June 2024				
Reinsurance contract assets	-	-	-	-
Reinsurance contract liabilities	(250,767)	146,771	30,162	(73,834)
Net reinsurance contract assets/(liabilities)	**(250,767)**	**146,771**	**30,162**	**(73,834)**

4.6 Reinsurance contracts held (continued)

	Present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
	$'000	$'000	$'000	$'000
As at 1 July 2022				
Reinsurance contract assets	-	-	-	-
Reinsurance contract liabilities	(387,276)	120,208	94,122	(172,946)
Net reinsurance contract assets/(liabilities)	(387,276)	120,208	94,122	(172,946)
Changes that relate to current service				
CSM recognised for services provided	-	-	(9,059)	(9,059)
Change in the risk-adjustment for non-financial risk expired	-	(9,719)	-	(9,719)
Experience adjustments – relating to incurred claims and other directly attributable expenses recovery	11,578	738	-	12,316
	11,578	(8,981)	(9,059)	(6,462)
Changes that relate to future service				
Changes in estimates that adjust the CSM	(1,474)	3,818	(2,344)	-
Contracts initially recognised in the period	(3,239)	2,835	404	-
CSM adjustment for income on initial recognition of onerous underlying contracts	-	-	691	691
Changes in the FCF of reinsurance contracts held from onerous underlying contracts	842	483	-	1,325
	(3,871)	7,136	(1,249)	2,016
Changes that relate to past service				
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	(8,191)	(9)	-	(8,200)
	(8,191)	(9)	-	(8,200)
Effect of changes in the risk of reinsurers non-performance	81	-	-	81
Net expenses from reinsurance contracts held	(403)	(1,854)	(10,308)	(12,565)
Finance expenses from reinsurance contracts held	(3,119)	(1,170)	3,409	(880)
Total amounts recognised in comprehensive income	(3,522)	(3,024)	(6,899)	(13,445)
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	168,773	-	-	168,773
Recoveries from reinsurance	(83,844)	-	-	(83,844)
Total cash flows	84,929	-	-	84,929
As at 30 June 2023				
Reinsurance contract assets	-	-	-	-
Reinsurance contract liabilities	(305,869)	117,184	87,223	(101,462)
Net reinsurance contract assets/(liabilities)	(305,869)	117,184	87,223	(101,462)

4.6 Reinsurance contracts held (continued)

Impact of contracts recognised in the year

The components of new business for reinsurance contracts held portfolios not measured under the PAA, included in the life insurance unit is disclosed in the table below:

	2024			2023		
	Contracts originated not in a net gain $'000	**Contracts originated in a net gain $'000**	**Total $'000**	Contracts originated not in a net gain $'000	Contracts originated in a net gain $'000	Total $'000
Estimates of the present value of future cash outflows	**-**	**33,437**	**33,437**	33,063	-	33,063
Estimates of the present value of future cash inflows	**-**	**(31,054)**	**(31,054)**	(29,824)	-	(29,824)
Risk adjustment for non-financial risk	**-**	**(3,070)**	**(3,070)**	(2,835)	-	(2,835)
CSM	**-**	**687**	**687**	(404)	-	(404)
Increase in reinsurance contract liabilities from contracts recognised in the period	**-**	**-**	**-**	-	-	-

4.7 Insurance acquisition cash flows asset

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

Expected timing of derecognition of insurance acquisition cash flows asset

Number of years until expected derecognition	**1-2 $'000**	**3-5 $'000**	**5-10 $'000**	**10-15 $'000**	**15-20 $'000**	**Total $'000**
As at 30 June 2024	**38,500**	**57,750**	**96,250**	**96,250**	**56,826**	**345,576**
As at 30 June 2023	34,274	51,411	85,685	85,685	64,388	321,443

5. Expenses

Accounting policy

Expenses are recognised in the consolidated statement of comprehensive income on an accrual basis, unless otherwise stated.

All expenses are analysed to determine which of those are directly attributable to a portfolio of contracts. These expenses are then further categorised into insurance acquisition or other insurance service expenses, as follows:

(i) *Insurance acquisition expenses*
Insurance acquisition expenses comprise the costs of acquiring new business, including commission, certain advertising, policy issue and underwriting costs, agency expenses and other sales costs as well as an allocation of overheads.

(ii) *Other insurance service expenses*
Other insurance service expenses are the fixed and variable costs of administering policies subsequent to sale as well as an allocation of overheads.

Non-attributable expenses are expensed as incurred in profit or loss.

In the consolidated statement of comprehensive income attributable costs are included in the insurance service expenses line and non-attributable expenses are included in the operating expenses line.

5. Expenses (continued)

Included within the Group's expenses are the following:

	Note	2024 $'000	2023 $'000
Salaries and wages and other employee costs		**65,618**	59,523
Restructure costs		**1,805**	315
Remuneration of auditor (PricewaterhouseCoopers)			
Audit of statutory financial statements		**2,552**	1,288
Audit fees in relation to prior year		**6**	41
Assurance services over the solvency returns		**143**	77
Tax compliance services		**65**	78
Custodial control assurance engagement		**24**	21
Other services[1]		**2**	62
Total remuneration of auditor		**2,792**	1,567
Directors' fees		**833**	1,246
Project and other professional fees		**11,649**	12,053
Depreciation[2]	13	**1,095**	968
Amortisation	14	**2,861**	2,818

[1] PwC carried out other services for the Group in 2024 and 2023 in the areas of provision of training materials and of access to an online resource platform covering generic technical content. In 2023, other services also comprised of NZ IFRS 17 education workshops, directors' fee and executive remuneration benchmarking.

[2] Depreciation excludes right-of-use depreciation. For right-of-use depreciation, please refer to note 11.

6. 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 statement of comprehensive income 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.

6. Taxation (continued)

The tax expense in the consolidated statement of comprehensive income is analysed as follows.

	2024 $'000	2023 $'000
Profit before tax	**19,293**	43,150
Tax at the New Zealand income tax rate of 28% (2023: 28%)	**5,402**	12,082
Tax effect of non-deductible expenses	**830**	1,281
Benefit of imputation credits received	**(117)**	(201)
Prior period adjustment	**(211)**	(761)
Income tax expense reported in the consolidated income statement	**5,904**	12,401
Comprising:		
Current tax (benefit)	**-**	(415)
Deferred tax expense	**5,904**	12,816
	5,904	12,401
Tax (benefit)/expense attributed to policyholders	**(31)**	83
Tax expense attributed to shareholders	**5,935**	12,318
	5,904	12,401
Income tax assets		
Income tax prepaid[1]	**3,562**	3,562
Current tax asset	**2,295**	2,295
Total income tax assets	**5,857**	5,857

[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	Insurance / Reinsurance Contract Liabilities $'000	Payables and other liabilities $'000	Unused tax losses $'000	Intangible assets $'000	Lease liability $'000	Total $'000
Balance at 1 July 2022	1,399	355	-	-	3,229	28,385	-	178	33,546
Adoption of NZ IFRS 17	-	(355)	-	42,604	5	(124)	-	-	42,130
Change in NZ IAS 12	-	-	-	-	-	-	-	5,440	5,440
Restated balance at 1 July 2022	1,399	-	-	42,604	3,234	28,261	-	5,618	81,116
Intragroup subvention payment	-	-	-	-	-	(4,046)	-	-	(4,046)
Movement through the consolidated income statement	(1,399)	-	7	(10,491)	643	(14,339)	5,829	(210)	(19,960)
Balance at 30 June 2023 (restated)	**-**	**-**	**7**	**32,113**	**3,877**	**9,876**	**5,829**	**5,408**	**57,110**
Movement through the consolidated income statement	**-**	**-**	**40**	**2,885**	**1,264**	**4,700**	**7,279**	**(273)**	**15,895**
Balance at 30 June 2024	**-**	**-**	**47**	**34,998**	**5,141**	**14,576**	**13,108**	**5,135**	**73,005**

6. Taxation (continued)

Deferred tax liabilities

The balance comprises temporary differences attributable to:

	Financial assets at fair value through profit or loss $'000	Deferred Income $'000	Property, plant and equipment $'000	Insurance/ Reinsurance contract assets $'000	Acquisition costs $'000	Intangible assets $'000	Right-of-Use Asset $'000	Total $'000
Balance at 1 July 2022	-	-	33	7,849	125,994	59,778	-	193,654
Adoption of NZ IFRS 17	-	2,029	-	71,432	(125,994)	(58,904)	-	(111,437)
Change in NZ IAS 12	-	-	-	-	-	-	5,440	5,440
Restated balance at 1 July 2022	-	2,029	33	79,281	-	874	5,440	87,657
Movement through the consolidated income statement	328	(2,029)	(33)	(3,863)	-	(874)	(461)	(6,932)
Balance at 30 June 2023	**328**	**-**	**-**	**75,418**	**-**	**-**	**4,979**	**80,725**
Movement through the consolidated income statement	**1,146**	**-**	**-**	**21,258**	**-**	**-**	**(483)**	**21,921**
Balance at 30 June 2024	**1,474**	**-**	**-**	**96,676**	**-**	**-**	**4,496**	**102,646**

	2024 $'000	2023 Restated $'000
Net deferred tax liabilities	**29,641**	23,615

Imputation credits

	2024 $'000	2023 $'000
Imputation credits available for use in subsequent reporting periods based on a tax rate of 28% (2023: 28%)	**2,169**	2,067

7. 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.

7. Cash and cash equivalents (continued)

Cash and cash equivalents comprise:

	2024 $'000	2023 $'000
Bank balances	**31,335**	39,049
Deposits at call[1]	**15,745**	50,449
Total cash and cash equivalents	**47,080**	89,498

[1] Deposits at call are held with A+ (2023: A+) rated banks with 74% (2023: 42%) of the deposits at call held with one bank.

8. 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:

	2024 $'000	2023 $'000
Term deposits	**-**	98,652
Total other financial assets at amortised cost	**-**	98,652
Due:		
Within 12 months	**-**	98,652
Later than 12 months	**-**	-
	-	98,652

Fixed interest rates in the year to 30 June 2024 were between 2.99% and 6.10% (2023: between 2.99% and 6.10%). In the prior period Term deposits were held with A+ rated banks with 45% of the term deposits being held with one bank. The term deposits were backing shareholder funds.

9. 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 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.

9. Financial instruments (continued)

(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.

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 consolidated statement of comprehensive income.

