Hollard Holdings Australia Pty Ltd

ABN 30 154 586 802

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 consolidated financial report of Hollard Holdings Australia Pty Ltd (the Company) and its controlled entities (collectively "the Consolidated Entity") for the year ended 30 June 2024 and the auditor’s report thereon.

Hollard Holdings Australia Pty Ltd is incorporated in Australia.

The directors of the Consolidated Entity 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 Consolidated Entity.

The other officers of the Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity is regulated as a Level 2 Non-Operating Holding Company in Australia regulated by the Australian Prudential Regulation Authority (APRA). All insurance underwriting activities of the Consolidated Entity are conducted by its subsidiaries, The Hollard Insurance Company Pty Ltd (HIC), a licensed insurer also regulated by APRA and in New Zealand by the Reserve Bank of New Zealand (RBNZ) and Hollard Insurance Partners Limited (HIP), a licensed insurer regulated by APRA.

The Consolidated Entity 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 Consolidated Entity's business strategy. Outwards reinsurance protections include proportional or quota share arrangements, catastrophe covers and other excess of loss programmes.

The Consolidated Entity's ultimate parent company is IVM Intersurer B.V. (incorporated in the Netherlands).

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

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2024

Review and results of operations

The Consolidated Entity 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.

The Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity, 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 Consolidated Entity is the underwriter, and the subsidiary distributes and administers the insurance business on behalf of the Consolidated Entity (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 Consolidated Entity 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 Consolidated Entity 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 Hollard Insurance Company Pty Ltd insurance licence.

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

Strategy

The Consolidated Entity 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 Consolidated Entity’s 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 Consolidated Entity and the wider insurance industry.

Environmental, Social and Governance Risks

For the Financial Year ended 30 June 2024 (FY24), the Consolidated Entity 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 (ESG) Sustainability Roadmap 2023 to 2026".

Shared Value is a way to think about how the Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity's Shared Value Strategy & Roadmap, Environmental, Social and Governance (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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity will focus its efforts on where we can have the greatest impact.

The Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity builds trust and transparency through a clear and robust governance structure. Governance at the Consolidated Entity 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 Consolidated Entity monitors its corporate strategic initiatives including its 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.

Directors' Report
FOR THE YEAR ENDED 30 JUNE 2024

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

Recognition

During the year, the Consolidated Entity 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 Consolidated Entity operating result for the year is $3,355 million insurance revenue (2023: $3,040 million), and a net loss after tax of $14 million (2023: $7 million profit after tax).

Total assets increased by $111 million or 4% to $2,892 million primarily in line with business growth, an increase in financial assets arising from growth in term deposits and corporate bonds, and an increase in right of use assets arising from the new office building lease.

Total liabilities increased by $126 million to $1,827 million mainly as a result of growth in assets as well as the Tier 2 subordinated debt issued and the increase in the lease liabilities owing to the new office lease contract. This was offset partially by a reduction in tax liabilities in FY24 and a release of prior year claims reserves of $44 million.

Financial performance during the year reflects:

- Above market growth in insurance revenue which increased by 20% for the year to $3,355 million (2023: $3,040 million). GWP is recognised in insurance revenue. The largest contributor to the growth is the 20% growth in the HIP GWP due to 12 months being consolidated in FY24 compared to 9 months in FY23. The Direct portfolio recognised growth in Motor and Australia and New Zealand Agencies; PetSure experienced growth due to the delayed transition; with growth in Brokers stemming from sales in the Steadfast and Open Market books;
- Deterioration in underlying loss ratios, due to higher non-CAT claims resulting from higher inflationary driven average claims sizes in the year, partially off-set by lower catastrophe and weather events compared to 2023;
- Increase in reinsurance premiums mainly due to higher exchange commission in line with the terms of the whole account quota share in FY24 and premium volume driven acquisition costs;
- 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 from $59 million to $99 million due to the higher interest rate environment.

Capital

The Consolidated Entity'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 Consolidated Entity's Internal Capital Adequacy Assessment Process (ICAAP) provides the framework to ensure that the Consolidated Entity is sufficiently capitalised to meet future requirements.

The Consolidated Entity's regulatory capital base at 30 June 2024 comprised Common Equity Tier 1 (CET1) of $684 million and Tier 2 Capital of $135 million with the regulatory capital adequacy multiple (CAM) of 1.84 at the close of the financial year.

Additionally, the Consolidated Entity’s capital base includes investments in strategic assets (insurance and insurance related assets), a significant amount of the value of which, are not included in the regulatory capital base.

In December 2023, HIC issued Tier 2 Capital of $135m under the newly established Tier 2 Debt and Subordinated Notes Issuance programme, resulting in a significant capital uplift for the Consolidated Entity.

Investment Activities

The Consolidated Entity 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 Consolidated Entity has strategic debt of $8 million (2023: $4 million), investment in associate of $22 million (2023: $17 million) and investment in other equity investment 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 Consolidated Entity sold 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 Consolidated Entity pro-actively worked to review and renew the components of its reinsurance programme that were expiring. At 30 June 2024 the Consolidated Entity 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 both HIC and HIP entities 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 on HIC. The outlook on the ratings is stable.

Regulatory

During the financial year, the Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity executives appeared before the Inquiry; and the Consolidated Entity provided independent submissions. The Consolidated Entity continues to prepare for the Committee's final recommendations by reviewing potential outcomes to enhance compliance readiness, customer service, and market position. The Consolidated Entity 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 Hollard (HIC and HIP) 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: HIC 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. HIC 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 Consolidated Entity 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 Consolidated Entity's business and financial performance during the year.

Dividends

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

Directors' Report
FOR THE YEAR ENDED 30 JUNE 2024

Environmental reporting

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

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 Consolidated Entity, the results of those operations or the state of affairs for the Consolidated Entity.

Likely Developments

Information about likely developments in the operations of the Consolidated Entity 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 Consolidated Entity.

Corporate Address

The registered address and principal place of business of the Consolidated Entity 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 Consolidated Entity paid an insurance premium in respect of a contract insuring the directors and other officers of the Consolidated Entity and all executive officers of the Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity, as such disclosure is prohibited under the terms of the contract.

The Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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

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23 September 2024

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

Dear Directors

Auditor's Independence Declaration to Hollard Holdings Australia 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 Hollard Holdings Australia Pty Ltd.

As lead audit partner for the audit of the financial report of Hollard Holdings Australia 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

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2024 $000	Restated 2023 $000
Insurance revenue	2.1	3,355,080	3,040,182
Insurance service expense	2.1	(3,058,425)	(2,987,473)
Insurance service result before reinsurance contracts held		**296,655**	**52,709**
Allocation of reinsurance premiums	2.2	(921,003)	(545,520)
Amounts recoverable from reinsurers	2.2	617,031	602,215
Net (expense)/income from reinsurance contracts held		**(303,972)**	**56,695**
Insurance service result		**(7,317)**	**109,404**
Investment income	**3.1**	**98,485**	**58,699**
Insurance finance expenses from insurance contracts issued	2.1, 2.3	(18,970)	(5,808)
Reinsurance finance income from reinsurance contracts held	2.2, 2.3	6,928	2,895
Net insurance finance result		**(12,042)**	**(2,913)**
Net insurance and investment result		**79,126**	**165,190**
Other income	3.6	11,596	9,661
Share of net profits/(losses) of associates		4,862	(8,530)
Other expenses	7.1	(115,954)	(149,379)
Finance costs	4.2a)	(10,561)	(269)
(Loss)/profit before income tax		**(30,931)**	**16,673**
Income tax benefit/(expense)	6.1	16,489	(9,580)
(Loss)/profit after income tax		**(14,442)**	**7,093**
Other comprehensive income			
Net movement in foreign currency translation reserve		(12)	648
Other comprehensive (loss)/income, after income tax		(12)	648
Total comprehensive (loss)/income for the year, net of tax		**(14,454)**	**7,741**

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

The Consolidated Entity has adopted AASB 17 *Insurance Contracts* and changed its accounting policy to measure investment in associates using the equity method of accounting from 1 July 2023 and has correspondingly restated the comparative period. The impacts of adoption of AASB 17 and change in accounting policy are detailed in Note 1.5.

