

Guild Group Holdings Limited

Annual Report 2022

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CEO Report



Paul Cassidy
Chief Executive Officer
B. Sc (Statistics & Information
Technology), FIAA

Against a backdrop of extreme weather events, regulatory and economic change the Guild Group has remained true to its purpose of being there for those our communities rely on. Core to these communities are our customers, members and clients who predominately work in the health care and community services sectors. As we have all seen over the duration of the pandemic, these professionals have worked tirelessly caring for and supporting Australians and in doing so have faced unprecedented challenges and risks. Over the past year the Group has been able to support these professions in managing these challenges including:

As the year started with much of Victoria and NSW locked down, state borders closed and all Australians impatiently awaiting the rollout of our COVID-19 vaccination program, our insurance business worked alongside the Commonwealth Government, Australia's Medical Indemnity Insurer community and peak pharmacy and medical bodies including our shareholder to design and implement a no fault COVID-19 Vaccine Claim Scheme. This scheme provided Australians with quick access to compensation following adverse outcomes following the administration of approved COVID-19 vaccines. Importantly the scheme also protects the health professionals administering the vaccines including our customers in the Pharmacy, Nursing, Medical Centre and Paramedic sectors providing them with the confidence to participate in the accelerated vaccination program that ultimately freed all Australians to make their own choices on how they would live their lives as the pandemic continued to evolve around them.

In early January, as the Omicron wave rapidly spread across Australia, our medications management technology business GuildLink worked alongside the Commonwealth Government and our shareholder to rapidly rollout the delivery of free Rapid Antigen Tests (RATs) to vulnerable Australians throughout the Community Pharmacy network ultimately delivering more than 70 million tests and \$860 million in revenue to pharmacies over the life of the program.

As these examples illustrate, the pandemic remained a key challenge over the past year. Our team demonstrated their remarkable resilience as they worked together to turn these challenges into opportunities to better support our customers, clients and members. At the same time, they continued to adapt to changes in how they worked together as COVID-19 restrictions affected how they worked and tackled other key challenges including: significant regulatory changes to our insurance and superannuation businesses, a series of extreme weather events, volatile investment markets, the effects of increasing inflation and COVID-19 Business Interruption test cases and their resolution.

These efforts manifested in continued strong customer advocacy illustrated by strong revenue growth across all the Group's business including:

- strong premium growth which was up 11.5% on an underlying basis in our core insurance markets,
- increasing funds under management (FUM) and Member growth in our superannuation business contributing to 9.5% increase in revenue, and
- strong growth in new clients and revenue which was up 8.9% in our legal business.

In addition to assisting our customers to navigate the challenges of the pandemic, our insurance business embarked on assisting our customers impacted by the extraordinary destruction from the destructive floods and extreme storms in northern New South Wales and along the east coast of Australia in March this year. Claim lodgements following these events doubled relative to last year. The numbers bely the struggles of our customers who dealt with piles of debris in their streets, extended loss of power and a debilitating clean-up process. I am proud of the remarkable patience, resilience and care our people displayed in supporting our customers through the recovery process despite a doubling in their workload and the immense challenges of sourcing trades and materials to commence the rebuild process.

Report of Directors

1. DIRECTORS

Your Directors present their report on the consolidated Group consisting of Guild Group Holdings Limited and the entities it controlled for the year ended 30 June 2022.

The names and details of the company's Directors in office during the financial year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.



Andrew Bloore
(Non-Executive Director)

Andrew has been described as a serial entrepreneur and has been involved in the establishment, design, funding, commercialisation, and ultimate sale (both trade sale and IPO) of a number of businesses in a diverse range of industries. Andrew has stood as a CEO for over 20 years. Andrew has sat on a wide range of Australian Tax Office (ATO) and Treasury Committees, including the Simple Super Legislation Committee, ATO Regulations Review and a range of Senate Select Committees.

Andrew is the Chair of Guild Group Holding and Guild Insurance Limited. He is also a Non-Executive Director of Meridian Lawyers Ltd, Insignia Financial Limited (ASX:IFL), IOOF Investment Management Ltd, OnePath Custodians Pty Ltd, Oasis Fund Management Limited, NULIS Nominees (Australia) Ltd, Simonds Group Ltd and Simonds Family Office Pty Ltd.

Additionally, Andrew is on a range of subcommittees for these various entities.



