From here, for good.

Annual report 2022.

fidelity life

At Fidelity Life we think and act long term as we work towards our purpose: **to give New Zealanders certainty to enjoy a more rewarding life.**

We're here to make a lasting difference to the lives of more New Zealanders by closing the protection gap and helping New Zealand towards a more resilient and sustainable future.

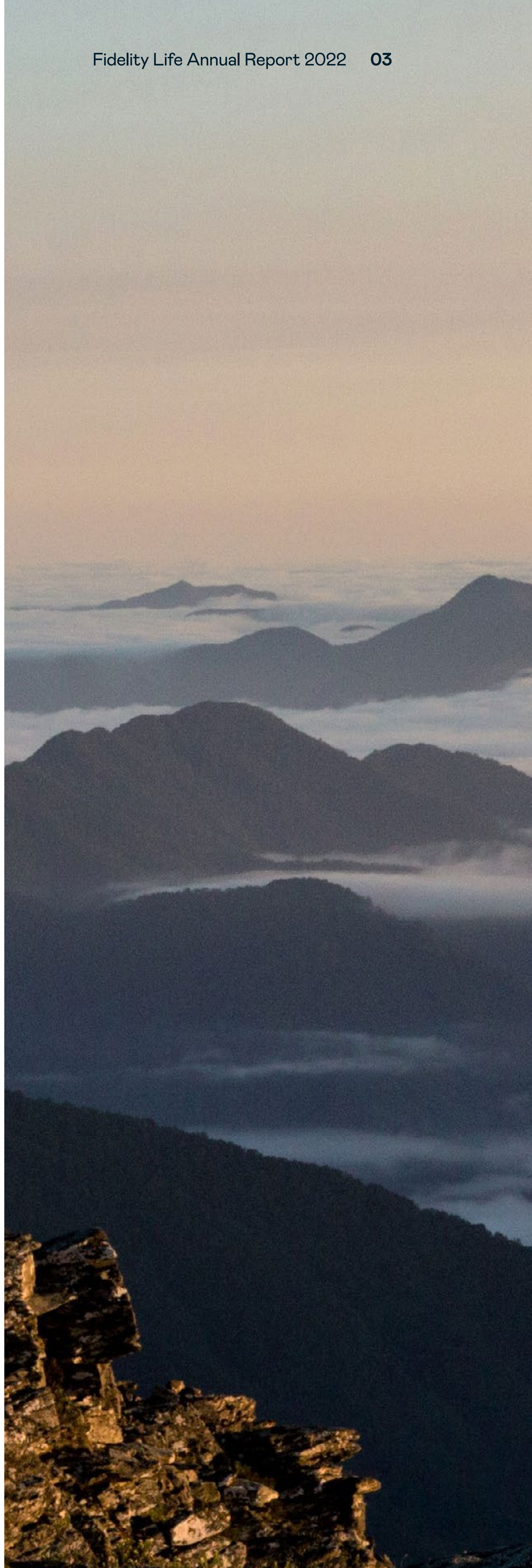
Our local shareholders – including the NZ Super Fund, Ngāi Tahu Holdings and the Fidelity Family Trust – have long term, multi-generational investment horizons. That means we're not driven by short term thinking. We have a mandate to think differently, behave differently and prioritise differently.

We're able to do this because, almost 50 years after we were founded by Gordon and Shirley Watson, our decisions are still made by New Zealanders, for New Zealanders, in New Zealand, and they're made with the long term in mind.

We're here for the long term good of New Zealand, and we're proud to be working alongside advisers and partners who share our long term view to make a difference, together.

Kia ora.

Contents.



Enduring strength.

Summary as at 30 June 2022.

Consolidated Fidelity Life and Fidelity Insurance data unless otherwise stated.

Total assets
$1,178.6m

Shareholders' equity
$632.6m

Insurance premium revenue
$338.4m

Total comprehensive income
$(24.0)m

Underlying profit*
$25.7m

Market share (in-force retail and group)
16.4%

Claims paid in FY22
$164.6m

Claims paid since 1973
$1.4b

Number of customers**
375,782

Number of staff
366

Customer NPS***
+18

Adviser NPS
+30

* Underlying profit is explained under the 'Reconciliation of Underlying Profit' table in the Chair's review section.
** Based on **lives insured** with the exception of Fidelity Insurance credit card covers which are based on the number of **policies.**
*** NPS, or Net Promoter Score, is a commonly used customer advocacy measure. Fidelity Life customer NPS only. Fidelity Insurance customer NPS not yet available.

The long view.

Chair's review.

Looking back over the recent history of Fidelity Life, it's hard to find another year to compare to FY22. Completing the game-changing acquisition of Westpac Life was the stand-out moment amongst a number of significant achievements during the year. Our customer led transformation plans moved ahead and, despite a challenging external environment, we maintained our capital strength and delivered another sound financial performance.

In announcing our proposal to acquire Westpac Life last year, we described it as a game-changer. With the completion of the transaction in February 2022, we are now setting about changing the game.

The acquisition has been incredibly positive for the business, significantly lifting our in-force market share and providing us with all-important scale.

We have resourced the business appropriately to deliver on our transition obligations as part of the deal and are now moving on to planning the integration of the Westpac Life business – which was renamed Fidelity Insurance – into Fidelity Life.

A key part of the deal was, of course, raising the required capital. The Board was delighted to welcome Ngāi Tahu Holdings as a new large shareholder, alongside the NZ Super Fund. The quality of these two renowned investors can't be overstated. The Board would also like to acknowledge the investment of Gold Star Corporation as part of the capital raise.

The Board has now returned to its full complement of eight Directors. Ngāi Tahu Holdings appointed Sam Inglis to the Board in February 2022, and the NZ Super Fund appointed Simona Turin as a Director in July 2022, replacing Hamish Rumbold.

CEO Melissa Cantell and her Executive team have done an outstanding job this year and the Board considers them to be at the top of their game. Since joining us 18 months ago Melissa has assembled an excellent team with the right blend of experience and skills to lead the company to a successful future.

The Board has worked closely with Melissa to recalibrate our engagement with the Executive team and the two groups are working very well together, including recently refreshing our 2025 strategic plan and roadmap.

In addition to the completion of the Westpac Life acquisition, the Board was also pleased to see the company's broader transformation programme move ahead. Of particular note were the launch of our new technology platform, which was the culmination of two years of investment in Project Watson, and new reinsurance treaties with Gen Re and Hannover.

Continued underlying profit growth and capital strength.

Despite external challenges such as ongoing Covid disruptions and the volatility driven by changes to government bond rates, as well as the planned, ongoing investment in our transformation, our underlying business continued to perform well.

Like most life insurers, we report our profitability using the underlying profit measure as well as the total comprehensive income measure. This is for two reasons: firstly, the impact of interest rate (government bond rate) fluctuations can vary significantly from year to year, but have a minor impact on our capital position. Secondly, the inclusion of one-off items such as investment opportunity, transformation and integration expenses can make year-on-year comparisons of the statutory income statement difficult.

Total comprehensive income fell from $4.3m in FY21 to a loss of $24.0m in FY22. As shown in the table below, key drivers were a significant rise in government bond rates resulting in an impact of $28.6m after hedging costs and tax, and transformation expenses of $20.2m relating to our new technology platform and the acquisition and integration of Westpac Life.

Setting aside these non-core items, our underlying profit rose from $22.5m to $25.7m off the back of a better than expected lapse experience and the contribution of Fidelity Insurance from March 2022.

Our capital strength was maintained during FY22 as a result of proactive actions, and the strong capital position of the Fidelity Insurance business.

Further information, including on our financial performance, can be found in Melissa's CEO review in the next section, and in the consolidated financial statements and accompanying notes.

Reconciliation of Underlying Profit (net of tax)[1]	FY22 $m	FY21 $m
Total comprehensive income (as reported)	**(24.0)**	**4.3**
Add back: impact of government bond rate changes (net of hedging)	28.6	7.3
Add back: transformation expenses	6.3	5.5
Add back: investment opportunity expenses	5.5	3.8
Add back: Westpac Life integration expenses	8.4	-
Add back: one-off tax adjustments	0.9	3.4
Add back: value of business acquired amortisation	0.8	-
(Deduct): purchase price gain	(0.8)	-
(Deduct): gain on sale of head office building	-	(1.8)
Underlying profit from insurance operations before bond rate impact, transformation, investment opportunity and integration expenses, one-off tax adjustments, value of business acquired amortisation, purchase price gain and gain on sale of head office building	25.7	22.5

[1] Underlying profit is not a prescribed or audited measure under applicable accounting standards and may therefore not be directly comparable to underlying profit as reported by other similar entities. It is included to more accurately reflect year-on-year performance outside of those items which are one-off in nature or unrelated to the Group's core business of providing insurance. Additional adjustments have been included in the current year to reflect the costs of acquiring and integrating Westpac Life (now Fidelity Insurance Limited) into the Group's business. All adjustments are detailed in the consolidated financial statements, specifically the government bond rate changes in note 4, transformation, investment opportunity and integration expenses in note 8, tax adjustments in note 9, value of business acquired ('VOBA') adjustment in note 4 and purchase price gain adjustment in note 16.

Dividend update.

The company remains in a period of heavy transformation investment, and the integration of Fidelity Insurance into Fidelity Life during FY23 is a key focus.

Externally, we're facing an uncertain economic outlook and the Reserve Bank's imminent new solvency standard needs to be better understood – though our current understanding is it is within our capital planning expectations.

Given these uncertainties, and the need to maintain our capital position while we invest, the Board has made the prudent decision not to pay a dividend for FY22. We appreciate your ongoing patience.

A positive outlook.

It has been another busy year for the Board and Executive team. I would like to thank them all for their hard work, particularly in getting the Westpac Life acquisition approved and completed.

We can expect another busy year ahead.

The industry continues to evolve and consolidation continues, with the proposed sale of Partners Life to Japan's Dai-ichi Life the most recent example. Our acquisition of Westpac Life means all the banks have now exited life insurance.

There are good opportunities for a well-capitalised New Zealand owned life insurer like Fidelity Life, with shareholders who have long term investment horizons, to carve out a differentiated market position and help more New Zealanders get protected.

The Board is very confident the company's leadership and strategic plans will successfully transform the business and deliver value to all stakeholders, including shareholders. We remain well placed to deliver future profitability.

One area the Board is interested in pushing further is ESG (or sustainability), as customers, employees, investors and regulators apply increasing scrutiny to how businesses are performing against environmental, social and governance criteria.

Like all businesses, we need to demonstrate we are responsible and ethical, and you can read more about our early moves in this area in Melissa's CEO review.

We look forward to sharing further insights into FY22 and our future plans with you at our Annual Meeting on 30 November.

Kind regards,

B.G Blake

Brian Blake
Chair

Making our way.

CEO's review.

FY22 was a ground-breaking year for Fidelity Life. We paid more than $164m in claims to our customers, completed our acquisition of Westpac Life and made excellent progress with our customer led transformation. Despite an incredibly dynamic external environment, we maintained our transformation momentum and moved ever closer to our purpose: to give New Zealanders certainty to enjoy a more rewarding life.

18 months after joining Fidelity Life as CEO, I look back with a great deal of pride on what we've delivered during a particularly challenging year.

FY22, like the previous year, was notable for external factors outside our control – think more Covid lockdowns, challenging financial markets and spiralling living costs.

Economic conditions deteriorated and, when combined with factors like ongoing regulatory change and market consolidation, contributed to New Zealand's life insurance industry remaining relatively static in terms of growth and new market-facing initiatives.

Over the years, but especially in challenging times, we've learned to protect and nurture our portfolio of existing customers.

We're very proud of our teams' efforts, working in tandem with our partners and advisers, to help customers manage their protection when times are tough.

So, against this complex backdrop, it was particularly pleasing to have maintained our capital strength, completed our acquisition of Westpac Life and other key transformation initiatives, and outperformed our underlying profit expectations – all while continuing to be there for our customers when they need us.

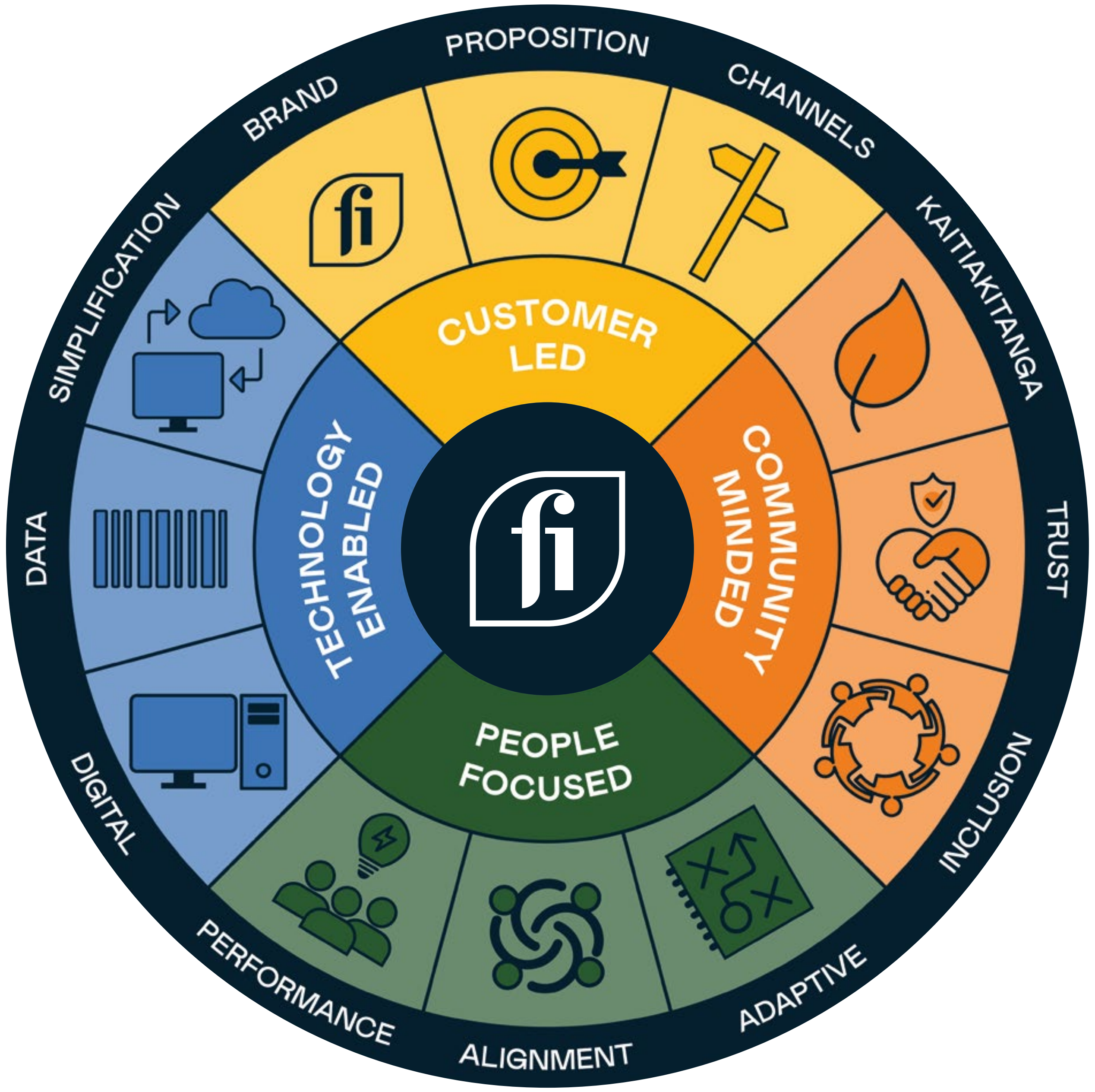
“The strategy compass guides us towards our purpose.”

Setting our strategic direction.

We laid some important foundations in FY22 with the finalising of our strategy compass, which aligns everything we do with our purpose, and our Enterprise Scorecard, which keeps us focused on achieving the right outcomes for our key stakeholders.

The strategy compass guides us towards our purpose by ensuring we focus our limited time and resources on 12 strategic priorities anchored on the following key themes: customer led, community minded, people focused and technology enabled.

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



What does success look like?

Customers.
Success looks like:
Exceptional customer experiences.