Consolidated 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	346,405	325,301	423,786
Financial assets	3.3	1,460,123	1,294,495	508,262
Other receivables	7.6	13,577	34,073	46,940
Current tax receivables		15,167	-	-
Reinsurance contract assets	2.2	419,368	584,200	388,021
Investment in associates	8.2	22,418	17,013	27,309
Strategic investments	3.4	52,016	50,249	35,006
Prepayments		3,533	3,454	1,712
Property, plant and equipment	7.2	5,688	3,611	2,136
Goodwill and intangible assets	7.3	435,574	412,350	17,983
Right-of-use assets	7.5	47,287	1,855	3,439
Deferred tax assets	6.2	71,041	54,481	28,486
Total assets		**2,892,197**	**2,781,082**	**1,483,080**
LIABILITIES				
Other payables	7.7	39,402	31,966	26,685
Current tax liabilities		-	4,262	-
Insurance contract liabilities	2.1	1,472,639	1,529,360	937,004
Provisions	7.4	17,385	25,303	14,627
Lease liabilities	7.5	45,388	1,814	4,241
Deferred tax liabilities	6.2	116,846	108,386	20,423
Interest-bearing liabilities	4.2	135,000	-	-
Total liabilities		**1,826,660**	**1,701,091**	**1,002,980**
Net assets		**1,065,537**	**1,079,991**	**480,100**
EQUITY				
Contributed equity	4.1	989,159	989,159	397,009
Retained earnings		76,449	90,750	83,657
Other components of equity		(71)	82	(566)
Total equity attributable to equity holders of the Company		**1,065,537**	**1,079,991**	**480,100**
Total equity		**1,065,537**	**1,079,991**	**480,100**

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

The Consolidated Entity has adopted AASB 17 *Insurance Contracts* and changed its accounting policy to measure investment in associates using the equity method of accounting from 1 July 2023 and has correspondingly restated the comparative period. The impacts of adoption of AASB 17 and change in accounting policy are detailed in Note 1.5.

Consolidated 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**
Restated balance as at 30 June 2023	**989,159**	**90,750**	**82**	**1,079,991**
Loss for the period	-	(14,442)	-	(14,442)
Other comprehensive loss	-	141	(153)	(12)
Total comprehensive loss after tax	-	(14,301)	(153)	(14,454)
At 30 June 2024	**989,159**	**76,449**	**(71)**	**1,065,537**

	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	**397,009**	**129,930**	**(566)**	**526,373**
Impact of initial application of AASB 17, net of tax	-	(488)	-	(488)
Impact of change in accounting policy, net of tax	-	(45,785)	-	(45,785)
Restated balance as at 1 July 2022	397,009	83,657	(566)	480,100
Profit for the period (restated)	-	7,093	-	7,093
Other comprehensive income	-	-	648	648
Total comprehensive income after tax (restated)	397,009	90,750	82	487,841
Transactions with owners in their capacity as owners:				
Issue of shares	592,150	-	-	592,150
Restated balance at 30 June 2023	**989,159**	**90,750**	**82**	**1,079,991**

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

The Consolidated Entity has adopted AASB 17 *Insurance Contracts* and changed its accounting policy to measure investment in associates using the equity method of accounting from 1 July 2023 and have correspondingly restated the comparative period. The impacts of adoption of AASB 17 and change in accounting policy are detailed in Note 1.5.

Consolidated 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	3,209,631	2,601,441
Reinsurance held recoveries received	2.2	647,361	716,427
Reinsurance held premiums paid	2.2	(779,573)	(429,844)
Claims and other expenses paid	2.1	(2,353,556)	(2,163,539)
Acquisition costs paid	2.1	(635,111)	(497,429)
Dividends received		697	1,624
Other income received		10,403	1,987
Other operating payments		(98,029)	(130,427)
Income tax paid		(11,037)	78,570
Interest paid - lease liabilities		(2,120)	(99)
Net cash flows (used in)/ from operating activities	**9.1a)**	**(11,334)**	**178,711**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		61,631	35,749
Net proceeds from sale of strategic investments and associates		11,970	(2,099)
Net (payment)/receipt for term deposits and bonds		(140,041)	(776,640)
Loan repayments received		(3,709)	553
Payments for property, plant and equipment		(3,060)	(2,285)
Purchase of intangible assets		(12,359)	(7,444)
Acquisition of a subsidiary, net of cash acquired		-	(112,889)
Net cash flows used in investing activities		**(85,568)**	**(865,055)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	592,148
Proceeds from borrowings		135,000	-
Finance costs paid		(7,950)	(158)
Payment of lease liabilities		(9,031)	(4,780)
Net cash flows from financing activities		**118,019**	**587,210**
Net increase/(decrease) in cash held		21,117	(99,134)
Net foreign exchange difference		(13)	649
Cash and cash equivalents at 1 July		325,301	423,786
Cash and cash equivalents at the end of the financial year	**3.2**	**346,405**	**325,301**

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

The Consolidated Entity has adopted AASB 17 *Insurance Contracts* and changed its accounting policy to measure investment in associates using the equity method of accounting from 1 July 2023 and has correspondingly restated the comparative period. The impacts of adoption of AASB 17 and change in accounting policy are detailed in Note 1.5.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2024

1. Overview

1.1. About Hollard Holdings Australia Pty Ltd

Hollard Holdings Australia Pty Ltd (the Company) is a for-profit company domiciled in Australia. The consolidated financial statements as at and for the year ended 30 June 2024 include the Company and its controlled entities (together referred to as “the Consolidated Entity”).

The principal activity of the Consolidated Entity 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 subsidiary entity.

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

The Consolidated Entity's immediate parent company is Hollard Investments B.V. and ultimate parent company is IVM Intersurer B.V. (both incorporated in the Netherlands).

1.2. About these Financial Statements

The financial statements comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated 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 Consolidated Entity’s insurance activities.
3. **Investment activities** and other income includes results and statement of financial position disclosures relevant to the Consolidated Entity’s investments as well as the significant components of other income.
4. **Capital structure** provides information about the debt and equity components as well as the capital management practices of the Consolidated Entity.
5. **Risk management** provides commentary on the Consolidated Entity’s exposure to various risks, explaining the potential impact on the results and statement of financial position and how the Consolidated Entity manages these risks.
6. **Tax** includes disclosures relating to the Consolidated Entity’s income tax balances.
7. **Other** includes consolidated statement of comprehensive income items such as expenses and consolidated statement of financial position items such as property, plant and equipment as well as goodwill and intangible assets.
8. **Group disclosures** including a listing of the entities comprising the Consolidated Entity, as well as summarised information in respect of the Company.
9. **Additional disclosures** includes disclosures required to comply with Australian Accounting Standards.
10. **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 Consolidated Entity recorded a net loss after tax of $14 million (2023: net profit $7 million) and had net assets of $1,066 million (2023: $1,080 million). The Consolidated Entity had available $1,807 million (2023: $1,620 million) of cash and other assets to meet day to day obligations as they fall due. The Consolidated Entity's regulatory capital base at 30 June 2024 comprised CET1 of $684 million (2023: $699 million) and Tier 2 capital of $135 million (2023: nil) with the regulatory capital adequacy multiple at close of financial year of 1.84 (2023: 1.51).

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.

The Company and the Consolidated Entity 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 consolidated 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 Consolidated Entity. 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 Consolidated Entity'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**

Basis of consolidation

The consolidated financial statements of the economic entity incorporate the financial statements of the Consolidated Entity, being the Company, entities controlled by the Company and subsidiaries. Control is achieved when the Consolidated Entity:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Consolidated Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Consolidated Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Consolidated Entity considers all relevant facts and circumstances in assessing whether or not the Consolidated Entity's voting rights in an investee are sufficient to give it power, including:

- the size of the Consolidated Entity's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Consolidated Entity, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Consolidated Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Consolidated Entity obtains control over the subsidiary and ceases when the Consolidated Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Consolidated Entity gains control until the date when the Consolidated Entity ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Consolidated Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Consolidated Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Consolidated Entity's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Consolidated Entity are eliminated in full on consolidation.

Changes in ownership interests in existing subsidiaries

Changes in ownership interests in subsidiaries that do not result in the Consolidated Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Consolidated Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Consolidated Entity.