John Dowling
B.Pharm, FCPA, FAICD, FACP (Non-Executive Director)

John is a Pharmacist, Certified Practising Accountant (Fellow) and a Fellow of the Australian Institute of Company Directors and the Australian College of Pharmacy. John is owner of Coventry's Pharmacy, Latrobe, Tasmania, Tasmanian State Vice-President, and a National Councillor of the Pharmacy Guild of Australia (PGA). John is the Chairman of Meridian Lawyers Ltd, and a Non-Executive Director of Guild Group Holding and Guild Insurance Limited.

Report of Directors



Trent Twomey
BPharm, BBus, FACP, FAICD, FIML
(Non-Executive Director)

Trent is a Pharmacist and owns a number of pharmacies in Northern Queensland. Trent is currently the National President of the Pharmacy Guild of Australia and previously held the positions of the Senior National Vice President and Queensland President. He has been a Director of the Guild for over eleven years and was part of the negotiating team for the \$18.9B Sixth Community Pharmacy Agreement. Trent is Chairman of Advance Cairns, the peak economic development and advocacy organisation for Tropical North Queensland and Chairman of the Northern Australia Alliance. He is an Adjunct Professor at James Cook University, the Secretary of the World Pharmacy Council, a Council Member of the Queensland Futures Institute, and a Trustee for the Committee for Economic Development of Australia. Trent is a Fellow of the Australian College of Pharmacy, the Australian Institute of Company Directors and the Australian Institute of Managers and Leaders. He is a former Chairman of the Northern Queensland Primary Health Network and National President of the Australian College of Pharmacy.

Trent resigned as a Director on 31 August 2021.



Anthony Tassone
B.Pharm (Hon), GAICD (Non-Executive Director)

Anthony is a community pharmacist and has been a proprietor of community pharmacies since 2006 in outer south eastern Melbourne. He has been the Victorian Branch President of the Pharmacy Guild of Australia since 2013.

His pharmacies have been recognised for community engagement and customer service excellence on multiple occasions at both a State and National level. Over the past decade, Anthony has served on a range of advisory boards for multi-national pharmaceutical companies and had advisory roles with State and Federal governments.

In 2019, Anthony was the recipient of the Holt Australia Day Award recognising his contribution to health promotion, primary healthcare, and volunteerism in the community

In 2021, Anthony was appointed the National Vice President of Health Economics and Policy for the Pharmacy Guild of Australia– which leads engagement and negotiation with the Commonwealth government and Department of Health for five yearly Community Pharmacy Agreements.



Catherine Dubé
BSc Mathematics, FIAA, FSA, GAICD
(Non-Executive Director)

Catherine is an Actuary with over 25 years' experience in financial services. From 2012 to 2020, Catherine was Chief Risk Officer at AIG where she was responsible for the development and execution of the risk management strategy for the Australasian region. Prior to this role, Catherine held a number of senior corporate and consultancy positions across the general, life and health insurance sectors.

Catherine is a Non-Executive Director of Guild Group Holding and Guild Insurance Limited, and Chair of the Guild Group Audit and Risk Committees. Catherine also serves as a Non-Executive Director and Audit Committee Chair for AssetInsure and for Challenger Retirement and Investment Services. She is a member of the ACT Public Trustee and Guardian Investment Board.

Catherine is a Fellow of the Actuaries Institute, a Fellow of the Society of Actuaries and a graduate of the Australian Institute of Company Directors.

Report of Directors



Michael Kay LLB
(Non-Executive Director)

Michael is an experienced Non-Executive Director and Chairperson. Michael is the current Chairman of Omni Bridgeway (ASX: OBL) and City Chic Collective Ltd (ASX:CCX). In June 21 Michael retired as a Non-Executive Director of Royal Automobile Club Insurance Limited, after a twelve-year tenure. He has also been the Chairman of ApplyDirect Limited (ASX:AD1) and Lovisa Holdings Limited (ASX:LOV). Michael was the Chief Executive Officer and Managing Director of salary packaging company McMillan Shakespeare (ASX: MMS), a position he held for six years. Prior to this Michael was the Chief Executive Officer of national insurer AAMI after serving in a variety of senior roles within that company. Michael has also spent 12 years in private legal practice.



Elisabet Wreme
MSc, Prof Doc BA, GAICD (Company Secretary)

Elisabet is an experienced senior executive and Director with a wealth of leadership experiences across Digital, Telecommunication and Financial Services. A highly professional leader with a genuine understanding of technology, Elisabet loves creating great customer experiences and strong business outcomes at the same time. She has held senior management positions with NAB and Telstra before joining GGHL as the COO. She is currently also a non-executive Director of the YMCA Victoria and BreastScreen Victoria

Elisabet retired as Company Secretary on 25 February 2022.