People.
Success looks like:
Exceptional people experiences.

Community.
Success looks like:
Strong, trusted reputation.

Shareholders.
Success looks like:
Sustainable, profitable growth.

Accelerating our customer led transformation.

Our capacity and capability for delivering transformational change grew significantly during the year. We ended FY21 focused largely on Project Watson and negotiating to buy Westpac Life. By the end of FY22 we evolved to be managing 14 integrated transformation workstreams, successfully delivering large scale change across the business.

Westpac Life: acquisition completed.

The transformation highlight of the year was undoubtedly the completion of the Westpac Life acquisition. Announced as a game changer, completing the deal was an historic moment for the company after almost 12 months of work which involved people from almost every part of the business.

Completion involved regulatory approval, legal and commercial settlement and post-acquisition continuity for Westpac Life customers and people – not to mention establishing a new governance model for the renamed Fidelity Insurance business.

All elements of the completion process went smoothly and, on 28 February 2022, we were delighted to welcome our 50 new team members, 150,000 new policyholders, and new shareholder Ngāi Tahu Holdings to the Fidelity Life whānau.

Powered by fidelity life

"Completing the deal was an historic moment for the company after almost 12 months of work."

Progressing key projects.

We also delivered on our promise to advance other key transformation projects during the year. These included:

Tahi.
Project Watson wrapped up with the launch of Tahi, our brand new technology platform built around the customer as opposed to their policy.

New reinsurance treaties.
We consolidated the majority of our reinsurance arrangements into innovative and flexible new treaties with Gen Re and Hannover. We were immediately able to offer improved, more competitive underwriting requirements to the market.

IFRS-17.
Preparing for this new global financial reporting standard will also help us modernise our data capabilities. Once built, our new data platform will provide a rich source of information and insights to help us further improve our product analysis and decision making.

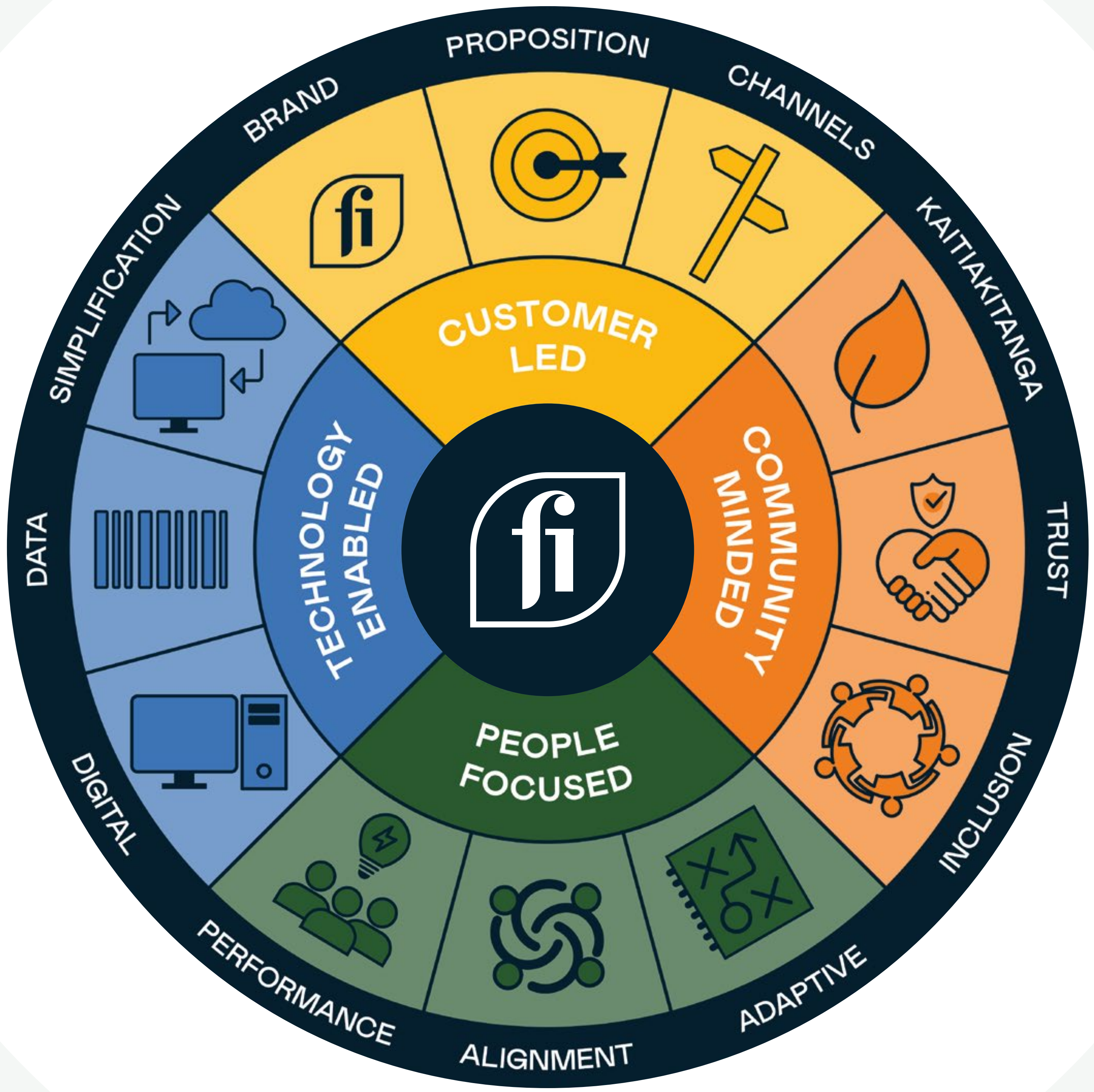
Hapori.
The importance of this people-focused project in the context of an economy-wide talent shortage can't be understated. We're building a contemporary employee value proposition to help us deliver a great experience for our people.

Mōhio.
Focused on building our risk maturity and embedding a strong risk culture, this project is designed to meet the needs of our evolving business, the increasingly dynamic regulatory environment and support the delivery of good customer outcomes.

Transformation highlights.

Customer led.

- Refreshed our product collateral, including co-designing and testing with customers.
- Built out our expanded sales and service function, adding new teams to bolster support for key customer and adviser touch points.
- Onboarded new AI (artificial intelligence) technology to support increased monitoring of our customer service interactions.
- Handled 51,347 customer calls and processed 120,830 customer requests.



Community minded.

- Fidelity Life House – we moved in to our new 6-Green Star office in April 2022.
- Bolstered our risk capability, including growing our Risk and Compliance team.
- Set up 568 advisers and licence holders on our systems for the new financial advice regime.
- Made some early sustainability moves – see page 13.

Technology enabled.

- New FinOps platform – a modern ledger system.
- AppCap robot processes new business applications in 30 mins.
- Claims case management launched in Tahi.
- ISO 27001 certification for data protection.

People focused.

- Embedded a new high performance framework and new agile, digital-first ways of working.
- Hononga, our new intranet, was launched
- Approximately 100 new people joined our whānau.
- Introduced Flexiplace, our new flexible working policy.

Acquisition drives underlying profit growth...

Sharply rising government bond rates during the year had a significant $28.6m (after tax) impact on our financial performance and were the key factor in our total comprehensive income falling from $4.3m in FY21 to a loss of $24.0m in FY22.

As described above, we continued to make good progress with our transformation, enabled by $6.3m (after tax) of planned investment in Tahi, our new technology platform, and $13.9m (after tax) on completing the acquisition of Westpac Life and advancing our plans for its integration.

Our performance was also impacted by a handful of one-off items, including a small gain on the acquisition of Westpac Life offset by the amortisation of the value of the business acquired, and an agreement with Inland Revenue to amend the prior year reporting of investment income.

Adjusting for these items shows solid growth in our day to day business, with the financial contribution of Fidelity Insurance from March 2022 resulting in our key metrics rising across the board.

Underlying profit growth exceeded our expectations, growing from $22.5m last year to $25.7m in FY22. As highlighted in the Chair's review, key drivers were a strong lapse performance and the first four months' contribution of Fidelity Insurance.

Gross premiums increased modestly, reflecting pressure on new business from Covid-related economic uncertainty and our new commission model.

Gross and net claims were also slightly higher than last year. The increase in gross claims was driven by a large rise in trauma and IP claims, offset by a favourable experience in life claims. Net claims increased for the same reason, as well as the fact non-life claims are generally less reinsured compared to life claims, so have a greater impact on profit.

Whilst commission expenses grew modestly, operating expenses grew to a larger extent, reflecting the Westpac Life acquisition and integration, and continued investment in Tahi – much of which is one-off in nature.

... and a solid capital position.

Excess capital above the Minimum Solvency Capital requirements increased over the year from $61.2m as at 30 June 2021 (Fidelity Life only) to $174.8m as at 30 June 2022 (combined Group basis), due largely to the strong capital position of Fidelity Insurance.

We've continued to take action during FY22 to further strengthen our capital position, including adding pandemic reinsurance cover to, and removing an interest rate hedge from, Fidelity Insurance. These two changes alone strengthened our solvency margin by over $30.0m.

In addition, we took the opportunity to raise an additional $30.0m of capital through the Westpac Life acquisition to help fund the continuing investment in our customer led transformation.

Here for the long term good of New Zealand.

Sustainability is an increasingly important consideration for today's businesses, who are expected to not only be more sustainable and socially responsible, but to step up and help New Zealand meet some big, long term challenges.

This trend has led to the emergence of ESG, which refers to environmental, social and governance criteria used by investors, and increasingly by other stakeholders such as consumers, regulators and the broader community, to evaluate an organisation's impact on the world around them.

Sustainability is a strong fit with our nature- and people-inspired brand and our community minded focus, and we've developed a three-pillar approach to focus our efforts:

Kaitiakitanga.
Protect and care for our climate and our environment.

Trust.
Build confidence and trust in our business and our industry.

Inclusion.
Consider Aotearoa New Zealand in everything we do.

It's still early days on our sustainability journey but in FY22 we were delighted to launch three exciting new initiatives: sponsorships of Outward Bound and Bellyful, and Toitū certification. We'll continue to build out our sustainability approach over the coming year and look forward to sharing our progress with you.

Outward Bound.

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

Our sponsorship features scholarships to enable 20 diverse young New Zealanders to complete a 21-day course at Anakiwa every year. They'll develop lifelong skills to give back to their communities.

Separately, each year we'll offer a group of advisers the opportunity to realise their potential by supporting them on a 5-day Outward Bound professional course.

Finally, we've introduced a special programme for our people to attend an Outward Bound course to help grow and nurture future leadership talent.

Bellyful.

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

Our sponsorship will help scale and expand Bellyful's operations to reach even more families. This includes hosting cookathons and food drives to help source ingredients and prepare meals, as well as tapping into our networks to promote and increase awareness of Bellyful.

Toitū carbonreduce certification.

We've joined New Zealand's journey towards a lower carbon future with the achievement of Toitū carbonreduce certification. This means we've measured our greenhouse gas emissions in accordance with global best practise and set a target to reduce them by 38% by 2030.

Our emissions reduction plan focuses on areas including staff commuting, our company cars and our supply chain. We also achieved Toitū carbonzero certification for our Engage adviser conference held in July 2022 and attended by 300 advisers and staff.

Our total net greenhouse gas emissions for the year ended 30 June 2021 were the equivalent of 503.41 tonnes of CO_2 (carbon dioxide). At the time of writing we're measuring our FY22 emissions.

TOITŪ
CARBON REDUCE
ISO 14064-1 ORGANISATION

Moving forwards.

We're ambitious and love a good challenge. So after an incredibly busy and rewarding FY22, it's exciting to have another big year ahead.

We have a clear set of priorities aligned to our strategic direction. During FY23–4 we'll focus on further strengthening the foundations of our business so we have a strong, stable base to grow from.

Over this time we'll also continue to bring Fidelity Life and Fidelity Insurance closer together. We're approximately half-way through an 18-month transition and integration programme which is on track for successful delivery. Ultimately this will see our Fidelity Insurance subsidiary integrated into Fidelity Life so we're one business focused on the needs of all our customers.

We'll keep advancing our key transformation projects, as well as developing new underwriting software, and a digital advice tool for our strategic alliance partner Westpac, to ensure our people, systems and processes are future fit.

Continuing to adapt to the ongoing regulatory change in our industry is crucial. In addition to a Reserve Bank solvency standard review and insurance contract law reforms, there are three significant new legislative regimes coming into effect between 2023 and 2025:

- **Financial advice regime** – full financial advice licensing comes into effect from March 2023.
- **Climate-related disclosures** – developing standards and consultation through 2023, with the first climate-related financial disclosures due in 2024.
- **Conduct of Financial Institutions** – conduct licensing opens in 2023, with fair conduct programmes and obligations in effect from 2025.

Challenges remain, however. Economic headwinds are expected to persist over the next 12–18 months – our lapse rate may come under pressure, and a subdued housing market may impact our Fidelity Insurance bancassurance channel. Additionally, our industry still grapples with ongoing transparency and complexity issues which affect how New Zealanders perceive us.

Overcoming these challenges will take time, so we recently completed an exercise to understand what our business needs to look like by the end of FY25. By then, our goal is to be a more efficient, effective and productive life insurer, so we can meet New Zealanders' life insurance needs better than anyone else in the market.

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

To help see this plan through we also need to have a clear and differentiated story. So we've repositioned ourselves in the market to play to our strength as a homegrown New Zealand business focused on delivering great long term outcomes for New Zealanders.

In 2023 we'll celebrate Fidelity Life's 50th year: we'll reflect on how far we've come since 1973 and look forward to what's possible over the next 50. There's still plenty of hard mahi ahead to realise our purpose but we're feeling confident – confident about our transformation progress, and confident about the opportunities we have in front of us to make a lasting difference to New Zealand and New Zealanders.

Ngā mihi,

Melissa Cantell
CEO

Here when we're most needed.

Fidelity Life claims highlights.*
1 July 2021 to 30 June 2022.

The highlights.

1 July 2021 to 30 June 2022.

Chances are we've helped a New Zealander near you. You can rely on us to be here when it matters most.

93% of all claims were paid.

1,318 customer claims were paid.

$142.9m paid out in claims.

What common conditions did we pay out for?

Cancer.

32% of total claims we paid.

8%	Prostate cancer.
7%	Lung cancer.
4%	Colon cancer.

Injury to bones, muscles, limbs & joints.

17% of total claims we paid.

24%	Shoulder.
14%	Knee.
13%	Ankle.

Cardiovascular conditions.

13% of total claims we paid.

37%	Heart attack.
21%	Heart failure.
9%	Heart surgery.*

Respiratory conditions.

5% of total claims we paid.

65%	Pneumonia.
14%	Respiratory failure.

Spinal injuries.

2% of total claims we paid.

43%	Lower back.*
38%	A slipped disk.*

Neurological conditions.

1% of total claims we paid.

29%	Multiple sclerosis.
17%	Parkinson's disease.
13%	Brain damage.*

* Fidelity Life claims only – excludes Fidelity Insurance claims. Reference to a condition or body part has been simplified for the purposes of this document. All claims are subject to the satisfaction of the medical condition set out in the relevant policy wording. Get in touch with an adviser for more information.

Claims experience.

Breakdown by type of cover.*
1 July 2021 to 30 June 2022.

Life.

When does it pay?
Life cover is designed to pay a lump sum if you die or receive a terminal illness diagnosis with less than 12 months to live.

$69.1m paid out in claims.

100 Oldest age.
63 Average age.
26 Youngest age.

Top 3 conditions.

36% Cancer.
19% Cardiovascular conditions.
14% Respiratory conditions.

Income protection.

When does it pay?
Income protection cover is designed to pay a monthly payment, for a fixed period of time, when you're injured or have a sickness which leaves you unable to work that continues past a wait period.

$37.4m paid out in claims.

67 Oldest age.
44 Average age.
22 Youngest age.

Top 3 conditions.

48% Injury to bones, muscles, limbs & joints.
11% Cancer.
8% Spinal injuries.

Trauma & Trauma multi.

When does it pay?
Trauma cover is designed to pay a lump sum when you're seriously injured or diagnosed with one of 40+ conditions that meets the criteria defined in your policy document.

$30.0m paid out in claims.