9. Financial instruments (continued)

Financial instruments by category

Financial assets	Fair value through profit or loss $'000	Amortised cost $'000	Total $'000
At 30 June 2024			
Cash and cash equivalents	**-**	**47,080**	**47,080**
Financial assets at fair value through profit or loss	**357,173**	**-**	**357,173**
Other receivables	**-**	**495**	**495**
Total financial assets	**357,173**	**47,575**	**404,748**
At 30 June 2023 (restated)			
Cash and cash equivalents	-	89,498	89,498
Other financial assets at amortised cost	-	98,652	98,652
Financial assets at fair value through profit or loss	298,290	-	298,290
Other receivables	-	262	262
Total financial assets	298,290	188,412	486,702
Financial liabilities			
At 30 June 2024			
Payables and other liabilities	**-**	**16,564**	**16,564**
Lease liabilities	**-**	**26,590**	**26,590**
Investment contract liabilities	**63,642**	**-**	**63,642**
Total financial liabilities	**63,642**	**43,154**	**106,796**
At 30 June 2023 (restated)			
Payables and other liabilities	-	15,795	15,795
Lease liabilities	-	28,448	28,448
Investment contract liabilities	67,648	-	67,648
Total financial liabilities	67,648	44,243	111,891

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 2024	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	**-**	**297,531**	**-**	**297,531**
Equity securities - Unitised funds	**-**	**59,642**	**-**	**59,642**
Total financial assets at fair value	**-**	**357,173**	**-**	**357,173**
Financial liabilities				
Investment contract liabilities	**-**	**-**	**63,642**	**63,642**
Total financial liabilities at fair value	**-**	**-**	**63,642**	**63,642**

9. Financial instruments (continued)

At 30 June 2023 (restated)	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
Financial assets at fair value through profit or loss	-	298,290	-	298,290
Total financial assets at fair value	-	298,290	-	298,290
Financial liabilities				
Investment contract liabilities	-	-	67,648	67,648
Total financial liabilities at fair value	-	-	67,648	67,648

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

Investment contract liabilities	**2024** **$'000**	2023 Restated $'000
Opening balance at 1 July	**67,648**	70,873
Net fair value gains	**5,500**	5,072
Purchases/deposits	**2,271**	2,370
Withdrawals/disposals	**(11,777)**	(10,667)
Closing balance at 30 June	**63,642**	67,648

10. Other receivables

Accounting policy

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 cash, cash equivalents and term deposits.

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 15). The receivable is recognised where there is either a contractual or other entitlement to a share of the remediation cost from the reinsurer.

Other receivables comprise:

	2024 **$'000**	2023 Restated $'000
Prepayments	**5,613**	4,671
Sundry receivables	**265**	262
GST receivables	**230**	270
Other assets	**244**	1,281
Total other receivables	**6,352**	6,484
Due:		
Within 12 months	**6,352**	5,203
Later than 12 months	**-**	1,281
	6,352	6,484

11. 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.

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 (2023: none) were as a result of exercising the extension option.

11. Leases (continued)

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 2022	19,283	111	32	19,426
Additions	-	-	186	186
Depreciation charge for the period	(1,696)	(101)	(70)	(1,867)
Modification to lease terms	38	-	(1)	37
Balance at 30 June 2023	**17,625**	**10**	**147**	**17,782**
Balance at 1 July 2023	17,625	10	147	17,782
Additions	-	111	-	111
Depreciation charge for the period	(1,741)	(43)	(75)	(1,859)
Modification to lease terms	(21)	42	-	21
Balance at 30 June 2024	**15,863**	**120**	**72**	**16,055**

	Office $'000	IT equipment $'000	Motor vehicle $'000	Total $'000
Lease liabilities				
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**
Balance at 1 July 2023	28,285	12	151	28,448
Additions	-	111	-	111
Interest expense	1,089	6	8	1,103
Modification to lease terms	14	8	-	22
Lease payments	(2,966)	(46)	(82)	(3,094)
Balance at 30 June 2024	**26,422**	**91**	**77**	**26,590**
Current	2,996	45	69	3,110
Non-current	23,426	46	8	23,480
	26,422	**91**	**77**	**26,590**

Amounts recognised in profit or loss (included in the Group's expenses[1])	**2024 $'000**	2023 $'000
Interest on lease liabilities	**1,103**	1,167
Depreciation charges on right-of-use assets	**1,859**	1,867
Expense relating to short-term leases	**182**	726
Expense relating to leases of low-value assets	**46**	69

[1] *Amounts are allocated between insurance service expenses and operating expenses in the consolidated statement of comprehensive income.*

12. 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 licence with RBNZ terminated on 30 June 2023. FIL continued operating as a dormant entity until its liquidation in October 2023.

13. 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.

Property, plant and equipment can be analysed as follows:

	Building fit-out and improvements $'000	Plant and equipment $'000	Total $'000
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

13. Property, plant and equipment (continued)

	Building fit-out and improvements $'000	Plant and equipment $'000	Total $'000
At 1 July 2023			
Cost	4,007	2,740	6,747
Accumulated depreciation	(580)	(1,367)	(1,947)
Net book amount	3,427	1,373	4,800
Year ended 30 June 2024			
Opening net book amount	**3,427**	**1,373**	**4,800**
Additions	**-**	**673**	**673**
Depreciation	**(348)**	**(747)**	**(1,095)**
Closing net book amount	**3,079**	**1,299**	**4,378**
At 30 June 2024			
Cost	**4,007**	**3,413**	**7,420**
Accumulated depreciation	**(928)**	**(2,114)**	**(3,042)**
Net book amount	**3,079**	**1,299**	**4,378**

14. 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.

Impairment

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 statement of comprehensive income.

Intangible assets can be analysed as follows:

14. Intangible assets (continued)

	Software $'000	Internally developed software $'000	Software under development $'000	Total $'000
At 1 July 2022 (restated)				
Cost	518	19,371	4,274	24,163
Accumulated amortisation/impairment	(366)	(3,608)	-	(3,974)
Net book amount	152	15,763	4,274	20,189
Year ended 30 June 2023				
Opening net book amount	152	15,763	4,274	20,189
Additions	-	-	14,146	14,146
Amortisation	(91)	(2,727)	-	(2,818)
Closing net book amount	61	13,036	18,420	31,517
At 1 July 2023 (restated)				
Cost	518	19,371	18,420	38,309
Accumulated amortisation/impairment	(457)	(6,335)	-	(6,792)
Net book amount	61	13,036	18,420	31,517

	Software $'000	Internally developed software $'000	Software under development $'000	Total $'000
Year ended 30 June 2024				
Opening net book amount	**61**	**13,036**	**18,420**	**31,517**
Additions	**-**	**-**	**13,638**	**13,638**
Transfer in/(out)	**-**	**11,049**	**(11,049)**	**-**
Amortisation	**(26)**	**(2,835)**	**-**	**(2,861)**
Closing net book amount	**35**	**21,250**	**21,009**	**42,294**
At 30 June 2024				
Cost	**518**	**30,420**	**21,009**	**51,947**
Accumulated amortisation/impairment	**(483)**	**(9,170)**	**-**	**(9,653)**
Net book amount	**35**	**21,250**	**21,009**	**42,294**

15. 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 Expenses (note 5) 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.

A remediation provision is recorded for instances in the past where policies were not administered consistent with policy wordings. The remediation provision has been recognised for the expected present value of the estimated customer premium refunds, claims top-up and other related expenses.

15. Payables and other liabilities (continued)

Payables and other liabilities comprise:

	2024 $'000	2023 Restated $'000
Financial liabilities		
Creditors and accruals	**16,564**	15,795
Total financial liabilities	**16,564**	15,795
Other liabilties		
Employee entitlements	**9,683**	9,175
Remediation provision	**7,854**	4,978
Total other liabilities	**17,537**	14,153
Total payables and other liabilities	**34,101**	29,948
Due:		
Within 12 months	**32,540**	29,469
Later than 12 months	**1,561**	479
	34,101	29,948

Movement in the remediation provision is presented below:

	2024 $'000	2023 Restated $'000
Opening balance at 1 July	**4,978**	4,978
Revision of the existing provision	**3,175**	-
Additional provision created	**2,765**	-
Provision released on payments	**(3,064)**	-
Closing balance at 30 June	**7,854**	4,978
Due:		
Within 12 months	**6,829**	4,978
Later than 12 months	**1,025**	-
	7,854	4,978

16. Investment contract liabilities

Accounting policies

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

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.

16. Investment contract liabilities (continued)

Movement in investment contract liabilities

	2024 $'000	2023 Restated $'000
Opening balance at 1 July	**67,648**	70,873
Contributions received	**2,339**	2,448
Fees deducted from account balances	**(68)**	(78)
Benefits paid	**(11,777)**	(10,667)
Investment return on underlying items	**5,850**	5,545
Other movements	**(350)**	(473)
Closing balance at 30 June	**63,642**	67,648
Due:		
Within 12 months	**21,996**	22,335
Later than 12 months	**41,646**	45,313
	63,642	67,648
Investment contracts with a guaranteed element	**52,278**	55,586

17. 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

	2024 Shares	2023 Shares	2024 $'000	2023 $'000
Opening balance at 1 July	**4,492,670**	4,491,440	**376,181**	378,572
Ordinary shares bought back and cancelled	**-**	-	**-**	(2,545)
Ordinary shares issued for cash	**-**	1,230	**-**	154
Closing balance at 30 June	**4,492,670**	4,492,670	**376,181**	376,181

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 2022 financial year. Under the decision the Group was required to pay an additional $2.55 million to the Company's former shareholder. This liability was settled in March 2023.

18. 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 Interim Solvency Standard issued by the Reserve Bank of New Zealand ('RBNZ') . 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 maintains a solvency margin for its Statutory Fund and the Company as a whole.

During the years ended 30 June 2024 and 30 June 2023, the Companies complied with all capital licensing requirements.

The Interim Solvency Standard 2023 issued by the RBNZ came into effect in the financial year and is effective 1 July 2023 for the Company. Prior to this the Company monitored its solvency position under the Solvency Standard for Life Insurance Business 2014. The Company continues to monitor the development of new RBNZ standards.

The Board has ultimate responsibility for maintaining the optimal capital structure. The Audit, Risk and Conduct Committee oversees the capital computations and provides advice to 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 for 2024 is prepared under the Interim Solvency Standard 2023. The comparative 2023 period is prepared under the previous effective standard, the Solvency Standard for Life Insurance Business 2014.

As at 30 June 2024	**Statutory Fund $'000**	**Total Company $'000**
Solvency capital	**701,019**	**744,709**
Adjusted prescribed capital requirement	**586,145**	**607,587**
Adjusted solvency margin	**114,874**	**137,122**
Adjusted solvency ratio	**120%**	**123%**

As at 30 June 2023	Statutory Fund $'000	Total Company $'000
Actual solvency capital	356,782	371,929
Minimum solvency capital	236,762	237,631
Solvency margin	120,020	134,298
Solvency ratio	151%	157%

19. Risk management

Risk management framework

Risk management is a critical business discipline. The organisation defines risk as "uncertain, future events which may impact the ability of the business to realise its objectives, including delivery of the business plan."

The Risk Management Framework sets out the arrangements for ensuring that robust risk management practices are embedded across the organisation in a consistent and structured manner.

The company has a formalised Risk Management Programme as required under the Insurance (Prudential Supervision) Act 2010 (IPSA) which comprises the following components:

19. Risk management (continued)

(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 company's strategy (and its execution), that is relied 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 Company's objectives. it also strengthens and complements other corporate governance initiatives.

(ii) The Risk Management Framework details how the Company ensures that effective risk management is reflected in the operational activities of the Company. 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 Statement describes the material risks to which the company is exposed and specifies the type and level of risk the company will accept in pursuit of strategic, business and financial objectives. The risk appetite statement spans the risk categories in the risk management framework and is 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 Committee 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 the company'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. The internal audit function follows a program of work which is agreed annually by the Audit, Risk and Conduct Committee.

The Asset and Liability Committee ('ALCO') is a management committee comprising the Chief Financial Officer, the Appointed Actuary, the Chief Risk Officer and the Head of Actuarial.

