The Hollard Insurance Company Pty Ltd

ABN 78 090 584 473

Annual Financial Report

For the year ended

30 June 2024

Contents

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2024

Directors

The directors present their report together with the financial report of The Hollard Insurance Company Pty Ltd (the Company) for the year ended 30 June 2024 and the auditor's report thereon.

The Hollard Insurance Company Pty Ltd is incorporated in Australia.

The directors of the Company during or since the end of the financial year are:

Karl Armstrong	Independent Non-executive Director
Kate Burleigh	Independent Non-executive Director, Appointed: 1 October 2023
Richard Deutsch*	Independent Non-executive Director, Appointed: 1 July 2024
Gary Dransfield	Independent Non-executive Director & Chair
Richard Enthoven	Non-executive Director
Jane Tongs	Independent Non-executive Director, Resigned: 30 June 2024
Noeline Woof	Independent Non-executive Director

*Richard Deutsch was a Partner at Deloitte Touche Tohmatsu from February 2015 to April 2021. During this period, Deloitte Touche Tohmatsu was the Appointed External Auditor of the Company.

The other officers of the Company during or since the end of the financial year are:

David Cantrick-Brooks	Company Secretary, Resigned: 23 September 2023
Surangika Gunasekara	Company Secretary, Appointed: 22 August 2023
Jenny O'Neill	Company Secretary, Resigned: 5 January 2024
Tamara Vella	Company Secretary

The above-named directors and officers held office during the whole of the financial year and since the end of the financial year except as noted above.

Principal activities

The principal activities of the Company during the course of the financial year were the underwriting and sale of general insurance policies and the investment of shareholder and insurance funds in liquid assets and strategic investments in underwriting, insurance related and technology businesses. The Company is a licenced insurer in Australia regulated by the Australian Prudential Regulation Authority (APRA) and in New Zealand by the Reserve Bank of New Zealand (RBNZ).

The Company offers predominantly short tail general insurance products across Australia and New Zealand through both direct and intermediated channels. Outwards reinsurance is a key part of the Company's business strategy. Outwards reinsurance protections include proportional or quota share arrangements, catastrophe covers and other excess of loss programmes.

The Company is wholly owned by Hollard Holdings Australia Pty Ltd (incorporated in Australia (HHA)) and its ultimate parent company is IVM Intersurer B.V. (incorporated in the Netherlands).

There were no significant changes in the nature of activities of the Company during the financial year.

Review and results of operations

The Company and its related parties, underwrite a full range of general insurance products, including motor, home, contents, commercial and pet; both directly and through several key partnerships in Australia and New Zealand.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2024

During the year the Company operated in four key areas:

Personal Lines. Personal Lines products are distributed through three main distribution channels: direct to market, through selected insurance agencies and via a broker network. The Company is the underwriter for all white label and agency arrangements and pays commission based on premium revenue and other volume related drivers. Personal Lines products include home, contents, landlord and motor. All distribution and administration are performed by the Company, or its Partners, for the direct to market and broker channel whereas the agencies perform these functions independently.

Commercial Lines. Commercial Lines products are distributed primarily through its controlled subsidiary, Hollard Commercial Insurance Pty Ltd (HCi). HCi specialises in business insurance products designed to protect everyday risks for Small to Medium Australian businesses via insurance intermediaries. The Company is the underwriter, and the subsidiary distributes and administers the insurance business on behalf of the Company (including via the intermediaries in accordance with intermediary agreements). Intermediaries are remunerated via commission.

Pet Insurance. Pet Insurance distributes insurance products for dogs and cats to their pet owners through PetSure (Australia) Pty Ltd, via multiple distribution partners. The Company pays a commission based on premium revenue to the brand distribution partners in return for marketing and distribution services and a commission based on underwriting performance to PetSure (Australia) Pty Ltd in return for underwriting and administration. The Company has an 18.2% interest in PetSure (Australia) Pty Ltd. PetSure (Australia) Pty Ltd obtained a general insurance licence on 15 March 2023. Starting from that date, and in accordance with a phased approach by distribution partner, new pet insurance policies will be underwritten by PetSure (Australia) Pty Ltd insurance, while renewal business will continue to be underwritten under the Company insurance licence.

New Zealand. The Company underwrites general insurance products in New Zealand via a permanently established New Zealand branch of The Hollard Insurance Company Pty Ltd. The Company distributes general insurance products through New Zealand based underwriting agencies. The key New Zealand agency is Ando Insurance Group Ltd in which the Company has a 39.65% interest. The Company pays a commission based on premium revenue to the New Zealand agencies in return for marketing, distribution and administration services.

Strategy

The Company is undertaking a significant strategic transformation journey, consolidating core systems onto best-in-class policy, claims, and data platforms to drive better customer outcomes and improve efficiency through process simplification and product innovation.

The Company focus over the next few years will shift from implementing these technology platforms towards leveraging the scale and efficiency opportunities they provide and building impactful insurance innovation for its customers, partners, and communities. Externally, the impact of increasing frequency of natural perils, continued claims inflation and heightened regulatory focus will remain challenging for the Company and the wider insurance industry.

Environmental, Social and Governance Risks

For the Financial Year ended 30 June 2024, the HHA Group (the Group) developed a revised sustainability strategy (known as the “Shared Value Strategy & Roadmap”), through the support and guidance of its shareholders with their already well-established Yellowwood Pride Framework. This revision will supersede the “Hollard Environmental, Social and Governance Sustainability (ESG) Roadmap 2023 to 2026".

Shared Value is a way to think about how the Company can do well by doing good, how it becomes a catalyst for enduring, positive, social change whilst running a sustainable and profitable business by looking at how it make decisions and how it thinks about its role not just in the economy but the wider global community. The Company's approved Shared Value Strategy & Roadmap requires it to identify and understand sustainability risks and opportunities (including environmental, social and governance) to reduce the accessibility and affordability pressures of insurance for our most vulnerable communities.

Over the next 3 years, the Company will be focusing on:

- Ensuring the effects of climate change are routinely considered in all of its business, investment, and underwriting decisions.
- Delivering product innovation to support insurance accessibility & affordability in Australia.
- Incentivising and rewarding customers who take steps to mitigate the effects of climate change.
- Creating employment opportunities for Australian and South African youth.

In line with the Company's Shared Value Strategy & Roadmap, ESG initiatives and the inherent strategic risks and opportunities they afford are considered and controlled through multiple frameworks, policies, and processes across the business.

Environmental Risk: Over FY24 the Company's has had representations at Insurance Council of Australia (ICA) Climate Resilience and Mitigation Committee, and Net Zero Working Group (NZWG) ensuring it continues to align its sustainability initiatives to the industry body and contributes to collaboration on climate change issues in a consistent approach. The Company plans to update its investment and capital strategy in line with the sustainability strategy and drive the development of key metrics and targets to measure success in the next financial year, in line with the ICA's Climate Change Roadmap.

The Company is taking part in The Insurance Climate Vulnerability Assessment (CVA) led by APRA on behalf of the Council of Financial Regulators (CFR) in collaboration with other insurers and with the ICA. It aims to provide insight into where and how insurance affordability may change in Australia between now and 2050, so that potential future changes in affordability due to climate change and its impact on the broader financial system can be understood with insights used to inform CFR, government agencies and communities.

The Company is launching its inaugural Climate-Related Disclosure (CRD) Report for its New Zealand operations in the first half of FY25 which it has developed with the support of independent technical guidance from an external climate advisory team.

Finally, the Company's addition to the Hazard Insurance Partnership between the government and industry has provided a new platform for its voice during increased focus on climate risk impacts on insurance affordability and accessibility further supporting progress towards its goal to reduce the accessibility and affordability pressures of insurance for our most vulnerable communities.

Social Risk: The Group is a proud signatory to the 'Yellowwoods Pride Framework' by which its shareholders seek to ensure it operates as a 'Positive Business' (seeking to do well by doing good in the world). Through this framework, the Group has developed its approved Shared Value Strategy & Roadmap which requires it to identify and understand sustainability risks and opportunities (including environmental, social and governance) to reduce the accessibility and affordability pressures of insurance for our most vulnerable communities.

The Company continues to participate in industry leading conversations on topics such as gender equality, domestic family violence and the redress of workplace sexual harassment by virtue of its founding membership in the Champions of Change Coalition (CCC) - Insurance Chapter. Through its CCC membership and ICA presence, the Company has now joined over 20 other Australian business and taken the pledge to Respect & Protect those impacted by domestic family violence through financial abuse. Over the next few years, the Company will review the design of its products and services and will also review training and processes in place to support front-line teams to both recognise and respond to potential situations of financial abuse.

The Company is continuing to promote social community-based initiatives as follows:

- partnering with Our Big Kitchen, a community run, non-denominational, industrial kitchen where meals are prepared for distribution to people in need across Sydney;
- partnering with the Create Foundation, who support out of home youths from birth to 21, in paid internships for first nations people in NT, QLD and SA to bridge the gap in skills and capability to support them in securing their first employment; and
- exploring Social Diversity in its Supply Chain - supporting apprenticeships across our strategic builders encouraging diversity and new skills into the industry, with focus on females, first nations people, and other underrepresented people.

The Company has also joined with the ICA board and endorsed the ICA Talent Roadmap in June 2024. The key objective of this work is prioritising and actively focusing on talent and fostering diversity, equity, and inclusion within the General Insurance Industry in Australia to create an environment where people from diverse backgrounds are attracted and feel valued, respected, and included. The Company will focus its efforts on where we can have the greatest impact.

The Company has driven industry leading policies and practices to support gender diversity and is now reviewing its future Diversity, Equity & Inclusion (DEI) strategy to develop and embed its aspirations in support of equal opportunities for First Nations Peoples. The Company makes available a free and confidential Employee Assistance Provider (EAP) to all staff and customers (as well as close family members of staff and customers).

Governance Risk: The Company builds trust and transparency through a clear and robust governance structure. Governance at the Company speaks to its internal policies and procedures created to make effective decisions. Governance risks, including management structure, Board diversity, employee relations, conflicts of interest, whistleblower, data security, and tax compliance are controlled by various Board-approved committee and management policies and related frameworks and response plans. The Board of the Company monitors its corporate strategic initiatives including its sustainability Shared Value Strategy & Roadmap developed by executive management and any material changes to business activities outside of business plans and budgets including proposals to enter into new markets and new strategic opportunities.

Work continues as part of the upcoming requirements of APRA Prudential Standard for Remuneration (CPS 511 and FAR) to ensure fair, transparent and fit for purpose remuneration practices.

Annual employee compliance training is undertaken to ensure a comprehensive understanding of the Company's core policies, procedures and processes.

Recognition

During the year, the Company was again recognised as a finalist for ANZIIF's 2023 Excellence in Workplace Diversity and Inclusion for the third year in a row. It was also recognised by the *Australian Fathering Awards and won Australia's Best Workplace for Fathers 2023*.

Financial Performance

The Company operating result for the year is $2,308 million Insurance revenue (2023: $1,939 million), and a profit after tax of $27 million (2023: $24 million profit after tax).

Total assets increased by $244 million or 16% to $1,805 million mainly driven by an increase in current assets in line with business growth and intangible assets. Total liabilities increased by $217 million or 21% to $1,234 million reflecting business growth, increased insurance contract liabilities and the issue of tier 2 capital of $135 million. Total net assets increased by $27 million to $572 million reflecting the result for the year.

Financial performance during the year reflects:

- Gross Written Premium (GWP), recognised in insurance revenue, increased by 11% for the year to $2,430 million (2023: $2,186 million) mainly driven by growth in New Zealand Agencies (19%) and Direct portfolios (15%);
- Deterioration in underlying loss ratios, excluding impacts from Catastrophe and weather events, due predominantly to higher average claim sizes;
- Capitalised costs and work-in-progress projects incurred for strategic and regulatory projects resulting in further cost of $47 million; and
- Increase in investment income by 67% mainly driven by higher interest rates and unrealised gains resulting from improved performance and fair value uplift in underlying Strategic investments.

Capital

The Company's capital management strategy is founded on ensuring that there are sufficient capital resources (both economic and regulatory) to maintain and grow business in accordance with risk appetite. The Company's Internal Capital Adequacy Assessment Process (ICAAP) provides the framework to ensure that the Company is sufficiently capitalised to meet future requirements.

The Company's regulatory capital base at 30 June 2024 comprised Common Equity Tier 1 (CET1) of $425 million and Tier 2 Capital of $135 million with the regulatory Capital Adequacy Multiple (CAM) of 1.60 at the close of the financial year.

Investment Activities

The Company has continued to adopt a conservative investment strategy throughout the year with predominate exposure to cash, through operating holdings, term or notice deposits, with remaining exposure to fixed interest (Government & Corporate bonds), managed by a specialised external fixed interest asset manager and held with an independent custodian.

The investment objectives remain focused on investment grade investments, high liquidity to support insurance activities and appropriate yield to meet the benchmark range of a rolling 5-year CPI +0% to 0.5%.

In addition, in line with its strategic partnership model, the Company has strategic debt of $8 million (2023: $4 million) and equity investments of $52 million (2023: $50 million). This is mainly comprised of longer-term investments in unlisted insurance agencies and other companies involved in insurance related businesses. During the year the Company sold a 50% equity interest in Insuret Pty Ltd (Insuret) for $13 million representing an enterprise value of $26 million, the Share Sale and Purchase Agreement were executed on 29 September 2023.

Reinsurance

As part of its reinsurance management strategy, during the financial year the Company pro-actively worked to review and renew the components of its reinsurance programme that were expiring. At 30 June 2024, the Company successfully implemented the revised programmes. The Whole of Account Quota Share placement continued into its second year, and the combined Per Risk and Event programmes covering the Company were renewed within minimal structure changes, at generally more favourable terms than the prior year.

Rating

On 12 August 2024, S&P Global Ratings (S&P) affirmed its 'BBB+' long-term issuer credit rating on HHA. At the same time, S&P affirmed the 'A' long-term financial strength and long-term issuer credit ratings for the Company. The outlook on the ratings is stable.

Regulatory

During the financial year, the Company has systematically actioned a work plan to ensure readiness for changes to laws affecting insurers and responded to regulatory requests. These included:

Remuneration: APRA CPS 511 Remuneration commenced on 1 January 2024 to ensure remuneration elements were maintained to incentivise individuals to manage risks prudently. A project was established in mid-2023 with elements delivered in 2024 overseen by centralised project management resources.

Financial Reporting: APRA updated its prudential capital and reporting framework as a result of Australia implementing the International Financial Reporting Standard (IFRS) 17. AASB 17 Insurance Contracts (AASB 17) establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. The Company has delivered a compliant solution under the new standard.

Reinsurance Management: APRA's revised Prudential Standard GPS 230 Reinsurance Management commenced for reinsurance contracts on 1 July 2023 with stricter compliance for 1 July 2024. Changes reflected the introduction of AASB 17; it requires insurers to document the analysis supporting the adequacy of the reinsurance arrangements, the rationale for any deviations from market practice, and any management actions that have been taken to mitigate any risks associated with the reinsurance arrangements.