75 Oldest age.
52 Average age.
10 Youngest age.

Top 3 conditions.

58% Cancer.
20% Cardiovascular conditions.
7% Neurological conditions.

Total & permanent disability (TPD).

When does it pay?
TPD cover is designed to pay a lump sum if you become totally disabled and are unable to work – ever again. And by work we mean all kinds of work – paid work, work in the home, and in some cases, study.

$6.4m paid out in claims.

76 Oldest age.
54 Average age.
31 Youngest age.

Top 3 conditions.

18% Neurological conditions.
14% Cancer.
14% Injury to bones, muscles, limbs & joints.

* Fidelity Life claims only – excludes Fidelity Insurance claims. Reference to a condition or body part has been simplified for the purposes of this document. All claims are subject to the satisfaction of the medical condition set out in the relevant policy wording. Get in touch with an adviser for more information.

Financial summary.

For the years ended 30 June.

	2022[1]	2021	2020	2019	2018
Insurance premium revenue ($'000)	**338,365**	278,606	275,478	269,493	259,413
Investment (loss)/income ($'000)	**(9,745)**	18,094	3,721	15,332	20,381
Claims expense ($'000)	**164,613**	130,786	139,720	125,715	107,822
Net (loss)/profit after taxation ($'000)	**(23,986)**	4,329	20,111	18,254	14,118
Ordinary dividend per share	**–**	–	–	–	$2.00
Special dividend per share	**–**	–	–	–	$3.00
Earnings per share	**($8.27)**	$2.07	$9.62	$8.73	$8.05
Shareholders' equity ($'000)	**632,584**	359,584	355,255	337,336	320,971
Net policyholder (assets)/liabilities ($'000)	**(87,908)**	(93,268)	(77,936)	(55,882)	(14,516)
Total assets ($'000)	**1,178,560**	642,791	647,710	647,305	623,397
Shares on issue ('000)	**4,491**	2,091	2,091	2,091	2,091

[1] The current year numbers are not directly comparable with prior years due to the acquisition of Fidelity Insurance Limited ('FIL') in the period and consequential inclusion of FIL's net assets as at 30 June 2022 and net result for the four months ended 30 June 2022.

Statement of corporate governance.

For the year ended 30 June 2022.

Role of the Fidelity Life Board.

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

Fidelity Life Assurance Company Limited (Fidelity Life, the Company) is committed to sound corporate governance. The Board of Directors oversees the Company's business and is responsible for its corporate governance. The Board sets broad corporate policies and works with management to set strategic direction with the objective of enhancing the interests of shareholders and customers.

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

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

The Board aspires to best practice governance practices and takes this into consideration when reviewing its performance.

Board membership.

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

As at 30 June 2022, the New Zealand Superannuation Fund (49.63 percent) was eligible to appoint two Directors, Ngāi Tahu Holdings (24.94 percent) was eligible to appoint one Director, and the Trustees of the Fidelity Family Trust (14.65 percent) were eligible to appoint one Director. The balance of the Board is elected by the shareholders of the Company by ordinary resolution.

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

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

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

As at 30 June 2022 the Board consisted of seven non-executive Directors, including a non-executive Chair.

During FY22, Ngāi Tahu Holdings appointed Sam Inglis to the Board on 28 February 2022. After the end of the financial year, on 15 July 2022 the New Zealand Superannuation Fund appointed Simona Turin to the Board. The process set out in the Company's Constitution was followed for these appointments.

During FY22, Hamish Rumbold retired from the Board on 28 July 2021.

The Nomination Committee has a formal process by which it assesses the diversity of skills and experience required on the Board. The Board is satisfied with the number of Directors and the mix of Director skillsets.

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

Delegation to management.

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

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

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

Risk management.

Risk management is an integral part of Fidelity Life's business. Fidelity Life has systems to identify, and minimise, the impact of regulatory, financial, operational and health, safety and wellbeing risk on its business. The Board Committee duties have been developed to allow the Board to identify and manage the various business risks faced by the Company and its subsidiaries. In order to ensure that procedures are current and comprehensive, the responsibilities of each Committee are reviewed on a periodic basis.

Fidelity Life has in place an integrated framework of controls designed to safeguard its assets and interests and to ensure the integrity of risk reporting. The overall framework has been developed and guidelines formulated for risk management structures and processes in areas additional to financial risk.

Directors' insurance and indemnities.

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

Committees.

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

1. Audit and Risk Committee.

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

On 28 February 2022 Sam Inglis joined the Audit and Risk Committee.

Members at 30 June 2022:
Lindsay Smartt (Chair), Mel Hewitson, Sam Inglis, Jeff Meltzer, and Brian Blake (ex-officio).

2. People and Performance Committee.

Formerly known as the Remuneration and HR Committee, the Committee is responsible for oversight of the Company's people strategy, including reviewing and recommending remuneration levels and packages for Directors, the Chief Executive Officer and senior executives.

On 28 July 2021, Hamish Rumbold retired from the Board and therefore retired from the People and Performance Committee.

Members at 30 June 2022:
Nicola Greer (Chair), Mel Hewitson, and Brian Blake (ex officio).

3. Nomination Committee.

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

On 28 February 2022 Sam Inglis was appointed to the Fidelity Life Board and, after the end of the financial year, on 15 July 2022 Simona Turin was appointed to the Fidelity Life Board, and therefore joined the Nomination Committee at the date of their appointments to the Fidelity Life Board. On 28 July 2021, Hamish Rumbold retired from the Fidelity Life Board and therefore retired from the Nomination Committee.

Members: all Directors.

4. Technology Advisory Committee.

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

On 28 July 2021, Hamish Rumbold retired from the Fidelity Life Board and therefore retired from the Technology Advisory Committee. After the end of the financial year, on 15 July 2022 Simona Turin joined the Technology Advisory Committee.

Members at 30 June 2022:
Alan Gourdie (Chair) and Brian Blake (ex officio).

Board attendance.

Attendance at the scheduled and unscheduled formal meetings of the Fidelity Life Board and its committees for the period 1 July 2021 to 30 June 2022 was as follows:

	Board Scheduled	Board Unscheduled	Audit and Risk Scheduled	Nomination Unscheduled	People and Performance All	Technology Advisory Scheduled	Totals
Meetings	**9**	**6**	**6**	**1**	**5**	**7**	**34**
Brian Blake	9	6	6	1	5	7	**34**
Alan Gourdie	9	3	n/a	1	n/a	7	**20**
Nicola Greer	8	4	n/a	1	5	n/a	**18**
Mel Hewitson	9	5	6	1	5	n/a	**26**
Sam Inglis*	3	2	2	0	n/a	n/a	**7**
Jeff Meltzer	9	5	6	1	n/a	n/a	**21**
Hamish Rumbold**	1	0	n/a	0	0	0	**1**
Lindsay Smartt	9	5	6	1	n/a	n/a	**21**

Directors may attend any meeting by videoconference. An n/a indicates that the Director is not a member of that particular committee.

* Sam Inglis joined the Board and the Audit and Risk Committee on 28 February 2022.
** Hamish Rumbold retired from the Board on 28 July 2021.

Subsidiaries.

1. Fidelity Insurance Limited.

On 28 February 2022 Fidelity Life completed the acquisition of Westpac Life-NZ- Limited (Westpac Life), which became a wholly owned subsidiary of Fidelity Life.

As part of the acquisition, Westpac Life was renamed Fidelity Insurance and entered into a 15-year life insurance distribution arrangement with Westpac NZ. Under this arrangement, Westpac NZ will distribute Fidelity Insurance products to its retail customers for the next 15 years.

Fidelity Insurance has its own Board of Directors. James Hill (Chair) and David Benison were on the Board of Westpac Life and have remained as Directors on the Board of Fidelity Insurance. On 28 February 2022 Brian Blake, Nicola Greer, Mel Hewitson and Lindsay Smartt were appointed to the Board of Fidelity Insurance.

2. Fidelity Life Custodial Services Limited.

Fidelity Life Custodial Services Limited is a wholly-owned subsidiary of Fidelity Life and the bare trustee for approximately 60 minority shareholders. Its Directors are Brian Blake and Alan Gourdie.

3. Fidelity Capital Guaranteed Bond Limited.

Fidelity Capital Guaranteed Bond Limited was a non-trading wholly-owned subsidiary of Fidelity Life that was voluntarily removed from the Companies Register on 26 May 2022. Its Director was Jeff Meltzer.

4. Life and Advisory Services Limited.

Life and Advisory Services Limited was a non-trading wholly-owned subsidiary of Fidelity Life that was voluntarily removed from the Companies Register on 26 May 2022. Its Directors were Simon Pennington and John Smith.

Directors' remuneration.

The level of non-executive Fidelity Life Directors' base remuneration was last approved at the Annual Meeting on 2 November 2021 as $82,000 per Director and $164,000 for the Chair for the 2022 financial year.

A Director remuneration pool, in addition to base remuneration, payable to all Directors taken together for the 2022 financial year in the amount of $50,000 was approved at the Annual Meeting on 2 November 2021 to remunerate Directors for Committee work.

The total Director remuneration pool for Committee work for the 2022 financial year was not fully exhausted in that $28,000 of the $50,000 was paid to Directors for Committee work. The Chairs of the Audit and Risk Committee, the Technology Advisory Committee and the People and Performance Committee received $12,000, $10,000 and $6,000 respectively from the approved Director remuneration pool for their Committee work.

A further one-off Director remuneration pool, in addition to base remuneration and the Director remuneration pool for Committee work, payable to all Directors taken together, in the amount of $90,000 was approved at the Annual Meeting on 2 November 2021, in recognition of the significant workload during the 2021 financial year. The six Directors at the date of the Annual Meeting on 2 November 2021 each received $15,000 from this pool.

The Directors of Fidelity Life holding office during the 2022 financial year and their total remuneration and other benefits are shown below.

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

Fidelity Life Director	Total Fidelity Life Remuneration FY22
Brian Blake	$179,000
Alan Gourdie	$107,000
Nicola Greer	$103,000
Mel Hewitson	$97,000
Sam Inglis	$27,789
Jeff Meltzer	$97,000
Hamish Rumbold*	$6,908
Lindsay Smartt	$109,000

* Hamish Rumbold retired from the Board on 28 July 2021.

The Directors of Fidelity Insurance holding office from 28 February 2022 and their total remuneration and other benefits during the period 28 February 2022 to 30 June 2022 are shown below.

Fidelity Insurance Director	Total Fidelity Insurance Remuneration 28 February 2022 to 30 June 2022
James Hill	$33,889
David Benison	$21,519
Brian Blake	$21,519
Nicola Greer	$21,519
Mel Hewitson	$21,519
Lindsay Smartt	$24,908

During the period 1 July 2021 to 28 February 2022, James Hill, David Benison and Christopher Moller were non-executive Directors of Westpac Life, and Leanne Lazarus and Karen Silk were executive Directors of Westpac Life. Christopher Moller, Leanne Lazarus and Karen Silk resigned from the Westpac Life Board on 28 February 2022, and James Hill and David Benison continued as non-executive Directors of Westpac Life (renamed Fidelity Insurance).

For the period 1 July 2021 to 28 February 2022, the total remuneration paid to the non-executive Directors of Westpac Life taken together, being James Hill, David Benison and Christopher Moller, was $154,000.

Other interests in Fidelity Life shares.

Jeff Meltzer is a Trustee of the Fidelity Family Trust which as at 30 June 2022 held 657,936 (2021: 657,936) shares in Fidelity Life.

Sam Inglis, who was appointed to the Board by Ngāi Tahu Holdings on 28 February 2022, is the General Manager for Investment of Ngāi Tahu Holdings which as at 30 June 2022 held 1,120,000 (2021: nil) shares in Fidelity Life.

Independence.

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

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

The Board has assessed the following Directors as at 30 June 2022 to be Independent Directors: Brian Blake, Alan Gourdie, Nicola Greer, Mel Hewitson and Lindsay Smartt. Jeff Meltzer and Sam Inglis are not independent directors.

Ethics.

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

Avoiding conflicts of interest.

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest between their duty to Fidelity Life and their own interests, and between subsidiary companies. All directors of Fidelity Life and Fidelity Insurance have completed conflicts of interest training, with an emphasis on managing intra-group conflicts.

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

Directors' shareholdings.

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

As at 30 June 2022, Jeff Meltzer held 617 shares directly in the Company through Fidelity Life Custodial Services Limited and 8,462 shares in indirect beneficial shareholdings of Fidelity Life. No Director traded Fidelity Life shares during the 2022 financial year.

Other information.

Shareholders.

The names and holdings of the ten largest shareholders of the Company as at 30 June 2022 are:

Shareholder		Shares held
1.	Guardians of New Zealand Superannuation	2,229,159
2.	Ngāi Tahu Holdings	1,120,000
3.	Whale MJ & Meltzer JP	657,936
4.	Burgess GAJ & Burgess MS	292,283
5.	Fidelity Life Custodial Services Limited	83,909
6.	Gold Star Corporation Limited	80,000
7.	Ballynagarrick Investments Limited	6,050
8.	Hamilton YD, Vanderwee JC, Hamilton RB & Hamilton GR	5,701
9.	Watson HJ	2,073
10.	Watson MW	2,072

Auditor.

PricewaterhouseCoopers have indicated their willingness to continue as auditor of the Company and its subsidiaries.

Events after balance date.

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

Credit rating.

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

The A.M. Best financial strength rating for Fidelity Insurance Limited is A- (Excellent) with a stable outlook.

See the rating table below. These ratings were affirmed on 2 March 2022.

Annual meeting.

The next annual meeting of Fidelity Life Assurance Company Limited will be held at Fidelity Life House, Level 4, 136 Fanshawe Street, Auckland on 30 November 2022 commencing at 2pm.

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.

Fidelity Insurance remuneration ranges reflect remuneration paid to employees for the period 1 July 2021 to 30 June 2022 who continued as employees of Westpac Life (renamed Fidelity Insurance) following the change of control on 28 February 2022. The table excludes employees who resigned from Westpac Life on 28 February 2022.

Remuneration ranges	Fidelity Life Number of employees		Fidelity Insurance Number of employees
	FY22	FY21	FY22
$930,000 – $940,000	1	-	-
$820,000 – $830,000	1	-	-
$650,000 – $660,000	1	-	-
$640,000 – $650,000	-	1	-
$570,000 – $580,000	-	1	-
$530,000 – $540,000	1	-	-
$520,000 – $530,000	-	1	-
$500,000 – $510,000	-	1	-
$460,000 – $470,000	3	-	-
$430,000 – $440,000	-	1	-
$410,000 – $420,000	-	1	-
$400,000 – $410,000	1	1	-
$390,000 – $400,000	-	1	-
$360,000 – $370,000	1	-	-
$340,000 – $350,000	2	1	-
$330,000 – $340,000	1	-	-
$300,000 – $310,000	2	1	-
$290,000 – $300,000	2	-	-
$280,000 – $290,000	-	1	-
$270,000 – $280,000	1	1	-
$260,000 – $270,000	1	3	-
$250,000 – $260,000	1	1	-
$240,000 – $250,000	3	0	-
$230,000 – $240,000	-	3	-
$220,000 – $230,000	5	2	-
$210,000 – $220,000	6	1	-
$200,000 – $210,000	5	3	2
$190,000 – $200,000	7	2	-
$180,000 – $190,000	5	2	-
$170,000 – $180,000	9	13	1
$160,000 – $170,000	8	11	1
$150,000 – $160,000	13	10	2
$140,000 – $150,000	9	10	2
$130,000 – $140,000	9	8	5
$120,000 – $130,000	12	16	5
$110,000 – $120,000	11	12	2
$100,000 – $110,000	16	17	2
	137	**126**	**22**

A.M. Best's Financial Strength Rating (FSR) Scale.

A- (Excellent)

Fidelity Life and Fidelity Insurance have an A- (Excellent) financial strength rating given by A.M. Best.

Secure	Vulnerable	
A++, A+ (Superior)	B, B- (Fair)	E (Under Regulatory Supervision)
A, A- (Excellent)	C++, C+ (Marginal)	F (In liquidation)
B++, B+ (Good)	C, C- (Weak)	S (Suspended)
	D (Poor)	

Directory/external services.

Fidelity Life Board of Directors at 30 June 2022.