The company'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 the ALCO is to perform regular reviews on investment strategies for both statutory and non-statutory funds. The objective is to construct asset portfolios taking into account future expected liability cashflows and reasonable policyholder expectations, whilst maximising expected future risk-adjusted investment returns for the shareholders. This is subject to the risk appetite and constraints established by the Board. The Company'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, the company 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 ALCO. The ALCO oversees the selection of investment managers, construction of wholesale mandates and asset allocation within the permitted guidelines of the Investment Policy.

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 2024, shareholder owned foreign currency denominated assets were 3% of total assets (2023: 3% of total assets).

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

The company does not issue any insurance contracts or hold any reinsurance contracts in foreign currency. Therefore, there are no contracts exposed to currency risk.

19. Risk management (continued)

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 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 company 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.

The Group does not issue any participating contracts. Therefore, there are no insurance or reinsurance contracts which are exposed to price risk.

c) Interest rate risk

Interest rate risk is the loss in value of fixed-interest investments caused by fluctuating interest-rates. The company'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 company 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:

		2024		2023 (restated)	
		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%	**1**	**1**	(2)	(2)
	Decrease by 10%	**(1)**	**(1)**	2	2
Equity prices	Increase by 10%	**67**	**67**	77	77
	Decrease by 10%	**(67)**	**(67)**	(77)	(77)
Interest rates	Increase by 1%	**(1,953)**	**(1,953)**	(1,257)	(1,257)
	Decrease by 1%	**1,953**	**1,953**	1,257	1,257

This table above refers only to the effect on financial instruments and does not include the impact on insurance and reinsurance contracts, which are included in the sensitivity analysis in section B. below.

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 company'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.

19. Risk management (continued)

- Underwriting decisions are made in accordance with the procedures detailed in the company'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 to variation in the incidences of claims and concentration of risk. The company holds a catastrophe reinsurance treaty to limit large losses arising from concentrations of risk due to geographical exposure or single events. The company also holds an excess of loss reinsurance treaty to limit the net exposures to high levels of claims from all sources. The company actively manages its exposure under its retention agreements with its reinsurers. Levels of retained risk are increased or decreased to reflect changes in the company'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;
- Through product mix and varying combinations of Life, Trauma, Income Protection and TPD benefits across 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 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 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

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:

Impact on post-tax profit		**2024**		2023 (restated)	
		Before reinsurance $'000	**After reinsurance $'000**	Before reinsurance $'000	After reinsurance $'000
Discount rate	Increase by 0.5%	**(1,739)**	**(6,747)**	(1,722)	(8,911)
	Decrease by 0.5%	**2,089**	**7,298**	2,085	9,615
Mortality / morbidity	Increase by 10%	**(13,377)**	**(1,264)**	(13,239)	(1,509)
	Decrease by 10%	**12,916**	**984**	12,582	1,000
Discontinuance	Increase by 10%	**1,870**	**3,521**	1,811	3,819
	Decrease by 10%	**(2,121)**	**(4,135)**	(2,081)	(4,518)
Expenses	Increase by 10%	**(3,410)**	**(3,410)**	(3,827)	(3,827)
	Decrease by 10%	**2,909**	**2,909**	2,903	2,903

19. Risk management (continued)

The method used for deriving sensitivity information and significant variables has not changed from the previous period.

	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 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. The company 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 company 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

Maturity analysis for insurance and reinsurance contracts liabilities

The following table summarises the maturity profile of portfolios of insurance contracts issued and portfolios of reinsurance contracts held that are liabilities of the company based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

2024 **$'000**	**Less than 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Over 5 years**	**Total**
Insurance contract liabilities	**21,491**	**14,752**	**12,322**	**10,860**	**9,179**	**189,659**	**258,263**
Reinsurance contract liabilities	**8,083**	**10,368**	**11,208**	**11,987**	**12,736**	**97,958**	**152,340**
Total	**29,574**	**25,120**	**23,530**	**22,847**	**21,915**	**287,617**	**410,603**

2023 (restated) $'000	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Insurance contract liabilities	18,018	13,525	10,908	10,105	9,146	196,836	258,538
Reinsurance contract liabilities	11,666	16,666	16,797	16,779	17,205	157,766	236,879
Total	29,684	30,191	27,705	26,884	26,351	354,602	495,417

The amounts of insurance contract liabilities that are payable on demand were $49.7m (2023: $50.6m). These are included in the amounts presented above.

19. Risk management (continued)

Maturity analysis for financial assets and financial liabilities

The table below shows the maturity of the contractual undiscounted cash flows of the company'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 Company may be required to pay. Cash flows on derivative financial instruments are analysed on a gross basis, unless they are settled net.

2024	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
Financial assets						
Cash and cash equivalents	**47,080**	**-**	**-**	**-**	**47,080**	**47,080**
Financial assets at fair value through profit or loss	**357,173**	**-**	**-**	**-**	**357,173**	**357,173**
Other receivables	**495**	**-**	**-**	**-**	**495**	**495**
	404,748	**-**	**-**	**-**	**404,748**	**404,748**
Financial liabilities						
Payables and other liabilities	**16,564**	**-**	**-**	**-**	**16,564**	**16,564**
Lease liabilities	**3,169**	**3,172**	**9,927**	**15,716**	**31,984**	**26,590**
Investment contract liabilities	**21,996**	**7,741**	**12,529**	**21,376**	**63,642**	**63,642**
	41,729	**10,913**	**22,456**	**37,092**	**112,190**	**106,796**

2023 (restated)	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
Financial assets						
Cash and cash equivalents	89,498	-	-	-	89,498	89,498
Other financial assets at amortised cost	98,652	-	-	-	98,652	98,652
Financial assets at fair value through profit or loss	298,290	-	-	-	298,290	298,290
Other receivables	262	-	-	-	262	262
	486,702	-	-	-	486,702	486,702
Financial liabilities						
Payables and other liabilities	15,795	-	-	-	15,795	15,795
Lease liabilities	3,052	3,116	9,643	19,122	34,933	28,448
Investment contract liabilities	22,335	9,244	13,495	22,574	67,648	67,648
	41,182	12,360	23,138	41,696	118,376	111,891

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, insurance contracts issued in an asset position or reinsurance contracts held.

The company manages its exposure to credit risk by investing and transacting with high credit quality financial institutions. The company 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 amount that best represents its maximum exposure to credit risk at the end of the reporting period for reinsurance contracts held is $19.3 million (2023: $18.3 million).

Credit risk in relation to insurance contract assets and/or liabilities arises from premium debtors that are included in the LRC component of the balance. The maximum exposure at the end of the reporting period is $6.8 million (2023: $6.3 million).

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

19. Risk management (continued)

2024	**AAA+ to A-** **$'000**	**BBB+ to BBB-** **$'000**	**BB+ to B-** **$'000**	**Unrated** **$'000**	**Total** **$'000**
Cash and cash equivalents	**47,080**	**-**	**-**	**-**	**47,080**
Reinsurance contract assets	**16,948**	**-**	**-**	**-**	**16,948**
	64,028	**-**	**-**	**-**	**64,028**

2023 (restated)	AAA+ to A- $'000	BBB+ to BBB- $'000	BB+ to B- $'000	Unrated $'000	Total $'000
Cash and cash equivalents	89,498	-	-	-	89,498
Other financial assets at amortised cost	98,652	-	-	-	98,652
Reinsurance contract assets	18,452	-	-	-	18,452
	206,602	-	-	-	206,602

Included in the consolidated statement of financial position are unitised funds of $357,173,000 (2023: $298,290,000) which are unrated. Unitised products are invested within the guidelines of the Investment Policy. The Investment Policy 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 company does not expect any investment or reinsurance counterparties to fail to meet their obligations given their high credit ratings.

The company 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.

E. Climate Related Risk

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 has made it mandatory for climate reporting entities (CREs), which includes Fidelity Life, to produce climate statements in accordance with External Reporting Board (XRB) standards and disclosure requirements. This includes a requirement to produce annual disclosures on the company's governance, risk management and strategy for managing climate related risks, including metrics and performance against targets. This is to allow stakeholders to make more informed decisions about the climate related risks and opportunities facing CREs and to encourage CREs to make strategic choices that consider the risks and opportunities around climate change.

Even before these requirements took effect, the company joined New Zealand's journey towards a lower carbon future by signing up to Toitū Envirocare's carbon reduce programme in 2021. This has included measuring our greenhouse gas emissions each year in accordance with global best practice and working towards reduction targets. The scope of this work expanded in the current period to include preparation of the company's annual Climate Statement for the year ended 30 June 2024.

Impact of climate-related risks on the company's financial statements

The company has assessed the impact of climate related risk on its financial statements and does not believe they have had a material impact on the assumptions, judgements or estimates made for the year ended 30 June 2024. The future impact of climate change represents a source of uncertainty which the company will continue to monitor.

20. 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**	**Ownership 2024**	2023
Fidelity Insurance Limited[1]	Non-trading company	Ordinary	0%[1]	100%
Fidelity Life Custodial Services Limited	Custodial / Trustee services	Ordinary	100%	100%

[1] In October 2023 the entity was liquidated. Refer to note 12.

20. Related parties (continued)

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.

	2024	2023
	$'000	$'000
Short-term benefits	**5,781**	5,713
Total	**5,781**	5,713

b) Transactions with related parties

The following transactions occurred with related parties:

	2024	2023
	$'000	$'000
Commission paid to related parties comprise:		
Shareholders as at 30 June who held agency agreements with the Group	**219**	242
Total	**219**	242

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.

21. 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:

	2024	2023
	$'000	$'000
Intangible assets	**667**	6,600
	667	6,600

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.

22. Events occurring after balance date

There have been no events occurring after balance date that require adjustment or disclosure in the consolidated financial statements.

23. 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.

	2024	2023
	$'000	$'000
Total profit/(loss) for the year attributable to the owners of the Company	**13,389**	30,749
	Shares	Shares
Weighted average number of ordinary shares on issue	**4,492,670**	4,492,518
	$	$
Basic earnings per share	**2.98**	6.84

Diluted earnings per share

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

Independent Auditor's report.

For the year ended 30 June 2024.

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 2024, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 June 2024;
- 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, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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, assurance over the solvency return, tax compliance services and 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 has not impaired our independence as auditor of the Group.

Key audit matters

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. These matters were 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 these matters.