Financial Resilience: APRA's Prudential Standard CPS 190, Recovery and Exit Planning, commenced on 1 January 2024. The objective is to ensure that all APRA-regulated entities are adequately prepared for scenarios that may impact the financial viability of their business. CPS 190 introduced requirements to develop contingency plans to respond to financial stress by either recovering their financial resilience or exiting APRA-regulated activities in an orderly manner. To comply, the Company finalised and approved an updated Recovery and Exit Plan.

Parliamentary Inquiry: The Standing Committee on Economics initiated a comprehensive Parliamentary Inquiry into the responses of insurers to the major floods of 2022. This Inquiry, involved collecting written submissions, conducting public hearings, and community outreach to understand the adequacy of insurers' responses and identify areas for improvement. The Company executives appeared before the Inquiry; and The Company provided independent submissions. The Company continues to prepare for the Committee's final recommendations by reviewing potential outcomes to enhance compliance readiness, customer service, and market position. The Company and industry have also reviewed progress against recommendations from the 2023 Deloitte report: The new benchmark for catastrophe preparedness in Australia and ASIC Report 768: Navigating the storm: ASIC's review of home insurance claims (ASIC REP 768), which have been a key focus of the Committee.

ASIC Review of Internal Dispute Resolution (IDR): In January 2024 the Company was chosen to participate in ASIC's project focusing on compliance with specific enforceable paragraphs in Regulatory Guide 271 Internal Dispute Resolution. The request was both for IDR data and internal processes and staff numbers. A report similar to ASIC REP 768: will be released in 2025 outlining how insurers are meeting their obligations and will highlight areas where improvements can be made.

ASIC Pricing Review Update: The Company continues to respond to the ASIC Pricing Review which commenced in October 2021 to review pricing systems and controls to prevent consumer harm, and to find, fix, to repay the difference between the pricing promise and the price delivered to the customer Several breaches have been reported to ASIC in the find phase for which a separate provision has been recognised in the financial statements. The Company commenced remediating customers in the first quarter of Financial Year 2024 and is on track to complete the remediation in line with ASIC expectations by the end of Financial Year 2025.

Code Governance Committee (CGC) Thematic Inquiry into Making Better Claims Decisions: The Company was selected as one of the six large insurers required to participate in CGC's Thematic Inquiry into Making Better Claims Decisions in November 2023. This review was to determine if insurers are sufficiently utilising complaints outcomes of overturned claim decline decisions. CGC expects insurers to identify insights from complaints data to improve business processes, practices and products to enhance compliance with the General Insurance Code of Practice. CGC's report of the Thematic Inquiry was released in July 2024, containing aggregated findings and recommendations for the industry.

Significant changes in the State of Affairs

The continued economic pressure and impact of the climate related events has had a range of impacts on the Company's business and financial performance during the year.

Environmental reporting

The Company's operations are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

Dividends

No dividends have been paid or proposed for the 2024 financial year.

Events Subsequent to Balance Date

No matters or circumstances have arisen since 30 June 2024 that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs for the Company.

Likely Developments

Information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2024

Corporate Address

The registered address and principal place of business of the Company is:

Level 5
100 Mount Street
North Sydney NSW 2060 Australia
Tel: (02) 9253 6600
Fax: (02) 9253 6699
www.hollard.com.au

Auditor's Independence

The auditor's independence declaration is set out on page 10 and forms part of the directors' report for the year ended 30 June 2024.

Indemnification of officers and auditors

During the financial year the Company paid an insurance premium in respect of a contract insuring the directors and other officers of the Company and all executive officers of the Company and of any related body corporate against a liability insured as such a director, officer or executive officer to the extent permitted by the Corporations Act 2001. Such insurance relates to any costs, including legal expenses incurred by directors or officers of the Company and of any related body corporate, in defending proceedings, whether civil or criminal, and other liabilities that may arise from their positions, with the exception of conduct involving any deliberately dishonest or fraudulent act or omission, a wilful breach of duty or improper use of information or position to gain a personal advantage, or any conduct of or contravention to which a prohibition in section 199B of the Corporations Act applies. The directors have not included details of the amount of the premiums paid in respect of the directors' and officers' liability insurance, or details of the premium paid in respect of former directors or individual officers of the Company, as such disclosure is prohibited under the terms of the contract.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

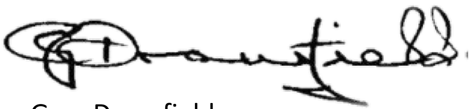
Directors' Report

FOR THE YEAR ENDED 30 JUNE 2024

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.



Gary Dransfield
Independent Non-executive Director & Chair

Richard Enthoven
Non-executive Director

Dated at Sydney 23 September 2024

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Quay Quarter Tower
50 Bridge Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

23 September 2024

The Board of Directors
The Hollard Insurance Company Pty Ltd
Level 5, 100 Mount Street
North Sydney, NSW, 2060

Dear Directors

Auditor's Independence Declaration to The Hollard Insurance Company Pty Ltd

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of The Hollard Insurance Company Pty Ltd.

As lead audit partner for the audit of the financial report of The Hollard Insurance Company Pty Ltd for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stuart, Alexander
Partner
Chartered Accountants

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2024 $000	Restated 2023 $000
Insurance revenue	2.1	2,308,338	1,938,599
Insurance service expense	2.1	(2,127,464)	(2,013,047)
Insurance service result before reinsurance contracts held		**180,874**	**(74,448)**
Allocation of reinsurance premiums	2.2	(546,272)	(284,408)
Amounts recoverable from reinsurers	2.2	376,020	404,134
Net income/(expense) from reinsurance contracts held		**(170,252)**	**119,726**
Insurance service result		**10,622**	**45,278**
Investment income	**3.1**	**73,957**	**44,204**
Insurance finance expenses from insurance contracts issued	2.1, 2.3	(14,018)	(5,829)
Reinsurance finance income from reinsurance contracts held	2.2, 2.3	6,941	2,943
Net insurance finance result		**(7,077)**	**(2,886)**
Net insurance and investment result		**77,502**	**86,596**
Other income		64	182
Other expenses	7.1	(38,742)	(56,522)
Finance costs	4.2a)	(10,294)	(234)
Profit before income tax		**28,530**	**30,022**
Income tax (expense)	6.1	(1,612)	(6,258)
Profit after income tax		**26,918**	**23,764**
Other comprehensive income			
Net movement in foreign currency translation reserve		(20)	575
Other comprehensive (loss)/income, after income tax		(20)	575
Total comprehensive income for the year, net of tax		**26,898**	**24,339**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

The Company has adopted AASB 17 *Insurance Contracts* from 1 July 2023 and has correspondingly restated the comparative period. The impacts of adoption of AASB 17 are detailed in Note 1.5.

Statement of Financial Position

AS AT 30 JUNE 2024

	Notes	2024 $000	Restated 2023 $000	Restated 1 July 2022 $000
ASSETS				
Cash and cash equivalents	3.2	213,315	191,450	367,871
Financial assets	3.3	977,597	694,334	508,262
Other receivables	7.6	44,338	13,434	55,053
Reinsurance contract assets	2.2	269,149	419,940	388,011
Strategic investments	3.4	144,881	136,782	119,095
Prepayments		2,664	2,456	1,324
Property, plant and equipment	7.2	5,686	3,301	1,813
Goodwill and intangible assets	7.3	92,166	49,801	17,983
Right-of-use assets	7.5	46,979	1,403	3,439
Deferred tax assets	6.2	52,800	41,055	27,882
Total assets		**1,849,575**	**1,553,956**	**1,490,733**
LIABILITIES				
Other payables	7.7	29,979	28,625	15,821
Insurance contract liabilities	2.1	1,003,822	926,970	930,070
Provisions		13,339	12,902	12,544
Lease liabilities	7.5	45,073	1,356	4,241
Deferred tax liabilities		50,785	39,424	28,996
Interest-bearing liabilities	4.2	135,000	-	-
Total liabilities		**1,277,998**	**1,009,277**	**991,672**
Net assets		**571,577**	**544,679**	**499,061**
EQUITY				
Contributed equity	4.1	421,659	421,659	361,659
Retained earnings		149,990	122,880	137,968
Other components of equity		(72)	140	(566)
Total equity		**571,577**	**544,679**	**499,061**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

The Company has adopted AASB 17 *Insurance Contracts* from 1 July 2023 and has correspondingly restated the comparative period. The impact of adoption of AASB 17 are detailed in Note 1.5.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2024

	Attributable to the shareholder			
	Contributed equity	**Retained earnings**	**Foreign currency translation reserve**	**Total equity**
2024	**$000**	**$000**	**$000**	**$000**
As at 1 July 2023	**421,659**	**122,880**	**140**	**544,679**
Profit for the period	-	26,918	-	26,918
Other comprehensive income	-	192	(212)	(20)
Total comprehensive income/(loss) after tax	-	27,110	(212)	26,898
At 30 June 2024	**421,659**	**149,990**	**(72)**	**571,577**

	Attributable to the shareholder			
	Contributed equity	**Retained earnings**	**Foreign currency translation reserve**	**Total equity**
2023	**$000**	**$000**	**$000**	**$000**
As at 1 July 2022, as previously reported	**361,659**	**133,021**	**(566)**	**494,114**
Impact of initial application of AASB 17, net of tax	-	4,947	-	4,947
Restated balance as at 1 July 2022	361,659	137,968	(566)	499,061
Profit for the period (restated)	-	23,764	-	23,764
Other comprehensive income	-	(131)	706	575
Total comprehensive income after tax (restated)	-	23,633	706	24,339
Transactions with owners in their capacity as owners:				
Issue of shares	60,000	-	-	60,000
Dividends	-	(38,721)	-	(38,721)
Restated balance at 30 June 2023	**421,659**	**122,880**	**140**	**544,679**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

The Company has adopted AASB 17 *Insurance Contracts* from 1 July 2023 and has correspondingly restated the comparative period. The impact of adoption of AASB 17 are detailed in Note 1.5.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2024 $000	Restated 2023 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Premiums received	2.1	2,338,976	1,903,632
Reinsurance held recoveries received	2.2	491,185	448,353
Reinsurance premiums paid	2.2	(503,705)	(357,750)
Claims and other expenses paid	2.1	(1,510,358)	(1,503,633)
Acquisition costs paid	2.1	(584,910)	(497,445)
Dividends received		2,336	1,624
Other income received		43	(13)
Other expenses paid		(91,748)	(16,866)
Income tax paid		(939)	(785)
Interest paid - lease liabilities		(2,098)	(70)
Net cash flows from/(used in) operating activities	**8.1a)**	**138,782**	**(22,953)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		48,506	19,564
(Payment) / receipt for term deposits and bonds		(276,508)	(179,197)
Purchase of intangible assets		(12,515)	(7,445)
Net proceeds from sale and purchase of strategic investments		11,970	(1,546)
Net proceeds from sale and purchase of property, plant and equipment		(3,338)	(2,219)
Loan repayments received		(3,709)	-
Net cash flows used in investing activities		**(235,594)**	**(170,843)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		-	60,001
Proceeds from borrowings		135,000	-
Finance costs paid		(7,705)	(153)
Dividends paid to equity holders		-	(38,721)
Payment of lease liabilities		(8,605)	(4,324)
Net cash flows from financing activities		**118,690**	**16,803**
Net increase/(decrease) in cash held		21,878	(176,993)
Net foreign exchange difference		(13)	572
Cash and cash equivalents at 1 July		191,450	367,871
Cash and cash equivalents at the end of the financial year	**3.2**	**213,315**	**191,450**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

The Company has adopted AASB 17 *Insurance Contracts* from 1 July 2023 and has correspondingly restated the comparative period. The impact of adoption of AASB 17 are detailed in Note 1.5.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2024

1. Overview

1.1. About The Hollard Insurance Company Pty Ltd

The Hollard Insurance Company Pty Ltd (the Company) is a for-profit company domiciled in Australia.

The principal activity of the Company during the course of the financial year was the underwriting and sale of general insurance policies and the investment of shareholders' and insurance funds. Underwriting of general insurance policies occurs in Australia as well as New Zealand, via a permanently established New Zealand branch of the Company.

There were no significant changes in the nature of activities of the Company during the year.

Hollard Holdings Australia Pty Ltd is the immediate parent entity of the Company and ultimate parent company is IVM Intersurer B.V. (incorporated in the Netherlands).

1.2. About these Financial Statements

The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and associated notes to the financial statements. Disclosures have been grouped into the following categories in order to assist users in their understanding of the financial statements:

1. **Overview** contains information that impacts the financial statements as a whole.
2. **Insurance activities** brings together results and statement of financial position disclosures relevant to the Company's insurance activities.
3. **Investment activities** includes results and statement of financial position disclosures relevant to the Company's investments.
4. **Capital structure** provides information about the debt and equity components as well as the capital management practices of the Company.
5. **Risk management** provides commentary on the Company's exposure to various risks, explaining the potential impact on the results and statement of financial position and how the Company manages these risks.
6. **Tax** includes disclosures relating to the Company's income tax balances.
7. **Other** includes statement of comprehensive income items such as expenses and statement of financial position items such as property, plant and equipment as well as goodwill and intangible assets.
8. **Additional disclosures** includes disclosures required to comply with Australian Accounting Standards.
9. **Events subsequent to balance date** includes report on events subsequent to balance date.

Where applicable within each note to the financial statements, disclosures are further analysed as follows:

- Overview provides some context to assist users in understanding the disclosures.
- Disclosures (both numbers and commentary) provides analysis of balances as required by Australian Accounting Standards.
- Recognition and measurement summarises the accounting policies relevant to an understanding of the numbers.
- Critical accounting judgements and estimates applied in determining the financial information, including sensitivity analysis where applicable.

Comparative information has been restated to align with changes in presentations made in the current year, where applicable.

1.3. Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) and Interpretations adopted by the Australian Accounting Standards Board (AASB), the Corporations Act 2001 and comply with other requirements of law. Compliance with AASB ensures that the financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board. The financial statements were authorised for issue by the directors on the 23 September 2024.

1.4. Basis of preparation

The financial report for the year ended 30 June 2024 has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

For the year ended 30 June 2024, the Company recorded a net profit after tax of $27 million (2023: net profit $24 million) and had net assets of $572 million (2023: $545 million). The Company had available $1,191 million (2023: $886 million) of cash and other assets to meet day to day obligations as they fall due. The Company's regulatory capital base at 30 June 2024 comprised CET1 of $426 million (2023: $429 million) and Tier 2 capital of $135 million (2003: nil) with the regulatory capital adequacy multiple at close of financial year of 1.60 (2023: 1.31).

The financial statements are prepared on the basis of historical costs except for financial assets and strategic investments that are stated at their fair value through profit or loss and insurance contract liabilities and reinsurance contract assets that are discounted to present value.

As permitted by AASB 10 *Consolidated Financial Statements*, these financial statements are not presented on a consolidated basis. The Company's immediate parent, Hollard Holdings Australia Pty Ltd (HHA), prepares consolidated financial statements in compliance with Australian Accounting Standards.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and financial statements have been rounded off to the nearest one thousand dollars unless otherwise stated.

The statement of financial position is prepared with the assets and liabilities presented broadly in order of liquidity. The assets and liabilities comprise both current amounts (expected to be recovered or settled within 12 months after the reporting date) and non-current amounts (expected to be recovered or settled more than 12 months after the reporting date).