Brian Blake
BCA FACA CMA CMInstD

Chair: Joylab Group, Joylab Holdings.

Added FY22

Director: Fidelity Insurance.

Jeff Meltzer
JP BCom FCA CMInstD AAMINZ, Chartered Accountant

Partner: Meltzer Mason.

Chair: Big Buddy Foundation.

Trustee: Fidelity Family Trust.

Alan Gourdie
MSc (Hons)

Director: Healthcare Applications, Quantiful.

Trustee: Eden Park.

Ceased FY22

Moana New Zealand.

Lindsay Smartt
BA FIAA FNZSA FAICD

Chair: IOOF Investment Management, Oasis Fund Management, OnePath Custodians.

Director (Australia): The Infants' Home.

Added FY22

Chair: NULIS Nominees (Australia).

Director: Fidelity Insurance.

Ceased FY22

Westpac General Insurance Limited (Australia), Westpac Lenders Mortgage Insurance Limited (Australia), IOOF (July 2022), Westpac Life Insurance Services (August 2022).

Nicola Greer
MCom (Hons)

Director: Airways Corporation of New Zealand, Airways International, Awarua Holdings, New Zealand Railways Corporation, Precinct Properties NZ, South Port NZ.

Member: NZX Markets Disciplinary Tribunal.

Added FY22

Director: Fidelity Insurance.

Sam Inglis
MBA, LLB, BA

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

Mel Hewitson
MNZM MA BSocSci CMInstD AIF CCB.D

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

Director: Domain Name Commission, Ngāti Whātua Ōrākei Whai Māia, Ngāti Whātua Ōrākei Education, Ngāti Whātua Ōrākei Health Limited, Simplicity NZ.

Trustee: Foundation North.

Independent Member: FINDEX Advice Services NZ Limited Investment Committee.

Added FY22

Director: Fidelity Insurance, Housing Foundation, Housing Foundation No.1.

Trustee: NZ Housing Foundation.

Ceased FY22

Chair: Nominating Committee for Guardians of New Zealand Superannuation Fund.

Director: Trust Investments Management.

Trustee: Auckland Foundation.

Other Fidelity Insurance Board of Directors at 30 June 2022.

James Hill
CFInstD, FCA (ICAEW)

Chair: Caspex Corporation.

Trustee: Ralph & Eve Seelye Charitable Trust.

David Benison
BSC (Econ) FNZSA (retired member)

Leanne Lazarus, Christopher Moller and Karen Silk resigned from the Westpac Life Board (renamed Fidelity Insurance) during the 2022 financial year and the disclosure of their interests are set out below as disclosed to Fidelity Life as at the time of their resignation on 28 February 2022:

Leanne Lazarus

Shareholder: Westpac Banking Corporation.

Trustee/Member: The Chopper Appeal Charitable Trust Board.

Ceased FY22

Westpac Life-NZ- Limited.

Karen Lee Silk

Shareholder: Westpac Banking Corporation.

Trustee: Te Waiu o Aotearoa Trust.

Chair: Sustainable Business Council.

Ceased FY22 prior to 28 February 2022

Westpac Life-NZ- Limited.

Ceased FY22 after 28 February 2022

Aotearoa Financial Services, BT Funds Management (NZ), BT Financial Group (NZ), Red Bird Ventures, Westpac New Zealand Group, Westpac Nominees-NZ, Westpac Superannuation Nominees-NZ.

Christopher John Moller

Ceased FY22

Westpac Life-NZ- Limited.

Company officers.

Chief Executive Officer: Melissa Cantell.

Chief Financial Officer: Simon Pennington.

Appointed Actuary:
Chris Marston-Fergusson (previously Alternate Appointed Actuary and commenced in the Appointed Actuary role on 1 July 2022).

Alternate Appointed Actuary:
John Smith (previously Appointed Actuary and commenced in the Alternate Appointed Actuary role on 1 July 2022).

Company Secretary: Marcus McClosky.

Solicitors.

Bell Gully, Russell McVeagh, Simpson Grierson.

Bankers.

ANZ Bank New Zealand Limited.

Westpac Banking Corporation.

ASB Bank Limited.

Bank of New Zealand.

Group External Auditor.

PricewaterhouseCoopers.

Group Internal Auditor.

KPMG.

Investment managers.

Mercer (NZ) Limited.

Mint Asset Management Limited.

Nikko Asset Management New Zealand Limited.

Vanguard Investments Australia Limited.

BT Funds Management (NZ) Limited (applies to Fidelity Insurance only).

Reinsurers.

General Reinsurance Life Australia Limited.

Hannover Life Re of Australasia Limited.

John Hancock Life Insurance Company.

Munich Reinsurance Company of Australasia Limited.

RGA Reinsurance Company of Australia Limited.

Swiss Re Life and Health Australia Limited.

AXIS Re.

HCC International Insurance Company.

Registered office.

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

Telephone 09 373 4914

fidelitylife.co.nz

Share registrar.

Computershare Investor Services Limited

Private Bag 92119, Auckland 1142

159 Hurstmere Road, Takapuna,
Auckland 0622

Managing your shareholding online:

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

Consolidated financial statements.

For the year ended 30 June 2022.

Consolidated income statement.

For the year ended 30 June 2022.

	Note	2022 $'000	2021 $'000
Revenue			
Insurance premium revenue	5	**338,365**	278,606
Insurance premium ceded to reinsurers	5	**(131,478)**	(114,205)
Net premium revenue		**206,887**	164,401
Investment (loss)/income	6	**(9,745)**	18,094
Fee and commission revenue		**93**	102
Reinsurance commission income	7	**170,000**	–
Other (expense)/income	5	**(33,791)**	7,908
Total revenue		**333,444**	190,505
Expenses			
Claims expense	8	**164,613**	130,786
Reinsurance recoveries	8	**(93,654)**	(79,794)
Net claims expense		**70,959**	50,992
Commission expenses	8	**58,740**	56,695
Loan loss allowance movement		**(695)**	–
Operating expenses	8	**101,290**	68,980
Net change in life insurance contract assets		**140,237**	(13,447)
Net change in life investment contract liabilities		**(10,411)**	12,350
Total expenses		**360,120**	175,570
(Loss)/profit before tax		**(26,676)**	14,935
Income tax (benefit)/expense	9	**(2,690)**	10,606
(Loss)/profit for the year attributable to the owners of the Company	4	**(23,986)**	4,329
Basic and diluted earnings per share	29	**(8.27)**	2.07

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

Consolidated statement of comprehensive income.

For the year ended 30 June 2022.

	2022 $'000	2021 $'000
(Loss)/profit for the year	**(23,986)**	4,329
Other comprehensive income		
Other comprehensive income for the year, net of tax	**–**	–
Total comprehensive (loss)/income for the year attributable to the owners of the Company	**(23,986)**	4,329

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

Consolidated statement of financial position.

As at 30 June 2022.

	Note	2022 $'000	2021 $'000
Assets			
Cash and cash equivalents	10	**254,518**	184,484
Other financial assets at amortised cost	11	**29,120**	20,032
Assets arising from reinsurance contracts	12	**29,202**	25,472
Financial assets at fair value through profit or loss	13	**286,712**	138,774
Life insurance contract assets	20	**303,475**	243,530
Loans and other receivables	14	**12,692**	8,193
Property, plant and equipment	17	**5,415**	2,837
Right-of-use assets	15	**19,426**	300
Income tax assets	9	**7,442**	5,547
Intangible assets	18	**230,558**	13,622
Total assets		**1,178,560**	642,791
Liabilities			
Payables and other liabilities	19	**138,265**	57,561
Lease liabilities	15	**30,081**	270
Derivative financial instruments	13	**235**	47
Deferred tax liabilities	9	**161,143**	73,699
Life insurance contract assets ceded under reinsurance	20	**128,179**	39,137
Life investment contract liabilities	21	**87,388**	111,125
Deferred income		**685**	1,368
Total liabilities		**545,976**	283,207
Net assets		**632,584**	359,584
Equity			
Share capital	22	**378,572**	81,586
Retained earnings		**254,012**	277,998
Total equity		**632,584**	359,584

For and on behalf of the Board
29 September 2022

Brian Blake
Chair

Lindsay Smartt
Director

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

Consolidated statement of changes in equity.

For the year ended 30 June 2022.

	Note	Share capital $'000	Retained earnings $'000	Revaluation reserve $'000	Total equity $'000
Balance at 1 July 2020		81,586	266,304	7,365	355,255
Profit for the year		–	4,329	–	4,329
Total comprehensive income for the year		–	4,329	–	4,329
Transfer to retained earnings		–	7,365	(7,365)	–
Balance at 30 June 2021		81,586	277,998	–	359,584
Balance at 1 July 2021		**81,586**	**277,998**	**–**	**359,584**
(Loss) for the year		**–**	**(23,986)**	**–**	**(23,986)**
Total comprehensive loss for the year		**–**	**(23,986)**	**–**	**(23,986)**
Transactions with owners					
Issue of new shares, net of transaction costs	22	**318,190**	**–**	**–**	**318,190**
Buy back of ordinary shares	22	**(21,204)**	**–**	**–**	**(21,204)**
Total transactions with owners		**296,986**	**–**	**–**	**296,986**
Balance at 30 June 2022		**378,572**	**254,012**	**–**	**632,584**

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

Consolidated statement of cash flows.

For the year ended 30 June 2022.

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Premiums from life insurance contracts		339,552	279,169
Deposits from life investment contracts	21	3,038	3,773
Reinsurance commission received	7	170,000	–
Reinsurance received on claims paid		96,342	73,394
Interest received		1,837	721
Interest paid on lease liabilities	15	(889)	(15)
Dividends and distributions received	6	1,464	6,310
Other income received		4,381	13,146
Benefits paid under life insurance contracts		(160,843)	(128,890)
Benefits paid under life investment contracts	21	(16,364)	(18,008)
Reinsurance premiums paid		(123,430)	(115,399)
Commission paid		(58,725)	(58,601)
Payments to suppliers and employees		(86,387)	(61,476)
Transaction costs paid	16	(5,525)	(2,354)
Income tax paid		(8,819)	(2,326)
Short term and low value lease payments	15	(62)	(56)
Net cash inflows/(outflows) from operating activities		155,570	(10,612)
Cash flows from investing activities			
Payment for acquisition of a subsidiary, net of cash acquired	16	(389,177)	–
Gross sale proceeds from sale of financial assets		59,918	95,714
Payments for financial assets		(41,416)	(87,992)
Purchase of intangible assets	18	(8,818)	(6,011)
Purchase of property, plant and equipment	17	(3,317)	(1,973)
Proceeds from sale of property, plant and equipment	17	23	27,556
Lease incentive received	15	10,607	–
Cash invested in to term deposits		(24,000)	(20,032)
Proceeds from maturity of term deposits		15,000	–
Net cash (outflows)/inflows from investing activities		(381,180)	7,262
Cash flows from financing activities			
Principal element of lease liabilities	15	(1,342)	(223)
Buy back of ordinary shares	22	(21,204)	–
Proceeds from issue of ordinary shares	22	321,204	–
Share issue and buy-back transaction costs	22	(3,014)	–
Net cash inflows/(outflows) from financing activities		295,644	(223)
Net increase/(decrease) in cash and cash equivalents		70,034	(3,573)
Cash and cash equivalents at the beginning of the year	10	184,484	188,057
Cash and cash equivalents at the end of the year	10	254,518	184,484

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

	Note	2022 $'000	2021 $'000
Net (loss)/profit after tax		(23,986)	4,329
Non-cash items			
Loss/(gain) on sale of property, plant and equipment	17	59	(2,905)
Fair value loss/(gain) on investments	6	13,128	(9,880)
Gain on bargain purchase	16	(797)	–
Depreciation of property, plant and equipment and right-of-use assets	15, 17	2,077	538
Amortisation of intangibles	18	3,307	2,351
Other movements [1]		(772)	(907)
Loan loss allowance movement	14	(695)	(71)
Total non-cash items		16,307	(10,874)
Changes in working capital			
Decrease/(increase) in life insurance and life investment contract assets and liabilities		116,500	(7,035)
Decrease/(increase) in other assets		976	(6,275)
(Decrease)/increase in income tax balances		(11,509)	8,280
Increase in other liabilities [1]		57,282	963
Total changes in working capital		163,249	(4,067)
Cash flows from operating activities		155,570	(10,612)

[1] The comparative balances have been reclassified for presentation purposes consistent with the current year presentation.

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

Notes to the consolidated financial statements.
For the year ended 30 June 2022.

1. General information

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

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

These consolidated financial statements have been approved for issue by the Board of Directors (the 'Board') on 29 September 2022. The directors do not have the power to amend the consolidated financial statements once issued.

2. Summary of significant accounting policies

Basis of preparation

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

Statement of compliance

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

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

Statutory fund

IPSA requires that a life insurer keep at least one statutory fund in respect of its life insurance business. Fidelity Life Assurance Company Limited has established one statutory fund 'Fidelity Life Statutory Fund Number 1' (the 'FLAC Statutory Fund') and Fidelity Insurance Limited ('FIL') has established one statutory fund 'Statutory Fund No. 1' (the 'FIL Statutory Fund'). The activities of the statutory funds are reported in aggregate with non-statutory funds amounts in these consolidated financial statements. For details of the statutory funds refer to note 30.

Principles of consolidation

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

The acquisition method of accounting is used to account for business combinations by the Group (see note 16).

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Goods and Services Tax (GST)

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

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

2. Summary of significant accounting policies (continued)

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.

New and amended standards adopted by the Group

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

- Amendments to NZ IFRS 16 – COVID-19 Related Rent Concessions;
- Amendments to NZ IFRS 9, NZ IAS 39, NZ IFRS 7, NZ IFRS 4 and NZ IFRS 16 – Interest Rate Benchmark Reform – Phase 2;
- Amendments to NZ IFRS 4 – Extension of the Temporary Exemption from Applying NZ IFRS 9

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods. The Group did not have to change its accounting policies as a result of adopting these amendments.

- IFRS Interpretations Committee ('IFRIC') agenda decision - Configuration or customisation costs in a cloud computing arrangement.

Following the publication of the IFRIC agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021 (and ratified by the International Accounting Standards Board ('IASB') in April 2021), the Group has reviewed its accounting treatment and adopted the guidance set out in the IFRIC agenda decision, which is to recognise those costs as intangible assets only if the activities create an intangible asset that the Group controls and where the intangible asset meets the recognition criteria. Costs that are not capitalised as intangible assets are expensed as incurred unless they are paid to the supplier(s) (or subcontractors of the supplier) of the cloud-based software to significantly customise the cloud-based software for the Group (i.e., such services are not distinct/separable from the Group's right to receive access to the supplier's cloud-based software). In the latter case, the costs paid upfront are recorded as a prepayment for services and amortised over the expected term of the cloud computing arrangement.

The adoption of the above IFRIC guidance did not result in any adjustments to the consolidated financial statements.

Impact of standard issued but not yet applied by the Group

NZ IFRS 17: Insurance Contracts

NZ IFRS 17 Insurance Contracts replaces NZ IFRS 4 Insurance Contracts effective for annual periods beginning on or after 1 January 2023. The Group will not adopt the standard early.

NZ IFRS 17 Insurance Contracts establishes globally consistent principles such as contracts affected, realistic assumptions, portfolios of contracts, separating components, measurement models and risk adjustment. These key principles are discussed below and will impact the recognition, measurement, presentation and disclosure of life insurance and reinsurance contracts issued. NZ IFRS 17 introduces changes to the profit emergence profiles of life insurance contracts but does not affect the underlying cash flow of the contracts.