When the Consolidated Entity loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Consolidated Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9, when applicable, and the cost on initial recognition of an investment in an associate or a joint venture.

1.5. New and amended standards and interpretations

In these financial statements, the Consolidated Entity has applied AASB 17 *Insurance Contracts* (AASB 17) for the first time. The Consolidated Entity 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 9.6 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 Consolidated Entity's insurance contracts it issues and reinsurance contracts it holds, it is expected to have impacts on the timing of emergence of profits.

The Consolidated Entity 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 Consolidated Entity has applied the full retrospective approach and has restated the comparative period.

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

Under AASB 17, the Consolidated Entity'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 Consolidated Entity 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) deficit), 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 a decrease in net assets as at 1 July 2022 of $0.5 million. This amount was recognised as an adjustment to the opening balance of retained earnings as shown in the Consolidated 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 deficiency and application of onerous contracts of ($8 million) and deferred tax impact of ($7.5 million).

Change in accounting policy

Previously when AASB 1023 was still effective, the Consolidated Entity's strategic investments consisted of investment in associates and other investments. The strategic investments were assets backing insurance liabilities and AASB 1023 allowed these investments to be measured at fair value through profit or loss. With the introduction of the new accounting standard, AASB 17, the concept of asset backing insurance liabilities in AASB 1023 has been superseded. As a result:

- Investment in associates are accounted for using the equity method of accounting in accordance with AASB 128 *Investments in Associates and Joint Ventures* as the Consolidated Entity holds 20% or more of the voting power of the investee and has significant influence over the financial and operating policies; and
- No change in the measurement of other strategic investments (i.e. continues to be measured at fair value through profit or loss under AASB 9 *Financial Instruments*) as the Consolidated Entity holds less than 20% of the voting power of the investee and does not have significant influence.

The Consolidated Entity has applied this change in accounting policy retrospectively and has restated opening balance of investment in associates at 1 July 2022 and comparative balances for financial year ended 30 June 2023. This has resulted in a decrease in net assets at 1 July 2022 of $46 million (decrease of $55 million offset by $9 million from reversal of deferred tax liabilities on fair value adjustments).

	Measurement basis prior to 1 July 2022	**Measurement basis post 1 July 2022**	**Carrying amount prior to 1 July 2022 ($000)**	**Carrying amount post 1 July 2022 ($000)**
Investment in associates	Fair value through profit or loss	Equity accounting	82,090	27,309
Other strategic investments	Fair value through profit or loss	Fair value through profit or loss	35,006	35,006

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 Consolidated Entity'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
Determination of fair value of strategic investments	3.5
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 Consolidated Entity 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. These include insurance and reinsurance contracts acquired in a business combination.

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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity to determine the level of aggregation for applying its requirements. The Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity can compel the policyholder to pay the premiums, or in which the Consolidated Entity has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when the Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity measures the liability for remaining coverage as premiums received at initial recognition minus any insurance acquisition cash flows at that date. The Consolidated Entity 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 Consolidated Entity’s insurance contracts and reinsurance contracts held do not contain a significant financing component and the majority of contracts issued by the Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity recognises a loss in the Consolidated 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 Consolidated Entity 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 Consolidated Entity increases the asset for remaining coverage by the amount the Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity holds reinsurance contracts with reinsurers with A- or higher rating, the allowance for non-performance risk is immaterial and has not been recognised.

Contracts acquired in a business combination

Insurance and reinsurance contracts acquired in a business combination are recognised on acquisition date. Unlike originally issued contracts by the Consolidated Entity, contracts acquired in the claims settlement period transfers an insurance risk of adverse development. That is, the insured event is considered to be the ultimate amount of claims costs (including related expenses) expected to be paid post-acquisition to settle all claims that were incurred prior to the acquisition.

The Consolidated Entity considers such risk to be different from contracts it originally issued and aggregates such contracts in separate portfolios.

The claims on insurance contracts acquired in a business combination are expected to develop over more than one year. The Consolidated Entity has applied the premium allocation approach as it 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.

Refer to above for further information on the recognition and measurement of the asset and liability for remaining coverage at initial recognition and subsequent measurement. On initial recognition, the consideration received is the fair value of the contracts and acts as an approximation for the premiums received at acquisition date. In subsequent measurement, claims (and expenses) incurred in the reporting period are defined as actual claim payments made in the period. Insurance revenue is based on the timing of incurred insurance service expenses.

Derecognition and modification

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

The Consolidated Entity 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 Consolidated Entity derecognises the initial contract and recognises the modified contract as a new contract.

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	532,829	12,338	936,354	47,839	**1,529,360**
Insurance contract assets	-	-	-	-	**-**
Net insurance contract liabilities at 1 July 2023	**532,829**	**12,338**	**936,354**	**47,839**	**1,529,360**
Insurance revenue	(3,355,080)	-	-	-	**(3,355,080)**
Insurance service expense					
Incurred claims and other attributable expenses	-	(12,338)	2,379,623	32,551	**2,399,836**
Amortisation of insurance acquisition cash flows	639,898	-	-	-	**639,898**
Changes that relate to past service – prior accident years	-	-	22,771	(23,667)	**(896)**
Losses on onerous contracts and reversal of those losses	-	19,587	-	-	**19,587**
Total insurance service expense	**639,898**	**7,249**	**2,402,394**	**8,884**	**3,058,425**
Insurance service result	**(2,715,182)**	**7,249**	**2,402,394**	**8,884**	**(296,655)**
Insurance finance expenses from insurance contracts issued	-	-	18,970	-	**18,970**
Total changes in statement of comprehensive income	**(2,715,182)**	**7,249**	**2,421,364**	**8,884**	**(277,685)**
Cash flows					
Premium received	3,209,631	-	-	-	**3,209,631**
Acquisition costs paid	(635,111)	-	-	-	**(635,111)**
Claims and expenses paid	-	-	(2,353,556)	-	**(2,353,556)**
Total cashflows	**2,574,520**	**-**	**(2,353,556)**	**-**	**220,964**
Net insurance contract liabilities at 30 June 2024	**392,167**	**19,587**	**1,004,162**	**56,723**	**1,472,639**
Insurance contract liabilities	392,167	19,587	1,004,162	56,723	**1,472,639**
Insurance contract assets	-	-	-	-	**-**
Net insurance contract liabilities at 30 June 2024	**392,167**	**19,587**	**1,004,162**	**56,723**	**1,472,639**

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	231,443	15,005	654,712	35,844	**937,004**
Insurance contract assets	-	-	-	-	**-**
Net insurance contract liabilities at 1 July 2022	**231,443**	**15,005**	**654,712**	**35,844**	**937,004**
Insurance revenue	(3,040,182)	-	-	-	**(3,040,182)**
Insurance service expense					
Incurred claims and other attributable expenses	-	(15,005)	2,481,644	33,275	**2,499,914**
Amortisation of insurance acquisition cash flows	522,452	-	-	-	**522,452**
Changes that relate to past service – prior accident years	-	-	(15,212)	(21,280)	**(36,492)**
Losses on onerous contracts and reversal of those losses	-	12,338	-	-	**12,338**
Total insurance service expense*	**522,452**	**(2,667)**	**2,466,432**	**11,995**	**2,998,212**
Insurance service result	**(2,517,730)**	**(2,667)**	**2,466,432**	**11,995**	**(41,970)**
Insurance finance expenses from insurance contracts issued	-	-	5,808	-	**5,808**
Total changes in statement of comprehensive income	**(2,517,730)**	**(2,667)**	**2,472,240**	**11,995**	**(36,162)**
Insurance contract liabilities acquired through a business combination	**715,104**	**-**	**(27,059)**	**-**	**688,045**
Cash flows					
Premium received	2,601,441	-	-	-	**2,601,441**
Acquisition costs paid	(497,429)	-	-	-	**(497,429)**
Claims and expenses paid	-	-	(2,163,539)	-	**(2,163,539)**
Total cashflows	**2,104,012**	**-**	**(2,163,539)**	**-**	**(59,527)**
Net insurance contract liabilities at 30 June 2023	**532,829**	**12,338**	**936,354**	**47,839**	**1,529,360**
Insurance contract liabilities	532,829	12,338	936,354	47,839	**1,529,360**
Insurance contract assets	-	-	-	-	**-**
Net insurance contract liabilities at 30 June 2023	**532,829**	**12,338**	**936,354**	**47,839**	**1,529,360**

