Beneficial Insurance Limited

Annual Report 2023

for the year ended 31 March 2023

Contents

Beneficial Insurance Limited

Statement of Comprehensive Income

for the year ended 31 March 2023

$ thousands	note	2023	2022
Gross written premium		18,351	17,784
Unearned premium movement		(349)	(896)
Gross earned premium	3	18,002	16,888
Claims expense	5	(6,459)	(5,870)
Acquisition costs	12	(297)	(295)
Underwriting expenses	6	(5,106)	(4,876)
Underwriting profit		6,140	5,847
Investment and other income	4	628	282
Profit before tax		6,768	6,129
Tax expense	8	(1,898)	(1,716)
Profit after tax		4,870	4,413
Other comprehensive income		-	-
Total comprehensive income		4,870	4,413

The above statement should be read in conjunction with the accompanying notes

Beneficial Insurance Limited

Statement of Financial Position

as at 31 March 2023

$ thousands	note	March 2023	March 2022
Assets			
Cash and cash equivalents	9	290	216
Short term investments	20.2	16,150	15,550
Insurance premiums receivable	11	8,836	8,306
Other assets		364	148
Deferred acquisition costs	12	210	190
Deferred tax assets	8	7	34
Property and equipment	13	114	142
Right-of-use assets	23.1	1,662	406
Total assets		27,633	24,992
Liabilities			
Payables	14	569	459
Current tax liability		616	597
Lease liabilities	23.2	1,662	453
Provisions	15	199	213
Outstanding claims liabilities	16	1,326	1,227
Unearned premium liabilities	16	10,015	9,666
Total liabilities		14,387	12,615
Net Assets		13,246	12,377
Equity			
Retained earnings		12,571	11,702
Contributed equity	18	675	675
Total equity		13,246	12,377

The above statement should be read in conjunction with the accompanying notes

The financial statements were approved for issue by the Board on 22 June 2023.

Stephen R Tietjens
Chairman

Grant W McCurrach
Director

Beneficial Insurance Limited

Statement of Changes in Equity

for the year ended 31 March 2023

		Attributed to the owners of the company		
$ thousands	note	Contributed Equity	Retained earnings	Total Equity
Year ended 31 March 2023				
At the beginning of the year		675	11,702	12,377
Comprehensive income				
Profit for the year		-	4,870	4,870
Total comprehensive income		-	4,870	4,870
Transactions with shareholder, recorded directly in equity				
Dividends	17	-	(4,001)	(4,001)
Total transactions with the shareholder		-	(4,001)	(4,001)
At the end of the year		675	12,571	13,246
Year ended 31 March 2022				
At the beginning of the year		675	11,119	11,794
Comprehensive income				
Profit for the year		-	4,413	4,413
Total comprehensive income		-	4,413	4,413
Transactions with shareholder, recorded directly in equity				
Dividends	17	-	(3,830)	(3,830)
At the end of the year		675	11,702	12,377

The above statement should be read in conjunction with the accompanying notes

Beneficial Insurance Limited

Statement of Cash Flows

for the year ended 31 March 2023

$ thousands	note	March 2023	March 2022
Cash flows from operating activities			
Premiums received		17,675	16,553
Interest received		336	186
Claims paid		(6,360)	(5,626)
Payments to suppliers and employees		(4,643)	(4,331)
Interest paid		(16)	(44)
Income tax paid		(1,852)	(2,612)
Net cash inflow from operating activities	10	5,140	4,126
Cash Flows from Investing Activities			
Sale of property and equipment		13	-
Purchase of property and equipment		(25)	(74)
Proceeds from sale of interest-bearing investments		23,300	27,950
Payments for purchase of interest-bearing investments		(23,900)	(27,700)
Net cash (outflow) / inflow from investing activities		(612)	176
Cash Flows from Financing Activities			
Principal element of lease liabilities		(453)	(426)
Dividends paid	17	(4,001)	(3,830)
Net cash outflow from financing activities		(4,454)	(4,256)
Net increase in cash and cash equivalents		74	46
Cash and cash equivalents at beginning of the year		216	170
Cash and cash equivalents at the end of the year		290	216

The above statement should be read in conjunction with the accompanying notes

1. Summary of general accounting policies

Entity reporting

The reporting entity is Beneficial Insurance Limited (the "Company"). The Company is for-profit, incorporated and domiciled in New Zealand. The Company's registered office is level 3, 445 Karangahape Road, Newton, Auckland.

The Company's primary activity is providing insurance by way of Pet Insurance, Consumer Credit Indemnity ("CCI"), Guaranteed Finance Protection ("GFP") and Mechanical Breakdown Insurance ("MBI"). The Company's parent entity is Beneficial Holdings Limited, a company incorporated in New Zealand.

Statutory base

The Company is registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements also comply, where relevant, with the Insurance (Prudential Supervision) Act 2010 and associated regulations.

Basis of preparation

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Company is a for-profit entity for the purposes of complying with NZ GAAP. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

The financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013, Companies Act 1993, Financial Reporting Act 2013 and the Insurance (Prudential Supervision) Act 2010. The financial statements have been prepared on the historical cost basis unless the application of fair value measurement are required by the relevant accounting standards.

The preparation of financial statements in accordance with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the accompanying notes.