The Group has established a project team to assess and implement the requirements of NZ IFRS 17. The implementation progress is summarised as follows:

- During the current financial year, the Group has commenced its development of the systems and processes to finalise the NZ IFRS 17 data platform. The project is on track and the live transition runs are scheduled to commence from early 2023.
- *Contracts affected:* the Group expects that all contracts classified as insurance contracts under NZ IFRS 4 will meet the definition of insurance contracts under NZ IFRS 17.
- *Realistic assumptions:* the valuation of the insurance contract liabilities is based on realistic cash flows at the time of the testing period. This reflects assumptions for past experience, market conditions and model changes. This aligns with existing assumption methodology under NZ IFRS 4.
- *Portfolios of contracts:* contracts are grouped on the basis of having similar risks and being managed together. The Group has finalised its Portfolio structure.
- *Separating components:* non-distinct investment components have been identified and accounted for separately.
- *Measurement models:* the Group will adopt the General Measurement Model ('GMM') and the Premium Allocation Approach ('PAA'). The GMM is a new measurement model under NZ IFRS 17 which will provide information about the expected cash flows and profitability of insurance contracts. The PAA is a simplification of the GMM that follows its principles but allows a more basic measurement approach.
- *Risk Adjustment:* this reflects the uncertainty of the cash flows arising from non-financial risk. The Group is working through the impacts of using various Risk Adjustment techniques and will likely use the Value at Risk ('VAR') quantile technique to determine the risk adjustment.
- The Group has finalised a number of decisions relating to transition methodology and subsequent measurement. However, financial impacts flowing from the new valuation and financial systems remain uncertain. The Group has recently commenced transition activities for the comparative period, however the NZ IFRS 17 results cannot be reasonably estimated as at the balance date as these activities will continue in the latter half of 2022.
- The Group will disclose a range of quantitative impacts of NZ IFRS 17 in the 2023 consolidated financial statements.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

2. Summary of significant accounting policies (continued)

Critical accounting estimates and judgements

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

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

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

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

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

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

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

(b) Deferred tax

Significant judgement is required in determining the Group's deferred tax liabilities and tax assets. In arriving at the deferred tax amounts, the Group has made an assessment of anticipated tax assets and liabilities based on estimates of when additional taxes will be due and benefits will arise. In respect of deferred tax on carried forward tax losses, this has included an assessment of the likelihood of future taxable profits arising in the foreseeable future and of shareholder continuity being maintained during that period, factoring in the new business continuity test. Following the issue of shares in the period a breach of shareholder continuity arose, however the Group has assessed that concessionary relief was available under the business continuity test such that no carried forward tax losses were forfeited as a result. The impact of the recent acquisition of Fidelity Insurance Limited (note 16) coupled with the proposed portfolio transfer (note 28) 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 2026 financial year.

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

Refer to note 9 for the deferred tax accounting policy.

(c) New reinsurance treaties – tax treatment

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

Reinsurance arrangements which contain significant upfront initial commission payments are generally considered 'life financial reinsurance' for income tax purposes. The Group has therefore treated these arrangements as such considering both historical experience and indicative guidance from Inland Revenue. The Group is in the process of obtaining a binding ruling from Inland Revenue to confirm this treatment in respect of the most significant arrangement. As at balance date, this process had not yet concluded although indicative guidance is that Inland Revenue is in agreement with the positions adopted. The binding ruling will be issued ahead of the next interim reporting date.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

2. Summary of significant accounting policies (continued)

Critical accounting estimates and judgements (continued)

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

A significant part of the acquisition accounting for the business combination (note 16) was the valuation of the fair value of the acquired contractual insurance rights and obligations as at acquisition date. To the extent this valuation exceeded the carrying value acquired, a Value of Business Acquired ('VOBA') intangible asset arose (note 18). The Group engaged external advisors to support the valuation.

The valuation process involved the use of estimates and assumptions as well as the exercise of significant judgement including in respect of the risk discount rate, maintenance expense ratio and integration costs allowance. The fair value was determined by applying actuarial appraisal valuation techniques (namely, a Traditional Embedded Value ('TEV')) to the insurance rights and obligations acquired, as well as the associated reinsurance contracts, using a market participant view. Under the TEV, the Value of In-force ('VIF') cash flows were adjusted for a number of factors relevant to the rights and obligations being acquired that a market participant would be expected to take into account.

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

(e) Reinsurance recapture

During the current year, the Group reached an agreement with a reinsurer to take back the risks initially ceded to the reinsurer within a reinsurance arrangement. The key commercial terms and risks transferred were determined to be agreed with the reinsurer on 29 June 2022 with the risk transfer effected as at 29 June 2022. The total settlement of the recapture was $39.5m, which was paid by the Group in July 2022. Refer to notes 5 and 12.

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

(f) Unconditional financial liabilities

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

(g) Financial liabilities contingent on future events

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

Significant changes during the period

The financial position and performance of the Group was affected by the following events during the year:

COVID-19 global pandemic

An assessment of the impact of COVID-19 on the Group's balance sheet based on the information available at the time of preparing these financial statements indicated no material impact. However, the situation and experience will continue to be monitored for developments from the after-effects of COVID i.e. 'long COVID'.

Notes to the consolidated financial statements (continued).

For the year ended 30 June 2022.

3. Actuarial methods and policies

The Group actuarial reports on the policy contract values and solvency calculations for the year ended 30 June 2022 were prepared by the Chief Actuary, Nicholas Smart M.Com, FNZSA, FIAA (2021: Nicholas Smart), and reviewed by the Appointed Actuary Chris Marston-Fergusson BSc FNZSA, FIAA (2021: John Smith MSc FNZSA, FIAA). Messrs Smart and Marston-Fergusson are satisfied as to the accuracy of the data from which the amount of the policyholder liabilities and assets and related reinsurance have been determined.

The actuarial valuation and solvency calculations for FIL were prepared by the Chief Actuary, Nicholas Smart (2021: FIL Actuarial team) and reviewed by Lee Ann Du-Toit, who is the Appointed Actuary of FIL and a Fellow of the New Zealand Society of Actuaries (2021: Ian New BSc, ARCS, FNZSA, FIAA). Mr. Smart and Ms. Du Toit are satisfied as to the accuracy of the data from which the amount of the policyholder liabilities and assets and related reinsurance have been determined.

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

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

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

The key assumptions used in determining life insurance and life investment contract liabilities and assets are:

Discount rates

Policyholder liability discount rates	At 30 June 2022	At 30 June 2021
Discounted cash flows on renewable risk plans and level premium risk plans based on NZ Government bond rate – gross interest rate. Bond term varying by Related Product Group	**3.32% - 3.89%**	1.77%
Non-participating assurances – net interest rate	**2.80%**	1.27%
Claim reserves and provisions for investment guarantees – gross interest rate	**3.89%**	1.77%
Annuities – net interest rate	**2.80%**	1.27%
Participating plans with reversionary bonuses. Derived from expected after-tax return on the assets backing the participating fund	**2.60%**	0.80%

Profit carriers

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

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

Inflation and automatic indexation of benefits

Insurance contracts with automatic inflation linked indexation of benefits are assumed to have benefits increase in line with inflation. Expectations on inflation are in line with New Zealand Treasury forecasts as at June 2022, with the rate of inflation projected to range between 3.9%-6.7% for the years 2022 to 2024 before returning to the long-term assumption of 2%.

Maintenance expenses

Future maintenance expenses of policies are based on an analysis of existing and projected costs and product margins. For FLAC, where those expenses relate to life insurance, trauma and disability insurance it has been assumed that those expenses increase at the same rate that premiums increase. For FIL, expenses have been assumed to increase in line with the inflation rate.

Tax

The rates of tax enacted or substantially enacted at the date of the valuation are assumed to continue into the future. The corporate tax rate used is 28% (2021: 28%).

Mortality rates

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

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

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

Morbidity rates

Both FIL and FLAC have a similar method for calculating future morbidity rates, which are based on proportions of reinsurance rate tables and premium rates. The methods differ for Income Protection products where FIL use the ADI tables from 2007-2011. The proportions used are based on recent experience.

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

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

3. Actuarial methods and policies (continued)

Rates of discontinuance

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

	2022	2021
Yearly Renewable Term: Lump sum	5% - 34%	5% - 36%
Yearly Renewable Term: Income Protection	6% - 50%	6% - 50%
Whole of Life and Endowments including participating contracts	3%	3%
Level Term	3% - 14%	3% - 16%
Automatic acceptance with premiums limited to ten years	2% - 53%	2% - 54%
Automatic acceptance with level or reviewable premiums	2% - 53%	2% - 54%
Loan cover [1]	35% - 60%	N/A
Lifetime Guarantee [1]	1%	N/A

[1] Products that exist only in the portfolio acquired in the current year, hence no comparative information is presented.

Surrender values

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

Participating business

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

	At 30 June 2022	At 30 June 2021
Participating business – policies with-profit assurances	Assumed that the current bonus allocation will continue indefinitely. The bonus is equal to conservative portfolio return on cash deposits.	Assumed that the current bonus allocation will continue indefinitely. The bonus is equal to conservative portfolio return on cash deposits.
Participating plans with reversionary bonuses – supportable bonus rate	0% of the sum assured and reversionary bonus.	0% of the sum assured and reversionary bonus.
Participating plans with reversionary bonuses – current bonus declaration	0%	0%
Policyholder's share of the surplus in the participating pool	83.3%	83.3%

Profit margins

Profit margins have been incorporated for existing product categories to release those profits arising in the future which are not in relation to the provision of the original acquisition cost as and when those profits are released. Profit margins were adjusted to ensure that there was no capitalisation of future profits arising from changes to demographic assumptions and rates used in the projection. However, changes to economic and financial assumptions are capitalised.

Changes to underlying assumptions

The Group has made changes to the estimates to align economic assumptions across entities. As the Group works through consolidation, further alignment may occur in the future where appropriate.

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

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

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

	2022		2021	
Assumption change	Effect on future profit margins $'000	Effect on life insurance contract assets $'000	Effect on future profit margins $'000	Effect on life insurance contract assets $'000
Discontinuance rates	26,108	–	(9,826)	–
Mortality/morbidity rates	(4,842)	(1,557)	(315)	–
Short-term CPI indexation [2]	22,228	–	57,825	–
Other modelling changes	11,985	(818)	(12,954)	(516)
Reinsurance costs	(22,766)	–	6,695	–
Maintenance costs	(67,141)	–	(1,606)	–
Discount rates	(186,215)	(43,997)	(39,782)	(10,124)
Commission costs	6,317	–	–	–
Total	(214,326)	(46,372)	37	(10,640)

[2] This includes contractual increases in projections, with the Group now including CPI increases within this.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

3. Actuarial methods and policies (continued)

Assets backing life insurance and life investment business

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

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

Investment assets in the FIL Statutory Fund and the Non-statutory Funds are allocated fully to shareholders.

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

4. Sources of profit

	2022 $'000	2021 $'000
Profit for the year arose from:		
Life insurance contracts		
Planned margins of revenues over expenses	**35,603**	22,675
Difference between actual and assumed experience	**(788)**	(5,405)
Effects of changes in underlying economic and financial assumptions	**(44,139)**	(10,407)
Unwinding of discount rate effects on life insurance contract assets and liabilities	**6,755**	2,742
	(2,569)	9,605
Life investment contracts – liabilities		
Difference between actual and assumed experience	**(194)**	(103)
Effects of changes in underlying assumptions	**49**	284
	(145)	181
Investment earnings on assets in excess of policyholder liabilities (within the statutory funds)	**(722)**	2,970
Shareholder tax	**4,055**	(8,942)
Non-statutory fund (before tax)	**(23,626)**	515
Amortisation of VOBA (note 18)	**(1,055)**	–
Other	**76**	–
(Loss)/profit after tax	**(23,986)**	4,329

5. Revenue

Accounting policy

Insurance premium revenue

(i) Life insurance contracts

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

(ii) Life investment contracts

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

Insurance premium ceded to reinsurers

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

Other income/(expense)

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

Other expense is comprised of reinsurance recapture expense recognised in the current year.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

5. Revenue (continued)

	Note	2022 $'000	2021 $'000
Net premium revenue			
Insurance premium revenue		**338,365**	278,606
Insurance premium ceded to reinsurers		**(131,478)**	(114,205)
Total net premium revenue		**206,887**	164,401
Other income/(expense)			
Reinsurance recapture [1]	2	**(39,500)**	–
Reinsurance treaty policy administration fees		**4,214**	4,405
Gain on bargain purchase	16	**797**	–
(Loss)/gain on sale of assets [2]		**(59)**	2,535
Other income		**757**	968
Total other income/(expense)		**(33,791)**	7,908

[1] In the current year, the Group reached an agreement with a reinsurer to take back the risks initially ceded to the reinsurer within the reinsurance arrangement. Settlement of the agreement was concluded in June 2022 (note 2).

[2] The majority of the gain on sale of assets earned during the prior year was due to the sale of the Group's former property at 81 Carlton Gore Road in June 2021.

6. Investment (loss)/income

Accounting policy

Interest income is recognised using the effective interest method.

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

Fair value gains and losses on financial assets at fair value through profit or loss are recognised through the consolidated income statement.

	2022 $'000	2021 $'000
Dividends and distributions	**1,464**	4,606
Net realised and unrealised (losses)/gains on unit trusts	**(16,809)**	12,533
Total investment (loss)/income from unit trusts	**(15,345)**	17,139
Interest received on investments at fair value through profit or loss	**1,919**	727
Total investment income from cash, term deposits, loans and debt securities	**1,919**	727
Net realised and unrealised gains on derivatives	**3,681**	228
Total investment income from derivatives	**3,681**	228
Total investment (loss)/income	**(9,745)**	18,094

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

7. Reinsurance commission income

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

The Group entered into a new reinsurance treaty arrangement on 28 February 2022, subsequent to the acquisition disclosed in note 16. Under this treaty, the Group received an upfront reinsurance commission payment of $130m.

The Group further entered into another reinsurance treaty arrangement on 29 June 2022, subsequent to the reinsurance recapture transaction disclosed in note 2. Under this treaty, the Group received an upfront reinsurance commission payment of $40m.

8. Expenses

Insurance claims and related reinsurance

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

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

Claims and reinsurance recoveries are as follows:

	2022 $'000	2021 $'000
Death, disabilities and income protection claims	**162,534**	128,797
Maturities	**177**	80
Surrenders	**787**	778
Annuities	**1,115**	1,131
Total claims	**164,613**	130,786
Less: Reinsurance recoveries	**(93,654)**	(79,794)
Total net claims expense	**70,959**	50,992

Commission and operating expenses

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued).

For the year ended 30 June 2022.

8. Expenses (continued)

Commission and operating expenses (continued)

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

	2022 $'000	2021 $'000
Life insurance contracts		
Acquisition costs		
Commission expenses	**22,411**	24,797
Operating expenses	**31,168**	27,499
Maintenance costs		
Commission expenses	**35,982**	31,468
Operating expenses	**43,598**	36,972
	133,159	120,736
Life investment contracts		
Maintenance costs		
Commissions	**347**	430
Operating expenses	**786**	761
Investment management expenses	**(16)**	(9)
	1,117	1,182
Non-Statutory Funds		
Operating expenses	**25,754**	3,757
Total commission and operating expenses	**160,030**	125,675

Included within other operating expenses are the following:

	Note	2022 $'000	2021 $'000
Salaries and wages and other employee costs		**44,529**	35,600
Restructure costs		**143**	275
Remuneration of auditor (appointed auditor: PricewaterhouseCoopers)			
Audit of statutory financial statements		**1,173**	587
Audit fees in relation to prior year		**44**	25
Assurance services over the solvency returns		**85**	44
Audit procedures in respect of reporting to shareholder		**173**	–
Tax compliance services		**22**	20
Tax advisory services		**–**	14
Custodial control assurance engagement		**19**	18
Other services [1]		**13**	–
Total remuneration of auditor		**1,529**	708
Directors' fees		**916**	703
Project and other professional fees		**9,451**	7,210
Depreciation [2]	17	**657**	318
Amortisation	18	**3,307**	2,351
Transaction costs [3]	16	**5,525**	3,812

[1] Other services include general training and workshop facilitation, and subsequent to 30 June 2022, directors' fee and executive remuneration benchmarking.

[2] Depreciation excludes right-of-use depreciation. For right-of-use depreciation, please refer to note 15.

[3] Transaction costs include costs incurred for the business combination completed during the year (refer to note 16).