*Excludes $11 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 Consolidated 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 Consolidated Entity 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2024

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	-	-	632,791	21,982	**654,773**
Reinsurance contract liabilities	(80,420)	9,847	-	-	**(70,573)**
Net reinsurance contract (liabilities)/assets at 1 July 2023	**(80,420)**	**9,847**	**632,791**	**21,982**	**584,200**
Allocation of reinsurance premiums	(921,003)	-	-	-	**(921,003)**
Amounts recoverable from reinsurers					
Recovery of incurred claims and other expenses	-	(9,847)	401,822	12,767	**404,742**
Changes that relate to past service – prior accident years	-	-	214,333	(12,340)	**201,993**
Loss-recovery on onerous underlying contracts and adjustments	-	10,296	-	-	**10,296**
Total amounts recoverable from reinsurers	**-**	**449**	**616,155**	**427**	**617,031**
Net income or expense from reinsurance contracts held	**(921,003)**	**449**	**616,155**	**427**	**(303,972)**
Reinsurance finance income from reinsurance contracts held	-	-	6,928	-	**6,928**
Total changes in statement of comprehensive income	**(921,003)**	**449**	**623,083**	**427**	**(297,044)**
Cash flows					
Reinsurance held premiums paid	779,573	-	-	-	**779,573**
Reinsurance held recoveries received	-	-	(647,361)	-	**(647,361)**
Total cashflows	**779,573**	**-**	**(647,361)**	**-**	**132,212**
Net reinsurance contract (liabilities)/assets at 30 June 2024	**(221,850)**	**10,296**	**608,513**	**22,409**	**419,368**
Reinsurance contract assets	-	-	608,513	22,409	**630,922**
Reinsurance contract liabilities	(221,850)	10,296	-	-	**(211,554)**
Net reinsurance contract (liabilities)/assets at 30 June 2024	**(221,850)**	**10,296**	**608,513**	**22,409**	**419,368**

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	17,526	**620,188**
Reinsurance contract liabilities	(239,059)	6,892	-	-	**(232,167)**
Net reinsurance contract (liabilities)/assets at 1 July 2022	**(239,059)**	**6,892**	**602,662**	**17,526**	**388,021**
Allocation of reinsurance premiums*	(545,619)	-	-	-	**(545,619)**
Amounts recoverable from reinsurers					
Recovery of incurred claims and other expenses	-	(6,892)	475,168	15,103	**483,379**
Changes that relate to past service – prior accident years	-	-	119,636	(10,647)	**108,989**
Loss-recovery on onerous underlying contracts and adjustments	-	9,847	-	-	**9,847**
Total amounts recoverable from reinsurers	**-**	**2,955**	**594,804**	**4,456**	**602,215**
Net income or expense from reinsurance contracts held	**(545,619)**	**2,955**	**594,804**	**4,456**	**56,596**
Reinsurance finance income from reinsurance contracts held	-	-	2,895	-	**2,895**
Total changes in statement of comprehensive income	**(545,619)**	**2,955**	**597,699**	**4,456**	**59,491**
Reinsurance contract assets acquired through a business combination	**274,414**	**-**	**148,857**	**-**	**423,271**
Cash flows					
Reinsurance held premiums paid	429,844	-	-	-	**429,844**
Reinsurance held recoveries received	-	-	(716,427)	-	**(716,427)**
Total cashflows	**429,844**	**-**	**(716,427)**	**-**	**(286,583)**
Net reinsurance contract (liabilities)/assets at 30 June 2023	**(80,420)**	**9,847**	**632,791**	**21,982**	**584,200**
Reinsurance contract assets	-	-	632,791	21,982	**654,773**
Reinsurance contract liabilities	(80,420)	9,847	-	-	**(70,573)**
Net reinsurance contract (liabilities)/assets at 30 June 2023	**(80,420)**	**9,847**	**632,791**	**21,982**	**584,200**

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

The Consolidated Entity 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 Consolidated Entity 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		19,769	6,905
Due to changes in interest rates		(799)	(1,097)
Total insurance finance expenses from insurance contracts issued	**2.1**	**18,970**	**5,808**

Reinsurance finance income from reinsurance contracts held	Notes	2024 $000	2023 $000
Discount unwind		7,187	3,532
Due to changes in interest rates		(259)	(637)
Total reinsurance finance income from reinsurance contracts held	**2.2**	**6,928**	**2,895**

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 Consolidated Entity 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 Consolidated Entity, 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 Consolidated Entity uses a variety of estimation techniques, generally based upon statistical analysis of historical Consolidated Entity and general industry experience that assumes that the development pattern of the current claims will be consistent with past Consolidated Entity 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 67.0% probability of adequacy (2023: 63.8%).

The Consolidated Entity 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	HIP
Discounted mean term (years)	0.46	0.46	1.61	0.50	0.52	0.64
Discount rate	4.37%	4.32%	4.21%	4.36%	5.30%	4.28%
Inflation rate	3.85%	3.80%	4.82%	3.80%	3.80%	3.88%
Claims handling expense rate	6.04%	0.05%	6.30%	0.07%	0.07%	6.53%

2023	Personal Lines	PetSure	Commercial	Agencies	New Zealand	HIP
Discounted mean term (years)	0.49	0.42	1.74	0.50	0.46	0.68
Discount rate	4.29%	4.26%	3.98%	4.28%	5.45%	3.76%
Inflation rate	5.04%	5.00%	6.20%	5.00%	5.00%	5.07%
Claims handling expense rate	4.24%	0.05%	4.62%	0.08%	0.07%	5.91%

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 Consolidated Entity 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 Consolidated Entity. The table below describes how a change in each of the assumptions will affect the Consolidated Entity. 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**	**2023**
Discounted mean term	+ 6 mths	Increase/ decrease	1,075	(4,738)
	- 6 mths	**Decrease/ increase**	**(1,076)**	**4,711**
Discount rate	+ 1% p.a.	Increase	5,778	5,816
	- 1% p.a.	**Decrease**	**(5,876)**	**(5,915)**
Inflation rate	+ 1% p.a.	Decrease	(10,545)	(10,391)
	- 1% p.a.	**Increase**	**10,545**	**10,391**
Claims handling expense rate	+ 1% p.a.	Decrease	(5,835)	(5,791)
	- 1% p.a.	**Increase**	**5,849**	**5,805**

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 Consolidated Entity'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. The claims development table also includes claims on contracts acquired in a business combination from and including the year of acquisition.

	Earlier $000	2015 $000	2016 $000	2017 $000	2018 $000	2019 $000	2020 $000	2021 $000	2022 $000	2023 $000	2024 $000	Total $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	41,529	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	37,196	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
Net undiscounted central estimate - HIP	6,757	3	738	8	540	163	931	4,604	17,361	48,572	184,765	264,442
Total undiscounted net ultimate claim payments	7,391	3	818	412	1,177	3,139	22,529	14,801	36,934	106,645	541,620	735,469
Discount to present value	(419)	-	(117)	(14)	(212)	(325)	(865)	(1,659)	(3,950)	(6,946)	(9,186)	(23,693)
Net discounted central estimate	6,972	3	701	398	965	2,814	21,664	13,142	32,984	99,699	532,434	711,776
Claims settlement costs												54,014
Net risk adjustment												36,096
Total net ultimate future claim payments												801,886
Stabilisation reserve												710
Other liability for incurred claims attributable cash flows												(31,650)
Reinsurance held recoveries												345,734
Insurance contract liabilities acquired through a business combination												(55,795)
Gross liability for incurred claims												**1,060,885**

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 Consolidated Entity 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 asset and liability values.

As part of its investment strategy, the Consolidated Entity 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 Consolidated Entity's investments comprise cash and cash equivalents, financial assets (including term deposits) and other equity investments (strategic investments in unlisted insurance agencies and other companies involved in insurance related businesses).