Description of the key audit matter	How our audit addressed the key audit matter
Transition to NZ IFRS 17 *Insurance Contracts* Effective 1 July 2023, the Group adopted accounting standard NZ IFRS 17 *Insurance Contracts* (NZ IFRS 17), which replaced NZ IFRS 4 *Insurance Contracts* (NZ IFRS 4). The adoption of NZ IFRS 17 significantly changed the basis of, and judgements used in, the valuation of the Group's insurance and reinsurance contracts. The Group made many judgements and assumptions in adopting NZ IFRS 17. The most significant judgements and assumptions related to the determination of fair value of certain insurance and reinsurance contracts and included: (i) for the Group's portfolios of insurance and reinsurance contracts not measured under the premium allocation approach (PAA), at transition date (other than the insurance contracts obtained from the acquisition of Westpac Life-NZ-Limited (Westpac Life)): ● determination of the cash flows and risk discount rate applied to those cash flows; ● adjustments to the cash flows in relation to expense assumptions; and ● projection of regulatory capital requirements including target capital surplus. (ii) for the insurance contracts obtained from the acquisition of Westpac Life at acquisition date (28 February 2022) judgements primarily related to the the use of present value of future premiums or claims as a driver to apportion the fair value of the insurance contracts acquired across the PAA and the general measurement model (GMM) portfolios. *Disclosures* NZ IFRS 17 has also had a significant impact on presentation and disclosures in the financial statements. Given the impact of the adoption of NZ IFRS 17 on the measurement of the Group's insurance and reinsurance contracts and disclosures, we considered the transition to be a key audit matter. Refer to the following notes in the financial statements: Note 2 for related accounting policies and impact of transition to NZ IFRS 17,	In considering the NZ IFRS 17 transition, together with our actuarial experts and technical accounting specialists, we assessed the accounting policies, measurement models and methodologies used against the requirements of NZ IFRS 17. Together with our actuarial experts, our procedures performed included: (i) for the Group's portfolios of insurance and reinsurance contracts not measured under PAA, at transition date (other than those insurance contracts obtained from the acquisition of Westpac Life): ● assessing the analysis prepared by the Group to support the conclusion to apply the fair value approach against the requirements of NZ IFRS 17; ● assessing the completeness and accuracy of the cash flows used in the fair value calculation by comparing them against the cash flows used in the audited 30 June 2022 NZ IFRS 4 actuarial valuation; ● assessing the reasonableness of the risk discount rate applied against market data; and ● testing material adjustments to the cash flows in relation to expense assumptions and the projection of required capital against our own expectations based on historical data and market observable data (where applicable), applying our knowledge of the Group's business and the requirements of the standard. (ii) for the insurance contracts obtained from the acquisition of Westpac Life at acquisition date our procedures included assessing the appropriateness of the apportionment of fair value to the PAA and GMM portfolios, with reference to the calculations underlying the determination of the purchase price for the acquisition of Westpac Life, and recalculation of the contractual service margin (CSM) or loss component for the GMM portfolios. *Disclosures* We assessed the appropriateness of the Group's presentation and disclosures in the financial statements against the requirements of NZ IFRS 17 and NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Description of the key audit matter	How our audit addressed the key audit matter
Note 3 for insurance significant judgements and estimates, and Note 4 for disclosures on insurance and reinsurance contracts.	
Valuation of insurance and reinsurance contract assets and liabilities As at 30 June 2024, the Group held: ● Insurance contract assets: $258 million (2023: $253 million) ● Insurance contract liabilities: $310 million (2023: $334 million) ● Reinsurance contract assets: $17 million (2023: $18 million) ● Reinsurance contract liabilities: $74 million (2023: $101 million) There is inherent complexity and significant judgement in setting actuarial assumptions and methodologies for the measurement of fulfillment cash flows (FCF) for insurance and reinsurance contracts. Hence, the valuation of these insurance and reinsurance contracts is considered a key audit matter. *FCF* Valuation of FCF requires estimation of future cash flows, an adjustment to reflect the time value of money and the financial risk related to the future cash flows and a risk adjustment for non-financial risk within the contract boundary. The calculations involve complex valuation methodologies and are subject to significant estimation uncertainty. Key judgements and assumptions in relation to FCF include: ● the level of aggregation used for the recognition and measurement of insurance and reinsurance contracts, including: the identification of portfolios of contracts with similar risks that are managed together; the identification of groups of contracts and onerous contracts assessment; the determination of contract boundaries; and the selection of the appropriate measurement model for the identified groups of contracts;	Together with our actuarial experts, we have understood the components of the insurance and reinsurance contract assets and liabilities, and assessed the material movements in the components against our expectations of the impacts of the methodologies adopted and the assumptions applied by the Group. *FCF* In respect of the actuarial methodologies and assumptions used in the measurement of FCF, we: ● understood and evaluated the effectiveness of the design and, where deemed appropriate, tested the operating effectiveness of the key controls in place over the valuation methodologies, material model changes, the systems used and the assumptions determined; ● assessed the actuarial methodology documentation against the requirements of the standard; ● tested the implementation of the actuarial methodologies and the accuracy of the output from the actuarial models, on a sample basis, by recalculating policy cash flow projections over their determined contract boundaries from the models for both insurance and reinsurance contracts; ● tested on a sample basis the appropriateness of the level of aggregation and groups used for valuation purposes by inspecting key attributes of contract policy information; ● assessed the methodologies used to derive significant assumptions by applying our industry knowledge and experience; ● challenged the significant assumptions against past experience, market observable data (as applicable) and our experience of market practice;

Description of the key audit matter	How our audit addressed the key audit matter
• the determination of discount rates (risk-free yield curves adjusted for an illiquidity premium to reflect the liquidity characteristics of insurance and reinsurance contracts); • the application of assumptions such as: inflation and automatic indexation of benefits, mortality, morbidity, discontinuance rates, surrender values and expenses; and • the methodology and assumptions in respect of determining the risk adjustment for non-financial risk. *Data* There is inherent risk associated with the completeness and accuracy of policy and claims data used in the valuation given the volume, granularity and changes to data required through the valuation process. Refer to the following notes in the financial statements: Note 2 for related accounting policies, Note 3 for insurance significant judgements and estimates, and Note 4 for disclosures on insurance and reinsurance contracts.	• evaluated the methodology used in the determination of the risk adjustment for non-financial risk and the discount rates (including the illiquidity premium) against the requirements of NZ IFRS 17 and to external market data and/or our own industry knowledge; and • assessed the reasonableness of the closing balances of the insurance and reinsurance contract assets and liabilities by understanding and testing key movements in the insurance and reinsurance contract assets and liabilities. *Data* Our procedures included: • understanding and evaluating the design and, where deemed appropriate, testing of the operating effectiveness of key controls in place to ensure data integrity from policy administration systems and claim systems, into the actuarial models; and • testing, on a sample basis, the accuracy of the policy, claims and reinsurance attributes used within the actuarial models against the source systems and/or supporting documents.

Our audit approach

Overview

Overall group materiality: $4.5 million, which represents 1% of insurance service revenue.

We chose insurance service revenue as the benchmark because, in our view, it is a key financial statement metric used in assessing the performance of the Group and is a generally accepted benchmark for life insurers. The application of approximately 1% is based on our professional judgement, noting that it is also within the range of commonly accepted revenue related thresholds.

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

As reported above, we have two key audit matters, being:

- Transition to NZ IFRS 17 *Insurance Contracts*, and
- Valuation of insurance and reinsurance contract assets and liabilities.

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 Accounting Standards, 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
25 September 2024

Auckland

Appointed Actuary's report.

For the year ended 30 June 2024.

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").

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.

This report provides information to the Board of FLAC regarding the review I have undertaken in relation to the actuarial information contained in the 30 June 2024 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.

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.

As specified in section 77 of IPSA, actuarial information means:

- Information relating to FLAC's calculations of premiums, claims, reserves, dividends, insurance, and technical provisions;
- Information relating to assessments of the probability of uncertain future events occurring and the financial implications for FLAC if those events do occur; and
- Information specified in the Interim Solvency Standard as being actuarial information.

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 the 30 June 2024 FLAC financial statements has been appropriately included in those financial statements;
- The actuarial information used in the preparation of the 30 June 2024 FLAC financial statement has been used appropriately in those financial statements;
- FLAC is maintaining a solvency margin as at 30 June 2024 that complies with the Interim Solvency Standard issued by the Reserve Bank of New Zealand for the purposes of both section 21(2)(b) and section 21(2)(c) of IPSA.

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 shareholders for the contents of this report.

Chris Marston-Fergusson

Appointed Actuary

25 September 2024

Climate Statement.

For the year ended 30 June 2024.

Contents.

Statement of compliance.

Fidelity Life is a climate reporting entity under the Financial Markets Conduct Act 2013. The disclosures in this climate statement comply with the requirements of the Aotearoa New Zealand Climate Standards (NZ CS) issued by the External Reporting Board (XRB). This climate statement is made in respect of the period ended 30 June 2024 and is our first disclosure under these new standards.

In preparing this report, Fidelity Life has elected to use the following Adoption Provisions in NZ CS 2:

- **Adoption provision 1:** Current Financial Impacts. This adoption provision exempts Fidelity Life from disclosing current financial impacts of its physical and transition climate-related impacts.
- **Adoption provision 2:** Anticipated Financial Impacts. This adoption provision exempts Fidelity Life from disclosing anticipated financial impacts of climate-related risks and opportunities reasonably expected by Fidelity Life.
- **Adoption provision 3:** Transition planning. This adoption provision exempts Fidelity Life from disclosing transition plan aspects of its strategy and the extent to which transition plan aspects of its strategy are aligned with financial planning processes, including for capital deployment and funding.
- **Adoption provision 4:** Scope 3 Greenhouse Gas (GHG) emissions. This adoption provision exempts Fidelity Life from disclosing all of its Scope 3 GHG emission sources. Fidelity Life has disclosed a subset of its FY24 Scope 3 GHG emissions.
- **Adoption provision 5:** Comparatives for Scope 3 GHG emissions. This adoption provision exempts Fidelity Life from disclosing comparative information for GHG emissions in the immediately preceding two reporting periods.
- **Adoption provision 6:** Comparatives for metrics. This adoption provision exempts Fidelity Life from disclosing comparative information for each metric disclosed in the immediately preceding two reporting periods.
- **Adoption provision 7:** Analysis of trends. This adoption provision exempts Fidelity Life from disclosing an analysis of the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period.

Signed for and on behalf of the Board of Directors:

Lindsay Smartt
Interim Chair
25 September 2024

Melanie Hewitson
Director
25 September 2024

Disclaimer.

Guidance on forward-looking statement and climate information.

This climate statement has been prepared based on information available to Fidelity Life as at 30 June 2024. It contains forward-looking statements based on management's current views and expectations including statements regarding potential climate-related risks and opportunities, scenarios and metrics. These statements are not facts and necessarily involve judgments, known and unknown risks, estimates, projections and assumptions, many of which are beyond Fidelity Life's control, and which may subsequently change or prove to be incorrect. This may cause actual results, performance or outcomes, including the ability to meet commitments and targets contained in Fidelity Life's forward-looking statements, to differ materially from those described in such statements.

Fidelity Life does not undertake to update any of these forward-looking statements except as may be required by law and does not give any representation, guarantee, warranty or assurance about its future business performance or that the outcomes expressed or implied in a forward-looking statement made in this climate statement, including its performance against climate-related targets, will occur.

Readers are cautioned not to place reliance on forward-looking statements contained in this climate statement and, to the maximum extent permitted by law, Fidelity Life does not accept responsibility for the accuracy or completeness of any forward-looking statements or any liability whatsoever (including for negligence) for any loss howsoever arising from any use of this climate statement or reliance on anything contained in it or omitted from it.