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

9. Taxation

Accounting policy

Current and deferred income tax

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

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

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

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

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

	2022 $'000	2021 $'000
(Loss)/profit before tax	(26,676)	14,935
Tax at the New Zealand income tax rate of 28% (2021: 28%)	(7,469)	4,181
Tax effect of non-taxable income	(4,648)	(3,684)
Tax effect of non-deductible expenses	9,982	7,907
Benefit of imputation credits received	(313)	(210)
Tax effect of bargain purchase	(223)	–
Prior period adjustment	(19)	(88)
Tax effect of agreement to amend treatment of reinsurance arrangement	–	2,500
Income tax (benefit)/expense reported in the consolidated income statement	(2,690)	10,606
Comprising:		
Current tax expense	4,503	70
Deferred tax (benefit)/expense	(7,193)	10,536
	(2,690)	10,606
Tax expense attributed to policyholders	1,645	1,664
Tax (benefit)/expense attributed to shareholders	(4,335)	8,942
	(2,690)	10,606
Income tax assets		
Income tax prepaid[1]	3,562	3,593
Current tax asset	3,879	1,953
Tax benefit recognised on acquired policies	1	1
Total income tax assets	7,442	5,547

[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.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

9. Taxation (continued)

Deferred tax assets

The balance comprises temporary differences attributable to:

	Financial assets at fair value through profit or loss $'000	Deferred income $'000	Intangible assets $'000	Payables and other liabilities $'000	Unused tax losses $'000	IFRS 16 (Right-of-use asset / lease liability) $'000	Total $'000
Balance at 1 July 2020	–	–	2,750	1,703	31,154	–	35,607
Movement through the consolidated income statement	–	710	(2,750)	334	(14,233)	–	(15,939)
Balance at 30 June 2021	–	710	–	2,037	16,921	–	19,668
Assets acquired in the business combination (note 16)	–	–	–	85	–	–	85
Movement through the consolidated income statement	1,399	(355)	–	72	11,464	178	12,758
Balance at 30 June 2022	1,399	355	–	2,194	28,385	178	32,511

Deferred tax liabilities

The balance comprises temporary differences attributable to:

	Financial assets at fair value through profit or loss $'000	Property, plant and equipment $'000	Life insurance contract assets $'000	Deferred acquisition costs[1] $'000	Deferred income $'000	Intangible assets $'000	IFRS 16 (Right-of- Use Asset / Lease Liability) $'000	Total $'000
Balance at 1 July 2020	954	789	6,166	81,788	9,864	–	7	99,568
Movement through the consolidated income statement	(916)	44	1,055	3,859	(9,864)	418	1	(5,403)
Movement through other comprehensive income	–	(798)	–	–	–	–	–	(798)
Balance at 30 June 2021	38	35	7,221	85,647	–	418	8	93,367
Liabilities acquired in the business combination (note 16)	–	–	–	35,523	–	59,199	–	94,722
Movement through the consolidated income statement	(38)	(2)	628	4,824	–	161	(8)	5,565
Balance at 30 June 2022	–	33	7,849	125,994	–	59,778	–	193,654

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

	2022 $'000	2021 $'000
Net deferred tax liabilities	161,143	73,699

Imputation credits

	2022 $'000	2021 $'000
Imputation credits available for use in subsequent reporting periods based on a tax rate of 28% (2021: 28%)	8,897	34

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

10. Cash and cash equivalents

Accounting policy

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

Statement of cash flows

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

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

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

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

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

Cash and cash equivalents comprise:

	2022 $'000	2021 $'000
Bank balances	75,722	19,506
Deposits at call[1]	178,796	164,978
Total cash and cash equivalents	**254,518**	184,484

[1] The Group reviewed and restructured its investment portfolio in the prior year. As a result, some of the financial assets were re-invested in call accounts to improve the Group's liquidity and reduce counterparty concentration risks. Deposits at call are held with A+ (2021: AA-) rated banks with 38% (2021: 52%) of the deposits at call held with one bank.

11. Other financial assets at amortised cost

Accounting policy

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

Other financial assets at amortised cost comprise:

	2022 $'000	2021 $'000
Term deposits	29,120	20,032
Total other financial assets at amortised cost	**29,120**	20,032
Due:		
Within 12 months	29,120	15,032
Later than 12 months	–	5,000
	29,120	20,032

Fixed interest rates in the year to 30 June 2022 were between 1.19% and 3.36% (2021: between 0.80% and 1.19%). Term deposits are held with A+ (2021: AA-) rated banks with 38% of the term deposits being held with one bank (2021: 25% held with each bank). The term deposits are backing shareholder funds.

12. Assets arising from reinsurance contracts

Accounting policy

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

	Note	2022 $'000	2021 $'000
Life insurance contracts reinsurance assets			
Balance at 1 July		25,472	24,980
Assets acquired in the business combination	16	6,731	–
Reinsurance claims made to reinsurers		93,341	56,672
Payments received from reinsurers		(96,342)	(56,180)
Balance at 30 June (expected to be recovered within 12 months)		**29,202**	25,472

Notes to the consolidated financial statements (continued).

For the year ended 30 June 2022.

13. Financial instruments

Accounting policy

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

(i) Classification

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

Amortised Cost

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

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

FVPL

The Group classifies the following financial assets at FVPL:

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

Business model assessment

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

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

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

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

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

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

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

Recognition of gains or losses

FVPL

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

Amortised Cost

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

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

13. Financial instruments (continued)

Financial instruments by category

Financial assets	Fair value through profit or loss $'000	Amortised cost $'000	Total $'000
At 30 June 2022			
Cash and cash equivalents	–	254,518	254,518
Other financial assets at amortised cost	–	29,120	29,120
Assets arising from reinsurance contracts	–	29,202	29,202
Financial assets at fair value through profit or loss	286,712	–	286,712
Loans and other receivables	–	8,634	8,634
Total financial assets	**286,712**	**321,474**	**608,186**
At 30 June 2021			
Cash and cash equivalents	–	184,484	184,484
Other financial assets at amortised cost	–	20,032	20,032
Assets arising from reinsurance contracts	–	25,472	25,472
Financial assets at fair value through profit or loss	138,774	–	138,774
Loans and other receivables	–	5,202	5,202
Total financial assets	138,774	235,190	373,964

Financial liabilities	Fair value through profit or loss $'000	Amortised cost $'000	Total $'000
At 30 June 2022			
Payables and other liabilities	–	129,104	129,104
Lease liabilities	–	30,081	30,081
Derivative financial instruments (held for trading)	235	–	235
Life investment contract liabilities	87,388	–	87,388
Total financial liabilities	**87,623**	**159,185**	**246,808**
At 30 June 2021			
Payables and other liabilities	–	49,805	49,805
Lease liabilities	–	270	270
Derivative financial instruments (held for trading)	47	–	47
Life investment contract liabilities	111,125	–	111,125
Total financial liabilities	111,172	50,075	161,247

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.

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

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

13. Financial instruments (continued)

Fair values of financial instruments (continued)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
At 30 June 2021				
Financial assets				
Financial assets at fair value through profit or loss				
Debt securities – Unitised funds	–	61,333	–	61,333
Equity securities – Unitised funds	–	77,441	–	77,441
Financial assets at fair value through profit or loss	–	138,774	–	138,774
Total financial assets at fair value	–	138,774	–	138,774
Financial liabilities				
Derivative financial instruments				
Forward currency contracts	–	47	–	47
Life investment contract liabilities	–	–	111,125	111,125
Total financial liabilities at fair value	–	47	111,125	111,172

The notional principal amounts of outstanding derivatives at 30 June 2022 were forward currency contracts $24,591,064 (2021: $27,150,963).

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

	Balance at the beginning of the year $'000	Net fair value gains $'000	Purchases/ deposits $'000	Withdrawals/ disposals $'000	Balance at the end of the year $'000
Liabilities classified as level 3					
2022					
Life investment contract liabilities	**111,125**	**(10,411)**	**3,038**	**(16,364)**	**87,388**
2021					
Life investment contract liabilities	113,010	12,252	3,747	(17,884)	111,125

14. Loans and other receivables

Accounting policy

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

Impairment

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

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

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

Loans and other receivables comprise:

	2022 $'000	2021 $'000
Loan receivables net of expected credit losses	**–**	138
Trade and other receivables		
Prepayments	**4,058**	2,991
Sundry receivables	**3,052**	180
Outstanding premiums	**5,582**	4,884
Total trade and other receivables	**12,692**	8,055
Total loans and other receivables	**12,692**	8,193

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

15. Leases

Accounting policies

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

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

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

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

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

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 (2021: none) were as a result of exercising the extension option.

Notes to the consolidated financial statements (continued).

For the year ended 30 June 2022.

15. 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 2020	85	209	132	426
Additions	–	34	51	85
Depreciation charge for the period	(43)	(83)	(95)	(221)
Modification to lease terms	–	–	10	10
Balance at 30 June 2021	42	160	98	300
Balance at 1 July 2021	**42**	**160**	**98**	**300**
Additions	**31,149**	**–**	**–**	**31,149**
Depreciation charge for the period	**(1,301)**	**(49)**	**(70)**	**(1,420)**
Lease incentive received	**(10,607)**	**–**	**–**	**(10,607)**
Modification to lease terms	**–**	**–**	**4**	**4**
Balance at 30 June 2022	**19,283**	**111**	**32**	**19,426**
Lease liabilities				
Balance at 1 July 2020	47	217	136	400
Additions	–	34	51	85
Interest expense	1	9	5	15
Modification to lease terms	–	–	10	10
Lease payments	(48)	(90)	(102)	(240)
Balance at 30 June 2021	–	170	100	270
Current	–	90	70	160
Non-current	–	80	30	110
	–	170	100	270
Balance at 1 July 2021	**–**	**170**	**100**	**270**
Additions	**31,149**	**–**	**–**	**31,149**
Interest expense	**882**	**5**	**2**	**889**
Modification to lease terms	**–**	**–**	**4**	**4**
Lease payments	**(2,065)**	**(92)**	**(74)**	**(2,231)**
Balance at 30 June 2022	**29,966**	**83**	**32**	**30,081**
Current	**2,819**	**72**	**17**	**2,908**
Non-current	**27,147**	**11**	**15**	**27,173**
	29,966	**83**	**32**	**30,081**

Significant lease entered in the current year

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

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

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

	2022 $'000	2021 $'000
Amounts recognised in profit or loss (included in 'Operating expenses')		
Interest on lease liabilities	**889**	15
Depreciation charges on right-of-use assets	**1,420**	221
Expense relating to short-term leases	**545**	–
Expense relating to leases of low-value assets	**62**	57

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

16. Business combination

Accounting policies

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(a) Summary of acquisition

On 28 February 2022 Fidelity Life Assurance Company Limited acquired 100% of the issued share capital of Westpac Life-NZ- Limited (subsequently renamed as 'Fidelity Insurance Limited'), a life insurance company operating in the New Zealand market. The acquisition has significantly increased the Group's market share in this industry.

Details of the purchase consideration and the net assets acquired are as follows:

Purchase consideration	$'000
Cash paid on completion	400,000
Deferred consideration [1]	17,610
Total purchase consideration	**417,610**

[1] Deferred consideration relates to the amount settled in cash immediately after completion and the completion net assets adjustment settled in cash within the two months from the acquisition date.

The assets and liabilities recognised as a result of the acquisition are as follows:

	$'000
Cash and cash equivalents	28,433
Financial assets at fair value through profit or loss	173,904
Assets arising from reinsurance contracts	6,731
Life insurance contract assets	106,497
Derivative financial instruments	4,493
Intangible assets: Value of business acquired (note 18)	211,424
Loans and other receivables	2,762
Life insurance contract assets ceded under reinsurance	4,643
Income tax liabilities	(2,421)
Payables and other liabilities	(23,422)
Deferred tax liabilities	(94,637)
Net identifiable assets acquired	**418,407**
(Gain) on bargain purchase	(797)
	417,610

The gain on bargain purchase relates to the adjustments made to the net assets acquired as a result of aligning the accounting policies between the subsidiary and the Group, together with the consequential tax effects. The gain on bargain purchase is included in the 'Other income/(expense)' line in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

There were no acquisitions in the year ended 30 June 2021.

16. Business combination

(a) Summary of acquisition (continued)

Fair value of the acquired receivables

The fair value of the acquired receivables approximates their gross values and no impairment provision is held as all receivables are deemed to be fully recoverable.

Revenue and profit contribution

The acquired business contributed revenues of $165.1m and a net loss of $5.6m to the Group for the period from 1 March to 30 June 2022.

If the acquisition had occurred on 1 July 2021, consolidated pro-forma revenue and profit for the year ended 30 June 2022 would have been $439.8m and $6.7m respectively. These amounts have been calculated using the subsidiary's results after adjusting them for differences in the accounting policies between the Group and the subsidiary, together with the consequential tax effects.

(b) Purchase consideration – cash outflow

Outflow of cash to acquire subsidiary, net of cash acquired:

	2022 $'000	2021 $'000
Cash and deferred consideration	417,610	–
Less: cash acquired	(28,433)	–
Net outflow of cash - investing activities	**389,177**	–

(c) Acquisition related costs

Acquisition related costs of $5.5m (2021: $2.4m) are included in operating expenses in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows.

17. Property, plant and equipment

Accounting policies

Property, plant and equipment

Land and buildings are carried at fair value based on an annual valuation by an external independent valuer, less any subsequent depreciation for buildings.

All other 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:

Property building component	50 years
Building fit-out	7-12 years
Leasehold improvements	8-12 years
Plant and equipment	1-14 years

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

Impairment of assets

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

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

17. Property, plant and equipment (continued)

Property, plant and equipment can be analysed as follows:

	Owner-occupied property measured at fair value $'000	Building fit-out and improvements $'000	Plant and equipment $'000	Total $'000
At 1 July 2020				
Cost or fair value	26,397	1,338	6,374	34,109
Accumulated depreciation	–	(1,135)	(5,430)	(6,565)
Transferred to asset held for sale	(26,397)	(203)	–	(26,600)
Net book amount	–	–	944	944
Year ended 30 June 2021				
Opening net book amount	–	–	944	944
Additions	–	–	192	192
Work in progress to be capitalised	–	2,275	–	2,275
Depreciation	–	–	(318)	(318)
Disposals	–	–	(256)	(256)
Closing net book amount	–	2,275	562	2,837
At 1 July 2021				
Cost	–	2,275	6,310	8,585
Accumulated depreciation	–	–	(5,748)	(5,748)
Net book amount	–	2,275	562	2,837
Year ended 30 June 2022				
Opening net book amount	**–**	**2,275**	**562**	**2,837**
Additions	**–**	**1,672**	**1,645**	**3,317**
Transfers in/(out)	**–**	**60**	**(60)**	**–**
Depreciation	**–**	**(232)**	**(425)**	**(657)**
Disposals	**–**	**–**	**(82)**	**(82)**
Closing net book amount	**–**	**3,775**	**1,640**	**5,415**
At 30 June 2022				
Cost	**–**	**4,007**	**2,387**	**6,394**
Accumulated depreciation	**–**	**(232)**	**(747)**	**(979)**
Net book amount	**–**	**3,775**	**1,640**	**5,415**

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

18. Intangible assets

Accounting policies

Software

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

Internally developed software

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

Software under development

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

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

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

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

Value of business acquired ('VOBA')

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

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

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

18. Intangible assets (continued)

Accounting policies (continued)

Impairment

VOBA

The impairment test is based on reviewing the planned margins available within each relevant related product group and determining if there is sufficient margin to cover the VOBA associated with the Product group. The assumptions used for determining the planned margins are consistent with the assumption used for valuation of policy liabilities.