Jennifer Smith
BBus, GDipAdvA, FCPA, FGIA
(Company Secretary)

Jennifer is a governance and finance professional with broad experience working in public, ASX and not for profit entities. She has held senior management positions in CITIC Australia, Fluor Daniel Australia, Patrick Corporation, Asciano Limited, and various institutions within the independent and tertiary education sectors prior to joining Guild Group.

Jennifer was appointed Company Secretary on 2 December 2021.

Report of Directors cont.

2. PRINCIPAL ACTIVITIES

The principal activities during the year within the consolidated Group were::

- > general insurance underwriting;
- > providing superannuation;
- > providing legal services
- > pharmaceutical products and services endorsement company; and
- > providing software solutions.

3. CONSOLIDATED RESULTS 2022

	\$'000
Profit/(Loss) for the year is attributable	
Owners of the parent	19,983
Non-controlling interest	399
Profit/(Loss)	20,382

4. DIVIDENDS

Dividends recommended and paid in the current financial year:

	\$'000
- on ordinary shares	nil

5. REVIEW OF OPERATIONS

During the 2021/2022 financial year, the Group made progress in the execution of its business strategy, while continuing to maintain a strong financial position.

Some of the key highlights for the financial year are:

The Guild Board approved the release of a substantial portion of the COVID-19 Business Interruption claims provision significantly replenishing capital and strengthening the balance sheet of Guild Insurance Limited;

GIL incurred approximately 900 claims exceeding \$25m in gross claims cost relating to QLD/NSW flood and storm events which occurred during the financial year;

Meridian Lawyers was recognised as one of Australia's leading specialist firms in the Australian Law Awards 2022 excellence; and

Guild Retirement Fund has made significant progress in the execution of its business strategy by continuing to ensure it delivers value to its members, embracing regulatory reform by optimising its operations to further reinvest in Member

benefits, while also remaining in a strong financial position.

The Group continued effective remote working arrangements across all locations in order to manage through the pandemic;

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Guild Insurance Limited reduced its COVID-19 pandemic related Business Interruption claims provision from \$58.0m to \$5.3m. The reduction in the provision was determined by management, in conjunction with the Board and Appointed Actuary following the outcome of the ruling by the Federal Court of Australia in 2022.

7. SIGNIFICANT EVENTS AFTER REPORTING DATE

At balance date, Guild Group was in discussions with MedAdvisor Limited (ASX: MDR) in relation to the potential sale of GuildLink Pty Ltd. The sale was completed subsequent to balance date and on 27 July 2022. Under the sale agreement, MedAdvisor acquired all aspects of the GuildLink business including GuildCare, Medicine Information, Guild Data, Guild Digital and MyPharmacyLink through an all-scrip acquisition. Following a strategic review of the GuildLink business in the first half of 2022, the Guild Group Board and Management concluded that the sale of GuildLink to MedAdvisor would provide a better service offering to the pharmacy and health sector with the merged organisations providing a more effective medications management platform and as a result of this an improved healthcare value chain for the needs of communities across Australia. A restructuring provision of \$497,000 will be recognised post year end in relation to the above change. Guild Group's investment in GuildLink Pty Ltd has been treated as assets held for sale for the purposes of the financial statements in accordance with AASB 5.

Effective 1 July 2022, Guild Insurance placed its Personal Lines portfolio into a new 50% Quota Share Reinsurance Treaty with Hannover Re, previously placed with Hannover Re (50%), Swiss Re (35%) & Aspen Re (15%) which ended on 30 June 2022. The reinsurance treaty applies to losses occurring during the reinsured period.

Effective 1 January 2023, Guild Insurance has given notice to terminate its 12.5% Whole of Account Quota Share Reinsurance treaty with Hannover Re and Berkshire covering net of inuring reinsurance claim costs from all product lines. The reinsurance treaty applies to losses occurring during the reinsured period.

Effective 1 July 2022, Guild Insurance reduced its Quota Share Reinsurance Treaty placed with GenRe from 70% to 50% held over its professional risks portfolio distributed by underwriting agency specialist SURA.

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Management are positive about the prospects for the entity and the focus for the year ahead will continue to be based on three key objectives.

Customers

Commitment to customers remains the cornerstone of the business model. The goal is to continually improve the value the Group provides to existing clients while leveraging the enhanced business development capability and new distribution channels to win new customers.

People

Management seek to retain its people through providing them an environment where they can excel in and be rewarded for their achievements. Management will continue to actively seek to attract new talent into the business as it builds new opportunities and to provide career progression for existing staff. Management will continue to leverage the opportunities presented by new ways of working following the COVID-19 pandemic.