Presentation and foreign currency

The financial statements are presented in Australian dollars, which is the presentation and functional currency of the Company. Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities (including insurance and reinsurance contract assets and liabilities) denominated in foreign currencies at reporting date are translated to Australian dollars using reporting date exchange rates. Resulting exchange differences are recognised in profit or loss.

The results and statement of financial position of foreign operations that have a functional currency different from the Company's presentation currency of Australian dollars are translated as follows:

- income, expenses and other current period movements in comprehensive income are translated using monthly average rates of exchange; and
- statement of financial position items are translated at the closing balance date rates of exchange.

The principal exchange rates used in the preparation of the financial statements were:

	2024		2023	
	Profit or loss	**Statement of financial position**	**Profit or loss**	**Statement of financial position**
AUD/NZD	**1.08**	**1.10**	**1.09**	**1.09**

1.5. New and amended standards and interpretations

In these financial statements, the Company has applied AASB 17 *Insurance Contracts* (AASB 17) for the first time. The Company has also changed its accounting policy to apply AASB 128 Investments in Associates and Joint Ventures (AASB 128) for the first time. The Consolidated Entity has early adopted AASB 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction. No other interpretation or amendment that has been issued but is not yet effective has been adopted by the Consolidated Entity. Refer to Note 8.6 for further information.

AASB 17 transitional impacts

The new accounting standard for AASB 17 which replaces AASB 4 *Insurance Contracts* and AASB 1023 *General Insurance Contracts* (AASB 1023) was adopted by the Australian Accounting Standards Board in July 2017 and became effective for annual periods beginning on or after 1 January 2023. The objective of AASB 17 is to establish globally consistent principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued and reinsurance contracts held. Whilst the new standard does not change the underlying economics or cashflows of the Company's insurance contracts it issues and reinsurance contracts it holds, it is expected to have impacts on the timing of emergence of profits.

The Company is required to first apply AASB 17 on 1 July 2023 (with a transition date of 1 July 2022). This set of financial statements has been prepared in compliance with the new accounting standard. The Company has applied the full retrospective approach and has restated the comparative period.

The adoption of AASB 17 did not change the classification of the Company's insurance contracts. However, AASB 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Under AASB 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the simplified approach, the premium allocation approach, which simplifies the measurement of insurance contracts in comparison with the general model.

The measurement principles of the premium allocation approach differ from the 'earned premium approach' used by the Company under AASB 1023 in the following key areas:

- Measurement of the liability for incurred claims, previously claims outstanding and incurred-but-not reported (IBNR) claims, continues to be determined on a discounted probability-weighted expected value basis. The liability for incurred claims includes an explicit risk adjustment for non-financial risk to reflect the compensation for bearing uncertainties about the amount and timing of cash flows. This is conceptually different to the AASB 1023 risk margin which reflected the inherent uncertainty in the central estimate of the present value of the expected future payments.
- The liability for remaining coverage, akin to unearned premium liabilities less deferred acquisition costs, reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.
- Measurement of the liability for remaining coverage involves recognition of a loss component when a group of contracts is onerous. Previously these may have formed part of the unexpired risk reserve provision after the deduction of any related deferred acquisition costs (Liability Adequacy Test (LAT) deficiency), which in comparison was recognised at a more aggregate level. The measurement of the loss component involves an explicit evaluation of risk adjustment for non-financial risk and includes an adjustment for the time value of money.
- Measurement of the asset for incurred claims continues to reflect the expected recovery of claims where contracts reinsure the underlying direct contracts.
- Measurement of the asset for remaining coverage, reflecting reinsurance premiums paid for reinsurance held, is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

The adoption of AASB 17 has resulted in reclassification of amounts in the Statement of Comprehensive Income and Statement of Financial Position, and an increase in net assets as at 1 July 2022 of $5 million. This amount was recognised as an adjustment to the opening balance of retained earnings as shown in the Statement of Changes in Equity. The opening net asset impact reflects the reversal of risk margin and application of the AASB 17 risk adjustment of $15 million, reversal of LAT deficit and application of onerous contracts of ($8 million) and deferred tax impact of ($2 million).

1.6. Critical accounting judgements and estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key sources of estimation uncertainty applied in the process of the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Critical accounting judgements and estimates	Notes
Valuation of insurance contracts issued and reinsurance contracts held	2.4
Valuation of loss components and recovery on loss components	2.4
Impairment assessment of controlled entities carried at cost	3.5
Determination of fair value of strategic investments	3.8
Recognised deferred income tax balances	6.2
Intangible assets initial measurement, impairment testing and useful life	7.3

2. Insurance activities

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts.

Insurance contract liabilities represent the rights and obligations arising from insurance and reinsurance contracts issued, and comprise of the liability for remaining coverage and the liability for incurred claims.

Reinsurance contract assets represent the rights and obligations arising from reinsurance contracts held, and comprise of the assets for remaining coverage and the assets for incurred claims.

Initial recognition

The Company recognises groups of insurance contracts it issues from the earliest of:

- the beginning of the coverage period for the group of contracts;
- the date when the first payment from a policyholder in the group of contracts is due; or
- for a group of onerous contracts, if facts and circumstances indicate that the group of contracts is onerous.

The Company recognises groups of reinsurance contracts held it has entered into from:

- Proportionate reinsurance contracts held - the later of the beginning of the coverage period of the reinsurance contracts or the underlying insurance contracts; or
- Non-proportionate reinsurance contracts held - the earlier of the beginning of the coverage period of the reinsurance contracts held or the period in which the underlying insurance contracts becomes onerous.

Level of aggregation

AASB 17 requires a company to determine the level of aggregation for applying its requirements. The Company previously applied aggregation levels under AASB 1023, which were higher than the level of aggregation required by AASB 17. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios.

Portfolios comprise groups of contracts with similar risks which are managed together. The portfolios are further divided by year or issue and profitability for recognition and measurement purposes. Hence within each year of issue, portfolios are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any);
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any); or
- A group of the remaining contracts in the portfolio (if any).

The Company divides portfolio of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition.

Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when the Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer has the practical ability to reassess the risk transferred to it and can set a price or level of benefits that fully reflect those reassessed risks; or has a substantive right to terminate the coverage.

Insurance and reinsurance contract assets and liabilities

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

Asset and liability for remaining coverage - excluding loss components

The premium allocation approach simplifies the measurement of insurance contracts in comparison with the general model in AASB 17.

The Company applies the premium allocation approach to all insurance contracts that it issues and reinsurance contracts that it holds on the following bases:

- The coverage period of each contract in the group is one year or less; or
- For contracts with a coverage period of more than one year, the Company reasonably expects that the measurement of the liability for remaining coverage will not differ materially from the measurement of the liability for remaining coverage applying the general model.

For groups of contracts that are not onerous at initial recognition, the Company measures the liability for remaining coverage as premiums received at initial recognition minus any insurance acquisition cash flows at that date. The Company capitalises insurance acquisition cash flows and allocates to groups of insurance contracts issued using a systematic and rational basis. There is no allowance for time value of money as the Company’s insurance contracts and reinsurance contracts held do not contain a significant financing component and the majority of contracts issued by the Company have a coverage period of 12 months or have premiums paid at the inception of the contract, hence the discounting effect on future premium receipts is immaterial and has not been recognised.

Subsequently, the Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period plus premiums received in the period, minus insurance acquisition cash flows and minus the amount recognised as insurance revenue for the services provided in the period.

Asset and liability for remaining coverage - loss components

Where, on initial recognition or during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in the Statement of Comprehensive Income for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. The fulfilment cash flows comprise an estimate of future cash flows, an adjustment to reflect the time value of money and a risk adjustment for non-financial risk. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

If a group of underlying insurance contracts is onerous, then the Company increases the asset for remaining coverage by the amount the Company expects to recover from the group of reinsurance contracts held. The loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Asset and liability for incurred claims

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for the time value of money and for non-financial risk (the risk adjustment). Refer to Note 2.4 for further information on the actuarial methods and assumptions.

The asset for incurred claims includes the effect of non-performance risk of the reinsurer, which considers the reinsurer’s credit rating. As the Company holds reinsurance contracts with reinsurers with A- or higher rating, the allowance for non-performance risk is immaterial and has not been recognised.

Derecognition and modification

The Company derecognises insurance contracts when the rights and obligations relating to the contracts are extinguished (i.e. discharged, cancelled or expired).

The Company also recognises a contract if the contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2024

2.1. Insurance Contract Liabilities

30 June 2024	**Liability/ (Asset) For Remaining Coverage**		**Liability/ (Asset) For Incurred Claims**		
	Excluding Loss Component $000	**Loss Component $000**	**Estimates of the Present Future Cash Flows $000**	**Risk Adjustment $000**	**Total $000**
Insurance contract liabilities	212,797	12,338	662,830	39,005	**926,970**
Insurance contract assets	-	-	-	-	**-**
Net insurance contract liabilities at 1 July 2023	**212,797**	**12,338**	**662,830**	**39,005**	**926,970**
Insurance revenue	(2,308,338)	-	-	-	**(2,308,338)**
Insurance service expense					
Incurred claims and other attributable expenses	-	(12,338)	1,506,189	22,973	**1,516,824**
Amortisation of insurance acquisition cash flows	586,552	-	-	-	**586,552**
Changes that relate to past service – prior accident years	-	-	23,038	(17,766)	**5,272**
Losses on onerous contracts and reversal of those losses	-	18,816	-	-	**18,816**
Total insurance service expense	**586,552**	**6,478**	**1,529,227**	**5,207**	**2,127,464**
Insurance service result	**(1,721,786)**	**6,478**	**1,529,227**	**5,207**	**(180,874)**
Insurance finance expenses from insurance contracts issued	-	-	14,018	-	**14,018**
Total changes in statement of comprehensive income	**(1,721,786)**	**6,478**	**1,543,245**	**5,207**	**(166,856)**
Cash flows					
Premium received	2,338,976	-	-	-	**2,338,976**
Claims and expenses paid	-	-	(1,510,358)	-	**(1,510,358)**
Acquisition costs paid	(584,910)	-	-	-	**(584,910)**
Total cashflows	**1,754,066**	**-**	**(1,510,358)**	**-**	**243,708**
Net insurance contract liabilities at 30 June 2024	**245,077**	**18,816**	**695,717**	**44,212**	**1,003,822**
Insurance contract liabilities	245,077	18,816	695,717	44,212	**1,003,822**
Insurance contract assets	-	-	-	-	**-**
Net insurance contract liabilities at 30 June 2024	**245,077**	**18,816**	**695,717**	**44,212**	**1,003,822**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2024

30 June 2023	Liability/ (Asset) For Remaining Coverage		Liability/ (Asset) For Incurred Claims		
	Excluding Loss Component $000	Loss Component $000	Estimates of the Present Future Cash Flows $000	Risk Adjustment $000	Total $000
Insurance contract liabilities	227,614	15,005	651,855	35,596	**930,070**
Insurance contract assets	-	-	-	-	**-**
Net insurance contract liabilities at 1 July 2022	**227,614**	**15,005**	**651,855**	**35,596**	**930,070**
Insurance revenue	(1,938,599)	-	-	-	**(1,938,599)**
Insurance service expense					
Incurred claims and other attributable expenses	-	12,338	1,525,309	24,842	**1,562,489**
Amortisation of insurance acquisition cash flows	517,595	-	-	-	**517,595**
Changes that relate to past service – prior accident years	-	-	(16,530)	(21,433)	**(37,963)**
Losses on onerous contracts and reversal of those losses	-	(15,005)	-	-	**(15,005)**
Total insurance service expense*	**517,595**	**(2,667)**	**1,508,779**	**3,409**	**2,027,116**
Insurance service result	**(1,421,004)**	**(2,667)**	**1,508,779**	**3,409**	**88,517**
Insurance finance expenses from insurance contracts issued	-	-	5,829	-	**5,829**
Total changes in statement of comprehensive income	**(1,421,004)**	**(2,667)**	**1,514,608**	**3,409**	**94,346**
Cash flows					
Premium received	1,903,632	-	-	-	**1,903,632**
Claims and expenses paid	-	-	(1,503,633)	-	**(1,503,633)**
Acquisition costs paid	(497,445)	-	-	-	**(497,445)**
Total cashflows	**1,406,187**	**-**	**(1,503,633)**	**-**	**(97,446)**
Net insurance contract liabilities at 30 June 2023	**212,797**	**12,338**	**662,830**	**39,005**	**926,970**
Insurance contract liabilities	212,797	12,338	662,830	39,005	**926,970**
Insurance contract assets	-	-	-	-	**-**
Net insurance contract liabilities at 30 June 2023	**212,797**	**12,338**	**662,830**	**39,005**	**926,970**

*Excludes $14 million of insurance service expense which represent movements in assets and liabilities that do not form part of insurance contract liabilities on the statement of financial position.

Recognition and Measurement

Insurance revenue

Insurance revenue is an allocation of total expected premium to each period of coverage on the basis of the passage of time.

Insurance service expense

Insurance service expense arising from insurance contracts are recognised in the Statement of Comprehensive Income generally as they are incurred and comprises of the following:

- Incurred claims and other insurance service expenses
- Amortisation of insurance acquisition cash flows - the Company amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts
- Losses on onerous contracts and reversals of such losses
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

2.2. Reinsurance Contract Assets

30 June 2024	Asset/ (Liability) For Remaining Coverage		Asset/(Liability) For Incurred Claims		
	Excluding Loss Recovery Component $000	Loss Recovery Component $000	Estimates of the Present Future Cash Flows $000	Risk Adjustment $000	Total $000
Reinsurance contract assets	-	-	554,837	21,110	**575,947**
Reinsurance contract liabilities	(165,854)	9,847	-	-	**(156,007)**
Net reinsurance contract (liabilities)/assets at 1 July 2023	**(165,854)**	**9,847**	**554,837**	**21,110**	**419,940**
Allocation of reinsurance premiums	(546,272)	-	-	-	**(546,272)**
Amounts recoverable from reinsurers for incurred claims					
Recovery of incurred claims and other expenses	-	(9,847)	177,380	8,027	**175,560**
Changes that relate to past service - prior accident years	-	-	202,094	(11,737)	**190,357**
Loss recovery on onerous underlying contracts and adjustments	-	10,103	-	-	**10,103**
Total amounts recoverable from reinsurers for incurred claims	**-**	**256**	**379,474**	**(3,710)**	**376,020**
Net income or expense from reinsurance contracts held	**(546,272)**	**256**	**379,474**	**(3,710)**	**(170,252)**
Reinsurance finance income from reinsurance contracts held	-	-	6,941	-	**6,941**
Total changes in statement of comprehensive income	**(546,272)**	**256**	**386,415**	**(3,710)**	**(163,311)**
Cash flows					
Reinsurance held premiums paid	503,705	-	-	-	**503,705**
Reinsurance held recoveries received	-	-	(491,185)	-	**(491,185)**
Total cashflows	**503,705**	**-**	**(491,185)**	**-**	**12,520**
Net reinsurance contract (liabilities)/assets at 30 June 2024	**(208,421)**	**10,103**	**450,067**	**17,400**	**269,149**
Reinsurance contract assets	-	-	450,067	17,400	**467,467**
Reinsurance contract liabilities	(208,421)	10,103	-	-	**(198,318)**
Net reinsurance contract (liabilities)/assets at 30 June 2024	**(208,421)**	**10,103**	**450,067**	**17,400**	**269,149**