Other intangible assets

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

Intangible assets can be analysed as follows:

	Value of business acquired $'000	Software $'000	Internally developed software $'000	Software under development $'000	Total $'000
At 1 July 2020					
Cost	–	2,506	16,776	15,307	34,589
Accumulated amortisation/impairment	–	(2,175)	(15,545)	(7,647)	(25,367)
Net book amount	–	331	1,231	7,660	9,222
Year ended 30 June 2021					
Opening net book amount	–	331	1,231	7,660	9,222
Additions	–	131	–	6,620	6,751
Transfer in/(out)	–	–	7,978	(7,978)	–
Amortisation	–	(154)	(2,197)	–	(2,351)
Closing net book amount	–	308	7,012	6,302	13,622
At 1 July 2021					
Cost	–	2,637	17,107	6,302	26,046
Accumulated amortisation/impairment	–	(2,329)	(10,095)	-	(12,424)
Net book amount	–	308	7,012	6,302	13,622
Year ended 30 June 2022					
Opening net book amount	**–**	**308**	**7,012**	**6,302**	**13,622**
Acquisition of business (note 16)	**211,424**	**–**	**–**	**–**	**211,424**
Additions	**–**	**–**	**–**	**8,819**	**8,819**
Transfer in/(out)	**–**	**(1)**	**10,848**	**(10,847)**	**–**
Amortisation	**(1,055)**	**(155)**	**(2,097)**	**–**	**(3,307)**
Closing net book amount	**210,369**	**152**	**15,763**	**4,274**	**230,558**
At 30 June 2022					
Cost	**211,424**	**518**	**19,371**	**4,274**	**235,587**
Accumulated amortisation/impairment	**(1,055)**	**(366)**	**(3,608)**	**–**	**(5,029)**
Net book amount	**210,369**	**152**	**15,763**	**4,274**	**230,558**

Policy administration system development

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

Following the Phase 1 system deployment, the Group wrote off existing systems with a cost value of $10.7m (2021: $15m). As the replaced systems had already been fully amortised/impaired in prior financial periods, this write-off did not impact the profit or loss in the current financial year.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

19. Payables and other liabilities

Accounting policies

Payables

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

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

Provisions

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

Payables and other liabilities comprise:

	2022 $'000	2021 $'000
Financial liabilities		
Creditors and accruals	**14,378**	7,584
Claims notified	**45,730**	20,400
Reinsurance liabilities [1]	**68,996**	21,821
Total financial liabilities	**129,104**	49,805
Other liabilties		
Income in advance	**1,434**	1,084
Employee entitlements	**7,727**	6,672
Total other liabilities	**9,161**	7,756
Total payables and other liabilities	**138,265**	57,561
Due:		
Within 12 months	**134,575**	53,871
Later than 12 months	**3,690**	3,690
	138,265	57,561

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

20. Life insurance contract liabilities and assets

Accounting policies

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

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

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

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

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

Movement in life insurance contract liabilities/(assets)

	2022 $'000	2021 $'000
Opening balance at 1 July	**(243,530)**	(249,404)
Assets acquired in the business combination (note 16)	**(106,497)**	–
Premiums received	**338,365**	278,606
Liabilities released for payments on death, surrender and other terminations in the year	**(164,613)**	(130,786)
Commission and other expenses	**(160,030)**	(125,676)
Other movements [2]	**32,830**	(16,270)
Closing balance at 30 June	**(303,475)**	(243,530)

[2] This includes amortisation, experience impacts and experience changes during the financial year.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

20. Life insurance contract liabilities and assets (continued)

Movement in life insurance contract assets ceded under reinsurance

	2022 $'000	2021 $'000
Opening balance at 1 July	**39,137**	58,458
Assets acquired in the business combination (note 16)	**(4,643)**	–
Movement in consolidated income statement	**93,685**	(19,321)
Closing balance at end of period	**128,179**	39,137

	2022 $'000	2021 $'000
Net of reinsurance life insurance contract (assets) at 30 June	**(175,296)**	(204,393)
Due:		
Within 12 months	**23,296**	(4,157)
Later than 12 months	**(198,592)**	(200,236)
	(175,296)	(204,393)

Life insurance contract assets net of reinsurance contain the following components

	2022 $'000	2021 $'000
Future policy benefits	**1,729,427**	828,849
Future expenses	**1,506,522**	728,221
Planned margins of revenues over expenses	**848,589**	359,522
Future revenues	**(4,259,834)**	(2,120,985)
	(175,296)	(204,393)

	2022 $'000	2021 $'000
Life insurance contracts with a discretionary participation feature that have a guaranteed element	**32,070**	36,472

21. Life investment contract liabilities

Accounting policies

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

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

Movement in life investment contract liabilities

	2022 $'000	2021 $'000
Opening balance at 1 July	**111,125**	113,010
Contributions received	**3,200**	3,942
Fees deducted from account balances	**(162)**	(195)
Liabilities released for payments on death, surrender and other terminations in the year	**(16,364)**	(17,884)
Investment return credited to policyholders	**(9,679)**	12,260
Other movements	**(732)**	(8)
Closing balance at 30 June	**87,388**	111,125
Due:		
Within 12 months	**26,868**	33,340
Later than 12 months	**60,520**	77,785
	87,388	111,125
Life investment contracts with a guaranteed element	**74,309**	95,180

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

22. Share capital and dividends

Accounting policies

Share capital

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

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Fidelity Life Assurance Company Limited 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 Fidelity Life Assurance Company Limited.

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

	2022 Shares	2021 Shares	**2022 $'000**	2021 $'000
Opening balance at 1 July	**2,091,440**	2,091,440	**81,586**	81,586
Ordinary shares bought back and cancelled	**(169,628)**	–	**(21,204)**	–
Ordinary shares issued for cash	**2,569,628**	–	**321,204**	–
Less: Transaction costs arising on share issues and buy backs	**–**	–	**(3,014)**	–
Closing balance at 30 June	**4,491,440**	2,091,440	**378,572**	81,586

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.

23. Capital management

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

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

Separate solvency calculations are maintained for each entity of the Group with a separate Statutory Fund for policies covered under Fidelity Life Assurance Company Limited and Fidelity Insurance Limited (together – the 'Companies').

During the years ended 30 June 2022 and 30 June 2021, the Companies complied with all capital licensing requirements and are monitoring the development of new RBNZ standards.

The Boards have ultimate responsibility for maintaining their optimal capital structures. The separate Audit and Risk Committees oversee the capital computations and advises their Boards on dividend payments, capital management and solvency. In addition, the Companies manage their required level of capital through analysis and optimisation of the Companies' product and asset mix, reinsurance programme, insurance risk exposure and investment strategy.

For FIL the calculated minimum solvency capital is below $5m therefore the Company is subject to the fixed capital amount of $5m, as required by the Solvency Standard.

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

The solvency positions of the Companies are as follows:

	2022				2021		
	FLAC Statutory Fund $'000	**FIL Statutory Fund $'000**	**Non-Statutory Fund $'000**	**Total $'000**	FLAC Statutory Fund $'000	Non-Statutory Fund $'000	Total $'000
Actual solvency capital	**278,377**	**102,824**	**46,409**	**427,610**	303,580	22,977	326,557
Minimum solvency capital	**250,682**	**–**	**2,116**	**252,798**	263,002	2,308	265,310
Solvency margin	**27,695**	**102,824**	**44,293**	**174,812**	40,578	20,669	61,247
Solvency ratio	**111%**	**N/A**	**2193%**	**169%**	115%	996%	123%

Notes to the consolidated financial statements (continued).

For the year ended 30 June 2022.

24. Disaggregated information

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

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

	Investment linked $'000	Non-Investment linked $'000	Total Statutory Fund $'000
2022			
Investment assets	**87,520**	**405,865**	**493,385**
Other (liabilities)/assets	**(132)**	**116,959**	**116,827**
Policy (liabilities)/assets	**(87,388)**	**175,296**	**87,908**
Liabilities other than policy liabilities	**–**	**271,087**	**271,087**
Shareholders' retained earnings	**–**	**427,033**	**427,033**
Insurance premium revenue and contributions received	**3,038**	**335,327**	**338,365**
Investment loss	**8,712**	**1,395**	**10,107**
Claims expense and investment contracts payments	**–**	**164,613**	**164,613**
Other operating expense	**1,117**	**133,158**	**134,275**
(Loss)/profit before tax	**1,500**	**(12,825)**	**(11,325)**
(Loss)/profit after tax	**(145)**	**(7,308)**	**(7,453)**
2021			
Investment assets	111,153	182,925	294,078
Other (liabilities)/assets	(29)	70,906	70,877
Policy liabilities/(assets)	111,125	(204,393)	(93,268)
Liabilities other than policy liabilities	–	123,223	123,223
Shareholders' retained earnings	–	335,000	335,000
Insurance premium revenue and contributions received	3,747	278,606	282,353
Investment income	12,260	5,688	17,948
Claims expense and investment contracts payments	17,884	130,786	148,670
Other operating expense	1,182	120,737	121,919
(Loss)/profit before tax	1,845	1,660	3,505
Profit after tax	181	6,717	6,898

Fidelity Insurance Limited operates only the non-investment linked business, therefore no disaggregation is presented.

25. Risk management

Risk management framework

Consistent with the change of control application submitted to the Reserve Bank of New Zealand, following completion of the acquisition of FIL each entity retained their respective governance and risk management frameworks.

The Boards of each entity have responsibility for the establishment and oversight of their respective risk frameworks. They also have the responsibility for approving the risk appetite of the entities and risk related policies.

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

Each entity has a formalised risk management programme which is supported by the following components:

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

(ii) The risk management frameworks detail how each entity ensures that effective risk management is real and reflected in the operational activities of the entities. The risk management frameworks consider risks at a strategic and operational level. The framework follows the principles of AS/NZ ISO 31000 Risk Management Principles and Guidelines. The risk management programme of work is regularly reviewed to ensure it continues to effectively manage the risks and obligations of each entity.

(iii) 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.

(iv) The Enterprise Risk registers and Risk Appetite Statements allow the Executive Risk Management Committees to critically evaluate if the risk management process is effectively identifying and addressing exposures. The risk registers evolve as risks and incidents are identified, monitored and treated. The identified risks and incidents are recorded for transparency and accountability with second line assurance provided by the Risk and Compliance function.

(v) Risk appetite statements are reviewed annually by the respective Boards. The risk appetite statements are used as a guide to the level of risk each entity is prepared to accept.

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

25. Risk management (continued)

Risk management framework (continued)

(vi) An internal audit function whose purpose is to provide independent and objective assurance on the adequacy and effectiveness of controls has been set up by the Group. This is presently an outsourced function provided by KPMG for each entity. The internal audit function follows an agreed program of work which is reviewed at least annually by the respective Audit and Risk Committees to ensure appropriate subjects for audit are identified and agreed.

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

The Group's business lines are exposed to balance sheet and profit or loss risk associated with movements in financial instruments and other assets, as well as the movement in the net present value of future projected income and liability cash flows. The purpose of each ALCO is to construct portfolios of financial assets that maximise expected returns subject to the risk appetite and constraints established by the Board. The ALCO's are empowered to investigate any sources of actual or potential change in those values and the key measures of financial condition, including balance sheet strength and liquidity, regulatory solvency levels, profitability, changes in the values of different classes of liability, and the performance of investment assets. The ALCO's are responsible for reviewing investment policy and submitting any recommendations for change to the Board for approval, including liability hedging and currency hedging strategies.

Through the peak of the COVID-19 pandemic, the Group continued to maintain customer service levels with a strong focus on the health and safety and wellbeing of employees. Business Continuity Plans were implemented as and when required to ensure the Group maintained business continuity throughout the period.

The Group's activities expose it to market risk, insurance risk, liquidity risk and credit risk:

A. Market risk

Market risk is the risk of losses arising from adverse movements in market prices or rates (including currency, interest rate, equity price and property).

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

a) Currency risk

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

Foreign currency risk arises as the Group has invested in international shares and international bonds which are denominated in foreign currencies. As at 30 June 2022 foreign currency denominated assets amounted to 5% (2021: 3.1%) of total assets. The market value of these assets is therefore affected by movements in the New Zealand dollar relative to the currency in which the asset is denominated.

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

b) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

The risk is managed by ensuring a diverse range of investments, limits on counterparty exposure and restrictions on types of instruments.

The Group derives fee income based on the value of the underlying funds; hence revenues are sensitive to changes in market value. For assets which are not contractually linked to policy liabilities and assets, the Group is exposed to equity price risk.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to:

Fair value interest rate risk

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

Cash flow interest rate risk

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

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

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

25. Risk management (continued)

A. Market risk (continued)

Sensitivity to market risk

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

Market Risks

		2022		2021	
		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%	**206**	**206**	175	175
	Decrease by 10%	**(169)**	**(169)**	(143)	(143)
Equity prices	Increase by 10%	**850**	**850**	854	854
	Decrease by 10%	**(850)**	**(850)**	(854)	(854)
Interest rates	Increase by 1%	**(1,494)**	**(1,494)**	(1,071)	(1,071)
	Decrease by 1%	**1,494**	**1,494**	1,071	1,071

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

B. Insurance Risk

Insurance risk is risk, other than financial risk, that is transferred from the holder of an insurance contract to the insurer. Insurance risk manifests as the inherent uncertainty as to the volume, value and timing of insurance liabilities.

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

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

Controls implemented to manage insurance risk include:

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

Concentration of insurance risk

The Group is not exposed to any significant concentration risk as it is mitigated by:

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

Notes to the consolidated financial statements (continued).

For the year ended 30 June 2022.

25. Risk management (continued)

B. Insurance Risk (continued)

Terms and conditions of insurance contracts

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

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

Sensitivity analysis

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

		2022 $'000	2021 $'000
		Impact on post-tax profit	Impact on post-tax profit
Discount rate	Increase by 0.5% [1]	**(11,745)**	(5,188)
	Decrease by 0.5% [1]	**12,433**	5,266
Mortality / morbidity	Increase by 10%	**(139)**	63
	Decrease by 10%	**168**	(10)
Discontinuance	Increase by 10%	**(1)**	197
	Decrease by 10%	**(21)**	(299)
Expenses	Increase by 10%	**(1)**	(32)
	Decrease by 10%	**27**	32

[1] 0.25% was used in prior year.

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

C. Liquidity risk

Management of liquidity risk is designed to ensure that each entity has the ability to meet its financial obligations as they fall due.

Each entity is exposed to daily calls on its available cash resources from maturing policies, policy claims, surrenders and cashing in or switching between investment portfolios.

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

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

25. Risk management (continued)

C. Liquidity risk (continued)

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

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

Maturity analysis

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

2022	Less than 1 year $'000	Between 1 & 2 years $'000	Between 2 & 5 years $'000	Over 5 years $'000	Total $'000	Carrying amount $'000
Financial assets						
Cash and cash equivalents	254,518	–	–	–	254,518	254,518
Other financial assets at amortised cost	29,120	–	–	–	29,120	29,120
Assets arising from reinsurance contracts	29,202	–	–	–	29,202	29,202
Financial assets at fair value through profit or loss	286,712	–	–	–	286,712	286,712
Loans and other receivables	8,634	–	–	–	8,634	12,692
	608,186	–	–	–	608,186	612,244
Financial liabilities						
Payables and other liabilities	129,104	–	–	–	129,104	129,104
Lease liabilities	2,961	2,964	9,356	22,429	37,710	30,081
Derivative financial instruments	235	–	–	–	235	235
Life investment contracts	26,868	8,231	17,929	34,360	87,388	87,388
	159,168	11,195	27,285	56,789	254,437	246,808
Life insurance contract liabilities/(assets) net of reinsurance	596	600	1,656	2,857	5,709	(175,296)

2021	Less than 1 year $'000	Between 1 & 2 years $'000	Between 2 & 5 years $'000	Over 5 years $'000	Total $'000	Carrying amount $'000
Financial assets						
Cash and cash equivalents	184,484	–	–	–	184,484	184,484
Other financial assets at amortised cost	15,032	5,000	–	–	20,032	20,032
Assets arising from reinsurance contracts	25,472	–	–	–	25,472	25,472
Financial assets at fair value through profit or loss	138,774	–	–	–	138,774	138,774
Loans and other receivables	5,042	–	–	–	5,042	5,202
	368,804	5,000	–	–	373,804	373,964
Financial liabilities						
Payables and other liabilities	49,805	–	–	–	49,805	49,805
Lease liabilities	160	83	27	–	270	270
Derivative financial instruments	47	–	–	–	47	47
Life investment contracts	33,340	11,751	21,835	44,199	111,125	111,125
	83,352	11,834	21,862	44,199	161,247	161,247
Life insurance contract liabilities/(assets) net of reinsurance	770	584	1,626	2,913	5,893	(204,393)

D. Credit risk

Credit risk is the risk of loss arising from failure of a counterparty to meet its contractual obligations to either entity.

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

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

Notes to the consolidated financial statements (continued).

For the year ended 30 June 2022.