1. Governance.

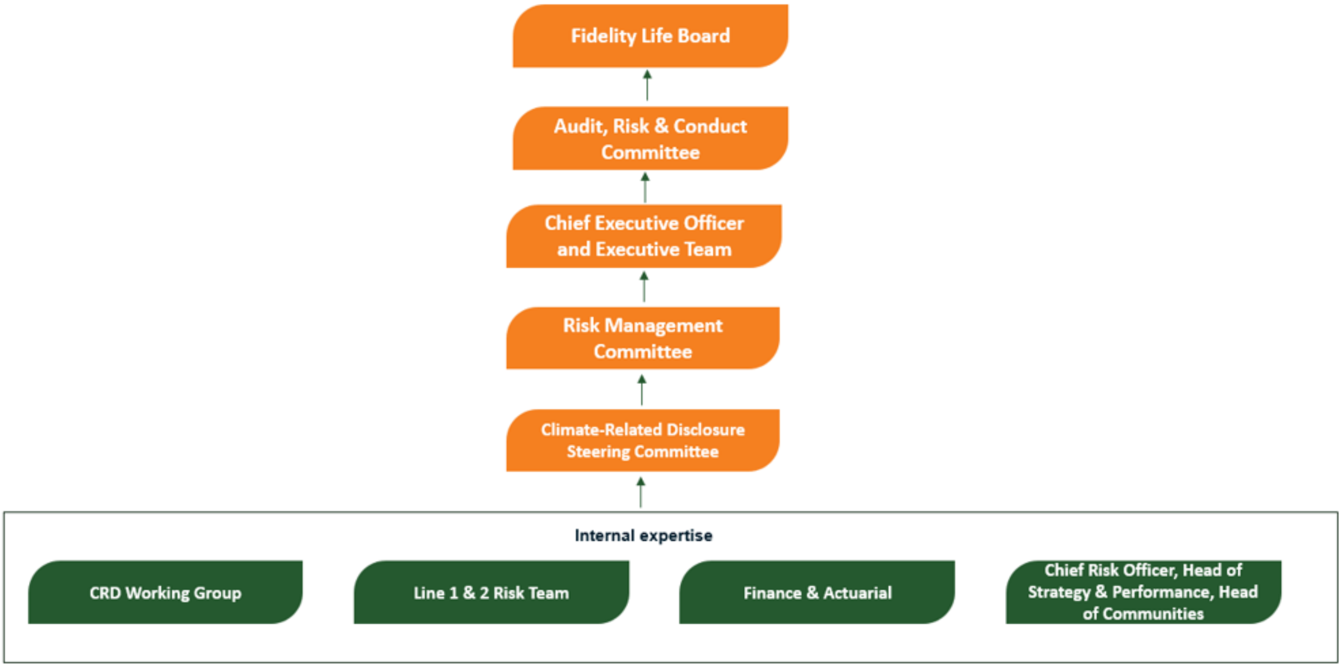
The role of the Board in overseeing climate-related risks and opportunities.

The Fidelity Life Board has ultimate responsibility for setting and monitoring Fidelity Life's strategy, and oversight of the risk management programme including climate-related risks and opportunities. Our FY24 annual report details the members of the Board at pages 7-8.

The role of the Audit, Risk and Conduct Committee.

The Board delegates certain functions to the Audit, Risk and Conduct Committee (ARC) which is made up of four directors of the Fidelity Life Board. The ARC has delegated responsibility to oversee Fidelity Life's compliance with the Aotearoa New Zealand Climate Standards including identifying, assessing, monitoring and managing climate-related risks and opportunities, and advising and providing recommendations to the Board. An overview of the relevant Board and management climate governance structure is shown in Table 1 below.

Table 1: Fidelity Life's climate governance structure.



Throughout FY24 engagement on Fidelity Life's implementation of the climate-related disclosures (CRD) regime occurred at seven Board meetings and three ARC meetings. Engagement included a deep dive with the Board into the scenario analysis activity undertaken during FY24 to identify climate-related risks and opportunities relevant to Fidelity Life's business (including Fidelity Life's strategic response); and Fidelity Life's GHG emissions metrics and targets.

Skills and experience.

To ensure that the Board has appropriate skills and competencies to be effective, the Board has adopted a Board Skills Matrix which is used when reviewing Board composition. The Board Skills Matrix includes Environmental, Social and Governance (ESG) as an area that the Board requires appropriate coverage and to ensure it possesses the appropriate skills, experience and composition to provide effective oversight of ESG matters.

Currently, both the Fidelity Life Board and ARC comprise members who hold governance and management roles in other organisations with climate reporting obligations, and four directors have experience with wider ESG programmes. One director has a Sustainability & ESG Designation (GCB.D - 2024) and a Climate and Nature Designation (CCB.D – 2022) issued by sustainability and ESG education provider, Competent Boards. Another director has completed the 'Climate Change Governance Essentials' course provided by the Institute of Directors of New Zealand (2024). The Board sought external advice during FY24 and undertook an educational deep dive with management on the requirements of the CRD regime and Fidelity Life's climate-related risks and opportunities.

How climate is considered in Fidelity Life's strategy setting and performance.

Climate-related risk and opportunities are considered by the Board alongside other risks and opportunities as part of the annual strategic formulation cycle and through reporting on performance to the Board and ARC.

Fidelity Life currently publishes annual GHG emissions on its website and has set emissions reduction targets as part of its membership of the Toitū carbonreduce certification programme. During FY25, consideration will be given, as part of Fidelity Life's transition planning, to a review of metrics, targets and initiatives for managing climate-related risks and opportunities.

Fidelity Life's remuneration policies do not specifically reference metrics relating to climate-related risks and opportunities.

The role of management in managing climate-related risks and opportunities.

Management of climate risks and opportunities and compliance with the CRD regime is the responsibility of the executive team, represented by the following committees and positions:

- **Risk Management Committee (RMC):** The RMC is chaired by the Chief Risk Officer (CRO) and comprises all members of the Fidelity Life executive team. The RMC oversees the effectiveness of all risk management processes including receiving information and reporting on climate-related disclosures and ensuring climate risk is factored into discussions to enable Fidelity Life's strategic planning and compliance with the CRD regime. The RMC reports to the ARC and Board as required. The RMC engaged on Fidelity Life's implementation of the CRD regime (including on climate-related risks and opportunities) on eight occasions during FY24.

- **Climate-Related Disclosures Steering Committee:** The CRD Steering Committee is chaired by the CRO and comprises executives and other business leaders with climate-related responsibilities from Risk, Finance, Actuarial and Investments, People & Communities and Regulatory Affairs. The CRD Steering Committee is responsible for overseeing Fidelity Life's implementation of the CRD regime and all activities associated with the identification and integration of climate-related risks and opportunities. The CRD Steering Committee generally meets monthly and reports to and makes recommendations to the RMC as required. During FY25, the CRD Steering Committee will be responsible for overseeing the integration of CRD processes into the business.

- **Climate-Related Disclosures Working Group:** Overseen by the CRD Steering Committee, a CRD working group comprising members from across the business, supports the development of Fidelity Life's first climate-related disclosure statement and embedment of practices to support ongoing compliance.

- **Line 1 and 2 Risk Management:** The Line 1 Risk team facilitates and supports the implementation of risk management practises (including climate risk) in the Business Units & Portfolio in accordance with Fidelity Life's risk management framework and policies. The Line 2 Risk & Compliance team establishes the Risk programme and provides independent oversight of the implementation and effectiveness of risk management, having regard to the monitoring activities performed by the Line 1 Risk team.

2. Strategy.

Fidelity Life's business model and strategy.

Fidelity Life was founded in 1973 and is New Zealand's largest locally owned life insurer, with more than 300,000 New Zealand-based customers. We offer life, income protection, trauma and total and permanent disability insurance products to individuals, families and businesses and manage a suite of legacy investment and participating products. Our primary means of providing insurance to New Zealanders is via distribution agreements with approximately 1,800 independent financial advisers located around New Zealand. We are also the exclusive life insurance provider to Westpac New Zealand customers and offer group insurance schemes to employers around New Zealand. We also employ a small number of in-house financial advisers. We have approximately 500 staff who work predominantly from our Auckland office, with roughly 60 staff working remotely and from offices in Wellington, Christchurch and Invercargill.

The long-term nature of life insurance means we have a relationship with our customers that can span many decades. Accordingly, we take a long-term view of risks and opportunities and manage our risk in accordance with our Risk Management Programme. While we do not consider that climate change poses a material risk to our business model in the short term (one to three years), we have identified climate-related risks and opportunities over the longer term as outlined in this section.

Current climate-related impacts.[1]

During FY24, Fidelity Life faced no material climate-related physical or transition impacts. While the flooding events in Auckland and Northland and Cyclone Gabrielle in early 2023 are outside the reporting period of this climate statement, Fidelity Life has not experienced any noticeable material lag impacts from these events, for example in the form of higher claims, higher policy lapses or higher reinsurance costs that could be attributable to these climate events. From time to time, Fidelity Life has provided relief to customers experiencing financial difficulty resulting from extreme weather events (e.g. flooding and droughts) in the form of short-term premium waivers. However, the cost to Fidelity Life of providing this relief during FY24 was not material.

Scenario analysis process.

During 2022 and 2023, Fidelity Life participated in the development of sector scenario narratives for the life and health insurance and funds management sectors. With the support of EY, this work was led by the Financial Services Council (FSC), an industry association that represents the New Zealand life and health insurance and funds management sectors.[2] The use of sector scenarios allows consumers to more easily compare climate disclosures across entities within the same sector.

In 2023, Fidelity Life undertook a process of scenario analysis to understand how our business could be impacted by climate change, assessing risks and opportunities over the short, medium and long term. This work was overseen by Fidelity Life's Climate-Related Disclosures Steering Committee. Fidelity Life adopted the FSC sector scenario narratives and time horizons as a basis for our scenario analysis (see Tables 2, 3 and 4 below for more information). The scenarios were considered appropriate for use given their consistency and comparability with other scenarios used in the New Zealand financial sector and with scenarios used globally.

1. Fidelity Life has applied Adoption Provision 1 of NZ CS 2 in this FY24 climate statement, which provides an exemption in its first reporting period from disclosing the current financial impacts of its identified physical and transition impacts.

2. FSC, 'Climate Scenarios for the Financial Services Sector'

Climate scenarios used.

Table 2: Scenario dimensions as adopted by Fidelity Life for undertaking scenario analysis.

Parameters*	Orderly 1.5°C	Too Little Too Late >2°C	Hothouse >3°C
Global climate & socioeconomic parameters	Intergovernmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathway ("SSP") 1-1.9	IPCC SSP2-4.5	IPCC SSP5-8.5
Global energy and emission pathway parameters	Network for Greening the Financial System (NGFS) Net Zero 2050 International Energy Agency (IEA) Net Zero Emissions by 2050 (NZE)	NGFS Nationally Determined Contributions ("NDCs") IEA Announced Pledges Scenario ("APS")	NGFS Current Policies IEA Stated Policies Scenario ("STEPS")
New Zealand-specific climate parameters	National Institute of Water and Atmospheric Research (NIWA) Representative Concentration Pathway (RCP) 2.6	NIWA RCP4.5	NIWA RCP8.5
New Zealand-specific transition pathway parameters	Climate Change Commission (CCC) 'Tailwinds'	CCC 'Headwinds'	CCC 'Current Policy Reference'
Rationale for selection	Most commonly used scenario by fund managers and insurers internationally. Aligned with scenarios already selected by FSC/ members or their parent entities. Orderly was also selected for other NZ sectoral level climate scenario narratives. Meets the NZ CS requirement for a 1.5°C aligned scenario.	Although not a commonly used scenario by fund managers and insurers internationally, more realistic New Zealand scenario than the alternative, 'Disorderly' scenario, with greater exposure to medium-high physical risk and transition risk. Third scenario selected for other NZ sectoral level climate scenario narratives and financial sector regulators.	Commonly used scenario by fund managers and insurers internationally. Aligned with scenarios already selected by FSC members or their parent entities. Hothouse was also selected for other NZ sectoral level climate scenario narratives. Meets NZ CS requirement for a >3°C aligned scenario.