30 June 2023	Asset/ (Liability) For Remaining Coverage		Asset/(Liability) For Incurred Claims		
	Excluding Loss Recovery Component $000	Loss Recovery Component $000	Estimates of the Present Future Cash Flows $000	Risk Adjustment $000	Total $000
Reinsurance contract assets	-	-	602,662	17,516	**620,178**
Reinsurance contract liabilities	(239,059)	6,892	-	-	**(232,167)**
Net reinsurance contract (liabilities)/assets at 1 July 2022	**(239,059)**	**6,892**	**602,662**	**17,516**	**388,011**
Allocation of reinsurance premiums	(284,545)	-	-	-	**(284,545)**
Amounts recoverable from reinsurers for incurred claims					
Recovery of incurred claims and other expenses	-	9,847	294,110	14,247	**318,204**
Changes that relate to past service - prior accident years	-	-	103,475	(10,653)	**92,822**
Loss recovery on onerous underlying contracts and adjustments	-	(6,892)	-	-	**(6,892)**
Total amounts recoverable from reinsurers for incurred claims	**-**	**2,955**	**397,585**	**3,594**	**404,134**
Net income or expense from reinsurance contracts held	**(284,545)**	**2,955**	**397,585**	**3,594**	**119,589**
Reinsurance finance income from reinsurance contracts held	-	-	2,943	-	**2,943**
Total changes in statement of comprehensive income	**(284,545)**	**2,955**	**400,528**	**3,594**	**122,532**
Cash flows					
Reinsurance held premiums paid	357,750	-	-	-	**357,750**
Reinsurance held recoveries received	-	-	(448,353)	-	**(448,353)**
Total cashflows	**357,750**	**-**	**(448,353)**	**-**	**(90,603)**
Net reinsurance contract (liabilities)/assets at 30 June 2023	**(165,854)**	**9,847**	**554,837**	**21,110**	**419,940**
Reinsurance contract assets	-	-	554,837	21,110	**575,947**
Reinsurance contract liabilities	(165,854)	9,847	-	-	**(156,007)**
Net reinsurance contract (liabilities)/assets at 30 June 2023	**(165,854)**	**9,847**	**554,837**	**21,110**	**419,940**

*Excludes $0.1 million of allocation of reinsurance premiums which represent movements in assets and liabilities that do not form part of reinsurance contract assets on the statement of financial position.

Recognition and Measurement

Net expenses from reinsurance contracts

The Company presents separately on the face of the Statement of Comprehensive Income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid.

The Company treats reinsurance cash flows that are contingent as claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contracts held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss.

The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the ceding premiums the Company expects to pay in exchange for those services. Reinsurance expenses are recognised similarly to insurance revenue, based on the passage of time over the coverage period.

2.3. Insurance and reinsurance finance income/ (expenses)

Insurance finance expenses from insurance contracts issued	Notes	2024 $000	2023 $000
Discount unwind		14,678	6,907
Due to changes in interest rates		(660)	(1,078)
Total insurance finance income from insurance contracts issued	**2.1**	**14,018**	**5,829**

Reinsurance finance income from reinsurance contracts held	Notes	2024 $000	2023 $000
Discount unwind		7,187	3,590
Due to changes in interest rates		(246)	(647)
Total reinsurance finance income from reinsurance contracts held	**2.2**	**6,941**	**2,943**

Recognition and Measurement

Insurance and reinsurance finance income/(expenses) comprises changes in the carrying amounts of groups of insurance contracts issued and reinsurance contracts held arising from the effects of the time value of money. The Company has chosen to recognise insurance and reinsurance finance expenses/ (income) in the profit or loss.

2.4. Critical accounting estimates and judgements

Liability for incurred claims - ultimate cost of claims

The liability for incurred claims represents the ultimate cost of claims incurred but not settled at reporting date, and consists of the central estimate which includes an allowance for claims incurred but not reported (IBNR) and further development of reported claims.

The estimation of the IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. IBNR claims may often not be reported until some years after the events giving rise to the claims that have happened. Long-tail classes of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. Short-tail claims are typically reported soon after the claim event and hence tend to display lower levels of volatility.

In calculating the estimated cost of unpaid claims, the Company uses a variety of estimation techniques, generally based upon statistical analysis of historical Company and general industry experience that assumes that the development pattern of the current claims will be consistent with past company experience and/or general industry benchmarks as appropriate. Allowance is made, however, for changes or uncertainties that may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims. The general approach to actuarial estimation of insurance liabilities is to analyse all available past experience, primarily claim payments, movements in case estimates and movements in incurred claim costs. This analysis allows patterns to be identified in the past experience. Based on this, development patterns associated with the run-off of insurance liabilities at the reporting date can be estimated.

Onerous contracts

Insurance contracts are onerous when the liability for remaining coverage is insufficient to pay future claims and other insurance service expenses attributable to the contracts. For groups of insurance contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. A significant judgement in determining onerous contracts is the measurement of the ultimate cost of claims.

Risk adjustment

The risk adjustment for non-financial risk is the compensation that the Hollard Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. For reinsurance contracts held, the risk adjustment represents the amount of risk transferred by the Group to the reinsurer.

The Group has adopted a cost of capital approach to determine the risk adjustment. The method applies the expected cost of capital to the amount of capital required to be held by the Group over the period of risk. It provides a clear link between the Group's required compensation for bearing risk and the risk adjustment adopted.

The adopted cost of capital is equivalent to a 70.2% probability of adequacy (2023:67.1%).

The Company has chosen to aggregate the change in risk adjustment for non-financial risk as part of insurance service expense.

Key assumptions

2024	Personal Lines	PetSure	Commercial	Agencies	New Zealand
Discounted mean term (years)	0.50	0.46	1.61	0.50	0.52
Discount rate	4.31%	4.32%	4.21%	4.36%	5.30%
Inflation rate	3.84%	3.80%	4.82%	3.80%	3.80%
Claims handling expense rate	6.04%	0.05%	0.10%	0.07%	0.07%

2023	Personal Lines	PetSure	Commercial	Agencies	New Zealand
Discounted mean term (years)	0.49	0.42	1.74	0.50	0.46
Discount rate	4.29%	4.26%	3.98%	4.28%	5.45%
Inflation rate	5.04%	5.00%	6.20%	5.00%	5.00%
Claims handling expense rate	4.24%	0.05%	0.10%	0.07%	0.07%

Discounted mean term of claims

The discounted mean term of claims relates to the expected payment pattern for claims. It is calculated by class of business and is generally based on historical settlement patterns. The discounted mean term of claims, while not itself an assumption, provides a summary indication of the future cash flow pattern.

Discount rate

The liability for incurred claims and loss components are discounted at a rate equivalent to that inherent in a portfolio of risk-free fixed interest securities with coupon and redemption cash flows exactly matching the projected inflation claim cash flows plus an illiquidity premium. Due to the short term nature of the business, an allowance for illiquidity premium is deemed to not be material and has not been recognised. The discount rates disclosed above are expressed as weighted averages.

Inflation rate

The Company considers inflation to be a non-financial risk as it is company specific. Economic inflation assumptions are selected after reference to current economic indicators including Consumer Price Index (CPI) and Australian Weekly Earnings. Superimposed inflation occurs due to non-economic effects such as court settlements increasing at a faster rate than wages or CPI inflation. An allowance for superimposed inflation was made for the liability class of business, after considering both the portfolio experience and industry trends.

Claims handling expense rate

Claims handling expenses are calculated by reference to expected experience of claims handling costs as a percentage of expected payments.

Sensitivity Analysis

The movement in any of the above key actuarial assumptions will impact the profit or loss and equity of the Company. The table below describes how a change in each of the assumptions will affect the Company. Each change has been calculated in isolation of the other changes, and without regard to other changes to balance date amounts that may occur simultaneously. The movements are stated in absolute terms where the base assumption is a percentage or average term. The impact on equity and profit or loss is identical as the changes in non-financial assumptions are recognised in the profit or loss and we have chosen to not to disaggregate the effects of time value of money between profit or loss and other comprehensive income.

	Sensitivity	**Impact on Equity/ Profit or (Loss) before tax**	**2024 $000**	**2023 $000**
Discounted mean term	+ 6 mths	Increase	(506)	2,110
	- 6 mths	**Decrease**	**506**	**(2,098)**
Discount rate	+ 1% p.a.	Decrease	(3,862)	(3,016)
	- 1% p.a.	**Increase**	**3,930**	**3,069**
Inflation rate	+ 1% p.a.	Increase	3,900	3,007
	- 1% p.a.	**Decrease**	**(3,907)**	**(3,013)**
Claims handling expense rate	+ 1% p.a.	Increase	7,409	6,306
	- 1% p.a.	**Decrease**	**(7,409)**	**(6,306)**

Claims development

Claims development tables are disclosed in order to put the claims estimates included in the financial statements into context, allowing comparison of those claims estimates with the claims results seen in previous years. In effect, the table highlights the Company's ability to provide an estimate of the total value of claims at balance date. The top part of the table provides a review of current estimates of cumulative claims and demonstrates how the estimated claims of each accident year have changed at subsequent reporting periods. The lower part of the table provides a reconciliation of the total reserve included in the statement of financial position and the estimates of cumulative claims.

	Earlier	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Projected net ultimate claims cost for long tail claims at:												
Earlier	21,747	2,866	2,950	5,615	8,737	17,596	17,956	21,201	24,580	37,709	36,420	
Year 1	22,026	2,568	2,425	5,972	7,911	17,987	16,873	18,172	21,720	35,401		
Year 2	24,339	2,056	2,319	5,773	9,694	17,103	14,506	15,980	23,226			
Year 3	30,090	2,454	2,236	5,726	11,051	17,436	13,649	16,029				
Year 4	34,431	2,818	2,322	5,787	10,977	16,954	15,183					
Year 5	35,999	2,968	2,102	5,617	10,620	16,818						
Year 6	37,310	2,542	2,063	5,610	11,342							
Year 7	38,061	2,533	2,004	5,164								
Year 8	38,112	2,532	2,000									
Year 9	37,429	2,510										
Year 10	36,807											
Current estimate of net ultimate claims payments	36,807	2,510	2,000	5,164	11,342	16,818	15,183	16,029	23,226	35,401	36,420	200,900
Cumulative net payments to date	36,206	2,510	1,920	4,771	10,713	13,741	9,429	9,844	10,057	11,250	5,429	115,870
Net undiscounted central estimate - long tail	601	-	80	393	629	3,077	5,754	6,185	13,170	24,151	30,992	85,032
Net undiscounted central estimate - short tail	33	-	-	11	8	(101)	15,844	4,012	6,403	33,922	325,863	385,995
Total undiscounted net ultimate claim payments	634	-	80	404	637	2,976	21,598	10,197	19,573	58,073	356,855	471,027
Discount to present value	(412)	-	(1)	(13)	(29)	(288)	(590)	(1,025)	(2,339)	(4,981)	(6,822)	(16,500)
Net discounted central estimate	222	-	79	391	608	2,688	21,008	9,172	17,234	53,092	350,033	454,527
Claims settlement costs												15,070
Net risk adjustment												26,812
Total net ultimate future claim payments												496,409
Stabilisation reserve												710
Other liability for incurred claims attributable cash flows												2,453
Reinsurance held recoveries												240,357
Gross liability for incurred claims												**739,929**

3. Investment activities

The assets backing general insurance liabilities are those assets required to cover the insurance liabilities plus an allowance for solvency equal to the minimum regulatory capital prescribed by APRA. Insurance contract liabilities include liabilities for incurred claims, liabilities for remaining coverage associated with insurance operations. The Company has determined that all financial assets and strategic investments designated at fair value through profit or loss are held to minimise the impact of mismatch between the assets and liability values.

As part of its investment strategy, the Company seeks to notionally allocate its assets to insurance activities to mature in accordance with the expected pattern of future cash flows arising from insurance liabilities.

The Company's investments comprise cash and cash equivalents, financial assets (including term deposits) and other investments (controlled entities and strategic investments in unlisted insurance agencies and other companies involved in insurance related businesses).

3.1. Investment income

	2024 $000	2023 $000
Interest income	50,883	27,288
Dividend income	2,336	1,624
Fair value gain on investments	16,353	15,588
Gain/(loss) on disposal of investments	4,385	(296)
Total investment income	**73,957**	**44,204**

Recognition and Measurement

Interest income is recognised in the Statement of Comprehensive Income as it accrues. Dividend income is recognised in the Statement of Comprehensive Income on the date that the Company has a right to receive payments.

Investment income includes:

- Unrealised gains or losses on financial assets and strategic investments which are reported on a combined basis as fair value gains or losses on financial assets and strategic investments; and
- Realised gains or losses on financial assets, investment in associates and strategic investments which are reported on a combined basis as gain or loss on disposal of investments.

3.2. Cash & Cash Equivalents

	2024 $000	2023 $000
Cash held for operational purposes	213,315	191,450
	213,315	**191,450**

Recognition and Measurement

Cash and cash equivalents include cash and deposits at call, with an original maturity of three months or less, which are readily convertible to cash and are subject to an insignificant risk of change in value. There are no restrictions on cash and cash equivalents.

3.3. Financial assets

	2024 $000	2023 $000
Term deposits	788,151	517,441
Government and semi-government bonds	95,853	100,394
Corporate bonds	83,471	71,725
Cash and cash equivalents	2,060	433
Loans to associates	8,062	4,341
Total financial assets	**977,597**	**694,334**

Recognition and Measurement

Financial assets (except for loans to associates) are designated at fair value through profit and loss upon initial recognition to reduce the potential asset liability mismatch that may otherwise arise. Initial recognition is at fair value in the Statement of Financial Position and subsequent measurement is at fair value with any resultant unrealised gains or losses recognised in the Statement of Comprehensive Income.

Loans to associates are measured at amortised cost. At each reporting date, the Company assesses whether the loans are credit impaired and recognises a loss allowance for expected credit loss (ECL). The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. At 30 June 2024, no ECL has been recognised on the loans (2023: nil).

3.4. Strategic Investments

	2024 $000	2023 $000
Associates	90,865	84,533
Controlled entities	2,000	2,000
Other strategic investments	52,016	50,249
Total strategic investment assets	**144,881**	**136,782**

Recognition and Measurement

Investments in strategic investments are designated at fair value through profit or loss upon initial recognition, with the exception of investments in subsidiaries. Subsequent measurements are at fair value, with any adjustments for impairment recognised through profit or loss.

All investments in subsidiaries are initially valued at cost. Subsequent measurements are at fair value, with any adjustments for impairment recognised through profit or loss. Where the subsidiary is acquired in stages the fair value at the date of control arising is the deemed cost.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2024

Acquisitions and Disposals of Investments

Controlled entities

Current Year

- There were no movements in the current year.

Prior Year

- On 28 September 2022, the Company exchanged its shareholding in PetSure Australia Pty Ltd for 34,709,069 fully paid ordinary shares in PetSure Holdings Pty Ltd (ACN 606 792 509). In October 2022, the Company participated in a capital raise by subscribing to 5.64m ordinary shares in PetSure with total amount of $5.64m.