Presentation of financial statements

The financial statements are presented in accordance with NZ IAS 1 *Presentation of Financial Statements*. The Company has elected to present the Statement of Comprehensive Income in one statement. The Statement of Comprehensive Income discloses the analysis of expenses under the function of expense method. This clarifies expenses according to their function as part of cost of insurance sales, operating or as administration activities.

The statement of financial position discloses assets and liabilities using the liquidity format of presentation.

Significant judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and amounts reported in the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Where revisions are made to accounting estimates, any financial impact is recognised in the period in which the estimate is revised.

The key areas of significant estimates and judgements and the methodologies used to determine key assumptions are set out in note 16 relating to insurance liabilities.

Functional and presentation currency

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

Comparatives

The financial statements are for the year ended 31 March 2023. Comparatives are for the year ended 31 March 2022.

2. Impact of amendments to NZ IFRS

(i) New or amended accounting standards adopted during the financial year:

None

(ii) Standards, amendments and interpretations to existing standards that are relevant to the Company, not yet effective and have not been early adopted by the Company.

At the reporting date, the following relevant Standard and Interpretation was in issue but not yet effective and has not been applied in preparing these financial statements. The Company has made an initial assessment on the impact of this standard on the financial statements, including the impact on presentation and disclosure:

NZ IFRS 17 Insurance Contracts ("NZ IFRS 17") is effective for accounting periods beginning on or after 1 January 2023. The Company will apply the standard for the year ending 31 March 2024, with the comparative period for the year ended 31 March 2023. The Company expects to apply the standard using the full retrospective approach.

NZ IFRS 17 replaces the current guidance in NZ IFRS 4 Insurance Contracts ("NZ IFRS 4"), and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. The standard introduces substantial changes in the presentation of financial statements and disclosures, introducing new line items in the statement of comprehensive income and statement of financial position and increased disclosure requirements compared with existing reporting.

Under NZ IFRS 17, assets and liabilities associated with insurance contracts issued will be presented as insurance contract assets and insurance contract liabilities. Insurance contract liabilities will comprise the liability for incurred claims ("LIC") and liability for remaining coverage ("LRC"). Amounts recognised in the statement of comprehensive income are disaggregated into insurance service result, comprising insurance revenue and insurance service expenses

The Company's significant accounting policy decisions include:

- Measurement model: NZ IFRS 17 provides an option to use the Premium Allocation Approach (PAA), for contracts that have a coverage period of one year or less or if certain eligibility criteria are met for longer term contracts. Otherwise NZ IFRS 17 requires the use of the General Measurement Model (GMM). The Company's insurance contracts will be measured using PAA. The majority of insurance contracts issued by the Company have a coverage period of one year of less. The Company has assessed that for insurance contracts issued by the Company which have a coverage of more than one year that the measurement of the LRC does not differ materially between PAA and GMM. The accounting under the PAA is largely similar to the current approach under NZ IFRS 4.

- Onerous contracts: Contracts are recognised as onerous if they are expected to be loss making at inception. These contracts form their own groups, and expected losses are immediately recognised in the statement of comprehensive income. The Company does not expect to recognise losses on onerous contracts at transition.
- Acquisition costs: NZ IFRS 17 allows a choice between expensing acquisition costs immediately, or deferring them. The Company expects to defer acquisition costs and amortise them over the coverage period of the related insurance contracts at transition.

The Company has a programme to assess the impact of adopting NZ IFRS 17 and to project manage the transition to the new standard including system development. A full assessment of the financial impact of NZ IFRS 17 has not yet been completed as aspects of the work are ongoing and the governance processes have yet to be completed. The Company's current assessment of the impact of NZ IFRS 17 on the financial statements is as follows:

- The impact of adopting NZ IFRS 17 is likely to have a limited impact on the Statement of Comprehensive Income with adjustments anticipated to how expenditure is presented. Expenses that relate directly to the fulfillment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfillment of contracts will be presented outside of the insurance service result. The calculation of total revenue, total expenditure and total comprehensive income is expected to remain materially unchanged.
- The impact of adopting NZ IFRS 17 will have a significant impact on the presentation and disclosure of insurance line items in the Statement of Financial Position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore existing insurance line items on the Statement of Financial Position (including insurance premiums receivable, outstanding claims liabilities, unearned premium liabilities) will no longer be presented separately. Assets for cash flows arising before the recognition of the related group contracts (including assets for insurance acquisition cash flows, currently presented as deferred acquisition costs) will also be presented in the same line items as the related portfolios of contracts. Portfolios of insurance contracts in an asset position will be presented separately from those in a liability position. Total net assets are expected to remain materially unchanged.

Other Standards and Interpretations in issue at the reporting date but not yet effective are not expected to have an impact on the financial statements of the Company in the period of initial application.

3. Gross earned premium

$ thousands	2023	2022
Pet insurance	16,300	15,180
Mechanical breakdown insurance	1,582	1,515
Consumer credit insurance	54	140
Guaranteed asset protection	66	53
Gross earned premium	18,002	16,888

Gross earned premium comprises supplying pet protection insurance, consumer credit indemnity insurance, finance protection insurance and mechanical breakdown insurance.

Gross earned premium is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Gross written premium is recognised from the attachment date for all indemnity insurance policies issued over the life of the policy on a daily pro rata basis.

The portion of premiums not earned in the statement of comprehensive income at the reporting date is recognised in the statement of financial position as unearned premium liabilities.

4. Investment and other income

$ thousands	2023	2022
Interest income	534	185
Other income	94	97
Total	628	282

Interest income comprises interest received from short term bank deposits. This is recognised on an accrual basis using the effective interest rate method.