3.1. Investment income

	2024 $000	2023 $000
Interest income	81,638	46,109
Dividend income	697	1,624
Fair value gain on investments	1,967	9,602
Gain/(loss) on disposal of investments	14,183	1,364
Total investment income	**98,485**	**58,699**

Recognition and Measurement

Interest income is recognised in the Consolidated Statement of Comprehensive Income as it accrues. Dividend income is recognised in the Consolidated Statement of Comprehensive Income on the date that the Consolidated Entity 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	346,405	325,301
	346,405	**325,301**

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	1,063,241	920,278
Government and semi-government bonds	205,322	215,053
Corporate bonds	178,944	153,607
Cash and cash equivalents	4,554	1,216
Loans to associates	8,062	4,341
Total financial assets	**1,460,123**	**1,294,495**

Recognition and Measurement

Financial assets 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 Consolidated Statement of Financial Position and subsequent measurement is at fair value with any resultant unrealised gains or losses recognised in the Consolidated Statement of Comprehensive Income.

Loans to associates are measured at amortised cost. At each reporting date, the Consolidated Entity assesses whether the loans measured at amortised cost 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 Consolidated Entity'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
Other strategic investments	52,016	50,249
Total strategic investment assets	**52,016**	**50,249**

Recognition and Measurement

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

Acquisitions and Disposals of Investments

Current Year

- In March 2024, the Consolidated Entity disposed of its 5.07% in ListSure for $0.1m and recognised a loss on sale.

Prior Year

- There were no movements in the prior year.

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**

3.5. 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	1,063,241	920,278
Investment assets - government and semi-government bonds	205,322	215,053
Investment assets - corporate bonds	178,944	153,607
Investment assets - cash and cash equivalents	4,554	1,216
Investment assets - loans to associates	8,062	4,341
Investment assets - strategic investments	52,016	50,249
Total investment assets	**1,512,139**	**1,344,744**
Less loans to associates carried at cost	(8,062)	(4,341)
Investments designated as fair value through profit and loss	**1,504,077**	**1,340,403**

Total level 1 investment assets - term deposits	1,063,241	920,278
Total level 1 investment assets - government and semi-government bonds	205,322	215,053
Total level 1 investment assets - corporate bonds	178,944	153,607
Total level 1 investment assets - cash and cash equivalents	4,554	1,216
Total level 3 investment assets - strategic investments	52,016	50,249
Total investment assets	**1,504,077**	**1,340,403**

Reconciliation of level 3 investments

Balance at beginning of financial year	50,249	35,006
Acquisitions	-	5,641
Disposals	(200)	-
Fair value adjustments	1,967	9,602
Balance at end of financial year	**52,016**	**50,249**

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 Consolidated Entity 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	2.50%	2.50%
Discount rate - post tax	14.31%	14.03%

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	2,666	2,386
	- 1% p.a.	**Decrease**	**(2,241)**	**(1,984)**
Discount rate	+ 1% p.a.	Decrease	(5,040)	(3,325)
	- 1% p.a.	**Increase**	**6,014**	**3,926**

3.6. Other income

The other income disclosed in the statement of comprehensive income includes the following key items:

	2024 $000	2023 $000
Agency commission and policy fees	11,576	9,466
Miscellaneous other income items	20	195
Total other income	**11,596**	**9,661**

Recognition and Measurement

Agency commission and policy fee income is recognised on an earned basis having regard to costs incurred at the time of acquisition and subsequent costs associated with policy administration and claims.

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	4,170,171	989,159	2,374,974	397,009
Issued during the year	-	-	1,795,197	592,150
At end of the financial year	**4,170,171**	**989,159**	**4,170,171**	**989,159**

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 Consolidated Entity and to participate in the dividends and the proceeds on winding up of the Consolidated Entity in proportion to the number of, and amounts paid on, the shares held. In the event that the Consolidated Entity is wound up, shareholders rank after all other creditors and are entitled to any proceeds on liquidation.

a) Franking credits

	2024 $000	2023 $000
Franking credits available for subsequent financial periods based on a tax rate of 30%	42,307	28,976

The consolidated amounts above are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits that will arise from the settlement, after the end of the reporting date, of liabilities or receivables for income tax and, where applicable, dividends and the franking credits that will be utilised for dividends determined but not recognised at the reporting date.

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 $151m 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 Consolidated Entity has an option to defer payment of interest in certain circumstances and such deferral will not constitute an event of default;
- The Consolidated Entity 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 Consolidated Entity has sufficient Additional Tier 1 Capital instruments on issue at the time if APRA determines the Consolidated Entity or its parent entity to be non-viable.

a) Finance costs

	2024 $000	**2023 $000**
Interest expense on borrowings	8,441	170
Others	2,120	99
	10,561	**269**

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 Consolidated Entity's ICAAP Summary Statement - and includes:

- specific capital targets set in context of the Consolidated Entity'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 Hollard Insurance Company Pty Ltd is a licensed insurer (Level 1) regulated by the APRA. Hollard Holdings Australia Pty Ltd is the parent entity of the APRA regulated Level 2 insurance group. The Company was authorised as a Level 2 insurance group on 21 August 2013. Licensed entities and Level 2 insurance groups 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 Consolidated Entity'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 Consolidated Entity's risk appetite, being 1.45 to 1.65 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	959,159	959,159
Other equity arising under reverse acquisition accounting	30,000	30,000
Retained income	76,449	137,729
Other reserves	(71)	82
Net surplus relating to insurance liabilities	(431,902)	14,485
Regulatory adjustments to common equity tier 1	50,706	(442,585)
Total Common Equity Tier 1 Capital	**684,341**	**698,870**
Tier 2 capital	**135,000**	**-**
Total regulatory capital base	**819,341**	**698,870**
Insurance risk charge	212,666	202,234
Insurance concentration risk charge	93,750	97,790
Asset risk charge	107,526	149,857
Operational risk charge	100,299	102,483
Less: aggregation benefit	(69,512)	(88,694)
Prescribed Capital Amount (PCA)	**444,729**	**463,670**
Capital Adequacy Multiple (CAM)	1.84	1.51

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 our 'A' long-term financial strength and long-term issuer credit ratings on HIC. 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 Consolidated Entity'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 Consolidated Entity 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 whom 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 Consolidated Entity's risk appetite and for oversight of its operation by management. The RAS is a key component in setting the Consolidated Entity's business strategy. The RAS sets out the degree of risk the Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity refreshed the articulation of its strategy under five strategic principles detailed below. Considering the highly complex external and internal environment in which Hollard operates, it has been imperative for Hollard to align focus, investment and effort across these key strategic principles.

Currently, the Consolidated Entity remains in an “investment and execution” phase, integrating the HIP business and executing its 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 Consolidated Entity’s strategy, approach, use and management of its reinsurance arrangements consistent with its risk appetite, capital management and business objectives. The Consolidated Entity 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 Consolidated Entity manages the adequacy of its capital in line with its risk appetite and risk profile.

The Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity’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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2024

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 Consolidated Entity. 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 Plan in continuation of business activities (disaster recovery and business continuity) following a disruption.

Risk Management Framework

The Consolidated Entity's risk management framework provides the structure for identifying and managing material risks to ensure the Consolidated Entity is being prudently and soundly managed, having regard to the size, business mix and complexity of its operations. The Consolidated Entity'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 Consolidated Entity. 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 Business Continuity Plan.

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 Consolidated Entity 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 financial assets.
- 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity and relates to product design, pricing, underwriting, claims, reinsurance programs and catastrophe management processes.

The Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity's business and the parameters by which it can invest. The Policy contains the key concepts and minimum requirements for counterparties for the Consolidated Entity's liquid investment portfolio (size of investments, concentrations, minimum ratings).