Associates

Current Year

- In September 2023, the Company disposed of its 50% equity interest in Insuret Pty Ltd for $13.1 million and recognised a gain on sale of $3.8 million.
- In March 2024, the Company has converted the $1.2 million loan to TwoThreeBird into equity resulting in an increase to investments at cost.

Prior Year

- There were no movements in the prior year.

Other strategic investments

Current Year

- In March 2024, the Company disposed of its 5.07% holding in ListSure for $0.1 million and recognised a loss on sale.

Prior Year

- There were no movements in the prior year.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2024

3.5. Controlled entities

2024	Place of incorporation	Principal Activity	Interest held %	Equity $000	Cost $000	Impairment Adj. $000	Carrying Value $000
Firma Insurance Services Pty Ltd	Australia	Underwriting Agency	100.00%	132	132	(132)	-
Hollard Commercial Insurance Pty Ltd	Australia	Underwriting Agency	99.95%	2,000	2,000	-	2,000
Holiday Rescue Limited	New Zealand	Underwriting Agency	100.00%	522	522	(522)	-
Hollard Australia Services South Africa Pty Ltd	South Africa	Services Entity	100.00%	-	-	-	-
				2,654	**2,654**	**(654)**	**2,000**

2023	Place of incorporation	Principal Activity	Interest held %	Equity $000	Cost $000	Impairment Adj. $000	Carrying Value $000
Firma Insurance Services Pty Ltd	Australia	Underwriting Agency	100.00%	132	132	(132)	-
Hollard Commercial Insurance Pty Ltd	Australia	Underwriting Agency	99.95%	2,000	2,000	-	2,000
Holiday Rescue Limited	New Zealand	Underwriting Agency	100.00%	522	522	(522)	-
Hollard Australia Services South Africa Pty Ltd	South Africa	Services Entity	100.00%	-	-	-	-
				2,654	**2,654**	**(654)**	**2,000**

Impairment

At the end of each reporting period, the Company reviews the carrying amounts of its investment in controlled entities to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In determining fair value, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the business for which the estimates of future cash flows have not been adjusted.

Critical Accounting Estimates and Judgements

An impairment assessment was performed by estimating the fair value less costs to sell off the controlled entities. The result of the most current assessment was that there was no indication of impairment, and the directors are confident that the carrying amount of the assets are recoverable in full.

Cash flow forecasts, including investment returns, are based on the latest three-year business plan, extended to year five based on forecasted growth. These forecasts are based on a combination of historical performance and management's expectations of future performance based on prevailing and anticipated market factors.

Terminal value is calculated using a perpetuity growth formula based on the cash flow forecast at the end of year five. Terminal growth rates and insurance margins are based on past performance and management's expectations for future performance.

Discount rates reflect an equity risk premium appropriate to the controlled entities, incorporating risk adjustments where applicable.

In performing the impairment test at 30 June 2024, the Company has revised its future forecast cash flow estimates accordingly. Whilst no impairment has been identified at the balance date, future changes in local economic conditions and the broader operating environment have the potential to materially impact key assumptions.

3.6. Associates

2024	Place of incorporation	Principal Activity	Interest held %	Equity $000	Cost $000	Fair Value Adj. $000	Fair Value $000
Ando Insurance Group Limited	New Zealand	Underwriting Agency	39.65%	8,043	8,043	47,910	55,953
Grappler.io	New Zealand	InsurTech	25.25%	1,385	1,385	(476)	909
Insured by Us Pty Ltd	Australia	Underwriting Agency	50.00%	1	1	(1)	-
Open Insurance Technologies Pty Ltd (Previously Open Money Group Pty Ltd)	Australia	Underwriting Agency	28.69%	9,750	9,750	17,551	27,301
TwoThreeBird Holdings Ltd	UK	Underwriting Agency	23.20%	1,211	1,211	5,491	6,702
				20,390	**20,390**	**70,475**	**90,865**

2023	Place of incorporation	Principal Activity	Interest held %	Equity $000	Cost $000	Fair Value Adj. $000	Fair Value $000
Ando Insurance Group Limited	New Zealand	Underwriting Agency	39.65%	8,043	8,043	33,524	41,567
Grappler.io	New Zealand	Insur Tech	25.25%	1,385	1,385	(476)	909
Insured by Us Pty Ltd	Australia	Underwriting Agency	50.00%	1	1	(1)	-
Insuret Pty Ltd	Australia	Underwriting Agency	50.00%	668	668	8,597	9,265
Open Insurance Technologies Pty Ltd (Previously Open Money Group Pty Ltd)	Australia	Underwriting Agency	28.69%	9,750	9,750	17,551	27,301
TwoThreeBird Holdings Ltd	UK	Underwriting Agency	27.19%	-	-	5,491	5,491
				19,847	**19,847**	**64,686**	**84,533**

Summarised Financial Information of Material associates

The summarised financial information for the year ended 30 June 2024 of the material associates is presented below:

Summarised statement of financial position as at 30 June 2024

	Open Insurance $000	Ando $000
Total Assets	16,311	115,443
Total Liabilities	(30,514)	(104,188)
Net (liabilities)/assets	**(14,203)**	**11,255**

Summarised statement of financial position as at 30 June 2023

	Open Insurance $000	Ando $000
Total Assets	15,469	87,457
Total Liabilities	(21,218)	(94,522)
Net liabilities	**(5,749)**	**(7,065)**

Summarised statement of comprehensive income for 2024:

	Open Insurance $000	Ando $000
Revenue	24,040	76,012
Profit/(loss) after tax	(8,961)	13,998
Total comprehensive (loss)/profit	**(8,961)**	**13,998**

Summarised statement of comprehensive income for 2023:

	Open Insurance $000	Ando $000
Revenue	22,621	40,660
Profit/(loss) after tax	(18,986)	(10,402)
Total comprehensive loss	**(18,986)**	**(10,402)**

3.7. Other strategic investments

2024	Place of incorporation	Principal Activity	Interest held %	Equity $000	Cost $000	Fair Value Adj. $000	Fair Value $000
PetSure Holdings Pty Ltd	Australia	Underwriting Agency	18.20%	21,252	21,252	30,668	51,919
Expense Check Pty Ltd	Australia	InsurTech	4.17%	1,000	1,000	(903)	97
Starts at 60 Pty Ltd	Australia	Underwriting Agency	1.13%	200	200	(200)	-
Wild Goose Holdings Pty Ltd	Australia	Underwriting Agency	18.40%	3,375	3,375	(3,375)	-
				25,827	**25,827**	**26,190**	**52,016**

2023	Place of incorporation	Principal Activity	Interest held %	Equity $000	Cost $000	Fair Value Adj. $000	Fair Value $000
PetSure Holdings Pty Ltd	Australia	Underwriting Agency	18.20%	21,252	21,252	28,701	49,952
Expense Check Pty Ltd	Australia	InsurTech	6.45%	1,000	1,000	(903)	97
ListSure Pty Ltd	Australia	Underwriting Agency	5.07%	200	200	-	200
Starts at 60 Pty Ltd	Australia	Underwriting Agency	1.13%	200	200	(200)	-
Wild Goose Holdings Pty Ltd	Australia	Underwriting Agency	18.40%	3,375	3,375	(3,375)	-
				26,027	**26,027**	**24,223**	**50,249**

3.8. Fair value hierarchy

The table below analyses investments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical investments
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the investment, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for investments that are not based on observable market data (unobservable inputs).

	2024 $000	2023 $000
Investment assets - term deposits	788,151	517,441
Investment assets - government and semi-government bonds	95,853	100,394
Investment assets - corporate bonds	83,471	71,725
Investment assets - cash and cash equivalents	2,060	433
Investment assets - loans to associates	8,062	4,341
Investment assets - strategic investments	144,881	136,782
Total investment assets	**1,122,478**	**831,116**
Less controlled entities carried at cost	(2,000)	(2,000)
Less loans to associates carried at cost	(8,062)	(4,341)
Investments designated as fair value through profit and loss	**1,112,416**	**824,775**

	2024 $000	2023 $000
Total level 1 investment assets - term deposits	788,151	517,441
Total level 1 investment assets - government and semi-government bonds	95,853	100,394
Total level 1 investment assets - corporate bonds	83,471	71,725
Total level 1 investment assets - cash and cash equivalents	2,060	433
Total level 3 investment assets - strategic investments	142,881	134,782
Total investment assets	**1,112,416**	**824,775**

Reconciliation of level 3 investments

	2024 $000	2023 $000
Balance at beginning of financial year	134,782	117,095
Acquisitions	1,211	5,642
Disposals	(867)	(3,543)
Fair value adjustments	7,755	15,588
Balance at end of financial year	**142,881**	**134,782**

Critical accounting judgements and estimates

There is inherent uncertainty when estimating the value of any unlisted shares because there may be no open market to determine their fair value, therefore an appropriate method between cost, market value and discounted cash flows has been applied to estimate their values. The accuracy of forecasts used to estimate the value of the investee, discount rates and general market conditions are factors that cause uncertainty. The Company uses the best information available to estimate the value, with no conservatism or optimism employed.

Level 3 investment valuation key inputs

	2024	2023
Terminal growth rates	2% - 2.5%	2.5%
Discount rate - post tax	14.31% - 23.31%	14.03% - 29.14%

Sensitivity Analysis

The table below describes how a change in each of the key assumptions set out above will affect the fair value of level 3 investments.

	Sensitivity %	Impact on Equity/ Profit or (Loss) before tax	2024 $000	2023 $000
Terminal growth rate	+ 1% p.a.	Increase	6,171	5,449
	- 1% p.a.	**Decrease**	**(5,397)**	**(5,888)**
Discount rate	+ 1% p.a.	Decrease	(9,887)	(10,162)
	- 1% p.a.	**Increase**	**11,399**	**10,343**

4. Capital structure

Capital management plays a central role in managing risk to create shareholder value whilst also ensuring that the interests of other stakeholders including policyholders, lenders and regulators are met. Capital finance growth, capital expenditure and business plans also provide support if adverse outcomes arise from insurance, investment performance or other activities. The determination of the appropriate level of capital is based on regulatory and economic consideration.

4.1. Contributed Equity

	2024		2023	
	Number	**$000**	**Number**	**$000**
At beginning of financial year	421,659,456	421,660	361,658,763	361,659
Issued during the year	-	-	60,000,693	60,001
At end of the financial year	**421,659,456**	**421,660**	**421,659,456**	**421,660**

All ordinary shares on issue are fully paid and have no par value. Ordinary shares entitle the holder to a vote at a general meeting of the Company and to participate in the dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid on, the shares held. In the event that the Company is wound up, shareholders rank after all other creditors and are entitled to any proceeds on liquidation.

4.2. Interest bearing liabilities

Subordinated Notes - Tier 2 Regulatory capital	**2024 $000**	**2023 $000**
At beginning of financial year	-	-
Issued during the year	135,000	-
At end of the financial year	**135,000**	**-**
Maturing within 12 months	-	-
Maturing greater than 12 months	135,000	-
Total interest bearing liabilities	**135,000**	**-**

The fair value of the Company's borrowings is $151 million and is categorised as level 2 in the fair value hierarchy.

Recognition and Measurement

Interest bearing liabilities are initially measured at fair value net of transaction costs directly attributable to the transaction and are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised through profit or loss over the period of the financial liability using the effective interest method.

Subordinated notes

The subordinated notes were issued on 14 December 2023. The subordinated notes qualify as Tier 2 Capital under the Australian Prudential Regulation Authority's capital adequacy framework for general insurers. The subordinated notes have a term of 15 years and 3 months, maturing on 14 March 2039, and are subject to a floating interest rate. The key terms and conditions of the subordinated notes issued are as follows:

- Interest is payable quarterly in arrears at a rate equal to the three months BBSW rate plus a margin of 3.60% per annum;
- The Company has an option to defer payment of interest in certain circumstances and such deferral will not constitute an event of default;
- The Company has the option to redeem the note on 14 March 2029 and each interest payment date thereafter and for certain tax and regulatory events (in each case subject to APRA's prior approval); and
- The subordinated note will be required to be written off unless the Company has sufficient Additional Tier 1 Capital instruments on issue at the time if APRA determines the Company or its parent entity to be non-viable.

a) Finance costs

	2024 $000	2023 $000
Interest expenses	8,196	164
Others	2,098	70
	10,294	**234**

Finance costs include interest on interest-bearing debt, lease liabilities as well as sundry interest on overdue payables.

4.3. Capital management

Capital Management plays a central role in ensuring adequate capital is maintained over time and for monitoring compliance with regulatory capital requirements and targets. A key component of capital management is the Internal Capital Adequacy Assessment Process (ICAAP) - as articulated in the Company's ICAAP Summary Statement - and includes:

- specific capital targets set in context of the Company's approach for ensuring adequate capital is maintained over time;
- plans for how target levels of capital are met; and
- potential sources of additional capital, if required.

The Company is a licensed insurer regulated by the APRA and is subject to APRA's prudential standards. Licensed insurers are subject to a Prescribed Capital Amount (PCA), being the minimum level of capital that the regulator deems necessary to meet policyholder obligations. The prescribed method uses a risk-based approach. The Company's policy is to hold capital in excess of the minimum prudential capital requirement.

Capital calculations for regulatory purposes are based on the premium liabilities model which is different to the deferral and matching model which underpins the measurement of assets and liabilities in the financial statements. The premium liabilities model assesses future claims payments arising from future events insured under existing policies. This differs to the measurement of the liability for incurred claims on the statement of financial position which considers claims relating to events that occur only up to and including the reporting date.

The ICAAP also sets the actions and procedures for monitoring compliance with its regulatory capital requirements and capital targets. These include:

- setting of triggers to alert management to potential breaches of targets;
- actions to avert and rectify potential breaches of these requirements; and
- setting the target levels of regulatory capital, in line with the Company's risk appetite, being 1.40 to 1.55 times the PCA at the balance date.

The Capital Adequacy Multiple (CAM) as at 30 June 2023 has not been restated. The CAM as at 30 June 2024 has been calculated in accordance with APRA Prudential Standards effective 1 July 2023.

Capital Adequacy	2024 $000	2023 $000
Common Equity Tier 1 Capital		
Paid up ordinary shares	421,659	421,659
Retained income	149,990	105,516
Other reserves	(72)	140
Net surplus relating to insurance liabilities	(289,322)	30,680
Regulatory adjustments to common equity tier 1	143,362	(129,206)
Total Common Equity Tier 1 Capital	**425,617**	**428,789**
Tier 2 capital	**135,000**	**-**
Total regulatory capital base	**560,617**	**428,789**
Insurance risk charge	155,132	133,394
Insurance concentration risk charge	93,750	95,513
Asset risk charge	84,201	86,004
Operational risk charge	72,146	66,728
Less: aggregation benefit	(54,848)	(54,776)
Prescribed Capital Amount (PCA)	**350,381**	**326,863**
Capital Adequacy Multiple (CAM)	**1.60**	**1.31**

On 12 August 2024, S&P Global Ratings (S&P) affirmed its 'BBB+' long-term issuer credit rating on HHA. At the same time, S&P affirmed the 'A' long-term financial strength and long-term issuer credit ratings on the Company. The outlook on the ratings is stable.

5. Risk management

The Board and management recognise that effective risk management is a critical component of sound business practice and integral to achieving the Company’s business objectives.