5. Claims expense

$ thousands	2023	2022
Claims expense	6,369	5,683
IBNR allowance	90	187
Total claims expense	6,459	5,870

Insurance claims which arise during the reporting period and are settled during the same period are expensed in the Statement of Comprehensive Income.

Insurance claims which arise during the reporting period but which are not settled at the reporting date are recognised based on the present value of expected future payments.

Insurance claims incurred but not reported (IBNR) are recognised by way of an estimation made by the Company's registered Actuary and is based upon historical claims data and addition of a risk margin (refer to note 16).

6. Underwriting expenses

$ thousands	note	2023	2022
Employee benefits expense		2,693	2,584
Depreciation		455	460
Finance costs		15	44
Remuneration of auditor	7	136	117
Non audit fees	7	-	6
Other operating expenses		1,807	1,665
Total		5,106	4,876

Employee benefits expense

Breakdown of employee benefits expense as follows:

$ thousands	2023	2022
Wages and salaries	2,620	2,510
Other employee benefits	73	74
Total employee benefits	2,693	2,584

Short term employee benefits, including holiday entitlement, are current liabilities included in payables, measured at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

7. Remuneration of auditor

$ thousands	2023	2022
Audit of the financial statements	123	104
Other assurance services - solvency return	13	13
Non-audit services	-	6
Total	136	123

Non-audit services include regulatory advisory services.

8. Tax

Income tax expense comprises current and deferred tax.

$ thousands	2023	2022
Current tax	1,871	1,715
Deferred tax	27	2
Adjustment to prior years	-	(1)
Income tax expense	1,898	1,716

The relationship between the expected tax expense based on the domestic effective tax rate of the Company at 28% (2022: 28%) and the reported tax expense in the Statement of Comprehensive Income can be reconciled as follows:

$ thousands	2023	2022
Profit before tax	6,768	6,129
Tax at statutory tax rate 28% (2022: 28%)	1,895	1,716
Adjustment to prior periods	-	(1)
Other	3	1
Income tax expense	1,898	1,716

Current tax is the tax payable to Inland Revenue on taxable profit for the period using existing tax rates that have been enacted or substantially enacted by the end of the reporting period. Deferred tax is calculated using the balance sheet method on temporary differences between the carrying amount of assets and liabilities and their tax base.

Deferred tax asset

$ thousands	March 2023	March 2022
Balance at beginning of the period	34	36
Movement in deferred tax	(27)	(2)
Adjustment to prior periods	-	-
Balance at end of the period	7	34
Comprising		
Employee benefits	39	43
Deferred acquisition costs	(59)	(53)
Lease liability net of Right-of-use assets	-	13
Other provisions	27	31
Balance at end of the period	7	34

Deferred tax assets and liabilities are carried at the tax rates expected to apply when the assets are recovered or liabilities settled and they are not discounted. Deferred tax assets and liabilities are offset only when the company has a legally enforceable right and intention to set off current tax assets and liabilities from the same tax authority. Deferred tax assets and liabilities are carried on the basis that the Company expects future profits to exceed and reversal of existing temporary differences.

Imputation credit account

$ thousands	March 2023	March 2022
Balance at end of the period	2,149	1,835

GST

Receivables and payables are reported inclusive of GST (where applicable). The net GST payable to or recoverable from the tax authorities as at balance date is included as a payable or receivable in the Statement of Financial Position.

9. Cash and cash equivalents

$ thousands	March 2023	March 2022
Cash on hand	1	1
Cash at bank	289	215
Cash at bank and in hand	290	216

Cash and cash equivalents are on-call funds with the Company's trading bank, Westpac, current / cheque accounts, and cash on hand.

10. Reconciliation of profit after tax to cash inflow from operating activities

$ thousands	March 2023	March 2022
Net profit (loss) after tax	4,870	4,413
Add non-cash items		
Depreciation	51	56
Depreciation on Right-of-use assets	404	404
(Profit) loss on sales of assets	(6)	-
Add movements in other working capital items		
Insurance receivables	(530)	(1,049)
Deferred tax asset	27	2
Other assets	(216)	9
Deferred acquisition costs	(20)	(24)
Payables and accruals	107	32
Current tax liabilities	19	(897)
Provisions	(14)	40
Outstanding claims liabilities	99	244
Unearned premium liabilities	349	896
Cash Inflow from operating activities	5,140	4,126

11. Insurance premiums receivable

$ thousands	not past due	0-3 mnths	3-6 mnths	6-12 mnths	over 12 mnths	Total
March 2023						
Premiums receivable	8,562	220	39	14	1	8,836
March 2022						
Premiums receivable	8,210	88	8	-	-	8,306

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method less any allowance for credit losses and impairment.

11. Insurance premiums receivable (continued)

Receivables are stated inclusive of GST where applicable.

Insurance receivables are receivable within 12 months from the reporting date.

12. Deferred acquisition costs

$ thousands	March 2023	March 2022
Balance at the beginning of the period	190	166
Acquisition costs deferred	317	319
Amortised to statement of comprehensive income	(297)	(295)
Balance at the end of the period	210	190
Amortised within 12 months	176	160
Amortised in greater than 12 months	34	30
Total	210	190

Acquisition costs incurred in obtaining new insurance business mainly relates to commission paid to employees and external parties. These costs would have been deferred and recognised as assets where they can be reliability measured and where it is probable that they will give rise to premium revenue that will be recognised in subsequent periods.