The Consolidated Entity 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 Consolidated Entity may provide loans to investment entities (where in some cases the Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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	-	346,405	-	-	346,405
Financial assets	232,182	1,172,162	47,717	8,062	1,460,123
Investment in associates	-	-	-	22,418	22,418
Strategic investments	-	-	-	52,016	52,016
Other receivables	-	-	-	13,577	13,577
Reinsurance contract assets - Assets for incurred claims	140	528,061	101,946	775	630,922
2023	**A-1 $000**	**A-2 $000**	**A-3 $000**	**Not Rated $000**	**Total $000**
Cash	-	325,301	-	-	325,301
Financial assets	250,329	983,956	35,714	24,496	1,294,495
Investment in associates	-	-	-	17,013	17,013
Strategic investments	-	-	-	50,249	50,249
Other receivables	-	-	-	34,073	34,073
Reinsurance contract assets - Assets for incurred claims	1,710	222,342	429,875	846	654,773

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	346,405	-	-	-	346,405
Financial assets	1,460,123	-	-	-	1,460,123
Other receivables	13,526	-	51	-	13,577
Investment in associates	22,418	-	-	-	22,418
Strategic investments	52,016	-	-	-	52,016
Reinsurance contract assets - Asset for incurred claims	549,033	-	-	81,889	630,922
Receivables within Insurance contract liabilities	949,046	316,715	185,515	156,398	1,607,674

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	325,301	-	-	-	325,301
Financial assets	1,294,495	-	-	-	1,294,495
Other receivables	34,070	-	-	3	34,073
Investment in associates	17,013	-	-	-	17,013
Strategic investments	50,249	-	-	-	50,249
Reinsurance contract assets - Asset for incurred claims	541,389	-	-	113,384	654,773
Receivables within Insurance contract liabilities	918,677	264,606	151,708	127,881	1,462,872

For assets to be classified as ‘past due’, contractual payments in arrears are more than 90 days. When credit exposure is adequately secured, arrears more than 90 days might be classified as ‘past due’, with no expected credit loss recorded. The Consolidated Entity operates mainly on a ‘nor past due basis’ and sufficient collateral will be obtained for ‘past due’ assets. The Consolidated Entity 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 (excl. 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 Consolidated Entity is appropriately capitalised to meet its current and future policyholder obligations.

The Group has a low appetite for investment risks arising from adverse marked to market movements in investments from interest rates and inflation. The Group aims to manage the diversification of assets to avoid asset concentration risks. The Group 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 Consolidated Entity to cash flow interest risk, and the Consolidated Entity 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 Consolidated Entity through derivative financial instruments.

As at 30 June 2024 the Consolidated Entity 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 Consolidated Entity which the Consolidated Entity 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	13,710	9,569
	- 1% p.a.	Decrease	(13,710)	(9,569)

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 Consolidated Entity’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 Consolidated Entity’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 (recognised in the liability for remaining coverage) 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 Consolidated Entity'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	799,101	154,446	57,567	25,913	12,769	11,089	1,060,885
Interest-bearing liabilities	-	-	-	-	-	135,000	135,000
2023							
Insurance contract liabilities - Liability for incurred claims	742,038	152,906	48,691	20,698	9,450	10,410	984,193
Interest-bearing liabilities	-	-	-	-	-	-	-

Foreign currency risk

The Consolidated Entity 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 Consolidated Entity's branch in New Zealand. ZAR exposure is via Hollard Australia Services South Africa (HASSA).

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

The following table details the Consolidated Entity'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 $000	Profit/(Loss) NZD $000	Net Asset exposure NZD $000	Sensitivity $000	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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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	(30,931)	16,673
Prima facie tax (benefit)/expense at 30% (2023: 30%)	(9,279)	5,002
Tax effect of non-temporary differences:		
Non-deductible expenses	186	10,676
Foreign branch differences in tax rates	(778)	348
Non-taxable income	(5,260)	(4,884)
Under/(over) provision in prior period	402	(3,255)
Change in tax bases	(1,760)	1,693
Income tax (benefit)/expense	**(16,489)**	**9,580**
Current tax	(6,824)	8,393
Deferred tax	(7,921)	2,955
Under/(over) provision in prior period	(1,744)	(1,768)
Income tax (benefit)/expense	**(16,489)**	**9,580**

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	71,041	54,481
Deferred tax liabilities	(116,846)	(108,386)
	(45,805)	**(53,905)**

Movement in temporary differences

	2024			2023			
	Opening $000	Profit or loss $000	Closing $000	Opening $000	Profit or loss $000	Acquired $000	Closing $000
Employee benefits	10,542	(1,895)	8,647	4,982	2,051	3,509	10,542
Insurance provisions	5,383	14,546	19,929	(6,545)	11,928	-	5,383
Provisions	9,828	(422)	9,406	12,875	(23,714)	20,667	9,828
Lease liabilities	711	14,387	15,098	1,272	(751)	190	711
Property plant and equipment	614	(171)	443	499	115	-	614
Tax losses	27,372	(9,908)	17,464	18,275	9,097	-	27,372
Other items	32	23	55	(2,872)	2,904	-	32
Deferred tax asset before set-off	**54,482**	**16,560**	**71,042**	**28,486**	**1,630**	**24,366**	**54,482**
Insurance assets	(18,383)	(1,097)	(19,480)	(13,287)	(5,096)	-	(18,383)
Investments	(19,481)	(3,356)	(22,837)	(13,998)	(5,483)	-	(19,481)
Intangible assets	(79,395)	5,742	(73,653)	-	3,986	(83,381)	(79,395)
Right of use assets	(557)	(13,630)	(14,187)	(1,032)	475	-	(557)
Financial assets	476	(644)	(168)	-	476	-	476
Other items	15	(31)	(16)	(134)	149	-	15
Deferred tax liability before set-off	**(117,325)**	**(13,016)**	**(130,341)**	**(28,451)**	**(5,493)**	**(83,381)**	**(117,325)**
Unrecognised temporary differences	8,938	4,556	13,494	8,028	910	-	8,938
Net deferred tax assets/(liabilities)	**(53,905)**	**8,100**	**(45,805)**	**8,063**	**(2,953)**	**(59,015)**	**(53,905)**

In the prior year, the Company acquired an intangible asset as part of the CIL acquisition and an initial deferred tax liability recognition of $83 million is recognised against Goodwill under AASB 3 *Business Combinations* and AASB 112 *Income Taxes*. Subsequent movement of the deferred tax liability is recognised through profit or loss.

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 deductible temporary differences, unused tax losses and unused tax credits.

	2024 $000	2023 $000
Investment in controlled entity revalued in accordance with AASB 3 Business Combination for which no deferred tax liability recognised	(13,494)	(8,938)
	(13,494)	**(8,938)**

Tax Consolidation Regime

Since 1 January 2015 the Company is the head entity of an income tax consolidated group. Effective 30 March 2022, the Company elected to convert the income tax consolidated group into a multiple entry consolidated (MEC) group and continues to be the head entity.

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 Consolidated Entity'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.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by the head entity from the subsidiaries in the MEC group are recognised in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the head entity as an equity contribution to or distribution from the subsidiary.

The head entity recognises deferred tax assets arising from unused tax losses of the MEC group to the extent that it is probable that future taxable profits of the MEC group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only.

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 Consolidated Entity 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 Company, 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.

The acquisition of Hollard Insurance Partners Limited (HIP), formerly Commonwealth Insurance Limited was completed on 30 September 2022. On 1 October 2022, HIP left the Commonwealth Bank of Australia (CBA) tax consolidated group and then immediately joined the Hollard Holdings Australia MEC group, resulting from the acquisition of 100% of its issued capital. Any tax attributes such as tax losses and franking credits generated by HIP remained within CBA.

7. Other

This section provides disclosures on components of the Consolidated Entity's Consolidated Statement of Comprehensive Income and Consolidated 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		2,086,687	2,243,667
Acquisition cash flows		639,898	522,452
Levies and charges		68,354	54,161
Losses on onerous contracts and reversal of those losses		7,249	(2,667)
Allocation of reinsurance premiums		918,699	543,958
Employee benefit costs	7.4a)	212,741	182,251
Professional fees		14,272	10,145
Outsourced insurance services		45,471	56,522
Occupancy costs		3,955	6,348
Amortisation	7.3	23,382	14,674
Depreciation		1,097	1,232
Depreciation right-of-use asset	7.5	7,173	3,937
Corporate expenses		66,404	45,692
Total expenses		**4,095,382**	**3,682,372**

Represented by:		
Insurance service expense	3,058,425	2,987,473
Allocation of reinsurance premiums	921,003	545,520
Other expenses	115,954	149,379
	4,095,382	**3,682,372**

7.2. Property, plant and equipment

2024	Leasehold improvements $000	Office equipment $000	Motor vehicles $000	Total $000
Cost				
At 1 July	9,318	8,369	529	18,216
Additions	7,881	381	-	8,262
Disposals	(9,230)	(3,038)	(44)	(12,312)
End of the financial year	**7,969**	**5,712**	**485**	**14,166**
Depreciation				
At 1 July	(6,271)	(7,847)	(488)	(14,606)
Depreciation	(657)	(415)	(25)	(1,097)
Disposals	4,149	3,031	45	7,225
End of the financial year	**(2,779)**	**(5,231)**	**(468)**	**(8,478)**
Carrying amount				
End of the financial year	**5,190**	**481**	**17**	**5,688**

2023	Leasehold improvements $000	Office equipment $000	Motor vehicles $000	Total $000
Cost				
At 1 July	6,167	9,013	529	15,709
Additions	5,516	133	-	5,649
Disposals	(2,365)	(776)	-	(3,141)
End of the financial year	**9,318**	**8,370**	**529**	**18,217**
Depreciation				
At 1 July	(5,791)	(7,333)	(450)	(13,574)
Depreciation	(483)	(620)	(38)	(1,141)
Disposals	3	106	-	109
End of the financial year	**(6,271)**	**(7,847)**	**(488)**	**(14,606)**
Carrying amount				
End of the financial year	**3,047**	**523**	**41**	**3,611**

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. The goodwill in the prior year arose on the acquisition of 100% shareholding in Hollard Insurance Partners Limited (HIP).