The Board is ultimately responsible for the establishment and maintenance of an effective Risk Management Framework (RMF) that provides a structure for identifying and managing material risks to ensure the Company is being prudently and soundly managed, having regard to the size, business mix and complexity of its operations.

In accordance with APRA’s prudential standard CPS 220 Risk Management, GPS 230 Reinsurance Management and GPS 110 Capital Adequacy, the Board and senior management have developed, implemented and monitor the ongoing maintenance and effectiveness of the RMF. Key documents within the RMF are:

- Group Risk Management Strategy (RMS)
- Group Risk Appetite Statement (RAS)
- HHA Group Business Plan
- Reinsurance Management Strategy (ReMS)
- Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement
- Recovery & Exit Plan
- Business Continuity Plan and Crisis Management

During the financial year ended 30 June 2024, there were five formal Board committees with delegated responsibilities to assist with risk management monitoring met regularly. These included the Board Risk Committee, Board Audit Committee, Board Remuneration Committee, Board Projects and Technology Committee and Board Reinsurance Committee. Cross membership on committees allows effective communication between committees ensuring that all risk related matters are appropriately considered. The Board annually submits a Risk Management Declaration to APRA.

Risk Management Strategy (RMS)

The Board annually reviews and approves the RMS following a review process facilitated by the Group Risk and Compliance team, in consultation with management. Key aspects include:

- Description of each material risk (both financial and non-financial) and the Group’s approach in managing the risks
- Risk Management Processes including policies, procedures, risk assessments, controls, management information systems, monitoring and reporting
- Accountabilities and governance arrangements for the management of risk across the organisation

On behalf of the Board, the Board Risk Committee (comprising solely of independent non-executive directors), monitors the adequacy and effectiveness of the RMF including strategies and processes for managing financial and non-financial risk.

Risk Appetite Statement (RAS)

The Board, in annually approving the RAS, is responsible for setting the Company’s risk appetite and for oversight of its operation by management. The RAS is a key component in setting the Company's business strategy. The RAS sets out the degree of risk the Company is prepared to accept in pursuit of its strategic objectives and business plans, by outlining clear boundaries for the material risks in the form of risk tolerances and limits.

Business Plan

Over the last 5 years, the Company has progressed a significant change journey across the enterprise-wide operating model, all in support of a long-term partnership focused strategy.

In FY24, with the introduction of a new executive leadership team, the Company refreshed the articulation of its strategy under five strategic principles detailed below. Considering the highly complex external and internal environment in which the Company operates, it has been imperative for the Company to align focus, investment and effort across these key strategic principles.

The Company remains in an “investment and execution” phase, integrating the Transformation agenda focused on consolidation of core systems onto a single claims, policy, and data platform. This will foster a One Hollard approach and establishes the foundations for greater efficiencies, and future opportunities.

Reinsurance Management Strategy (ReMS)

The Board annually approves the ReMS which is a key strategic document outlining the Company’s strategy, approach, use and management of its reinsurance arrangements consistent with its risk appetite, capital management and business objectives. The Company participates in both proportional (quota share) and non-proportional (excess of loss) reinsurance treaties, to limit its exposure to large risks (both individual and event) and provide capital support.

On behalf of the Board, the Board Reinsurance Committee monitors the adequacy and effectiveness of the ReMS ensuring the reinsurance programs are adequate to protect policyholder’s interest within Board approved risk tolerance levels as defined in the RAS.

Internal Capital Adequacy Assessment Process (ICAAP)

The Board’s annually approved ICAAP is the process by which the Company manages the adequacy of its capital in line with its risk appetite and risk profile.

The Company manages the adequacy of its capital base in line with the Board approved three-year business plan (HHA Group Business Plan), risk appetite, risk profile and Target Capital requirements. Sound capital management ensures that the Company can fulfil commitments made to customers, partners, and other key stakeholders with a high degree of certainty.

Recovery & Exit Plan

The Board approved the Recovery & Exit Plan details the Company’s approach to, and processes around, capital management that are designed to restore the financial resilience during or following stress. Key aspects of the Plan include:

- It must remain current and relevant in the context of changes to risk profile, internal systems and processes, and the external environment
- It is intended to govern capital management in severe or extreme circumstances where the ongoing viability of the organisation is threatened
- It fits in the crisis continuum with business-as-usual risk management (stable environment), ICAAP (stress environment), recovery and exit planning (recovery environment) and resolution planning.

The Recovery & Exit Plan, therefore, forms an important component of the overall RMF.

Business Continuity Plan and Crisis Management

The Board recognises the importance of Business Continuity Management (BCM) in supporting the resilience of the Group. The Board approved Business Continuity Management Policy sets out the objectives and approach in relation to BCM for the Company. The BCM Program (BCMP) is designed to restore operational effectiveness after a significant interruption and includes a crisis management component.

There may be circumstances where the BCMP and the Recovery & Exit Plan are activated concurrently. In such circumstances there is alignment between the BCMP and the Recovery & Exit Plan in continuation of business activities (disaster recovery and business continuity) following a disruption.

Risk Management Framework

The Company's risk management framework provides the structure for identifying and managing material risks to ensure the Company is being prudently and soundly managed, having regard to the size, business mix and complexity of its operations. The Company's operating model, and the associated roles and responsibilities, have been formally described in the RMS.

Under the three lines of defence model the key business functions (1st line of defence) are accountable for managing risk and compliance within risk appetite, in accordance with frameworks and policies. A dedicated Group Risk and Compliance team (2nd line of defence) undertake monitoring, review, and challenge. The Chief Risk Officer (CRO) and group risk function provide regular reports to the Board Risk Committee. The Internal Audit team (3rd line of defence) conducts independent assurance. The Internal Audit team reports to the Board Audit Committee (comprising solely of independent non-executive directors).

Annually, the Board receives a Financial Condition Report (FCR) completed by the Appointed Actuary as required under APRA's prudential standard CPS 320 Actuarial and Related Matters. The FCR reports on a number of areas including the management of risk by the Company. The FCR is submitted to APRA and to the RBNZ.

On behalf of the Board, the Board Risk Committee and the Board Audit Committee monitors the adequacy and effectiveness of the ICAAP, Recovery & Exit Plan and the BCMP.

The material risks addressed by the RMF/RMS are defined below:

- Strategic risk (Note 5.1) The risk of not meeting financial and other objectives arising from poor strategic business decisions, failed implementation of strategic projects, risks from the impacts of competitors, emerging strategic risks and other fundamental strategic issues that impact the Group or the insurance industry in Australia and NZ.
- Insurance risk (Note 5.2) The risk associated with the variable outcome of writing insurance business being the financial consequences of failures in core insurance processes of underwriting, pricing, product design, claims management, reinsurance programs and catastrophic claims events and includes the adequacy of insurance liability provisions.
- Credit risk (Note 5.3) The risk, that a person or an institution with whom the Company has entered a financial contract, who is a counterparty to the contract, will partially or fully default on the obligation, or be subject to a downgrade in their assessed credit quality. This excludes exposures to strategic debt such as loans which are included in strategic investments.
- Market, Liquidity and Capital risk (Notes 5.4, 5.5) The risk of a lower-than-expected return on investments or losses from asset liability mismatches, due to adverse movements in interest rates, inflation, equity markets, currencies and other economic factors. This category includes other market risks impacting the balance sheet and capital adequacy, including liquidity and access to capital.
- Operational risk (Note 5.6) The risk of an incident occurring which leads or could lead to the actual outcome of a business process to differ from the expected outcome due to inadequate or failed processes, people, systems or external factors.

- Compliance risk (Note 5.7) The risk of loss arising from either the current (or future) regulatory framework under which the Company operates. Specifically including risks associated with breaching the law, taxation obligations and requirements of a financial services licence holder and of a general insurer in the Australian and New Zealand market.

ESG (Sustainability) Strategy

For the Financial Year ended 30 June 2024, the Group developed a revised sustainability strategy (known as the “Shared Value Strategy & Roadmap”), through the support and guidance of its shareholders with their already well-established Yellowwood Pride Framework. This revision will supersede the “Hollard Environmental, Social and Governance Sustainability Roadmap 2023 to 2026".

Shared Value is a way to think about how the Group can do well by doing good, how it becomes a catalyst for enduring, positive, social change whilst running a sustainable and profitable business by looking at how it make decisions and how it thinks about its role not just in the economy but the wider global community. The Group’s approved Shared Value Strategy & Roadmap requires it to identify and understand sustainability risks and opportunities (including environmental, social and governance) to reduce the accessibility and affordability pressures of insurance for our most vulnerable communities.

5.1. Strategic risk

The Company seeks to manage strategic risk as part of its annual strategic planning process. The Board annually reviews and approves the HHA Group Business Plan with subsequent regular monitoring of the risks undertaken by the Board Risk Committee.

The Company develops and implements strategy, and the accompanying plans within its core competencies, chosen markets, while operating to enhance its digital and automation capabilities and focusing on improving outcomes for its customers and creating long-term shareholder value. It is willing to adopt appropriately managed medium risk strategies and accept some associated earnings volatility, whilst remaining well capitalised, to achieve its strategic objectives through a range of key strategic technology transformation projects aimed at driving improved operational efficiency and business practices, and enhanced customer experience.

The primary focus in managing strategic risk during the year has been centred on achieving business plan and major change initiatives such as implementation of the new Policy Administration System (PAS), introduction new Claims management system, and the Finance project to implement AASB 17 Insurance Contracts. Apart from the transformational projects, there has also been a major focus on delivering the Partner Engagement Model project for governance, oversight, monitoring and reporting framework that promotes risk-based consistency and accuracy across partner activities.

5.2. Insurance risk

Insurance risk is inherent in the operation of the Company and relates to product design, pricing, underwriting, claims, reinsurance programs and catastrophe management processes.

The Company in managing the risk:

- is willing to accept a medium level of underwriting risk by employing a conservative underwriting strategy of underwriting diversified risks within its area of core competence. Temporary and permanent embargo activities (bushfire and flood) have been completed in FY24, and further strengthening and uplifting of underlying controls, procedures and processes within the underwriting governance framework is in progress.

- is willing to accept a medium level of risk of pricing by utilising experienced and qualified teams and using fit for purpose pricing processes and controls and advanced pricing tools. In FY24, significant increases in premiums (consistent with the industry at large) were implemented across the majority of our portfolios (including targeted pricing increase in high catastrophe exposure area) and the Company also participated in the Cyclone Reinsurance Pool.
- is willing to accept a medium level of risk of variability of underlying claims performance, unmanaged claims cost drivers and insufficiency of claims and premium liabilities, commensurate with the level of risk assumed in pricing and underwriting. High claims inflation during the year impacted average claims costs adversely, however, improvement has been observed in the leakage and ex-gratia rate.
- has a low appetite for any insurance product flaws including inadequate design, delivery or maintenance that result in any material unintended exposures or misalignment with corresponding reinsurance arrangements. In FY24, the harmonisation of Product Governance Framework and Policies have been completed, and Hollard regularly monitor of consistency between product and reinsurance wordings.
- has a medium appetite for exposure to large accumulations and event losses from any natural peril while acknowledging exposure to catastrophes from natural perils is unavoidable but limits exposure to large single claims and accumulated natural peril losses, and to any one catastrophe event through its reinsurance net retention. A series of weather events in Australia in FY24 has resulted in significant losses that were partially recovered by our reinsurance arrangements.

5.3. Credit risk (or Counterparty risk)

The Company's credit/counterparty risk arises predominantly from investment in financial instruments such as banks, reinsurers and includes the credit risks of receivables from distribution partners or customers, and receivables for claims payments on reinsurance contracts. It uses investment grade rated reinsurers and banks with good financial standing, and a disciplined approach for credit control to manage the counterparty risks of suppliers, partners, brokers, and customers. The Company diversifies its financial exposures to counterparties where commercially viable and possible.

Investments

The *Group Investment and Liquidity Policy* (Policy) approved by the Board encapsulates the overall approach to be used in managing the investment and liquidity risks inherent in the Company's business and the parameters by which it can invest. The Policy contains the key concepts and minimum requirements for counterparties for the Company's liquid investment portfolio (size of investments, concentrations, minimum ratings).

The Company seeks to limit its exposure to credit risk by investing cash with counterparties that are APRA regulated authorised deposit taking institutions. The Strategic Asset Allocation, implemented with the support by expert asset management consultants, enabled exposure to fixed interest (Government & Corporate bonds), managed by a specialised fixed interest manager and held with an independent custodian.

As part of its approach to investing in strategic insurance related businesses, the Company may provide loans to investment entities (where in some cases the Company mitigates its credit exposure by securing the loans over the assets of the investment entities). The associated credit risk exposure is indicated by the carrying amount of these loans and is monitored on a regular basis via the Management Investment Committee in compliance also with the requirements of the Strategic Investment Framework.

Reinsurance contract assets

The Board and Management understand the critical role that reinsurance plays in supporting key business objectives, capital management and assisting the Company to meet its policyholder obligations.

In accordance with the Reinsurance Management Strategy and Risk Appetite Statement, reinsurance is placed with counterparties that have a Standard and Poor's (or equivalent) credit rating of "A-"or better whilst long tail reinsurance must be placed with counterparties with a Standard and Poor's (or equivalent) credit rating of "A+". Contractual terms include a requirement for collateralisation if ratings of reinsurance counterparties are downgraded. Exceptions to the policy can be approved by the Board Reinsurance Committee. In addition, reinsurance contracts include a requirement for collateralisation where the associated recoveries are outstanding at the second balance date from the recovery being recognised.

Credit exposure

The table below provides information regarding the credit risk exposure of the Company by classifying major classes of assets according to Standard and Poor's short-term credit ratings of the counterparties. Where an amount relates to a long-term exposure the relevant amount has been included in the equivalent short-term rating.

2024	A-1 $000	A-2 $000	A-3 $000	Not Rated $000	Total $000
Cash and cash equivalents	213,315	-	-	-	213,315
Financial assets	108,309	839,039	22,187	8,062	977,597
Strategic investments	-	-	-	144,881	144,881
Other receivables	-	-	-	44,338	44,338
Reinsurance contract assets - Asset for incurred claims	-	373,696	91,217	2,554	467,467

2023	A-1 $000	A-2 $000	A-3 $000	Not Rated $000	Total $000
Cash and cash equivalents	191,450	-	-	-	191,450
Financial assets	663,308	16,647	10,038	4,341	694,334
Strategic investments	-	-	-	136,782	136,782
Other receivables	-	-	-	13,434	13,434
Reinsurance contract assets - Asset for incurred claims	200,093	375,373	460	21	575,947

The table below provides information regarding the ageing of assets that are past due at the reporting date:

2024	Not past due $000	Past due Up to 30 days $000	Past due 31-120 days $000	Past due 120+ days $000	Total $000
Cash and cash equivalents	213,315	-	-	-	213,315
Financial assets	977,597	-	-	-	977,597
Strategic investments	144,881	-	-	-	144,881
Other receivables	44,338	-	-	-	44,338
Reinsurance contract assets - Asset for incurred claims	385,578	-	-	81,889	467,467
Receivables within Insurance contract liabilities	646,324	234,545	184,685	156,249	1,221,803

2023	Not past due $000	Past due Up to 30 days $000	Past due 31-120 days $000	Past due 120+ days $000	Total $'000
Cash and cash equivalents	191,450	-	-	-	191,450
Financial assets	694,334	-	-	-	694,334
Strategic investments	136,782	-	-	-	136,782
Other receivables	13,434	-	-	-	13,434
Reinsurance contract assets - Asset for incurred claims	462,563	-	-	113,384	575,947
Receivables within Insurance contract liabilities	649,977	191,961	151,153	127,881	1,120,972

For assets to be classified as ‘past due’, contractual payments in arrears are more than 90 days. An expected credit loss adjustment is recorded in the Statement of Comprehensive income for these assets. When credit exposure is adequately secured, arrears more than 90 days might be classified as ‘past due’, with no expected credit loss recorded. The Company operates mainly on a ‘not past due basis’ and sufficient collateral will be obtained for ‘past due’ assets. An assessment of expected credit loss will also be performed if applicable. The Company has not recognised an expected credit loss at 30 June 2024.