13. Property and equipment

$ thousands	Furniture & fittings	Leasehold improvement	Office & computers	Motor vehicles	Total
March 2023					
Cost					
Opening balance	24	47	292	56	419
Additions	-	5	15	9	29
Disposals	-	-	-	(21)	(21)
Closing balance	24	52	307	44	427
Accumulated depreciation					
Opening balance	(11)	(16)	(225)	(25)	(277)
Depreciation	(2)	(4)	(34)	(11)	(51)
Eliminated on Disposals	-	-	-	15	15
Closing balance	(13)	(20)	(259)	(21)	(313)
Closing balance					
At cost	24	52	307	44	427
Accumulated depreciation	(13)	(20)	(259)	(21)	(313)
Net book value	11	32	48	23	114
March 2022					
Cost					
Opening balance	24	47	244	53	368
Additions	-	-	48	26	74
Disposals	-	-	-	(23)	(23)
Closing balance	24	47	292	56	419
Accumulated depreciation					
Opening balance	(9)	(12)	(187)	(30)	(238)
Depreciation	(2)	(4)	(37)	(13)	(56)
Eliminated on Disposals	-	-	(1)	18	17
Closing balance	(11)	(16)	(225)	(25)	(277)
Closing balance					
At cost	24	47	292	56	419
Accumulated depreciation	(11)	(16)	(225)	(25)	(277)
Net book value	13	31	67	31	142

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is provided on leasehold improvements, computers and software, office furniture and equipment and motor vehicles. Depreciation is recognised in the Statement of Comprehensive Income to write off the cost of an item of property, plant and equipment, less any residual value, and is calculated using the diminishing value method to allocate the cost of assets over their expected useful life, at the following rates.

Asset class	Method	Depreciation %
Leasehold Improvements	diminishing value	10% - 25%
Furniture and Fittings	diminishing value	13% - 25%
Office and computers	diminishing value	13% - 80%
Motor Vehicles	diminishing value	30%

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

There were no impairment losses for the Company for the year ended 31 March 2023 (2022: $nil).

14. Payables

$ thousands	March 2023	March 2022
GST payable	233	230
Other payables	336	229
Payables	569	459

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

Payables are due within 12 months from the reporting date.

15. Provisions

$ thousands	March 2023	March 2022
Employee entitlements	199	213

Employee benefits comprise holiday pay entitlements in accordance with individual employment contracts. The provisions are expected to be settled within 12 months from the reporting date.

16. Insurance liabilities

$ thousands	March 2023	March 2022
Unearned premiums		
Balance at beginning of the year	9,666	8,770
Net premiums written	18,351	17,784
Premiums earned during the year	(18,002)	(16,888)
Unearned premiums at end of the year	10,015	9,666
Outstanding claims	1,326	1,227
Total insurance liabilities	11,341	10,893

The liability for unearned premiums are measured at amortised cost. The majority of unearned premiums will be earned in the 12 months after 31 March 2023 and therefore are current liabilities. The liability for outstanding claims comprises is measured at the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs. The outstanding claims are current liabilities.

Liability adequacy test

The liability adequacy test (LAT) which was performed as at 31 March 2023 identified a surplus for the company (31 March 2022: a surplus).

At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed in accordance with NZ GAAP to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in profit or loss within the Statement of Comprehensive Income by setting up a provision for premium deficiency.

The LAT has identified a surplus for other portfolios of contracts that are subject to broadly similar risks that are managed together as a single portfolio. The process of determining the overall risk margin includes the way in which diversification of risk has been allowed for. As with outstanding claims, the overall risk margin is intended to achieve a 90% probability of sufficiency (2022: 90%).

The Actuary has determined from his review that the full unearned premium provision net of deferred acquisition costs is sufficient to meet future liabilities and the provision meets the LAT prescribed by NZIFRS 4 “Insurance Contracts”. A further provision at 31 March 2023 is therefore not required (2022: $nil). Key assumptions used in the Actuary’s review of the LAT include a central estimate of net claims as a percentage of unearned premium liability of 38% (2022: 37%) and a risk margin as a percentage of claims of 46% (2022: 46%).

Unearned premiums

Unearned premiums represent that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. It is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. Unearned premiums are calculated on a daily pro rata basis, and the proportion attributable to subsequent periods is deferred as unearned premiums.

Outstanding claims liability

Outstanding claims liability comprises claims received but not settled at the reporting date. Outstanding claims liability also includes a provision for the cost of claims incurred but not yet reported to the company at the reporting date.

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Reconciliation of movement in outstanding claims liabilities

$ thousands	2023	2022
Balance brought forward	1,227	983
Claims expense	6,459	5,870
Claims paid	(6,360)	(5,626)
Outstanding claims liabilities	1,326	1,227

Significant estimates and judgements are made by the Company’s approved actuary to arrive at certain key liability amounts disclosed in the financial statements. These estimates are determined by a qualified and experienced practitioner with reference to historical data and reasoned expectations of future events. These estimates are then reviewed by the Directors. The key areas in which critical estimates and judgements are applied are described below.

The Company's process for establishing the outstanding claims provision involves consultation with the Appointed Actuary. This process includes a bi-annual and annual review and calculation of provision for claims by Peter Davies who is a Fellow of the New Zealand Society of Actuaries.