Financial Performance

Management will target strong earnings and growth targets for the year while ensuring the Group retains a conservative well capitalised position.

Report of Directors cont.

9. OUTSTANDING CLAIMS PROVISION IN CONTROLLED GROUP (GUILD INSURANCE LIMITED)

The provision for outstanding claims is determined after consultation with the Appointed Actuary. The outstanding claims assessment takes into account the statistical analysis of past claims, allowance for claims incurred but not reported, recoveries and future interest and inflation factors. The Directors consider that adequate risk margins are required in addition to actuarial central estimates to cover uncertainties such as changes in interest rates and superimposed inflation.

The APRA standards provide that outstanding claims must be set at a level

that provides a probability of at least 75% that the provision for outstanding claims will be adequate to settle claims as they become payable in the future. The directors have satisfied themselves that the Group's outstanding claims provision exceeds this requirement. Consistent with Guild policy, the directors have also reviewed the probability of sufficiency at the 85% level and determined it to be appropriate based on the underlying risk profile and the business plan.

The explicit allowance of \$58.0m for COVID-19 pandemic related Business Interruption claims determined in the previous financial year has been reduced to \$5.3m following Board approval in the reporting period.

10. CAPITAL ADEQUACY OF GUILD INSURANCE LIMITED

Guild Insurance Limited's Common Equity Tier 1 (CET1) capital was \$122.3 million (2021: \$116.2 million) and regulatory capital of \$133.1 million (2021: \$133.1 million) At 30 June 2022 as per the requirements of the Australian Prudential Regulatory Authority's Prudential Standards. At 30 June 2022, Guild Group Holdings Limited had a CET1 multiple of 1.6 (2021: 1.6) and a PCA multiple of 1.9 (2021: 1.8).

	2022 \$'000	2021 \$'000
I. Common Equity Tier 1 capital		
Ordinary shares	9,866	9,866
Retained earnings	116,587	97,332
Excess technical provisions (net of tax)	16,986	26,397
Less: Deductions	(21,135)	(17,372)
Common Equity Tier 1 capital (CET1 capital)	122,304	116,224
II. Additional Tier 1 capital	—	—
Total Tier 1 capital	122,304	116,224
III. Tier 2 capital		
Eligible Tier 2 capital instruments	16,840	16,840
Total Tier 2 capital	16,840	16,840
Total regulatory capital	139,144	133,064
IV. Prescribed Capital Amount (PCA)		
Insurance risk charge	48,904	47,215
Insurance concentration risk charge	3,750	2,844
Asset risk charge	31,287	33,980
Asset concentration risk charge	—	—
Aggregation benefit	(17,531)	(18,153)
Operating risk charge	8,575	9,254
Total PCA	74,985	75,140
PCA multiple	1.86	1.77
CET1 multiple	1.63	1.55

In the above Table, the Regulatory Capital includes contributed equity provided by Guild Group Holdings Limited (GGHL), which is treated as Tier 2 capital for regulatory purposes by Guild Insurance Limited (GIL). The treatment as Tier 2 capital reflects the source of the capital in the parent entity GGHL, which is Interest-bearing Tier 2 Capital. It is noted that for APRA regulatory purposes Common Equity Tier 1 CET 1 capital in a subsidiary is not intended to be funded by lesser quality capital raised by a parent.

Report of Directors cont.

11. ENVIRONMENTAL REGULATIONS

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

The Directors are not aware of any breaches of significant environmental regulations during the period covered by this report that are likely to result in a material impact on the Group or the environment.

12. MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Group's Directors (including meetings of committees of Directors) held during the year ended 30 June 2022, and the numbers of meetings attended by each Director.

	Full Meeting of Directors (GGHL & GSSL)	Full Meeting of Directors (GIL)	Audit Committee (GGHL)	Risk Management & Compliance Committee (GGHL)	Remuneration & Nominations Committee (GGHL)	Capital Committee	Digital & Customer Committee (DCC)	Full Meeting of Directors (Guildlink)	Full Meeting of Directors (Gold Cross)
Number of Meetings Held	8	8	6	4	2	7	1	4	5
Number of Meetings Attended By:									
C. Dube	8	8	6	4	—	7	—	2	3
K. Pratt	—	—	—	—	—	—	1	—	—
M. Kay	8	8	6	4	2	—	1	4	3
A. Bloore	8	8	6	—	2	—	1	2	3
L. Jenkinson	—	—	—	—	—	6	1	2	5
J. Dowling	8	8	6	4	2	—	—	2	3
T. Twomey *	1	1	—	—	—	1	—	1	1
A. Tassone #	7	6	—	—	—	5	1	2	2
N. Panayiaris	—	—	—	—	—	—	—	2	5
M. Pirone (as director of GSSL & GTS)	8	—	—	—	—	—	—	—	—