25. Risk management (continued)

D. Credit risk (continued)

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

2022	AAA+ to A- $'000	BBB+ to BBB- $'000	BB+ to B- $'000	Unrated $'000	Total $'000
Cash and cash equivalents	254,518	–	–	–	254,518
Other financial assets at amortised cost	29,120	–	–	–	29,120
Assets arising from reinsurance contracts	29,202	–	–	–	29,202
	312,840	–	–	–	312,840

2021	AAA+ to A- $'000	BBB+ to BBB- $'000	BB+ to B- $'000	Unrated $'000	Total $'000
Cash and cash equivalents	184,484	–	–	–	184,484
Other financial assets at amortised cost	20,032	–	–	–	20,032
Assets arising from reinsurance contracts	25,472	–	–	–	25,472
Loans and other receivables	–	–	–	833	833
	229,988	–	–	833	230,821

Included in the consolidated statement of financial position are unitised funds of $286,712,000 (2021: $138,774,000) which are unrated. Unitised products are invested within the guidelines of each entity's SIPO. The SIPO requires investments to be well diversified, and sets exposure limits for each class of asset and credit rating.

Concentration of credit risk

Concentration of credit risk exists if a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions.

The concentration of credit risk on financial assets is generally the carrying amount, net of any provision for impairment. The Group does not expect any investment or reinsurance counterparties to fail to meet their obligations given their high credit ratings.

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

26. Related parties

Subsidiaries

Fidelity Life Assurance Company Limited is the ultimate parent of the Group. The Company holds the following interests in subsidiaries:

Company	Nature of activities	Class of shares	Ownership 2022	Ownership 2021
Fidelity Insurance Limited	Provision of life insurance services	Ordinary	100%	0%
Fidelity Life Custodial Services Limited	Custodial / Trustee services	Ordinary	100%	100%
Fidelity Capital Guaranteed Bond Limited	Non-trading investment company	Ordinary	0%	100%
Life and Advisory Services Limited	Non-trading investment company	Ordinary	0%	100%

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.

	2022 $'000	2021 $'000
Short-term benefits	5,826	6,333
Total	5,826	6,333

b) Transactions with related parties

The following transactions occurred with related parties:

	2022 $'000	2021 $'000
Commission paid to related parties comprise:		
Shareholders as at 30 June who held agency agreements with the Group	2,746	5,373
Total	2,746	5,373

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

26. Related parties (continued)

Related party transactions (continued)

c) Outstanding balances

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

	2022 $'000	2021 $'000
Advisor accounts payable to shareholders	–	(17)
Total	–	(17)

d) 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.

27. Commitments

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:

	2022 $'000	2021 $'000
Property, plant and equipment	–	3,135
Intangible assets	9,391	1,951
	9,391	5,086

28. Events occurring after balance date

Intragroup Portfolio Transfer

In September 2022 the Group established a plan to transfer all assets and liabilities of Fidelity Insurance Limited, including all insurance portfolios, to Fidelity Life Assurance Company Limited ('Portfolio Transfer'). The provisional date for executing the Portfolio Transfer is 30 June 2023 and is subject to obtaining regulatory and other approvals, including approval from the RBNZ. Following the transfer, Fidelity Insurance Limited will no longer have continuing business operations and its insurance license with RBNZ will be terminated.

29. Earnings per share

Basic earnings per share

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

	2022 $'000	2021 $'000
Total (loss)/profit for the year attributable to the owners of the Company	(23,986)	4,329

	Shares	Shares
Weighted average number of ordinary shares on issue	2,900,674	2,091,440

	$	$
Basic earnings per share	(8.27)	2.07

Diluted earnings per share

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

Notes to the consolidated financial statements (continued).
For the year ended 30 June 2022.

30. Statutory Fund

Fidelity Life Assurance Company Limited and Fidelity Insurance Limited operate under IPSA which requires that their life businesses are conducted within at least one statutory fund.

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

The following table shows a summary of the balances of the FLAC's statutory fund, Fidelity Life Statutory Fund Number 1:

	2022 $'000	2021 $'000
Income statement		
Insurance premium revenue	288,024	278,606
Insurance premium ceded to reinsurers	(113,822)	(114,205)
Investment (loss)/income	(12,509)	17,948
Reinsurance commission income	40,000	–
Other (expense)/income	(32,573)	7,969
Claims expense	(142,863)	(130,786)
Reinsurance recoveries	87,116	79,794
Commission and operating expenses	(125,685)	(121,919)
Net change in life insurance contract assets	(2,069)	13,447
Net change in life investment contract liabilities	10,411	(12,350)
Income tax benefit/(expense)	2,104	(11,606)
(Loss)/profit for the period attributable to the owners of the Company (non-participating)	(1,866)	6,898
Assets		
Cash and cash equivalents	201,105	155,305
Other assets	29,120	20,032
Assets arising from reinsurance contracts	21,289	25,472
Financial assets at fair value through profit or loss	116,753	138,774
Life insurance contract assets	218,079	243,530
Loans and other receivables	12,276	6,619
Property, plant and equipment	5,415	2,837
Right-of-use assets	19,426	300
Income tax assets	1,535	1,995
Intangible assets	14,680	13,622
Total assets	639,678	608,486

	2022 $'000	2021 $'000
Liabilities		
Payables and other liabilities	107,644	46,233
Lease liabilities	30,081	270
Derivative financial instruments	235	47
Deferred tax liabilities	74,758	75,305
Life insurance contract assets ceded under reinsurance	15,755	39,137
Life investment contract liabilities	87,388	111,125
Deferred income	683	1,368
Total liabilities	316,544	273,485
Net assets	323,134	335,001
Equity		
Retained earnings	323,134	335,001
Total equity	323,134	335,001
Transfer of capital to/(from) Shareholder Fund	10,000	(5,500)

Notes to the consolidated financial statements (continued).

For the year ended 30 June 2022.

30. Statutory Fund (continue)

During the year no distributions were made from the FLAC Statutory Fund (2021: none).

The following table shows a summary of the balances of the Fidelity Insurance Limited's statutory fund, Statutory Fund No. 1 from the acquisition date to the end of the reporting period:

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

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

During the post-acquisition period $152.5m were distributed from the FIL Shareholder Fund.

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

Independent auditor's report.

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 2022, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 June 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Our firm carries out other services for the Group in the areas of assurance over custodial controls, solvency return and shareholder reporting as well as tax compliance services, tax advisory services, general training and workshop facilitation, and subsequent to 30 June 2022, directors' fee and executive remuneration benchmarking. In addition, our firm has insurance arrangements with the Group covering partners and employees within the firm. Those arrangements were contracted on normal terms within the ordinary course of trading activities of the Group. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. The provision of these other services and relationships have not impaired our independence as auditor of the Group.

Key audit 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.

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Description of the key audit matter	How our audit addressed the key audit matter
Acquisition of Westpac Life-NZ- Limited Refer to the following notes in the consolidated financial statements: Note 2 *Summary of significant accounting policies*, Note 16 *Business combination* and Note 18 *Intangible assets*. On 28 February 2022, the Group acquired Westpac Life-NZ- Limited, renamed as Fidelity Insurance Limited (FIL), for a total consideration of $417.6 million. The acquisition is accounted for as a business combination and resulted in a gain on bargain purchase of $0.8 million. A significant part of the acquisition accounting, and a critical accounting estimate and judgement, was the valuation of the fair value of the acquired contractual insurance rights and obligations as at the acquisition date. This valuation exceeded the carrying value acquired, and a value of business acquired (VOBA) intangible asset of $211.4 million was recognised. Management's experts were used to determine the valuation by applying actuarial appraisal valuation techniques to the contractual insurance rights and obligations acquired, as well as the associated reinsurance contracts. The value of in-force cash flows were then adjusted by management's experts to allow for what a typical market participant would likely take into account when valuing the business acquired. This included adjustment and/or allowance for the risk discount rate, expense synergies and integration costs. With the support of their experts, management concluded there were no other separately identifiable intangible assets arising requiring recognition on acquisition. The business combination is a key audit matter in the audit due to its significance to total assets and equity and the level of estimation and judgement used in determining the fair value of the net assets acquired.	Together with PwC actuarial experts, we have: ● Obtained an understanding of the acquisition transaction through reviewing the significant contracts involved in the acquisition, including the 15-year distribution agreement with Westpac Group and the new reinsurance treaty entered into by FIL; ● Taken into account the requirements of NZ IFRS 3 *Business Combinations* and NZ IFRS 4 *Insurance Contracts*, and: ○ Considered the methodology and assumptions employed and challenged management and their experts on the fair value measurement of the assets and liabilities acquired, with particular emphasis on the valuation and determination of VOBA; ○ Considered and challenged management as to whether any other separately identifiable intangible assets should be recognised; ○ Validated the acquisition date of the business acquisition; ○ Tested the consideration transferred; ○ Reperformed the calculation of gain on bargain purchase; ○ Assessed whether any contingent liabilities and contingent assets related to the business combination exist; ○ Tested the opening balance sheet of FIL; ● Assessed the tax treatment of the business combination; and ● Considered the appropriateness of the presentation and disclosure of the business combination in the financial statements.

Independent auditor's report (continued).

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Description of the key audit matter	How our audit addressed the key audit matter
Measurement of life insurance contract assets and life insurance contract assets ceded under reinsurance Refer to the following notes in the consolidated financial statements: Note 2 *Summary of significant accounting policies*, Note 3 *Actuarial methods and policies* and Note 20 *Life insurance contract liabilities and assets*. As at 30 June 2022, the Group has life insurance contract assets of $303.5 million (30 June 2021: $243.6 million) and life insurance contract assets ceded under reinsurance of $128.2 million (30 June 2021: $39.1 million). The valuation of these balances involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in material impact to the measurement of these balances. We considered this a key audit matter due to the subjective actuarial judgements made and the complexity of the actuarial calculations and models. The key actuarial assumptions include: • Long-term interest rates which affect the rate at which cash flows are discounted (discount rates) • The cost of providing benefits and administering these contracts (maintenance expenses) • Mortality and morbidity experience on life insurance products • Persistency (or discontinuance) experience, which affects the Group's ability to recover the cost of acquiring new business over the lives of the contracts • Bonus rates per annum for classes of participating business • Inflation and automatic indexation of benefits which affect contractual sum assured indexation and maintenance expenses. As disclosed in Note 2 *Summary of significant accounting policies* and Note 5 *Revenue*, a number of significant	Together with PwC actuarial experts, we have: • Assessed the reasonableness of the key actuarial assumptions including the discount rates, maintenance expenses, mortality rates, morbidity rates, rates of discontinuance, bonus rates, inflation and automatic indexation of benefits. Our assessment of the assumptions included: – Obtaining an understanding of, and testing on a sample basis, the Group's processes and controls in place to determine the assumptions – Examining the approach used by management to derive the assumptions by applying our industry knowledge and experience – Challenging the key assumptions used by management against past experience, market observable data (as applicable) and our experience of market practice • Assessed the reasonableness of the analysis of profit to consider whether assumption changes are consistent with the experience and whether the movement in life insurance contract assets and associated reinsurance liabilities from the prior reporting period have been adequately explained • Assessed the valuation models and methodologies used by applying our industry knowledge and experience to compare whether the models and methodologies and changes to those are consistent with recognised actuarial practices and expectations derived from market experience • Tested, on a sample basis, the underlying calculations in certain valuation models • Assessed the outcome of the liability adequacy test in order to ascertain whether the insurance contract balances are adequate in the context of a valuation based on best estimate assumptions at the reporting date. Policy data is a key input to the actuarial estimates. Accordingly, we: • Evaluated the design effectiveness and tested the operating effectiveness of certain controls over underwriting and policy administration processes • Tested, on a sample basis, the completeness and accuracy of data between source and actuarial valuation systems. For the significant reinsurance transactions which happened during the year, in conjunction with PwC accounting technical and actuarial experts, we

Description of the key audit matter	How our audit addressed the key audit matter
reinsurance transactions occurred during the year, including the recapture of an existing reinsurance arrangement and the entering into of new arrangements across the Group post the acquisition of FIL. The Directors and management have received expert accounting advice and exercised judgment in relation to the accounting policies applied to account for elements of these transactions. Applying the Group's policies, the recapture and new arrangements result in a nil net impact on the profit or loss at the time they were initiated.	assessed the accounting treatment adopted by the Directors and management along with the related disclosures in the financial statements.
Recoverability of deferred tax asset arising from unused tax losses Refer to the following notes in the Group's consolidated financial statements: Note 2 *Summary of significant accounting policies* and Note 9 *Taxation*. As at 30 June 2022, the Group has net deferred tax liabilities of $161.1 million (30 June 2021: $73.7 million), of which $28.4 million relates to deferred tax assets arising from past unused tax losses (30 June 2021: $16.9 million). We considered recoverability of the deferred tax asset a key audit matter because: • Significant management judgement is involved in forecasting future taxable profits and the period over which it is probable such losses will be utilised • The utilisation of tax losses is subject to the business continuity test being satisfied for a minimum of five years following any breach of the shareholder continuity requirements.	Together with PwC actuarial experts and tax specialists, we performed the following procedures to assess the recoverability of the deferred tax asset arising from unused tax losses: • Assessed the reasonableness of the forecasted future taxable profits by comparing prior year actual results with the forecasted financial results • Considered forecasted taxable profits arising from the forecasted financial results and the period over which it is probable that sufficient taxable profits will be generated to utilise the tax losses • Considered whether the five year business continuity test is met such that tax losses can be utilised if shareholder continuity is breached.

Independent auditor's report (continued).

Our audit approach

Overview

Overall group materiality: $3.3 million, which represents approximately 1% of insurance premium revenue.

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

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

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

- Acquisition of Westpac Life-NZ- Limited
- Measurement of life insurance contract assets and life insurance contract assets ceded under reinsurance
- Recoverability of deferred tax asset arising from unused tax losses.

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

Materiality

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

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

How we tailored our group audit scope

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

Other information

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

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

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

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

Responsibilities of the Directors for the consolidated financial statements

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

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

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

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

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

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

This description forms part of our auditor's report.

Independent auditor's report (continued).

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
29 September 2022

Auckland

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

To the Board of Directors of Fidelity Life Assurance Company Limited ("FLAC").

Background

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

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

The report provides information to the Board and management of FLAC regarding a review of the FLAC entity's actuarial information (Section 77 of IPSA) contained in the 30 June 2022 FLAC consolidated financial statements and provides an opinion as to its appropriateness.

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

Appointed Actuary's Responsibility

My responsibility is to review the actuarial information in, or used in the preparation of FLAC's financial statements. The financial statements comprise the statements of financial position as at 30 June 2022, the statements of comprehensive income, changes in equity and cash flows for the year, and a summary of significant accounting policies and other explanatory information.

My review involves:

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

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

The FLAC financial statements are presented on a consolidated basis, including both FLAC and Fidelity Insurance Limited ("FIL") results. I have used the solvency information and other actuarial information pertaining to FIL, as prepared by FIL and documented in the FIL S78 certificate. This was prepared by the FIL Appointed Actuary (Lee-Ann du Toit) and is contained within the FIL financial statements. I have reviewed the information being consolidated and discussed this with the FIL AA and FIL management and am comfortable that it is appropriate for the purpose of consolidation into FLAC's financial statements and solvency certificate.

Opinion

In my opinion, and from an actuarial perspective:

- The actuarial information contained in FLAC's financial statements has been appropriately included;
- The actuarial information contained in FLAC's financial statement has been used appropriately;
- FLAC maintains a solvency margin in accordance with the Solvency Standard for Life Insurance Business 2014 for the purposes of section 21(2)(b) of IPSA as at 30 June 2022; and
- FLAC maintains, in respect of its Statutory Fund and Shareholder Fund a solvency margin in accordance with the Solvency Standard for Life Insurance Business 2014 for the purposes of section 21(2)(c) of IPSA as at 30 June 2022.

C Marston-Fergusson

Chris Marston-Fergusson

Appointed Actuary
29 September 2022

Made in New Zealand.

Fidelity Life

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Te Henga
Tāmaki Makaurau
Aotearoa New Zealand

Why choose Fidelity Life?

- Est. in NZ 1973
- 93% of claims paid out 1/7/21 – 30/6/22
- NZ based customer service
- Over $1.4B paid out in claims since 1973
- Rated A- (Excellent) for financial strength*
- Here for the good of NZ

*Fidelity Life has an A- (Excellent) financial strength rating from A.M. Best. The rating scale that this rating forms part of is available for inspection at our offices. For more information please visit Fidelity Life's financial strength page.