Actuarial process used to determine the outstanding claims provision is as follows:

- Assumed loss ratios - Assumed loss ratios were determined from a consideration of observed historical loss ratios.
- Risk margin - The risk margin was determined for each portfolio. The risk margin is determined after assessing the uncertainty in the central estimate of the outstanding claims estimate for each portfolio. The risk margin results in an overall probability of sufficiency for the outstanding claims liabilities of 90% (2022: 90%).
- Claims handling costs allowance - This allowance is determined after analysing claims related expenses incurred, adjusted for the expected pattern of payment of claim handling expenses during the life of the claim.
- Future settlement patterns and weighted average term to settlement - The weighted average term to settlement is an aggregate figure for all classes of business based on expected claims development patterns which are in turn derived from an analysis of historical claim settlement patterns.
- Inflation and discounting - since the term of the liabilities is less than 12 months no allowance for inflation or discounting has been incorporated.

The Company takes all reasonable steps to ensure it has appropriate information regarding its claims exposure. Given the uncertainty in establishing claims provisions it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the costs of settling claims already notified to the Company, where more information about the claim event is generally available.

The key assumptions used in determining outstanding claims liabilities are as follows:

	March 2023	March 2022
Claims handling expense ratio	12%	12%
Risk margin – Pet insurance	7%	7%
Risk margin – MBI, CCI & GFP	50%	50%
Probability of sufficiency	90%	90%

16. Insurance liabilities (continued)

The outstanding claims liabilities as at 31 March 2023 was $1,326,000 (2022: $1,227,022). The outstanding claims liabilities includes a risk margin as at 31 March 2023 of $88,006 (2022: $80,858).

Sensitivity analysis

The impact on profit or loss of the change in the assumption used in the calculation of the outstanding claims liabilities is summarised below.

		Impact on profit or loss	
$ thousands	Movement in assumption	2023	2022
Expected future claims development	+10%	(217)	(229)
	-10%	186	188

17. Distributions to shareholder

Directors declared and paid the following dividends to the shareholder; Beneficial Holdings Limited. The two independent directors signed the Solvency certificates.

$ thousands		Dividend declared	value
Dividend	FY2023 interim	27/10/2022	1,850
Dividend	FY2023 final	30/03/2023	2,151
Total dividends to shareholder			4,001

The dividend paid in the prior year was $3,830,000

18. Contributed equity

The Company does not have authorised capital or par value in respect of the one share issued. The share is fully paid. The share entitles the holder to dividends and the residual assets of the Company. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Contributed equity also includes capital contributions of $675,000 by the shareholder in March 2016 to meet the cash flows relating to the settlement of an outstanding tax liability at the time.

Retained earnings include all current and prior period retained profits and losses. All transactions with the owner of the company including other capital commitments are recorded separately within equity.

19. Insurance business disclosures

19.1 Solvency Standard

Under Section 55 of the Insurance Prudential Supervision Act 2010, "IPSA", the Company is regulated by a Solvency Standard. Under this standard, Beneficial is required to maintain a Solvency Margin whereby the company's Actual Solvency Capital must be in excess of the minimum Solvency Capital as defined under the standard. Beneficial's Appointed Actuary performs this calculation based on the Financial Statements.

$ thousands	March 2023	March 2022
Actual solvency capital	13,239	12,343
Minimum solvency capital requirement	3,000	3,000
Solvency margin	10,239	9,343
Solvency ratio	441%	411%

19.2 Credit rating

On 29 September 2022 credit rating agency, AM Best reaffirmed the Company's Financial Strength Rating at B++ (Good).

20. Financial instruments

$ thousands	March 2023	March 2022
Financial assets - amortised cost		
Cash and cash equivalents	290	216
Short term investments	16,150	15,550
Total financial assets - amortised cost	16,440	15,766
Financial Liabilities - amortised cost		
Payables	336	229
Lease liabilities	1,662	453
Total financial liabilities - amortised cost	1,998	682

The carrying amounts approximate fair value.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

For financial instruments traded in active markets, the quoted market prices or dealer price quotations are used as a measure of fair value. Where quoted market prices do not exist, fair values are estimated using present value or other market accepted valuation techniques, using methods and assumptions that are based on market conditions and risks existing as at the reporting date. Financial assets and financial liabilities are measured subsequently as described below.

20.1 Financial assets – under NZ IFRS 9

The Company classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss
- Measured at amortised cost

The classification depends on the company's business model for managing the financial assets and the contractual terms of the cash flows.

Given all of the Company's financial assets have been held with a business model to collect contractual cash flows that represent solely payments of principal and interest all were measured at amortised cost.

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The Company applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS 9, which permits the use of the lifetime expected losses for all trade receivables. Given the low risk of default on other financial assets (primarily short-term deposits with financial institutions with a strong credit rating), other expected credit losses have been assessed to be immaterial.

Receivables are considered for impairment when there is objective evidence that the Company was not able to collect all expected amounts, and having regard to the Company's credit risk assessments.

20.2 Short term investments

Deposits are classified as at amortised cost under NZ IFRS 9.

$ thousands	March 2023	March 2022
Bank deposits		
Maturity from balance date		
0 - 3 months	6,250	3,000
4 - 6 months	3,850	2,500
7 - 9 months	-	2,150
10 - 12 months	6,050	7,900
Total short term investments	16,150	15,550

All short-term investments are bank deposits with Westpac and Kiwibank with maturity dates within 12 months of balance date.