* T Twomey resigned as NED effective 31 Aug 21 (GGHL/GSS/GIL/GLK/GC)

A Tassone appointed as NED effective 31 Aug 21 (GGHL/GSS/GIL/GLK/GC)

M Kay, A Tassone, C Dube, J Dowling and A Bloore resigned as NED directors effective 1 Feb 2022 (GC)

M. Pirone resigned as director effective 1 July 2022 (GSSL only)

Note: Data Referenced against the 'Minutes Register'

13. DIRECTORS' BENEFITS

No Director of the Group has received or become entitled to receive a benefit because of a contract made by the Group or a related body corporate with the Director or a firm of which they are a member, or with an Group in which they have a substantial financial interest.

Report of Directors cont.

14. COMMITTEE MEMBERSHIP

As at the date of this report, the Group had a Capital, Remuneration & Nominations, Audit, Risk Management & Compliance Committee of the Board of Directors.

Members acting on the committees of the board during the year were:

	GGHL	GSS	GIL	GTS	MLL	GLK	GC
Andrew Bloore	Chair	Chair	Chair		Director	Chair	Director
John Dowling	Director	Director	Director		Chair	Director	Director
Trent Twomey	Director	Director	Director			Director	Director
Anthony Tassone	Director	Director	Director			Director	Director
Catherine Dube	Director		Director			Director	Director
Michael Kay	Director	Director	Director		Director	Director	Director
Linda Jenkinson				Chair		Director	Chair
Nick Panayiaris				Director		Director	Director
Kerri Pratt				Director			
Mario Pirone		Director		Director			

15. INSURANCE OF OFFICERS

During the financial year, Guild Group Holdings Limited paid a premium in respect of a contract insuring the Directors, Company Secretary and Officers of the Group and its subsidiaries against a liability incurred as a Director, Secretary or Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the financial year, indemnified or agreed to indemnify a Director, a Company Secretary, an Officer or Auditor of the company or any related body corporate against a liability incurred as such a Director, Company Secretary, Officer or Auditor.

16. NUMBER OF EMPLOYEES

The workforce of the Group stands at 509 full time equivalent employees at 30 June 2022 (498 - 30 June 2021). The consolidated Group staff numbers are expected to remain stable over the next twelve months to ensure that there are adequate staffing resources to manage the anticipated revenue growth.

17. ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars (\$'000) (where rounding is applicable) under the option available to the Company under ASIC Corporations Instrument 2016/191. The Group is a company to which the Class Order applies.

18. DECLARATION FROM AUDITORS

A copy of the Auditor's Independence declaration as required under section 307C of the Corporations Act 2001 is set out on page [16](#).



.....
A. Bloore
Chairman
Melbourne
30 August 2022



.....
C. Dube
Non-Executive Director
Melbourne
30 August 2022

Directors' Declaration

Directors' Declaration

In accordance with a resolution of the Directors of Guild Group Holdings Limited, we state that:

In the opinion of the Directors:

- a. the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
- b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note [2](#).
- c. there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board



.....
A. Bloore
Chairman
Melbourne
30 August 2022



.....
C. Dube
Non-Executive Director
Melbourne
30 August 2022

Independent Auditor's Report



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Independent Auditor's Report to the Members of Guild Group Holdings Limited

Opinion

We have audited the financial report of Guild Group Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and
- b) 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 and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly 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.

Independent Auditor's Report



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Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the 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 judgment 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.

Independent Auditor's Report



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- 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 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.

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in black ink that reads "M Pallisco".

M Pallisco
Partner
Melbourne
30 August 2022

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Auditor's Independence Declaration



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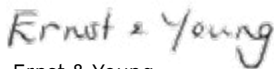
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Auditor's Independence Declaration to the Directors of Guild Group Holdings Limited

As lead auditor for the audit of Guild Group Holdings Limited for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) No contraventions of any applicable code of professional conduct in relation to the audit.
- c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Guild Group Holdings Limited and the entities it controlled during the financial year.