** Refer Section 4 and Appendix B of the FSC 'Climate Scenarios for the Financial Services Sector' report for detailed information on scenario parameters and key assumptions, rationale for adoption and emission pathways*

Table 3: Overview of scenario dimensions.

Orderly 1.5°C	Too Little Too Late >2°C	Hothouse >3°C
The Orderly scenario represents collective action towards a low carbon global economy. In this scenario, there are steady and constant societal changes related to technology, policy, and behaviour to support the transition to a lower emissions economy. This is matched by an increasing carbon price that reinforces low carbon behaviour change. The coordinated and timely action around the world to curb greenhouse gases prevents the worst predicted impacts of climate change, however, the long-term chronic impacts from historic GHG emissions still occur, although not severely. Overall, based on the FSC literature review and stakeholder engagement, this scenario represents a medium level of transition risk and a low level of physical risk relative to the other scenarios.	The Too Little Too Late scenario represents a misaligned and delayed transition a low carbon economy between different parts of the world. In this scenario, some countries are early movers on the transition to a low emissions economy, introducing policy that brings about net zero emissions by 2050. In other parts of the world, however, there is very little action towards a low emissions future with fossil fuelled development continuing throughout much of the remaining first half of the century. From mid-century, global efforts to address climate change begin to align and exceed those by the early movers. Large increases in carbon price will drive a rapid improvement in low emissions technology efficacy and uptake. This shift is partly driven by the increasing evidence and awareness of the social, economic, and environmental degradation caused by a continued increase in fossil fuelled development. Despite making a concerted effort to reduce emissions and move to a low emissions economy at mid-century, the changes come too late to prevent wide ranging acute and chronic physical climate impacts. Overall, based on the FSC literature review and stakeholder engagement, this scenario represents a high level of transition risk compared to the other scenarios and a medium level of physical risk compared to the other scenarios.	The Hothouse scenario represents minimal action towards a low carbon global transition. Despite increasing levels of social, economic, and environmental degradation, there is little shift in social and political traction towards a low emissions future. As a result, there is little behaviour change and a lack of low carbon emissions technology development. This leads to a continued and increasing level of fossil fuel use, strong globalisation, increasing consumption and materialism. The impact of these activities continues to drive emissions higher throughout the remaining 21st century leading to significant materialisation of acute and chronic physical risks. In the first half of the 21st century this physical risk sees increasing severity of extreme weather which is accompanied by rising sea levels in the latter half of the 21st century. This threatens coastal developments worldwide, placing pressure on global relations. Overall, this scenario represents a low transition risk and a high level of physical risk when compared to the other scenarios.

Time horizons used.

Table 4: Overview of and rationale for time horizons used.

Time horizon	Short term 1-3 years	Medium term 5-10 years	Long term >30 years
Rationale for selection	Aligned with current regulator stress-testing time horizons. Aligned with Fidelity Life's strategic planning and capital allocation horizon.	Aligned with interim emissions reductions targets (to 2030) and the targets Fidelity Life has set under its Toitu carbonreduce programme. Aligned with medium-term investment horizon. Aligned with capital projections Fidelity Life prepares for regulatory and board reporting.	Aligned with international emissions reductions targets (to 2050). Aligned with long-term nature of Fidelity Life's life insurance contracts.

Pre-workshop assessment.

An initial assessment of the sector scenarios and climate risks and opportunities, drivers and impacts was undertaken by a sub-group of Fidelity Life's Risk and Actuarial teams to identify risks and opportunities that could potentially be material to our business over the three-time horizons and under the three scenarios.

Scenario analysis workshop.

Following the above initial assessment, a climate scenario analysis workshop was held with the Fidelity Life executive team and other senior leaders across the business. At the workshop, participants challenged the initial assessment undertaken and for any risks and opportunities that were considered material across any scenario and time frame, participants considered what impact it could pose to our business model and strategy across our full value chain, what actions Fidelity Life could take to mitigate the identified risk or pursue the opportunity and when such actions could be taken. Following the workshop, the scenario analysis process, inputs and outputs were shared with Fidelity Life's Board and served as an input into the FY25 strategy setting process.

Fidelity Life's climate-related risks and opportunities.

Fidelity Life's scenario analysis workshop identified six risks and two opportunities which could have an impact on our business under at least one scenario and time frame, as shown in Tables 5 and 6 below.[3] Fidelity Life has considered the potential impact of physical and transition climate-related matters on its financial statements and has concluded that based on the information and methodologies currently used, climate-related risks and opportunities do not have a material impact on the judgements, assumptions and estimates for the year ended 30 June 2024.

Table 5: Overview of climate related risks and opportunities.

	Risk	Type	Description	Anticipated impact to Fidelity Life
1.	**Increase in cost or ability to access reinsurance**	Physical	Risk resulting from reinsurers affected by increase in frequency and severity of physical climate impacts.	- Increased expenditure (a) as reinsurance premiums increase; and (b) to develop ways to assume risks where these cannot be reinsured.
2.	**Affordability/value proposition of life insurance impacted due to financial position and vulnerability of customers**	Physical / Transition	Risk resulting from second order effects of climate-change such as job-loss, potential declines in economic growth, population migration, geopolitical conflict etc. impacting customers' ability or willingness to pay for insurance.	- Decreased revenue from increased policy lapses and fewer new customers. - Increased expenditure to develop ways to better assume risks and lower prices. - Reputational and conduct risk where insurance sector not seen as supporting customers/making insurance accessible in worsened market conditions.
3.	**Negative media and reputational damage / Stakeholder preference change**	Transition	Risk resulting from perceived or actual lack of appropriate action towards climate change and/or perceived or actual greenwashing with allegations directed towards entity with widespread media coverage.	- Decreased revenue from increased policy lapses and fewer new customers. - Increased expenditure to decarbonise and amend portfolio. - Difficulty and cost of raising funds from loss of investor confidence - Increased expenditure to address negative press.
4.	**Higher than expected claims experience from deteriorating health of customers**	Physical	Risk resulting from prolonged exposure to warming environment increasing morbidity and second-order impacts, such as potential declines in economic growth, population migration, geopolitical conflict, etc which may also impact morbidity.	- Impacted cashflow and profitability of some products from adverse claims experience. - Increased expenditure to service customers. - Increased expenditure to develop ways to price climate risks into premiums and potentially develop new products. - Reputational/conduct risk if some premiums for specific occupations increase significantly or render the person uninsurable.
5.	**Falling behind competitors**	Transition	Risk of falling behind competitors in decarbonising and addressing climate risk.	- Decreased revenue due to loss of market share - Increased capital and operational expenditure to try to catch up to competitors.
6.	**Regulatory / Policy impacts**	Transition	Risk of additional processes and costs from increasingly stringent climate change regulations e.g. disclosure, emissions reduction, etc.	- Increase in operational costs to comply with policies and regulation - Penalties for non-compliance.

Table 6: Overview of climate related opportunities and impacts.

	Opportunity driver	Type	Opportunity	Anticipated impact to Fidelity Life
1.	**Lead in the climate change space**	Transition	Opportunity to lead on climate change, e.g. by improved operational efficiency and reducing emissions to net-zero, providing low-emission investment / insurance products and/or products with low climate risk and producing high quality climate-related risk disclosures	- Improved portfolio returns - Increased revenue from improved attraction and retention of customers - Increased attraction and retention of investors increasing equity - Reduced operational costs due to improved energy efficiency
2.	**Access to new markets and customers**	Transition	Opportunity to tap into new sustainability-conscious customer segments, by making proactive changes to business model.	- Increased attraction and retention of customers especially the younger market, increasing revenue. Increased diversity of consumers

3. Fidelity Life has applied Adoption Provision 2 of NZ CS 2 in this FY24 climate statement, which provides an exemption in its first reporting period from disclosing the anticipated financial impacts of climate-related risks and opportunities reasonably expected by the entity, and the time-horizons over which these could reasonably be expected to occur.

Transition planning.

Fidelity Life has elected to utilise Adoption Provision 3 of NZ CS 2 in this FY24 climate statement, which provides an exemption in its first reporting period from disclosing the transition plan aspects of its strategy, including how its business model and strategy might change to address its climate-related risks and opportunities and the extent to which transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes.

The scenario analysis that Fidelity Life has undertaken during FY24 and the work involved to prepare for compliance with the CRD regime generally has assisted in building the capability of Fidelity Life staff and provided management and the board with a greater understanding of the climate-related risks and opportunities that may impact our business model and strategy.

Critical components of the work that are intended to be undertaken to develop our transition plan throughout FY25 includes:

1. The measurement of additional Scope 3 GHG emissions sources.
2. The review of our GHG emissions targets and consideration of what decarbonising and offsetting initiatives can be deployed across our operations and value chain.
3. Ongoing education and capability building across Fidelity Life and further improvement to our approach to the assessment of climate-related risks and opportunities.

3. Risk management.

Risk management is a critical business discipline within Fidelity Life. Fidelity Life maintains a Three Lines of Defence Model with embedded Line 1 and Line 2 Risk and Compliance teams, assisting the business in the implementation and oversight of Fidelity Life's risk management programme.

Fidelity Life's risk management programme comprises its Risk Management Framework (RMF), Risk Appetite Statements (RAS), Policies, Programmes, and Risk Information System: "Rex." The programme applies across Fidelity Life's value chain and complies with license requirements under the Insurance Prudential Supervision Act (IPSA) 2010, the Financial Markets Conduct Act 2013.

Fidelity Life's RMF employs nine categories of risk, including ESG risk. These nine categories of risk are represented in Fidelity Life's risk library which cascades from: "Risk Category" (Level 1), "Risk Theme" (Level 2), and to "Detail' level risks (Level 3). Physical and transition risks are included as Level 3 climate risks under the ESG risk category.

Fidelity Life's Obligation, Risk and Control Assessment (ORCA) process requires all risks, including climate risks, in business unit risk profiles to be assessed annually for applicability and materiality. Risk assessment considers the likelihood and impact of a risk occurring within the following 12-month (short-term) period on inherent and residual bases. If any of seven dynamic triggers are 'tripped' outside of the annual risk assessment cycle, the relevant impacted risks must be reassessed within a specified time limit. In addition, the ORCA policy prescribes mandatory management and escalation criteria for High and Very High rated risks.

Fidelity Life employs a five-by-five Risk Assessment Matrix to assess the likelihood and impact of each risk. The Risk Assessment Matrix employs likelihood and impact criteria to ensure consistency of measurement of risks business wide and enables the creation of business unit and enterprise level risk profiles. All risks are documented in Fidelity Life's Risk Information System "Rex" and regularly discussed by the executive team, ARC and the Board. Emerging risks on Fidelity Life's horizon are also a standing item of discussion at these forums.

Climate risk is an important component of Fidelity Life's RAS. The RAS span the nine risk categories. Each risk appetite utilises key risk indicator metrics to inform regular status reporting to the RMC, ARC and Board. The RAS are formally approved by the Board, and considered a living document that is refreshed at least annually.

Fidelity Life also assesses climate risks and opportunities via scenario analysis which considers risks in the short, medium-term and long-term time horizons. This is detailed within the Strategy Pillar commentary.