21. Risk management

The financial condition and operational results of the company are impacted by a number of risks:

- Financial – market risk, credit risk, financing and liquidity risk
- Non-financial – insurance risk, compliance risk, operational risk

The Board's objective is to satisfactorily manage these risks in line with the Board approved Risk Management Policy. Procedures are in place to control, mitigate, and report on risks faced by the Company in a timely matter to the Board. Managers are responsible for understanding and managing their operational and compliance risks.

The Board is actively involved in reviewing the effectiveness and efficiency of management processes, risk management and financial controls to ensure adequate oversight and compliance. Assets are regularly monitored to ensure there are no material asset and liability mismatching issues and exposure to risks including liquidity and credit risks are maintained within acceptable limits.

21.1 Market risk

Market risk is the risk arising from adverse movements in equity market prices, exchange rates and interest rates or in related derivatives.

- Interest rate risk is the risk that the value of assets or liabilities will change because of changes in interest rates. The Company manages its exposure by holding predominately short-term deposits with the major NZ trading banks – refer note 20.2. An investment sub-committee of the Board regularly establishes and monitors concentration and maturities. Interest rates on the term deposits are fixed at inception and paid at maturity.
- The Company's assets and liabilities are denominated in NZ dollars, with only domestic operations, therefore is not exposed to exchange rate risk.
- Price risk arises from changes in the prices of equity instruments. The Company does not invest in equities so is not currently exposed to this risk.

21.2 Credit risk

Credit risk is the risk of loss arising from a party to a contract or transaction not being able to meet its obligations or defaulting on its commitments.

The Company is exposed to credit risk through its insurance premium receivables, bank balances and term deposits.

There are otherwise very limited credit or other counterparty exposures. Arrears of insurance premiums are closely monitored and reported on. Payment default will also result in the termination of the insurance contract with the policyholders, eliminating both the credit risk and insurance risk for the unpaid balance.

Cash deposits and investments are limited to banks with a minimum Standard and Poor's (S&P) A credit rating. The following table provides information regarding the S&P credit rating for cash deposits and investments.

$ thousands Standard and Poor's Credit Rating	March 2023	March 2022
AA	10,390	11,366
A	6,050	4,400
Total	16,440	15,766

Concentration of risk

The Company's exposure is principally through the term deposits held with two major trading banks in New Zealand.

21.3 Insurance risk

Insurance risk is the risk that the present value of actual claims payable will exceed the present value of actual premium revenue. This risk is inherent in Beneficial's operations and arises through underwriting, claims management and provisioning risks.

Beneficial is exposed to insurance risk as the price for an insurance policy is set before the losses are known.

Underwriting risk

Underwriting risk refers to the risk that claims arising are higher or lower than assumed in pricing due to bad experience, weakness in controls over underwriting or portfolio management, or claims management issues. To mitigate this risk Beneficial uses management information systems to price products based on historical claims data.

Claims management and provisioning risk

Initial claims determination is managed by experienced claims staff. Provisioning risk is managed through the actuarial valuation of insurance liabilities and monitoring of the probability of sufficiency of the outstanding claims provision. The valuation of the central estimate is performed by Beneficial's appointed actuary. The outstanding claims provision is established using actuarial valuation models and include a risk margin for uncertainty.

21.4 Financing and liquidity risk

Maturity analysis

$ thousands	0-6 mnths	7-12 mnths	13-24 mnths	25-60 mnths	over 60 mnths	Total
March 2023						
Financial assets						
Cash and equivalents	290	-	-	-	-	290
Short term investments	10,100	6,050	-	-	-	16,150
	10,390	6,050	-	-	-	16,440
Financial liabilities						
Payables	336	-	-	-	-	336
Lease liabilities	246	246	492	983	-	1,967
	582	246	492	983	-	2,303
March 2022						
Financial assets						
Cash and equivalents	216	-	-	-	-	216
Short term investments	5,570	10,102	-	-	-	15,672
	5,786	10,102	-	-	-	15,888
Financial liabilities						
Payables	229	-	-	-	-	229
Lease liabilities	236	237	-	-	-	473
	465	237	-	-	-	702

Financing and liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due, because of a lack of liquid assets or access to funding on acceptable terms.

21.4 Financing and liquidity risk (continued)
Maturity analysis

The Company mitigates these risks by actively managing its operational risks. These include:

- The maintenance and use of sophisticated management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- The use of actuarial models based on historical data to calculate premiums and monitor claim patterns.
- The management of assets and liabilities is closely monitored to match the expected pattern of liability payments with the maturity dates of assets.
- Terms and conditions of insurance contracts. The majority of direct insurance contracts written are entered into on a standard form. There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements.
- Active claims management by analysing experience, trends and other relevant factors.

22. Capital risk management

The Company's capital includes its share capital and retained earnings.

The Company's policy is to maintain a strong capital base to ensure it continues to operate as a going concern, to maintain policyholder, supplier and market confidence and to sustain future development of the business. The Board regularly monitors current and future capital requirements and costs.

The Company also manages capital in accordance with the requirements of the Insurance (Prudential Supervision) Act 2010 and the solvency standard for non-life insurance businesses issued by the Reserve Bank of New Zealand.

Outside the solvency requirements detailed in note 19.1, there are no externally imposed financial covenants arrangements that must be observed.

There has been no change in the Company's management of capital during the years ended 31 March 2022 and 31 March 2023.