5.4. Market risk

Market Risk is the risk of lower-than-expected return on investments (excluding strategic investments), or losses from asset liability mismatches, due to adverse movements in interest rates, inflation, equity markets, currencies and other economic factors. This category includes other market risks impacting the balance sheet and capital adequacy, including liquidity, treasury management and access to capital. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk and to ensure that the Company is appropriately capitalised to meet its current and future policyholder obligations.

The Company has a low appetite for investment risks arising from adverse marked to market movements in investments from interest rates and inflation. The Company aims to manage the diversification of assets to avoid asset concentration risks. The Company has no appetite to speculate with interest rates and related derivatives and does not actively pursue currency risk but accepts not to hedge the currency risk of its strategic investments in NZ and foreign currency denominated outsourcing arrangements.

The Board annually reviews risk appetite with regard to the investment strategy in relation to policyholder funds and shareholder funds with specific risk limits set in regard to liquid assets and in regard to strategic investments. The Management Investment Committee and the Board monitor the application of the Investment and Liquidity Policy that sets out the key parameters such as liquidity limits, target duration matching and foreign exchange exposure limits, as well as reviewing application of the fair value process related to the Strategic Investment portfolio.

Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest risk, and the Company manages interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The Board approved Investment and Liquidity policy also requires it to manage the maturities of interest-bearing liabilities. Any gap between fixed and variable rate instruments and their maturities can also be managed by the Company through derivative financial instruments.

As at 30 June 2024 the Company did not have any such exposures to derivative financial instruments. Interest on floating rate instruments is repriced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

In addition, interest rate risk exists in insurance contracts issued by the Company which the Company manages by adopting close asset/liability matching criteria, to minimise the impact of mismatch between asset and liability values arising from interest rate movements.

The below table is the impact of interest rate movements on financial assets. The impact on equity and profit or loss is identical as the financial assets are measured at fair value through profit or loss. The impact of discount rate movements on net insurance contract liabilities is disclosed in Note 2.4.

	Sensitivity	Impact on Equity/Profit or (Loss) before tax	2024 $000	2023 $000
Impact of interest movement	+ 1% p.a.	Increase	11,909	8,858
	- 1% p.a.	Decrease	(11,909)	(8,858)

Liquidity risk

Liquidity risk is the risk associated with an inability for the Group to realise asset values to meet liabilities as they fall due, including the financial impact of not matching assets and liabilities by the necessary term, currency, duration etc. The key objective of the Company's liquidity management is to ensure it has sufficient available liquidity to meet current and future obligations to policy holders under both normal and stressed liquidity environments without incurring unacceptable losses or risking damage to the Company's reputation.

The following key arrangements are in place to mitigate liquidity risks:

- A Board approved Investment and Liquidity Policy and monitored by the Board Audit Committee comprising mandated liquidity limits including asset/liability duration.
- Management and reporting on Premium receivables from intermediaries and customers.
- Advanced cash call and collateralisation clauses in reinsurance contracts combined with accelerated receipt of large reinsurance recoveries to manage potential shortfalls that could arise from mismatches in timing of claim payment and recoveries.
- The policy also imposes minimum levels for aggregate investment in APRA/RBNZ regulated ADIs which provides a control for managing the relatively non-liquid insurance related strategic investments.

Maturity profiles

The following table summarises the maturity profile of the Company's liabilities. Other than insurance contracts, the maturity profile is based on the remaining undiscounted contractual obligations. For insurance contracts, the maturity profiles are determined on the discounted estimated timing of net cash outflows. Repayments that are subject to notice are treated as if notice were to be given immediately.

	Up to a year $000	1 - 2 years $000	2 - 3 years $000	3 - 4 years $000	4 - 5 years $000	5+ years $000	Total $000
2024							
Insurance contract liabilities - Liability for incurred claims	552,916	102,874	40,254	21,703	11,897	10,285	739,929
Interest-bearing liabilities	-	-	-	-	-	135,000	135,000

	Up to a year $000	1 - 2 years $000	2 - 3 years $000	3 - 4 years $000	4 - 5 years $000	5+ years $000	Total $000
2023							
Insurance contract liabilities - Liability for incurred claims	545,947	93,991	29,502	14,574	8,544	9,277	701,835
Interest-bearing liabilities	-	-	-	-	-	-	-

The Company's financial liabilities are carried in the statement of financial position at amounts that approximate fair value. The carrying amounts of all financial assets and liabilities are reviewed to ensure they are not in excess of the net fair value.

Foreign currency risk

The Company has foreign currency exposure predominantly to New Zealand Dollars and to a much lesser extent South African Rand (ZAR). New Zealand Dollar exposure is primarily a result of underwriting insurance via the Company's branch in New Zealand. ZAR exposure is via Hollard Australia Services South Africa (HASSA).

The Board has imposed a limit on the Company's monetary asset exposure to foreign currency to be a maximum % of the Company's regulated capital base. Active monitoring of foreign currency exposure is undertaken. Currently no hedging strategy is in place.

The following table details the Company's sensitivity to a 10% variation in the Australian dollar against the New Zealand dollar. A 10% variation represents management's assessment of a reasonable change in foreign exchange rates. The analysis is based on outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the Australian dollar weakens 10% against the relevant currency. For a 10% strengthening of the Australian dollar against the relevant currency, there would be a comparable impact on the profit, and the movements below are negative.

	2024			2023		
Currency Exposure	**Net Asset exposure NZD $000**	**Sensitivity**	**Profit/(Loss) NZD $000**	**Net Asset exposure NZD $000**	**Sensitivity**	**Profit/(Loss) NZD $000**
New Zealand dollar	55,688	+10%	5,569	25,341	+10%	2,534
	-	-10%	(5,569)	-	-10%	(2,534)

The table above includes both monetary and non-monetary assets exposed to foreign currency fluctuations.

5.5. Capital risk

Capital Risk is the risk associated with an inability for the Company to access capital to support its business, or from having inadequate capital frameworks or from falling below its APRA Prescribed Capital Requirements (including internally assessed margins).

The Group maintains sufficient capital to meet all its financial and regulatory obligations and to be able to pay all claims to a high degree of certainty. The Group seeks to monitor and manage its capital position through an effective and regulatory compliant capital management framework which details the target capital operating range, monitoring, and stress-testing activity.

5.6. Operational risk

Operational Risk is the risk of an incident occurring which leads or could lead to the actual outcome of a business process to differ from the expected outcome due to inadequate or failed processes, people, systems or external factors. The risk areas encapsulated in this category include operational processes, distribution partner processes, technology, information security, business continuity, suppliers and outsourcing, fraud, people, financial processes and reporting and models.

The Company manages this operational risk by employing a range of risk management processes, including documented critical processes, the identification of key risks and the design and implementation of effective controls within those processes. The below further support the management of these risks:

- operational risk reviews and assessments
- incident and breach reporting
- policies, procedures, and frameworks
- business case due diligence
- control development including segregation of duties
- performance management and training
- reporting and monitoring

Numerous operational procedures, frameworks and policies are relevant to the management of this risk, included functional operating frameworks (e.g. Finance), Business Continuity Management and related crisis managements plans (such as the Crisis and Incident Management Plan and Pandemic Response Plan that were followed at the onset of COVID-19), various IT and Cybersecurity Policies, HR, and other policies.

During the year, Operational Risk management received continued focus in the form of risk profile uplift activities, remediation activities in the control environment and strategic transformation project (Claims, Policy Administration and Finance) related risks.

5.7. Compliance risk

Compliance Risk is the risk of loss arising from either the current (or future) regulatory framework under which the Company operates. Specifically including risks associated with breaching the law, taxation obligations and requirements of a financial services licence holder and of a general insurer in the Australian and New Zealand market.

The Company seeks to manage Compliance Risk through implementation and monitoring of a formal Compliance Risk Management Framework and application of the principles of the framework to distribution partners/ intermediaries, maintaining and reviewing an incident and breach framework, and maintaining visibility and currency on compliance obligations via obligations data reports and participation in Industry committees, forums, and seminars.

The Board Risk Committee monitors the performance of the Company in meeting its compliance obligations. A Board approved Tax Risk Management and Governance Framework is in place and monitored by the Board Audit Committee.

During the financial year, the Company has systematically actioned a work plan to ensure readiness for changes to laws affecting insurers and responded to regulatory requests, including CPS 511 Remuneration which commenced on 1 January 2024, and delivered on a compliant solution under the new AASB 17 Insurance Contracts standard. It has also updated the Recovery & Exit Plan to meet the CPS 190 requirements, which began on 1 January 2024. The Company continues to prepare for the Standing Committee on Economics initiated comprehensive Parliamentary Inquiry into the responses of insurers to the major floods of 2022 final recommendations, by reviewing potential outcomes to enhance compliance readiness, customer service, and market position. It continues to respond to the industry wide ASIC Pricing Review to review pricing systems and controls to prevent consumer harm, and to find, fix, to repay the difference between the pricing promise and the price delivered to the customer.

6. Taxation

6.1. Income tax expense

	2024 $000	2023 $000
Profit/(Loss) before income tax	28,530	30,022
Prima facie tax expense (2023: 30%)	8,559	9,007
Tax effect of non-temporary differences:		
Deferred tax balance not recognised on temporary difference	(210)	1,693
Foreign branch differences in tax rates	(898)	303
Non-taxable income	(4,707)	(1,383)
Under/(over) provision in prior period	(1,132)	(3,362)
Income tax expense	**1,612**	**6,258**
Current tax	1,334	9,371
Deferred tax	(384)	(2,744)
Under/(over) provision in prior period	662	(369)
Income tax expense	**1,612**	**6,258**

Recognition and measurement

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

6.2. Recognised deferred income tax balances

	2024 $000	2023 $000
Deferred tax assets	52,800	41,055
Deferred tax liabilities	(50,785)	(39,424)
	2,015	**1,631**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2024

Movement in temporary differences

	2024			2023		
	Opening $000	Profit or loss $000	Closing $000	Opening $000	Profit or loss $000	Closing $000
Employee benefits	5,029	(241)	4,788	4,599	430	5,029
Insurance liabilities	1,661	6,411	8,072	(1,940)	3,601	1,661
Provisions	4,835	2,141	6,976	9,486	(4,651)	4,835
Lease liabilities	575	14,429	15,004	1,272	(697)	575
Property plant and equipment	612	(172)	440	498	114	612
Tax losses	27,374	(9,909)	17,465	15,860	11,514	27,374
Other items	969	(914)	55	(2,559)	3,528	969
Deferred tax asset before set-off	**41,055**	**11,745**	**52,800**	**27,216**	**13,839**	**41,055**
Investments	(28,510)	(874)	(29,384)	(21,479)	(7,031)	(28,510)
Financial assets	220	(292)	(72)	-	220	220
Other items	(15)	(1)	(16)	633	(648)	(15)
Right of use assets	(421)	(13,673)	(14,094)	(1,032)	611	(421)
Insurance assets	(19,636)	(934)	(20,570)	(13,287)	(6,349)	(19,636)
Deferred tax liability before set-off	**(48,362)**	**(15,774)**	**(64,136)**	**(35,165)**	**(13,197)**	**(48,362)**
Unrecognised temporary differences	8,938	4,413	13,351	6,836	2,102	8,938
Net deferred tax assets/(liabilities)	**1,631**	**384**	**2,015**	**(1,113)**	**2,744**	**1,631**

Recognition and Measurement

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Critical Accounting Estimates and Judgements

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

6.3. Deferred tax balances not recognised

Unrecognised taxable temporary differences associated with investments due to its applicable exemption or the investment being in a controlled entity (AASB 3)

	2024 $000	2023 $000
Investment in controlled entity revalued in accordance with AASB3 for which no deferred tax liability recognised	13,351	8,938
	13,351	**8,938**

Tax Consolidation Regime

Since 1 January 2015 the Company is a wholly-owned subsidiary in a tax consolidated group with Hollard Holdings Australia Pty Ltd ("HHA") as the head entity. Effective 30 March 2022, HHA elected to convert into a multiple entry consolidated (MEC) group, of which the Company continues to be a member of.

The current and deferred tax amounts for the MEC group are allocated among entities in the group using a “standalone taxpayer” approach whereby each entity in the MEC group calculates its current tax and deferred taxes as if it continued to be a separate taxable entity in its own right.

Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company’s statement of financial position and its tax base applying under tax consolidation. Companies in the tax group assess the expected recoverability of unused tax losses and tax credits only in the period in which they arise and before assumption by the head entity, in accordance with AASB 112 applied in its own circumstances, without regard to the circumstances of the MEC group.

The members of the MEC group have entered into a tax funding agreement which sets out the funding obligations of members of the MEC group in respect of tax amounts. The tax funding arrangements require payments equal to the current tax liability (asset) assumed by the head entity and any deferred tax asset arising from tax losses assumed by the head entity. Where the amounts arising for the period under the tax funding arrangement differ to the amounts initially recognised by the Company for its current taxes and deferred tax assets (related to losses or tax credits) will result in a net contribution from or a distribution to the head entity and be recognised in equity.

The head entity in conjunction with other members of the MEC group, have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as the likelihood of payment of any amounts under the tax sharing agreement is considered remote.