4. Metrics & targets.

This section provides an overview of the metrics and targets Fidelity Life currently uses to measure and manage its climate-related risks and opportunities.

Greenhouse gas emissions metrics.

Fidelity Life began measuring its greenhouse gas (GHG) emissions in 2021, through the Toitū carbonreduce certified programme as part of its commitment to climate action. The Toitū Carbon Certification is a voluntary programme that helps organisations measure, manage, and reduce their GHG emissions. Achieving certification is an annual requirement where an organisation must demonstrate meeting the certification rules and it provides a third-party, independent way to communicate environmental efforts to stakeholders.

For our FY24 climate statement, in addition to receiving advisory services from Toitū, we also obtained voluntary assurance over our GHG emissions (as shown in this section) from Toitū. Refer to Appendix 1 for a copy of Toitū's FY24 audit opinion which sets out, among other things, the scope of Toitū's assurance engagement, the conclusions reached, the level of assurance provided and the assurance standards applied.

Greenhouse gas emissions overview.

Fidelity Life's total net GHG emissions for the year ended 30 June 2024 were 381.19 tonnes of carbon dioxide equivalent. A summary of our FY24 GHG emissions inventory is provided in Table 7 below.

The leading sources of emissions, from sources we currently measure, come from business related travel (air travel, staff commuting and staff working from home). We note that as part of Fidelity Life's transition plan activity, work will be undertaken during FY25 to measure additional Scope 3 GHG emissions sources, including from downstream distribution and financed emissions. We expect the GHG emissions associated with these sources to significantly increase our Scope 3 emissions when we report these in our FY25 climate statement.

Table 7: FY24 GHG emissions inventory summary.

Scope (ISO 14064-1:2006)	Emissions sources measured by Fidelity Life	Total gross emissions (tCO2e)	Data source and methodology	Assumptions and uncertainty[4]
Scope 1	Direct fuel emissions from fleet vehicles (petrol and diesel)	30.82	Calculated based on mobile combustion of petrol/diesel (litres direct from supplier invoice) with emissions factor applied.	Assumed all supplier invoices are correct, data was recorded correctly, and staff used required processes for acquiring fuel for fleet vehicles. Overall assessment of uncertainty: 2%
Scope 2	Indirect emissions from purchased electricity for our offices (location-based method)	22.30	Calculated based on purchased electricity (kWh direct from supplier) with emissions factor applied	Assumed all supplier invoices are correct and data was recorded correctly. Assumption made regarding the cost of electricity in the shared building spaces, to determine our usage. Overall assessment of uncertainty: 5%
Scope 3[5]	Indirect emissions from transportation (primarily air travel and employee commuter emissions, incl. staff working from home), Overall assessment of uncertainty for Indirect emissions from transportation: 18%	328.07	*Transportation:* Calculated based on supplier invoices for employee business travel and accommodation with emissions factor applied.	Assumed all supplier invoices are correct and data was recorded correctly.
			Employee commuting: Calculated based on employee survey and assumptions regarding number of days working from home	Emissions data extrapolated based on employee survey results and FTE figures
			Working from home (WFH): Calculated based on WFH policy and other assumptions	Emissions data extrapolated based on employee survey results and FTE figures
	Indirect emissions from products used by Fidelity Life (incl. waste generated in operations). Overall assessment of uncertainty for products used: 16%		*Purchased goods and services: Printing:* Calculated based on supplier invoices	Assumed all supplier invoices are correct.
			Office waste: Calculated based on weight from waste audit and where possible weight from suppliers. Disposal of liquid waste calculated based on litres used from available data)	Assumed that the waste audit done in the four weeks of July by Total Group is a good indication of our waste habits for the year. Assumed all supplier confirmations are correct
Total gross emissions[6]		**381.19**		
Total net emissions (no removals or purchased emissions reductions currently apply[7])		**381.19**		

GHG Emissions intensity measurement	Total FY24 emissions
Operating revenue (gross tCO2e / $Millions)	0.84

4. Assessment of uncertainty is calculated by Toitū's emanage tool using the uncertainties associated with the Emission Factor and type of data selected.

5. Fidelity Life has applied Adoption Provision 4 of NZ CS 2 in this FY24 climate statement, which provides an exemption from disclosing Scope 3 GHG emissions in its first reporting period. Fidelity Life has chosen to disclose a subset of Scope 3 GHG emissions, as outlined above. Fidelity Life has also applied adoption provisions 5, 6 and 7 of NZ CS 2 which exempt it from disclosing comparative information for prior reporting periods and analysis of trends for GHG emissions and other metrics disclosed.

6. As noted above in footnote 5, Fidelity Life's FY24 total gross emissions figure referenced in Table 7 reflects total Scope 1 and 2 GHG emissions and a subset of Scope 3 GHG emissions.

7. During FY24, Fidelity Life hosted an event which achieved its own Toitū carbonzero event certification, meaning that carbon credits were pur chased to fully offset the emissions associated with the event. This offset has been excluded from our FY24 GHG emissions inventory.

Approach to GHG emissions reporting.

Fidelity Life has applied Adoption Provision 4 of NZ CS 2 in this FY24 climate statement, which provides an exemption from disclosing Scope 3 GHG emissions in this first reporting period.
Fidelity Life has chosen to disclose a subset of Scope 3 GHG emissions, as outlined above. This means that we have excluded the following Scope 3 GHG emissions sources: capital goods, upstream leased assets, downstream transportation and distribution, processing of sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets, franchises, and investments. Fidelity Life does not disclose any emissions related to its customers' emissions.

Fidelity Life has also applied adoption provisions 5, 6 and 7 of NZ CS 2 which exempt it from disclosing comparative information for prior reporting periods and analysis of trends for GHG emissions and other metrics disclosed.

Fidelity Life's GHG emissions inventory has been prepared based on the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and ISO 14064-1:2018 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

An equity share consolidation approach was used to account for GHG emissions.

All direct emissions sources, that contribute more than 1% of total Scope 1 and 2 emissions, are included in Fidelity Life's inventory. Fidelity Life Custodial Services Limited (a wholly-owned subsidiary of Fidelity Life) is excluded from reporting because it is an administrative entity (without staff or premises) providing custodial services for the minority shareholders of Fidelity Life.

A calculation methodology has been used for quantifying the emissions inventory based on the following calculation approach: Emissions = activity data x emissions factor. Fidelity Life uses Toitū's 'emanage' software to calculate its GHG emissions. Global Warming Potentials (GWP) on the Intergovernmental Panel on Climate Change fifth assessment report (AR5) are the preferred GWP conversion. The sources of emissions factors and associated GWP rates for our most material emissions sources were:

- New Zealand Ministry for the Environment. MfE Guidance for Voluntary Greenhouse Gas Reporting (2024).
- UK Department for Business, Energy and Industrial Strategy. Government greenhouse gas conversion factors for company reporting (2023).
- Market Economics Limited (2023). Consumption Emissions Modelling, report prepared for Auckland Council.

All purchased and generated energy emissions are dual reported using both the location-based method and market-based method.

The main data limitations and sources of uncertainty were reliance on supplier invoices, reliance on staff commuting survey for calculating employee commuting emissions, estimations regarding days staff work in office vs. working from home, and reliance on waste audit to estimate waste emissions.

Fidelity Life did not apply an internal emissions price in FY24.

Risk & opportunity metrics.

Fidelity Life is not currently aware of any industry-based metrics relevant to the life insurance industry used to measure and manage climate-related risks and opportunities.

As Fidelity Life is utilising the first-time adoption provisions, we have not established metrics for climate-related risks and opportunities nor determined the financial impact. Accordingly, the amount or percentage of assets or business activities vulnerable to climate-related physical or transition risks and opportunities cannot currently be quantified. During FY25, Fidelity Life intends to develop a methodology and metrics for quantifying Fidelity Life's exposure to climate-related risks and opportunities for disclosure in our FY25 climate statement.

Fidelity Life does not currently have any key performance indicators or targets to measure and manage climate-related risks and opportunities and Fidelity Life's remuneration policies do not currently include any performance metrics related to climate-related risks and opportunities. Fidelity Life has not deployed any capital expenditure targeted at climate-related risks and opportunities and there are currently no material assets or business activities aligned with climate-related opportunities.

Targets.

In 2021, Fidelity Life set Scope 1 and 2 near term (to 2030) GHG emissions reduction targets as part of our Toitū carbonreduce certification (noted in Table 8 below), performance against which we monitor annually. Fidelity Life's targets have no reliance on offsets. We have not set any interim targets.

Table 8: Fidelity Life GHG emissions reduction targets.

Target type	Target	Performance against target (as at 30 Jun 24)
Absolute	8% reduction in Scope 1 and 2 emissions by 2030 compared to 2021. 164.15 tCO2e to 151.02 tCO2e	67.64% reduction
Intensity	38% reduction in emissions intensity across all Scopes within the Toitū carbon programmes boundary (all Categories combined) by 2030 compared to 2021. 1.81 tCO2e/$m to 1.12 tCO2e/$m *(reported as CO2e per $M operating revenue compared to base year, where it can be shown that any increase in absolute emissions is due to business growth (such as increased production rates))*	53.59% reduction

Fidelity Life significantly exceeded its 2030 absolute and intensity emissions reduction targets in FY22, due to the ongoing impacts of Covid disruptions and the shift into a new head office in Auckland, a 6-Green Star building, which resulted in lower-than-expected staff commuting emissions plus falls in fleet car, air travel and electricity emissions. Fidelity Life's emissions increased in FY23 reflecting a full year working from the new head office without Covid lock-downs preventing staff commuting and reflecting a full year of operations from an entity Fidelity Life acquired (which completed in February 2022). In FY24, Fidelity Life reduced its Category 1 and 2 emissions further from FY23, with absolute emissions now 67.64% below our FY21 baseline year, and emissions intensity 54% lower than our FY21 baseline year.

Fidelity Life's Scope 1 and 2 near term absolute and emissions intensity targets were set modestly in 2021 and while they are not considered 'science-aligned' (i.e. aligned to limiting global temperature rise to 1.5°C above pre-industrial levels), they represent a contribution and commitment to lowering GHG emissions generally. It is intended that Fidelity Life's targets will be reviewed during FY25 as part of our transition plan activity, to better reflect our emissions reduction potential.

Appendix 1.

INDEPENDENT AUDIT OPINION

Toitū carbonreduce programme certification

TO THE INTENDED USERS

Organisation subject to audit: Fidelity Life Assurance Company Limited

Toitū Carbon Programme: Toitū carbonreduce organisation certification

Audit Criteria:
ISO 14064-1:2018
ISO 14064-3:2019
Toitū Programme Technical Requirements 3.1
Audit & Certification Technical requirements 3.0
Certification Mark Guide v 3.0

Responsible Party: Fidelity Life Assurance Company Limited

Intended users: Management, staff, financial community and/or investors, customers, advisers and partners.

Registered address: Level 4, 136 Fanshawe Street, Auckland, 1010, New Zealand

Inventory period: 1/07/2023 - 30/06/2024

Inventory report: IMR_2324_Fidelity Life Assurance Company Limited_CR_Org.pdf

We have reviewed the greenhouse gas emissions inventory report ("the inventory report") for the above named Responsible Party for the stated inventory period.