23. Right of use assets and lease liabilities

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 Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease 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.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease liability is the net present value of the lease payments. The right of use asset is measured at cost comprising the amount of the initial measurement of the lease liability.

The Company's lease consists of an office premise lease and the agreement matured on 31 March 2023.

On 25 May 2023 the Company renewed the lease for the office premises. The office premises are owned by Executive Trustees Limited, a related party. The lease is for the period 1 April 2023 to 31 March 2025 and allows for one right of renewal of two further years. The final expiry date is 31 March 2027. The lease requires the Company to pay $401,310 per annum plus a proportion of outgoings of $90,364 per annum. The lease allows for a rent review on 1 April 2025. This lease has been recognised in the financial statements at 31 March 2023 and the lease term has been assessed as the four years ended 31 March 2027.

23.1 Right-of-use assets

$ thousands	March 2023	March 2022
Cost		
Opening balance	406	787
Additions	1,662	23
Other	(2)	-
Depreciation for the year	(404)	(404)
Closing balance	1,662	406

23.2 Lease liabilities
The maturity of the contractual undiscounted cashflows is as follows:

$ thousands	March 2023	March 2022
Less than one year	492	473
One to five years	1,475	-
More than five years	-	-
Total undiscounted lease liabilities	1,967	473

The maturity of the lease liabilities included in the statement of financial position is as follows:

$ thousands	March 2023	March 2022
Less than one year - current	364	453
One to five years	1,298	-
More than five years	-	-
Total lease liabilities	1,662	453

23.3 Amounts recognised in the statement of comprehensive income

$ thousands	March 2023	March 2022
Depreciation on right to use assets	404	404
Interest on lease liabilities	16	44
	420	448

23.4 Amounts recognised in the statement of cash flows

$ thousands	March 2023	March 2022
Principal element of lease liabilities	453	426
Interest paid on lease liabilities	16	44
Total cash outflow for lease	469	470

23.5 Sublease

Within the shared services agreement (refer to note 24) the Company subleases part of the office premises to Broadlands Finance Limited. The leased payments are payable monthly and are reviewed on a two yearly basis depending on the office space leased by Broadlands Finance Limited. The Company has elected to classify the sublease as an operating lease, on the basis that it does not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset at the end of the lease term. Shared services rent recharge income for the year ended 31 March 2023 was $89,813 (2022: $93,875) and is included in "Other income" in the Statement of Comprehensive Income.

$ thousands	March 2023	March 2022
Within one year	-	90
one to two years	-	-
two to three years	-	-
Total	-	90

24. Transactions with related parties

$ thousands	Transaction	March 2023 Transaction value	March 2023 Receivable (Payable)	March 2022 Transaction value	March 2022 Receivable (Payable)
Goods and services					
Broadlands Finance Limited	Shared services	310	25	311	28
	Insurance commission	(21)	-	(35)	1
Executive Trustees Limited	Rent	(473)	-	(470)	-
Penrose Enterprises Limited	Insurance commission	-	-	(1)	-
Funds collected and remitted from related parties					
Broadlands Finance Limited	Insurance premiums	74	-	118	-
Penrose Enterprises Limited	Insurance premiums	(4)	-	7	-
		(114)	25	(70)	29

The parent company of Beneficial Insurance Limited is Beneficial Holdings Limited, a company incorporated in New Zealand.

Broadlands Finance Limited, Executive Trustees Limited and Penrose Enterprises Limited are related to the Company by way of common shareholding.

On 1 October 2019 Beneficial Insurance Limited and Broadlands Finance Limited entered into a new shared services agreement which included the change of shared employees changing from being employed by Broadlands Finance Limited to Beneficial Insurance Limited. On 1 April 2021 the agreement was revised to incorporate changes in shared service costs. The shared services agreement includes rental and salary oncharge costs and during the financial year ended 31 March 2023 these amounted to $89,813 and $135,362 respectively (2022: $93,875 and $135,362 respectively). The salary oncharge costs of $135,362 have been offset against Employee Benefits expense on the statement of comprehensive income.

The amounts receivable / (payable) are unsecured and no guarantees are in place. No interest is charged on amounts owing between related entities. No receivables or payables are impaired as at 31 March 2023 (2022: $Nil).

Directors remuneration

$ thousands	March 2023	March 2022
S. R. Tietjens	60	58
T. S. Radisich	60	58
G. W. McCurrach	60	58
Total directors remuneration	180	174

Key management personnel remuneration

$ thousands	March 2023	March 2022
Salaries and other short term benefits paid	213	187

25. Contingent liabilities

There are no contingent assets or liabilities at the reporting date (2022: $Nil).

26. Capital commitments

There are no capital commitments at the reporting date (2022: $Nil).

27. Subsequent events

The Directors are not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in the financial statements that have significantly or may significantly affect the operations of the Company (2022: none).

Corporate governance and disclosures

Statement of responsibility for financial statements

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information.

The Directors are also responsible for the systems of internal control and risk management. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. Appropriate systems of internal control have been employed to ensure that all transactions have been executed in accordance with authority and correctly processed and accounted for in the financial statements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year ended 31 March 2023.