		Identifiable intangibles		
2024	**Goodwill $000**	**Strategic Alliance Agreement $000**	**Software $000**	**Total $000**
Cost				
At 1 July	97,898	280,033	75,668	453,599
Additions - WIP	-	-	28,238	28,238
Additions	-	-	18,368	18,368
End of the financial year	**97,898**	**280,033**	**122,274**	**500,205**
Amortisation				
At 1 July	-	(15,382)	(25,867)	(41,249)
Amortisation	-	(19,141)	(4,241)	(23,382)
End of the financial year	**-**	**(34,523)**	**(30,108)**	**(64,631)**
Carrying amount				
End of the financial year	**97,898**	**245,510**	**92,166**	**435,574**

		Identifiable intangibles		
2023	**Goodwill $000**	**Strategic Alliance Agreement $000**	**Software $000**	**Total $000**
Cost				
At 1 July	-	-	42,547	42,547
Additions - WIP	-	-	33,120	33,120
Additions	97,898	277,936	-	375,834
End of the financial year	**97,898**	**277,936**	**75,667**	**451,501**
Amortisation				
At 1 July	-	-	(24,564)	(24,564)
Amortisation	-	(13,285)	(1,302)	(14,587)
End of the financial year	**-**	**(13,285)**	**(25,866)**	**(39,151)**
Carrying amount				
End of the financial year	**97,898**	**264,651**	**49,801**	**412,350**

Goodwill

Goodwill represents the excess of the cost of an acquisition of subsidiaries, joint ventures or associated companies over the fair value at the date of acquisition of the Company's share of their identifiable net assets. (Refer to Note 8.1c) for details regarding the acquisition of HIP).

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
Strategic Alliance Agreement	15 yrs	15 yrs
Software	3 yrs - 5 yrs	3 yrs - 5 yrs

Impairment

At the end of each reporting period, the Consolidated Entity 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 Consolidated Entity 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	3,303	5,880
Long service leave	2,173	4,828
Other entitlements	2,063	6,348
	7,539	**17,056**
Other provisions:		
Make good provision	1,054	847
Regulatory provision	8,792	7,400
Total provisions	**17,385**	**25,303**

Payables within 12 months	15,124	23,856
Payables in greater than 12 months	2,261	1,447
Total provisions	**17,385**	**25,303**

The make good provision represents an estimate for the make good obligations required for the office premises leased by the Consolidated Entity. 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	18,243	14,693
Salaries and other employee benefits expense	173,439	149,311
Other employee related expenses	21,459	17,847
Movement in share-based payments	(400)	400
	212,741	**182,251**

7.5. Leases

The Consolidated Entity as a lessee

The Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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:

2024	Premises $000	Motor Vehicles $000	Total $000
At the beginning of the year	1,539	316	1,855
Additions	52,322	283	52,605
Total right-of-use asset at the end of the year	**53,861**	**599**	**54,460**
Depreciation expense	(6,882)	(291)	(7,173)
Net carrying value at the end of the year	**46,979**	**308**	**47,287**

2023	Premises $000	Motor Vehicles $000	Total $000
At the beginning of the year	3,439	-	3,439
Additions	1,913	440	2,353
Total right-of-use asset at the end of the year	**5,352**	**440**	**5,792**
Depreciation expense	(3,813)	(124)	(3,937)
Net carrying value at the end of the year	**1,539**	**316**	**1,855**

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

2024	Premises $000	Motor Vehicles $000	Total $000
As at 1 July	1,492	322	1,814
Additions	47,942	283	48,225
Accretion of interest	2,099	22	2,121
Payments	(6,461)	(311)	(6,772)
As at 30 June	**45,072**	**316**	**45,388**

2023	Premises $000	Motor Vehicles $000	Total $000
As at 1 July	4,241	-	4,241
Additions	1,353	440	1,793
Accretion of interest	85	14	99
Payments	(4,187)	(132)	(4,319)
At 30 June	**1,492**	**322**	**1,814**

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

	2024 $000	2023 $000
Within one year	5,570	7,515
Between one year and five years	24,364	24,285
Later than five years	27,131	33,320
Total of minimum lease payments	**57,065**	**65,120**

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

	2024 $000	2023 $000
Depreciation expense of right-of-use assets	7,173	3,937
Interest expense on lease liabilities	2,120	99
Total amount recognised in profit or loss	**9,293**	**4,036**

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

7.6. Other receivables

	2024 $000	2023 $000
Other receivables	13,577	13,913
HIP acquisition receivable	-	20,160
Other receivables	**13,577**	**34,073**
Receivable within 12 months	13,577	34,073
Other receivables	**13,577**	**34,073**

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 Consolidated Entity 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	39,402	31,966
Other payables	**39,402**	**31,966**
Payables within 12 months	39,402	31,966
Other payables	**39,402**	**31,966**

Recognition and Measurement

Payables are stated at amortised cost. These amounts represent liabilities for goods and services provided to the Consolidated Entity 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. Group disclosure

This section provides disclosure on the Consolidated Entity structure, including controlled entity and associate investments and transactions as well as parent entity disclosures.

8.1. Controlled entities

Name	Principal activities	Place of incorporation	2024 Interest held	2023 Interest held
Deemed parent entity				
The Hollard Insurance Company Pty Ltd	Insurance	Australia	-%	-%
Controlled entities				
Hollard Holdings Australia Pty Ltd	Investment entity	Australia	100.00%	100.00%
Hollard Commercial Insurance Pty Ltd	Underwriting Agency	Australia	99.95%	99.95%
Firma Insurance Services Pty Ltd	Dormant	Australia	100.00%	100.00%
Hollard Distribution Services Pty Ltd	Marketing	Australia	100.00%	100.00%
Hollard Insurance Partners Limited	Insurance	Australia	100.00%	100.00%
Real Insurance Pty Ltd	Dormant	Australia	100.00%	100.00%
Envest Investments Pty Ltd	Dormant	Australia	100.00%	100.00%
Hollard Australia Services South Africa Pty Ltd	Service entity	South Africa	100.00%	100.00%

a) Deemed parent entity

Hollard Holdings Australia Pty Ltd acquired The Hollard Insurance Company Pty Ltd on 30 August 2012. In accordance with AASB 3 *Business Combinations*, the acquisition was accounted for as a reverse acquisition. Under this scenario, The Hollard Insurance Company Pty Ltd is deemed to be the acquirer of the Company.

As a result of the reverse acquisition methodology outlined above, the consolidated financial statements represent The Hollard Insurance Consolidated Entity Pty Ltd and its controlled entities on a continuation basis and the deemed acquisition of the Consolidated Entity.

b) Acquisition and disposals

Current Year

- There were no movements in the current year.

Prior Year

- As referred to in Note 8.1c), the Consolidated Entity entered into a share purchase agreement to acquire 100% of the issued share capital of Commonwealth Insurance Limited (CIL). CIL has been rebranded to Hollard Insurance Partners Limited (HIP).

c) Acquisition of subsidiary

During the year ended 30 June 2023, the Consolidated Entity acquired Commonwealth Insurance Limited (CIL) from Commonwealth Bank of Australia (CBA), and entered into a Strategic Alliance Agreement (SAA), whereby the Consolidated Entity agreed to provide insurance products to CBA customers for a term of 15 years. The SAA entitles the Consolidated Entity to all current and future revenue and qualifies as a business as defined in AASB 3 *Business Combinations* (AASB 3).