RESPONSIBLE PARTY'S RESPONSIBILITIES

The Management of the Responsible Party is responsible for the preparation of the GHG statement in accordance with ISO 14064-1:2018 and the requirements of the stated Toitū carbon programme. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of a GHG statement that is free from material misstatement.

VERIFIERS' RESPONSIBILITIES

Our responsibility as verifiers is to express a verification opinion to the agreed level of assurance on the GHG statement, based on the evidence we have obtained and in accordance with the audit criteria. We conducted our verification engagement as agreed in the audit letter, which define the scope, objectives, criteria and level of assurance of the verification.

The International Standard ISO 14064-3:2019 requires that we comply with ethical requirements and plan and perform the verification to obtain the agreed level of assurance that the GHG emissions, removals and storage in the GHG statement are free from material misstatement.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the ISO 14064-3:2019 Standards will always detect a material misstatement when it exists. The procedures performed on a limited level of assurance vary in nature and timing from, and are less in extent compared to reasonable assurance, which is a high level of assurance. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

BASIS OF VERIFICATION OPINION

Our responsibility is to express an assurance opinion on the GHG statement based on the evidence we have obtained. We conducted our assurance engagement as agreed in the Contract which defines the scope, objectives, criteria and level of assurance of the verification.

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

VERIFICATION

We have undertaken a verification engagement relating to the Greenhouse Gas Emissions Inventory Report (the 'Inventory Report')/Emissions Inventory and Management Report of the organisation listed at the top of this statement and described in the emissions inventory report for the period stated above.

The Inventory Report provides information about the greenhouse gas emissions of the organisation for the defined measurement period and is based on historical information. This information is stated in accordance with the requirements of International Standard ISO 14064-1 Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals ('ISO 14064-1:2018') and the requirements of the stated Enviro-Mark Solutions Limited (trading as Toitū Envirocare) programme.

VERIFICATION STRATEGY

Our verification strategy used a combined data and controls testing approach. Evidence-gathering procedures included but were not limited to:
—activities to inspect the completeness of the inventory;
—interviews of site personnel to confirm operational behaviour and standard operating procedures;
—reconciliation of air travel domestic, air travel long-haul (business) and petrol regular emissions;
—detailed retracing of car average (unknown fuel type) and working from home emissions;
—sampling of electricity records to confirm accuracy of data into calculations.
The data examined during the verification were historical in nature.

QUALIFICATIONS TO VERIFICATION OPINION

The following qualifications have been raised in relation to the verification opinion:

The opinion is unmodified.

VERIFICATION LEVEL OF ASSURANCE

ISO Category	**Location based tCO_2e**	**Level of Assurance**
Category 1	30.82	**Reasonable**
Category 2	22.30	**Reasonable**
Category 3 (mandatory)	153.30	**Limited**
Category 3 (additional)	157.14	**Limited**
Category 4 (mandatory)	3.10	**Limited**
Category 4 (additional)	14.52	**Limited**
Total inventory	**381.19**	

RESPONSIBLE PARTY’S GREENHOUSE GAS ASSERTION (CERTIFICATION CLAIM)

Toitū carbonreduce organisation certified: Fidelity Life Assurance Company Limited. Toitū carbonreduce certified means measuring emissions to ISO 14064-1:2018 and Toitū requirements; and managing and reducing against Toitū requirements.

VERIFICATION CONCLUSION

EMISSIONS - REASONABLE ASSURANCE
We have obtained all the information and explanations we have required. In our opinion, the emissions, removals and storage defined in the inventory report, in all material respects:
• comply with ISO 14064-1:2018 and the requirements of the stated Toitū Envirocare Toitū carbon programme; and
• provide a true and fair view of the emissions inventory of the Responsible Party for the stated inventory period.

EMISSIONS - LIMITED ASSURANCE
Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the emissions, removals and storage defined in the inventory report:
• do not comply with ISO 14064-1:2018 and the requirements of the stated Toitū Envirocare Toitū carbon programme; and
• do not provide a true and fair view of the emissions inventory of the Responsible Party for the stated inventory period.

ADDITIONAL INFORMATION RELEVANT TO INTENDED USERS

Without qualifying our opinion expressed above, we wish to draw the attention of the intended users to the following :

We have reviewed the disclosures set out on pages 95-98 of Fidelity Life's FY24 Annual Report and assessed these for consistency against the disclosure requirements of Aotearoa New Zealand Climate Standards 1-3. We do not express an opinion on the accuracy and completeness of these disclosures as we have not assessed them under the requirements of NZ SAE1: Assurance Engagements over Greenhouse Gas Emissions Disclosures.

OTHER INFORMATION

The responsible party is responsible for the provision of Other Information to meet Programme requirements. The Other Information may include emissions management and reduction plan and purchase of carbon credits, but does not include the information we verified, and our auditor’s opinion thereon.

Our opinion on the information we verified does not cover the Other Information and we do not express any form of audit opinion or assurance conclusion thereon. Our responsibility is to read and review the Other Information and consider it in terms of the programme requirements. In doing so, we consider whether the Other Information is materially inconsistent with the information we verified or our knowledge obtained during the verification.

Verified by:		**Authorised by:**	
Name:	Briar Fowler	Name:	Billy Ziemann
Position:	Verifier	Position:	Certifier
Signature:	bfowler	Signature:	
Date verification audit:	15 August 2024		
Date opinion expressed:	30 August 2024	Date:	23 September 2024

Glossary of terms.

Aotearoa New Zealand Climate Standards / NZCS	Standards issued by the External Reporting Board that comprise the climate-related disclosure framework – NZCS 1, NZCS 2, NZCS 3.
APS	IEA Announced Pledges Scenario
ARC	Fidelity Life's Audit, Risk and Conduct Committee
CCC	Climate Change Commission
CRD	Climate-Related Disclosures
Climate-related opportunities	The potentially positive climate-related outcomes for an entity. Efforts to mitigate and adapt to climate change can produce opportunities for entities, such as through resource efficiency and cost savings, the adoption and utilisation of low-emissions energy sources, the development of new products and services, and building resilience along the value chain.
Climate-related risks	The potential negative impacts of climate change on an entity. See also the definitions of physical risks and transition risks.
Climate-related scenario	A plausible, challenging description of how the future may develop based on a coherent and internally consistent set of assumptions about driving forces and relationships covering both physical and transition risks in an integrated manner. Climate-related scenarios are not intended to be probabilistic or predictive, or to identify the 'most likely' outcome(s) of climate change. They are intended to provide an opportunity for entities to develop their internal capacity to better understand and prepare for the uncertain future impacts of climate change.
CO2e / carbon dioxide equivalent	The universal unit of measurement to indicate the global warming potential of each of the seven GHGs, expressed in terms of the global warming potential of one unit of carbon dioxide for 100 years. It is used to evaluate releasing (or avoiding releasing) any GHGs against a common basis.
CRE	Climate Reporting Entities (being those entities caught by the CRD regime)
ESG	Environmental, Social and Governance
FMA	Financial Markets Authority - Responsible for independent monitoring and enforcement of the climate-related disclosures regime, providing guidance about compliance expectations, and reporting on monitoring activities and findings.
Fossil fuel	For example: coal, oil, and natural gas
FSC	Financial Services Council of New Zealand Incorporated
Greenhouse Gases / GHG	The greenhouse gases listed in the Kyoto Protocol: carbon dioxide (CO2); methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), nitrogen trifluoride (NF3), perfluorocarbons (PFCs), and sulphur hexafluoride (SF6). NZCS 1 requires CREs to disclose Scope 1, Scope 2 and Scope 3 GHG emissions.
Governance body	A board, investment committee or equivalent body charged with governance.
GWP / Global Warming Potentials	A factor describing the radiative forcing impact (degree of harm to the atmosphere) of one unit of a given GHG relative to one unit of carbon dioxide (CO2).
IEA	International Energy Agency
Internal Emissions Price	A monetary value on GHG emissions that an entity uses internally to guide its decision-making process in relation to climate-related impacts, risks and opportunities.
IPCC	Intergovernmental Panel on Climate Change
Material	Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users make on the basis of an entity's climate-related disclosures.
Metric	A quantity indicative of the level of historical, current, and forward-looking climate-related risks and opportunities for a given entity. These indicators are used to track climate-related risks and opportunities and can also be used to measure progress against targets over the duration of the period for which a target is set.
NDC	Nationally Determined Contributions
NGFS	Network for Greening the Financial System
NIWA	National Institute of Water and Atmospheric Research
NZ CS1	Contains the CRD requirements for the four thematic areas: Governance, Strategy, Risk Management and Metrics and Targets) and the assurance requirements for greenhouse gas emissions disclosures.

NZ CS2	Provides optional adoption provisions CREs may use which exempt certain disclosures or allow alternative information to be disclosed.
NZ CS3	Establishes principles and general requirements to enable the provision of high-quality climate-related disclosures. These principles and requirements must be considered when applying the disclosure requirements in NZCS 1 and NZCS 2.
NZE	Net Zero Emissions
Physical risks	Risks related to the physical impacts of climate change. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events. They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns, such as sea level rise.
Primary users	Existing and potential investors, lenders and other creditors.
RCP	Representative Concentration Pathway
RMC	Fidelity Life's Risk Management Committee
Scenario analysis	A process for systematically exploring the effects of a range of plausible future events under conditions of uncertainty. Engaging in this process helps an entity to identify its climate-related risks and opportunities and develop a better understanding of the resilience of its business model and strategy.
Scope 1 emissions	Direct GHG emissions from sources owned or controlled by the entity.
Scope 2 emissions	Indirect GHG emissions from consumption of purchased electricity, heat, or steam.
Scope 3 emissions	Other indirect GHG emissions not covered in scope 2 that occur in the value chain of the reporting entity, including upstream and downstream GHG emissions. There are 15 Scope 3 categories: purchased goods and services, capital goods, fuel-related and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, upstream leased assets, downstream transportation and distribution, processing of sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets, franchises, and investments.
STEPS	Stated Policies Scenario
Target	A specific level, threshold, or quantity of a metric that an entity wishes to meet over a defined time horizon in order to achieve an entity's overall climate-related ambition and strategy.
TCFD	Taskforce for Climate Related Financial Disclosure – A disclosure framework established in 2007 structured around the four thematic areas that the NZCS are based on, and which represent core elements of how organisations operate (governance, strategy, risk management, and metrics and targets). The TCFD Recommendations are considered international best practice for climate-related financial reporting and are already being used in New Zealand and other countries on a voluntary basis.
Transition Plan	An aspect of an entity's overall strategy that describes an entity's targets, including any interim targets, and actions for its transition towards a low-emissions, climate-resilient future.
Transition risks	Risks related to the transition to a low-emissions, climate-resilient global and domestic economy, such as policy, legal, technology, market and reputation changes associated with the mitigation and adaptation requirements relating to climate change.
UK	United Kingdom
Value chain	The full range of activities, resources and relationships related to an entity's business model and the external environment in which it operates. A value chain encompasses the activities, resources and relationships an entity uses and relies on to create its products or services from conception to delivery, consumption and end of life. Relevant activities, resources and relationships include those in an entity's operations, such as human resource; those along its supply, marketing and distribution channels, such as materials and service sourcing and product and service sale and delivery; and the financing, geographical, geopolitical and regulatory environments in which an entity operates
XRB	External Reporting Board, responsible for setting the disclosure requirements against which CREs must report.