In the opinion of the Directors:

- the Statement of Comprehensive Income is drawn up so as to present fairly, in all material respects, the results of operations of the Company for the year ended 31 March 2023;
- the Statement of Financial Position is drawn up so as to present fairly, in all material respects, the state of affairs of the Company as at 31 March 2023;
- the Statement of Cash Flows is drawn up so as to present fairly, in all material respects, the cash flows of the Company for the year ended 31 March 2023; and,
- there are no reasons to believe that the Company will not be able to pay its debts as and when they fall due.

Signed on behalf of the Board by:

Dated: 22 June 2023

Stephen R Tietjens
Chairman

Grant W McCurrach
Director

Directors' statement

Annual report to the shareholder of Beneficial Insurance Limited for the year ended 31 March 2023

Pursuant to sections 208 and 209 of the Companies Act 1993, the directors present their annual report comprising these audited Financial Statements for the year ended 31 March 2023 and the independent auditor's report thereon.

This report is to be read in conjunction with the Financial Condition Report for the year ended 31 March 2023 from the Appointed Actuary.

With the agreement of the shareholder, the Company has taken advantage of reporting concessions available to it under section 211 (3) of the Companies Act 1993. The information required by paragraphs (a) and (e) to (j) of section 211 (1) of the Companies Act 1993 is therefore not disclosed.

Signed in accordance with a resolution of the directors:

Dated: 22 June 2023

Stephen R Tietjens Director	Grant W McCurrach Director

Company Directory

Date of Incorporation	20 March 2002
Nature of Business	The Company is an insurance provider of consumer credit indemnity, finance protection, mechanical breakdown, and pet insurance products.
Registered Office	Level 3, 445 Karangahape Road Newton Auckland 1010 PO Box 68-548 Wellesley Street, Auckland 1141
Company Number	1196170
Directors	Stephen R Tietjens (Chairman) Tony S Radisich Grant W McCurrach
Auditors	PricewaterhouseCoopers Private Bag 92162 15 Customs Street West Auckland 1010
Appointed Actuary	Davies Financial and Actuarial Limited PO Box 35-258 Browns Bay Auckland
Financial disputes resolution service	Insurance and Financial Services Ombudsman Scheme PO Box 10845 Wellington 6140
Solicitors	Glaister Ennor PO Box 63 Auckland 1140
Bankers	Westpac New Zealand Limited Otahuhu, Auckland
Shareholder	Beneficial Holdings Limited
Place of Business	Level 3, 445 Karangahape Road Newton Auckland 1010
Tax Accountants	nsaTax Limited P O Box 3697 Auckland 1140

Independent auditor's report

To the shareholder of Beneficial Insurance Limited

Our opinion

In our opinion, the accompanying financial statements of Beneficial Insurance Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 March 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The financial statements comprise:

- the statement of financial position as at 31 March 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Our firm carries out other services for the Company in the areas of assurance over the Company's solvency return. In addition, certain partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the Company. The provision of these other services and relationships have not impaired our independence as auditor of the Company.

Key audit matters

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

PricewaterhouseCoopers, PwC Tower, 15 Customs Street West, Private Bag 92162, Auckland 1142 New Zealand
T: +64 9 355 8000, www.pwc.co.nz

Description of the key audit matter	How our audit addressed the key audit matter
Valuation of outstanding claims liabilities (2023: $1,326,000, 2022: $1,227,000) We considered the valuation of outstanding claims liabilities a key audit matter because of the complexity involved in the estimation process and the significant judgements that management made in determining the balance. In particular, judgement arises over the estimation of claims that have been incurred at the reporting date but have not yet been reported to the Company, as there is generally less information available in relation to these claims, and claims that have been reported but there is uncertainty over the amount which will be settled. To ensure the calculated amount sufficiently allows for the inherent uncertainty in the central estimate of future claims cash outflows, management based the calculated amount on estimates determined by an external actuary using actuarial assumptions including loss ratios, claims handling expenses and risk margins. The estimation process also relies on the quality of the underlying claims data. Management determined the provision for outstanding claims at a level equivalent to 90% probability of sufficiency in determining the risk margin. Refer to the following notes in the Company's financial statements: Note 1 for significant judgements, estimates and assumptions and Note 16 for outstanding claims related disclosure.	Together with our actuarial experts, we: ● Considered the work and findings of the external actuary engaged by the Company; ● Assessed the reasonableness of the actuarial assumptions including loss ratios, claims handling expenses and risk margins against the Company's past experience and our experience of market practice; ● Evaluated the actuarial models and methodologies used by the external actuary by comparing with generally accepted models and methodologies applied in the industry; and ● Evaluated the risk margin which brings the probability of sufficiency to 90%. Historical claims data is a key input to the actuarial estimates. Accordingly, we: ● Obtained an understanding of the processes and controls in place to determine the valuation of outstanding claims liabilities; ● Evaluated the design effectiveness and tested the operating effectiveness of controls over the claims payment process; ● Inspected a sample of claims data reconciliations; and ● Inspected a sample of claims paid during the year to confirm they were supported by appropriate documentation.

Our audit approach

Overview

Materiality	Overall materiality: $338,000, which represents approximately 5% of profit before tax. We chose profit before tax as the benchmark because, in our view, it is a key financial statement metric used in assessing the performance of the Company and is a generally accepted benchmark for general insurers. The 5% is based on our professional judgement, noting that it is also within the range of commonly accepted thresholds.
Key audit matters	As reported above, we have one key audit matter, being: ● Valuation of outstanding claims liabilities

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

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

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:
https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's Shareholder. 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 Shareholder, 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 Karl Deutschle.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
Auckland
22 June 2023