Ernst & Young



Maree Pallisco
Partner
Melbourne
30 August 2022

Statement of Financial Position

Year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Assets			
Cash and cash equivalents	8a.	36,522	51,437
Trade and other receivables	9	148,090	131,020
Related Party Receivables	9b.	9,582	4,673
Reinsurance and other recoveries receivable	10	99,195	33,702
Income tax receivable		—	924
Investments	11	346,994	327,403
Investment in Joint Venture	12a.	492	314
Prepayments and work in progress	13	11,689	12,446
Deferred acquisition costs	14a.	23,118	20,481
Deferred outwards reinsurance premium	14c.	35,947	23,543
Property, plant and equipment	15	1,705	1,403
Right-of-use assets	16	13,285	11,537
Deferred tax assets	6	20,240	17,901
Intangible assets and goodwill	17	10,575	12,893
Assets Held for Sale	33	5,371	6,206
Total Assets		762,805	655,789
Liabilities			
Trade and other payables	18a.	48,632	34,676
Deferred Revenue	18a.	108	—
Income tax payable		11,926	—
Premium liabilities	19b.	171,138	155,315
Interest-bearing borrowings	20	17,252	17,252
Lease liabilities	21	15,723	15,537
Provisions	22	25,793	22,225
Claims liabilities	23	327,817	287,378
Liabilities directly associated with assets held for sale	33	4,014	2,956
Total Liabilities		622,403	535,339
Net Assets		140,402	120,450
Equity			
Contributed equity	24a.	21,420	21,420
Retained earnings	24d.	115,272	95,289
Non-controlling interest	25	2,129	2,160
Merger reserve	24e.	1,581	1,581
Total Equity		140,402	120,450

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

Statement of Comprehensive Income

Year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Premium revenue	5a.	263,745	235,639
Outwards reinsurance premium expense		(99,711)	(76,536)
Net premium revenue		164,034	159,103
Claims expense	5e.	(138,413)	(141,569)
Reinsurance and other recoveries revenue	5f.	100,551	38,899
Net claims expense		(37,862)	(102,670)
Acquisition costs	5h.	(45,429)	(41,009)
Underwriting expenses	5i.	(49,502)	(45,348)
Doubtful debts	5l.	(144)	142
Underwriting result		31,097	(29,782)
Investment revenue on assets backing policyholder funds	5b.	(9,086)	3,092
Insurance trading result		22,011	(26,690)
Investment revenue on assets backing shareholder funds	5c.	(3,489)	5,526
Fee and other income	5d.	78,287	65,675
Other operating expenses	5k.	(63,406)	(60,829)
Finance costs	5j.	(740)	(619)
Profit/(Loss) before income tax		32,663	(16,937)
Income tax expense	6	(10,387)	5,566
Profit/(Loss) after income tax from operating activities		22,276	(11,371)
Discontinued Operations			
Profit/(loss) after tax for the year from discontinued operations	33	(1,894)	(1,492)
Profit/Loss after income tax inclusive of discontinued operations		20,382	(12,863)
Profit/(Loss) for the year is attributable to:			
Owners of the parent		19,983	(13,252)
Non-controlling interest		399	389
		20,382	(12,863)
Total comprehensive income for the year is attributable to:			
Owners of the parent		19,983	(13,252)
Non-controlling interest		399	389
		20,382	(12,863)

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

Statement of Changes in Equity

Year ended 30 June 2022

	Attributable to equity holders				Total Equity \$'000
	Issued Capital \$'000	Merger Reserve \$'000	Retained Earnings \$'000	Non controlling Interest \$'000	
2022					
At 1 July 2021	21,420	1,581	95,289	2,160	120,450
Dividends paid	—	—	—	(300)	(300)
Changes in equity during the period					
Net profit/(loss)	—	—	21,877	399	22,276
Total comprehensive income and expense for the period	21,420	1,581	117,166	2,259	142,426
Discontinued Operations			(1,894)		(1,894)
Issue of share capital	—	—	—	(131)	(131)
At 30 June 2022	21,420	1,581	115,272	2,129	140,402
2021					
At 1 July 2020	15,129	1,649	108,541	1,623	126,942
Dividends paid	—	—	—	—	—
Changes in equity during the period					
Net (loss)/profit	—	—	(11,760)	389	(11,371)
Total comprehensive income and expense for the period	15,129	1,649	96,781	2,012	115,571
Discontinued Operations			(1,492)		(1,492)
Issue of share capital	6,291	—	—	148	6,439
Gold Cross Acquisition - Merger Reserve	—	(68)	—	—	(68)
At 30 June 2021	21,420	1,581	95,289	2,160	120,450