7. Other

This section provides disclosures on components of the Company's Statement of Comprehensive Income and Statement of Financial Position not disclosed previously in the financial statements, including:

- Expenses
- Property, plant and equipment
- Goodwill and intangible assets
- Provisions, including employee benefits liability and expense
- Lease liabilities, right-of-use assets and lease expense
- Other receivables
- Other payables

7.1. Expenses

	Notes	2024 $000	2023 $000
Claims expense		1,394,368	1,330,754
Acquisition cash flows		586,552	517,595
Levies and charges		32,031	29,781
Losses on onerous contracts and reversal of those losses		6,478	(2,667)
Allocation of reinsurance premiums		545,065	283,066
Employee benefit costs	7.4a)	83,162	117,281
Professional fees		6,001	6,653
Outsourced insurance services		34,973	50,449
Occupancy costs		1,450	1,926
Amortisation	7.3	4,241	1,388
Depreciation		973	927
Depreciation right-of-use asset	7.5	6,747	3,474
Corporate expenses		10,437	13,350
Total expenses		**2,712,478**	**2,353,977**

Represented by:		
Insurance service expense	2,127,464	2,013,047
Allocation of reinsurance premiums	546,272	284,408
Other expenses	38,742	56,522
	2,712,478	**2,353,977**

7.2. Property, plant and equipment

2024	Leasehold improvements $000	Office equipment $000	Motor vehicles $000	Total $000
Cost				
At 1 July	9,026	7,458	529	17,013
Additions	7,881	380	-	8,261
Disposals	(9,123)	(3,039)	(44)	(12,206)
End of the financial year	**7,784**	**4,799**	**485**	**13,068**
Depreciation				
At 1 July	(6,193)	(7,031)	(488)	(13,712)
Depreciation	(657)	(291)	(25)	(973)
Disposals	4,256	3,002	45	7,303
End of the financial year	**(2,594)**	**(4,320)**	**(468)**	**(7,382)**
Carrying amount				
End of the financial year	**5,190**	**479**	**17**	**5,686**

2023	Leasehold improvements $000	Office equipment $000	Motor vehicles $000	Total $000
Cost				
At 1 July	6,167	8,104	529	14,800
Additions	5,224	130	-	5,354
Disposals	(2,365)	(776)	-	(3,141)
End of the financial year	**9,026**	**7,458**	**529**	**17,013**
Depreciation				
At 1 July	(5,791)	(6,746)	(450)	(12,987)
Depreciation	(402)	(392)	(38)	(832)
Disposals	-	107	-	107
End of the financial year	**(6,193)**	**(7,031)**	**(488)**	**(13,712)**
Carrying amount				
End of the financial year	**2,833**	**427**	**41**	**3,301**

Recognition and measurement

Property, plant and equipment are stated at cost, depreciated over their useful lives and are subject to impairment testing. All costs for repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each item of property and equipment. The rates used for this purpose are:

	2024	2023
Leasehold improvements	5 yrs - 10 yrs	5 yrs - 7 yrs
Office equipment	3 yrs - 10 yrs	3 yrs - 10 yrs
Motor vehicles	4 yrs	4 yrs

7.3. Goodwill and intangible assets

Goodwill and intangible assets are assets with no physical substance. These assets support the generation of future earnings and are subject to impairment testing, with finite useful life intangible assets also subject to amortisation over the useful life.

2024	Goodwill $000	Software $000	Total $000
Cost			
At 1 July	-	75,667	81,794
Additions - WIP	-	28,237	28,237
Additions	-	18,370	18,370
End of the financial year	**-**	**122,274**	**128,401**
Amortisation			
At 1 July	-	(25,866)	(31,993)
Amortisation	-	(4,242)	(4,242)
End of the financial year	**-**	**(30,108)**	**(36,235)**
Carrying amount			
End of the financial year	**-**	**92,166**	**92,166**

2023	Goodwill $000	Software $000	Total $000
Cost			
At 1 July	6,127	42,461	48,588
Additions - WIP	-	33,206	33,206
End of the financial year	**6,127**	**75,667**	**81,794**
Amortisation			
At 1 July	(6,127)	(24,478)	(30,605)
Amortisation	-	(1,388)	(1,388)
End of the financial year	**(6,127)**	**(25,866)**	**(31,993)**
Carrying amount			
End of the financial year	**-**	**49,801**	**49,801**

Recognition and measurement

Intangible assets with finite lives

Intangible assets with finite lives that are acquired separately are carried at cost, those acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria set out in accounting standards. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, intangible assets with finite lives are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is recognised on a straight-line over the estimated useful lives. The estimated useful live and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful lives for each category of intangible assets are:

	2024	**2023**
Software	3 yrs - 5 yrs	3 yrs - 5 yrs

Impairment

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

7.4. Provisions

	2024 $000	2023 $000
Employee Benefits:		
Annual leave	1,621	1,829
Long service leave	752	874
Other entitlements	1,120	1,952
	3,493	**4,655**
Other provisions:		
Make good provision	1,054	847
Regulatory provision	8,792	7,400
Total provisions	**13,339**	**12,902**

Payables within 12 months	11,979	12,449
Payables in greater than 12 months	1,360	453
Total provisions	**13,339**	**12,902**

The make good provision represents an estimate for the make good obligations required for the office premises leased by the Company. The liability at the reporting date is expected to be settled at the end of the lease period.

Regulatory provision represents the estimate of the net impact of premium refunds and remediation costs that may be payable to policyholders as a result of an industry wide ASIC Pricing Promise review. The liability is based on management's estimate of those costs less estimated commission repayments and reinsurance recoveries and includes an interest charge. The amount by its nature is uncertain.

a) Employee benefit expense

	2024 $000	2023 $000
Superannuation	6,674	9,926
Salaries and other employee benefits expense	62,441	92,799
Other employee related expenses	14,447	14,156
Movement in share-based payments	(400)	400
	83,162	**117,281**

7.5. Leases

The company as a lessee

The Company has a number of lease contracts for premises and motor vehicles used in its operations. Lease contracts for premises and motor vehicles are recognised on the balance sheet at the commencement of the lease, with the exception of those leases not exceeding 12 months (short-term leases) and leases of low value assets, which are expensed on a straight-line-basis in the Statement of Comprehensive Income.

The Company recognises substantially all of its lease commitments in the statement of financial position as right-of-use assets and lease liabilities in the amount of the present value of the remaining lease payments. Subsequent to initial measurement, the right-of-use asset is depreciated on a straight-line basis over the lease term, while lease payments are separated into a principal and interest portion to wind up the lease liability over the lease term.

The Company applies judgement and considers all relevant factors in assessing whether it is reasonably certain to exercise an option. This assessment is performed periodically, and when the Company is reasonably certain to exercise an option to extend the duration of a lease, that option is then included when calculating or re-calculating the right-of-use asset and lease liability.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Premises 2024 $000	Premises 2023 $000
At the beginning of the year	1,403	3,439
Additions	52,323	1,438
Total right-of-use asset at the end of the year	**53,726**	**4,877**
Depreciation expense	(6,747)	(3,474)
Net carrying value at the end of the year	**46,979**	**1,403**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2024 $000	2023 $000
As at 1 July	1,356	4,241
Additions	47,943	878
Accretion of interest	2,097	70
Payments	(6,323)	(3,833)
At 30 June	**45,073**	**1,356**

Below is a maturity analysis of the Company's undiscounted lease commitments (as lessee).

	2024 $000	2023 $000
Within one year	5,402	6,460
Between one year and five years	24,150	21,822
Later than five years	27,131	33,117
Total of minimum lease payments	**56,683**	**61,399**

Set out in the table below are the amounts recognised during the period in profit or loss resulting from the Company's leases (as lessee).

	2024 $000	2023 $000
Depreciation expense of right-of-use assets	6,747	3,474
Interest expense on lease liabilities	2,097	70
Total amount recognised in profit or loss	**8,844**	**3,544**

7.6. Other receivables

	2024 $000	2023 $000
Other receivables	43,569	10,705
Receivable from head entity under tax contribution agreement	769	2,729
Other receivables	**44,338**	**13,434**
Receivable within 12 months	44,338	13,434
Other receivables	**44,338**	**13,434**

Recognition and Measurement

Receivables are non-interest bearing and are normally settled between 30 days and 12 months. The balance has not been discounted as the effect of the time value of money is not material. The net carrying amount of receivables is considered a reasonable approximation of the fair value of the assets due to the short-term nature of the assets.

At each reporting date, the Company assesses whether other receivables measured at amortised cost are credit impaired and recognises a loss allowance for expected credit loss (ECL). At 30 June 2024, no ECL on other receivables has been recognised (2023: nil).

7.7. Other payables

	2024 $000	2023 $000
Other payables and accruals	29,979	28,625
Other payables	**29,979**	**28,625**
Payable within 12 months	29,979	28,625
Other payables	**29,979**	**28,625**

Recognition and Measurement

Payables are stated at amortised cost. These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid at that date. The amounts are unsecured and are normally settled within 30 days of the due date.

8. Additional disclosures

This section includes other information that must be disclosed to comply with Australian Accounting Standards, including:

- Cash flow disclosures
- Related party transactions and balances
- Key management personnel
- Commitments for expenditure
- Auditors' remuneration
- Accounting policy changes for the current year as well as for future years

8.1. Cash flow disclosures

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. This section provides a reconciliation of profit after income tax to cash flows from operating activities, detailing the key adjustments needed to convert net income into cash generated by operations. This reconciliation is important for understanding the differences between reported profit and actual cash flows, as it reflects how changes in working capital and non-cash expenses impact the financial position.

a) Reconciliation of profit after income tax to cash flows from operating activities

	2024 $000	**2023 $000**
Profit from ordinary activities after income tax	26,918	23,711
Adjustments for:		
Depreciation	973	927
Amortisation	4,241	1,389
Amortisation – right-of-use asset	6,747	3,474
Gain on fair value of investments	(16,353)	(15,588)
Finance costs	8,196	164
Interest income	(50,885)	(27,751)
Purchase of intangible assets	(34,091)	(25,762)
Net (gain)/loss on sale of investments	(4,385)	760
Net gain on sale of assets	(20)	(195)
Change in assets and liabilities, excluding net assets acquired:		
(Increase)/decrease in reinsurance contract assets	150,791	(31,929)
(Increase)/decrease in prepayments	(208)	(1,132)
(Increase)/decrease in other receivables	(30,913)	46,645
(Increase)/decrease in deferred tax assets	(11,745)	(11,438)
Increase/(decrease) in other payables	865	7,776
Increase/(decrease) in insurance contract liabilities	76,852	(3,100)
Increase/(decrease) in provisions	438	358
Increase/(decrease) in deferred tax liabilities	11,361	8,738
Cash flows from/(used in) operating activities	**138,782**	**(22,953)**

8.2. Related party disclosures

Set out below is a summary of related party transactions by nature of transaction. The summary includes balances, income and expenses, cash, and non-cash components related to each transaction type and classification of related party:

a) Transactions with related parties

	2024 $000	2023 $000
Dividend income		
Associates	697	1,051
Interest income		
Associates	3,908	274
Insurance revenue		
Other related parties	122,495	121,000
Acquisition cash flows		
Associates	(146,100)	(120,912)
Other related parties	(189,022)	(195,453)

Commission and profit share arrangements (classified as insurance service expense) are generally comparable with terms and conditions offered to unrelated agencies and brokers, with the exception of the advance commission payments made to associates. Advance commission outstanding at balance date was $1 million (2023: $16 million).

b) Outstanding balances with related parties

	2024 $000	2023 $000
Premium receivables (liability for remaining coverage)		
Other related parties	146,300	121,000
Subsidiaries	2,233	-
Reinsurance payables (liability for incurred claims)		
Other related parties	(73,874)	-
Acquisition cash flows (liability for remaining coverage)		
Associates	(80,982)	(59,880)
Other related parties	(113,909)	(111,969)
Tax group receivable		
Parent entity	2,506	2,731

c) Loans provided to related parties

	Associates	
	2024	**2023**
	$000	**$000**
Loan facilities made available*	8,062	4,341
Facility used at end of financial year	**8,062**	**4,341**
Movement during the year:		
Facility used at beginning of financial year	4,341	4,760
Loans advanced	5,571	44
Loans repaid	(1,862)	(597)
Interest capitalised	12	-
Reclassifications	-	134
Facility used at end of financial year	**8,062**	**4,341**
Secured	5,403	2,509
Unsecured	2,659	1,832

* This limit refers to capital facilities provided during the year and refers to the principal amount of loans.

The loans to Associates are generally for terms not exceeding three years from drawdown of the facility and generally secured by a charge over the assets and liabilities of the associate or conversion to equity rights.

8.3. Key management personnel

	2024	**2023**
	$000	**$000**
Short-term benefits	5,359	5,086
Long-term benefits	246	262
	5,605	**5,348**

The benefits above were expensed in the financial year in relation to key management personnel. None of the non-executive directors, executive directors or other key management personnel hold shares in the Company nor any share options against the issued and un-issued shares.

8.4. Commitments Expenditure

Certain properties, motor vehicles and computer equipment are leased under non-cancellable operating leases. The amount of the commitment at year end is set out below:

	2024	**2023**
	$000	**$000**
Within one year	996	488
Between one year and five years	1,034	738
	2,030	**1,226**

There are no options to purchase the relevant assets on expiry of the lease.

8.5. Auditors' remuneration

	2024 $000	2023 $000
Fees for the audit of the statutory financial report	739	487
Fees for statutory assurance services required by legislation	158	119
Fees for other services	418	670
	1,315	**1,276**

The auditor of the Company is Deloitte Touche Tohmatsu.

8.6. Other accounting policy disclosures

Early adoption of accounting policies

The Company has early adopted *AASB 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction* from 1 July 2022 on initial recognition. Deferred taxes with respect to right-of-use assets and lease liabilities under AASB 16 Leases are reported on a gross basis in line with amendments in AASB 2021-5.

Accounting policies adopted during the financial year

The Company adopted the following new or revised accounting standards as applicable which became effective for the annual reporting period commencing on 1 July 2023, none of which had a material impact on the Company except for AASB 17 (refer to Note 1.5 for further information).

- AASB 17 *Insurance Contracts*
- AASB 2021-2 *Amendments to Australian Accounting Standards Disclosure of Accounting Policies and Definition of Accounting Estimates*
- AASB 2023-2 *Amendments to Australian Accounting Standards - International Tax Reform - Pillar Two Model Rules*

Accounting standards and interpretations issued but not yet effective

There are a number of new accounting standards and amendments issued, but not yet effective, none of which have been early adopted by the Company.

The Company intends to adopt new, revised or amending Accounting Standards and Interpretations in the operating year commencing 1 July after the effective date of the relevant standards and interpretations as set out below. The new standards and amendments, when applied in future periods are not expected to have a material impact on the financial position of the Company, except where noted below.

	Effective date	Operating year ending
AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants	1 January 2024	30 June 2025
AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback	1 January 2024	30 June 2025
AASB 2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements	1 January 2024	30 June 2025
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (as amended)	1 January 2025	30 June 2026
AASB 2023-5 Amendments to Australian Accounting Standards – Lack of Exchangeability	1 January 2025	30 June 2026

9. Events subsequent to balance date

No matters or circumstances have arisen since 30 June 2024 that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs for the Company.

Directors' declaration

FOR THE YEAR ENDED 30 JUNE 2024

In the opinion of the directors of The Hollard Insurance Company Pty Ltd (the Company)

(a) the financial statements and notes that are set out on pages 11 to 71, are in accordance with the *Corporations Act 2001*, including compliance with accounting standards, and giving a true and fair view of the Company and Company's financial position as at 30 June 2024 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the board

Gary Dransfield
Independent Non-executive Director & Chair

Richard Enthoven
Non-executive Director

Dated at Sydney 23 September 2024

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Quay Quarter Tower
50 Bridge Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

Independent Auditor's Report to the Members of The Hollard Insurance Company Pty Ltd

Opinion

We have audited the financial report of The Hollard Insurance Company Pty Ltd (the "Company") which comprises the statement of financial position as at 30 June 2024, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Company's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the Director's report for the year ended 30 June 2024 but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible:

- For the preparation of the financial report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Company in accordance with Australian Accounting Standards; and
- For such internal control as the directors determine is necessary to enable the preparation of the financial report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Company, and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte Touche Tohmatsu

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Stuart Alexander
Partner
Chartered Accountants
Sydney, 23 September 2024