The strategic rationale for the acquisition include a) CBA customers having access, through the CBA network to market-leading home and car insurance products; b) to ensure CBA customers continue to benefit from CBA's digital innovation channel and high quality customer service; c) to create long-term reciprocal strategic alliance that supports and facilitates a successful relationship; d) to use CBA's distribution channels and existing customer base to promote and sell the Consolidated Entity's insurance products and to actively grow the customer base in relation to these products.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below.

	2023 $000
Cash and cash equivalents	575,300
Other receivables	1,658
Reinsurance contract assets	423,271
Deferred tax assets	21,900
Other payables	(9,523)
Insurance contract liabilities	(688,045)
Provisions	(12,361)
Total net assets	**312,200**
Total consideration	**604,800**

An intangible asset pertaining to the 15 year SAA has been recognised at 30 June 2023. This has been modelled on cash flow projections over the 15 year contract term. The net present value of future cash flows for the 15 year period amount to $605m with an internal rate of return (IRR) of 9.9%, which is in line with external market post-tax discount rate ranges of 9.4% and 11.0%.

The goodwill of $98m arising from the acquisition consists of deferred tax raised on the SAA intangible asset plus the fair value of the acquired workforce which do not qualify as a separate identifiable intangible asset under AASB 3. None of the goodwill is expected to be deductible for income tax purposes.

8.2. Associates

Current Year

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

Prior Year

- In July 2022, the Consolidated Entity disposed of its entire holding in ATL Holdings Group Ltd for $3.54m.

2024	Place of incorporation	Principal Activity	Interest held %	Fair value $000	Cost $000	Equity accounted value $000
Ando Insurance Group Limited	New Zealand	Underwriting Agency	39.65%	55,953	8,043	12,528
Grappler.io	New Zealand	InsurTech	25.25%	909	1,385	1,185
Insured by Us Pty Ltd	Australia	Underwriting Agency	50.00%	-	-	-
Open Insurance Technologies Pty Ltd (Previously Open Money Group Pty Ltd)	Australia	Underwriting Agency	28.69%	27,301	9,750	5,675
TwoThreeBird Holdings Ltd	UK	Underwriting Agency	27.19%	6,702	1,211	3,030
				90,865	**20,389**	**22,418**

2023	Place of incorporation	Principal Activity	Interest held %	Fair Value $000	Cost $000	Equity accounted value $000
Ando Insurance Group Limited	New Zealand	Underwriting Agency	39.65%	43,439	8,043	6,951
Grappler.io	New Zealand	InsurTech	25.25%	1,283	1,385	1,145
Insured by Us Pty Ltd	Australia	Underwriting Agency	50.00%	21	21	-
Insuret Pty Ltd	Australia	Underwriting Agency	50.00%	9,508	668	720
Open Insurance Technologies Pty Ltd (Previously Open Money Group Pty Ltd)	Australia	Underwriting Agency	28.69%	27,301	9,750	8,101
TwoThreeBird Holdings Ltd	UK	Underwriting Agency	27.19%	7,322	-	96
				88,874	**19,867**	**17,013**

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
(Loss)/Profit after tax	(8,961)	13,998
Total comprehensive(loss)/income	**(8,961)**	**13,998**

Summarised statement of comprehensive income for 2023:

	Open Insurance $000	Ando $000
Revenue	2,261	40,660
Loss after tax	(18,986)	(10,402)
Total comprehensive loss	**(18,986)**	**(10,402)**

Summarised Financial Information of Associates that are not Individually Material

	2024 $000	2023 $000
Revenue	14,859	19,004
Profit/(loss) after tax	(2,200)	(402)
Total comprehensive income	**(2,200)**	**(402)**

8.3. Summarised Financial Information of Hollard Holdings Australia Pty Ltd (Legal parent entity)

	2024 $000	2023 $000
Summarised statement of financial position		
Assets	1,027,469	1,037,003
Liabilities	-	(9,632)
Net assets	**1,027,469**	**1,027,371**
Summarised statement of comprehensive income		
Profit after tax	97	42,673
Total comprehensive income	**97**	**42,673**
Summarised statement of equity		
Contributed equity	990,519	990,519
Retained earnings/(accumulated losses)	36,853	(5,821)
Profit after tax	97	42,673
Total equity	**1,027,469**	**1,027,371**

9. 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

9.1. 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
(Loss)/profit after income tax	(14,442)	7,093
Adjustments for:		
Depreciation	1,002	1,004
Amortisation	23,382	14,674
Amortisation – right-of-use asset	7,173	3,937
Loss on fair value of strategic investments	(1,967)	(9,602)
Share of net (losses)/profits of associates	(4,862)	8,530
Interest expenses	(81,638)	(46,109)
Finance receipts	8,441	170
Purchase of intangible assets	(34,247)	(25,762)
Net loss on sale of financial assets, associates and strategic investments	(14,183)	(1,364)
Net loss on sale of assets	(18)	(195)
Change in assets and liabilities, excluding net assets acquired:		
(Increase)/decrease in other receivables	20,496	12,867
(Increase)/decrease in current tax receivables	(15,167)	-
(Increase)/decrease in reinsurance contract assets	164,832	227,091
(Increase)/decrease in prepayments	(79)	(288)
(Increase)/decrease in deferred tax assets	(16,560)	(3,991)
Increase/(decrease) in other payables	6,944	(4,448)
Increase/(decrease) in current tax liabilities	(4,262)	2,442
Increase/(decrease) in insurance contract liabilities	(56,721)	(95,688)
Increase/(decrease) in provisions	(7,918)	(1,433)
Increase/(decrease) in deferred tax liabilities	8,460	89,783
Cash flows (used in)/from operating activities	**(11,334)**	**178,711**

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

9.2. 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
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 $2m million (2023: $16 million).

b) Outstanding balances with related parties

	2024 $000	2023 $000
Acquisition cash flows (liability for remaining coverage)		
Associates	(80,982)	(59,880)
Other related parties	(113,909)	(111,969)

c) Loans provided to related parties

	Associates	
	2024 $000	2023 $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	-
Reclassification	-	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.

9.3. Key management personnel

	2024 $000	2023 $000
Short-term benefits	7,667	6,785
Long-term benefits	352	349
	8,019	**7,134**

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.

9.4. 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 $000	2023 $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.

9.5. Auditors' remuneration

	2024 $000	2023 $000
Fees to the auditor of the statutory financial report	1,424	1,062
Fees for statutory and other assurance services required by legislation	340	257
Fees for other services	744	685
	2,508	**2,004**

The auditor of the Consolidated Entity is Deloitte Touche Tohmatsu.

9.6. Other accounting policy disclosures

Early adoption of accounting policies

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* 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 Consolidated Entity 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 Consolidated Entity 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 2021-5 *Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- 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 Consolidated entity.

The Consolidated Entity 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 Consolidated Entity, 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

10. 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 Consolidated Entity, the results of those operations or the state of affairs for the Consolidated Entity.

Directors' declaration

FOR THE YEAR ENDED 30 JUNE 2024

In the opinion of the directors of Hollard Holdings Australia Pty Ltd (the Consolidated Entity)

(a) the consolidated financial statements and notes that are set out on pages 11 to 75, are in accordance with the *Corporations Act 2001*, including compliance with accounting standards, and giving a true and fair view of the Consolidated Entity and Consolidated Entity'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 Consolidated Entity and 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

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Independent Auditor's Report to the Members of Hollard Holdings Australia Pty Ltd

Opinion

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

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

- giving a true and fair view of the Group'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 Group 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 Directors' 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 Group in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation of a financial report in accordance with the *Corporations Act 2001*, including giving a true

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and fair view of the financial position and performance of the Group 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 Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or 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 scepticism 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 Group'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 Group'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 Group 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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.

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Deloitte Touche Tohmatsu

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Stuart Alexander
Partner
Chartered Accountants
Sydney, 23 September 2024