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

Statement of Cash Flows

Year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Premiums received		264,110	237,263
Outwards reinsurance paid		(109,076)	(94,657)
Claims paid		(141,535)	(99,467)
Reinsurance and other recoveries received		70,764	34,170
Acquisition costs paid		(47,290)	(42,100)
Payments to suppliers and employees		(99,654)	(107,010)
Reinsurance commission received		30,528	28,514
Agency commission received		5,867	6,171
Fees and other income		64,073	65,719
Income tax (refunded) / paid		(1,964)	(1,635)
Interest and other costs of finance paid		(959)	(619)
Sundry income received		(6,516)	—
Payments for leases of low-value assets		(149)	(149)
Net cash flows from operating activities		28,199	26,200
Cash flows from investing activities			
Distributions from unit trust received		3,095	1,579
Interest received		8,816	8,546
Purchase of property, plant and equipment		(755)	(349)
Proceeds from disposal of financial assets		(145)	26,185
Payments for financial assets		(44,092)	(37,274)
Payments for intangible assets		2,319	(4,241)
Payment for purchase of shares in subsidiary		—	(6,291)
Dividends paid	8c.	(300)	—
Net cash flows from investing activities		(31,062)	(11,845)
Cash flows from financing activities			
Repayment of lease liabilities		(7,021)	(6,973)
Interest on lease liabilities		(480)	8
Proceeds from issue of equity		—	6,291
Loan to related parties		(4,552)	(325)
Net cash flows used in financing activities		(12,053)	(999)
Net (decrease)/increase in cash and cash equivalents- Continuing Operations		(14,916)	21,252
Net (decrease)/increase in cash and cash equivalents- Discontinued Operations	33	125	(1,812)
Cash and cash equivalents at 1 July		55,167	35,727
Cash and cash equivalents at 30 June	8a.	40,376	55,167

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

Notes to the Financial Statements cont.

Year ended 30 June 2022

1. CORPORATE INFORMATION

The financial report for Guild Group Holdings Limited for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the directors on 30 August 2022.

Guild Group Holdings Limited is a for profit company limited by shares incorporated in Australia. The ultimate parent entity of Guild Group Holdings Limited is The Pharmacy Guild of Australia.

The nature of the operations and principal activities of the Group are described in the Directors' report.

The registered office for this entity is at Level 13, 171 Collins Street Melbourne, Victoria.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

This general purpose financial report has been prepared in accordance with

the requirements of the Corporations Act 2001 including applicable Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for certain assets, which have been measured at fair value. The accounting policies adopted are consistent with those of previous years, except where noted below.

The financial report is presented in Australian dollars and all values are to the nearest thousand dollars (\$000), unless otherwise stated.

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Any such changes have had no effect on the financial position or performance of the entity.

b. Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

c. New accounting standards and interpretations

There are no new standards and interpretations applied for the first time by Guild Group Holdings Limited for the annual reporting period ended 30 June 2022.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by Guild Group Holdings Limited for the annual reporting period ended 30 June 2022, are outlined in the table below:

Reference	Title	Application date	Application date for GIL	Note
AASB 2020-5	Amendments to Australian Accounting Standards Insurance Contracts	1 January 2021	1 July 2022	A
AASB 9	Financial Instruments – AASB replaces AASB 139 Financial Instruments: Recognition & Measurement	1 January 2023	1 July 2023	A
AASB 17	Insurance Contracts	1 January 2023	1 July 2023	B
AASB 2016-6	Amendments to Australian Accounting Standards Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	1 January 2022	1 July 2023	A
AASB 2014-10	Amendments to Australian Accounting Standards Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2022	1 July 2023	A
AASB 2020-1	Amendments to Australian Accounting Standards Classification of Liabilities as Current or Non-current	1 January 2022	1 July 2023	A
AASB 2020-3	Amendments to Australian Accounting Standards Annual Improvements to 2018-2020 and Other Amendments	1 January 2022	1 July 2023	A
AASB 2021-2	Amendments to Australian Accounting Standards Disclosure of Accounting Policies & Definition of Accounting Estimates	1 January 2023	1 July 2024	A
AASB 2021-5	Amendments to Australian Accounting Standards Deferred Tax related to Assets & Liabilities arising from a Single Transaction	1 January 2023	1 July 2024	A

Table note

A At the reporting date management have not yet assessed the impact of implementing these standards.

Notes to the Financial Statements cont.

Year ended 30 June 2022

B AASB 17 Insurance Contracts

AASB 17 ('the Standard') is a new accounting standard for all types of insurance contracts replacing AASB 1023 General Insurance Contracts for for-profit entities. The first applicable reporting period is for the year ending 30 June 2024, with the comparative period for the year ending 30 June 2023 restated on a AASB 17 basis applying to the financial statements of both the Group and Guild Insurance Limited.

The Standard requires the application of a new measurement model introducing significant changes to the presentation and disclosure of insurance contracts and increased disclosure requirements compared with existing reporting.

The Standard introduces two models which may be applicable to Guild Insurance Limited. The General Model measures insurance contracts on the basis of the fulfilment cash flows (present value of estimate future cash flows with a provision for risk) and the contractual service margin (being the unearned profit that will be recognised over the coverage period). The second model known as the Premium Allocation Approach is likened to the current model adopted under AASB 1023 which is permitted for short-term portfolios with cover periods within twelve months or for long-term portfolios if the liability for remaining coverage is not expected to materially differ from the General Model.

Following a comprehensive review of all insurance contracts issued, Guild Insurance Limited expects that it will be eligible to adopt the premium allocation approach for all its general insurance contracts based on the current portfolio mix.

Guild Insurance Limited's AASB 17 project team along with its Appointed Actuary are continuing to closely monitor developments in the Standard as technical global interpretation of the accounting, actuarial and reinsurance requirements continue to evolve to ensure that changes required to technology, systems and processes are suitably adapted to fulfil the requirements of the Standard.

d. Basis of consolidation

The consolidated financial statements comprise the financial statements of Guild Group Holdings Limited (the parent company) and its subsidiaries as at 30 June each year (the Group).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the Consolidated Financial Statements, all intercompany balances and transactions, income and expenses and profit or losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries under common control is accounted for using the pooling of interest method of accounting. The pooling of interest method of accounting involves the reflection of the assets and liabilities of the combining entities at their carrying values with no goodwill being recognised. The identifiable assets acquired, and the liabilities assumed are measured at their acquisition date book values. Upon acquisition the group has recognised a merger reserve which arose on a business combination that was accounted under the pooling of interest method. The policy is to consolidate figures on the date of acquisition and not disclose comparative numbers. There were no acquisitions under common control in the current year.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the

liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the Statement of Comprehensive Income and are presented within equity in the consolidated Statement of Financial Position, separately from the equity of the owners of the parent.

Total comprehensive income within a subsidiary is attributed to the non - controlling interest even if that results in a deficit balance.

e. Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position in order of liquidity.

An asset is current when it is:

- > Expected to be realised in normal operating cycle;
- > Held primarily for the purpose of trading;
- > Expected to be realised within twelve months after the reporting period, or;
- > Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- > It is expected to be settled in normal operating cycle;
- > It is held primarily for the purpose of trading;
- > It is due to be settled within twelve months after the reporting period, or;
- > There is no unconditional right to defer the settlement of the liability

Notes to the Financial Statements cont.

Year ended 30 June 2022

for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

f. Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Premium revenue

Premium Revenue comprises amounts charged to the policyholder, including fire service levies, but excluding stamp duties and other amounts collected on behalf of third parties.

Premium Revenue is treated as earned from the date of attachment of risk. Where material, premiums on unclosed business are brought to account by reference to the previous year's premium processing delays with due allowance for any changes in the pattern of new business and renewals.

The pattern of recognition of income over the policy or indemnity periods is based on time, which closely approximates the pattern of risks underwritten. Unearned premium is determined by apportioning the premiums written in the year, using the 365ths method based on date of attachment of risk. The portion not earned, as determined by the above method, is classified in the Statement of Financial Position as unearned premium.

Revenue from Contracts with Customers

i. Superannuation fees

Fees earned are recognised when the entity's right to receive the payment is established, by reference to the members participation in the fund. The performance obligation is met at the end of each month.

ii. Insurance administration and exit fees

Insurance administration fee income is recognised when the entity's right to receive the payment is established, by reference to the members participation in the fund. The performance obligation is met at the end of each month. If a member decides to leave the fund an exit fee will be charged at the date of exit and the income recognised at the same point in time.

iii. Transaction prices

The Group allocates the transaction price to each performance obligation based on the Product Disclosure Statement. Allocation of transaction price is otherwise based on either daily or monthly participation, depending on the revenue category and the members options.

iv. Provision of legal services – Insurance

Revenue from the provision of Insurance legal advice is recognised over the time that the services are performed on a time and material basis.

Work in progress is only included in revenue to the extent that it is highly probable that the cumulative amount of revenue recognised in respect to the contract at the end of the reporting period will not be subject to a significant reversal when the matter is concluded.

A receivable in relation to these services is recognised when a bill is raised and issued, as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

v. Provision of legal services – Commercial

The Group earns revenue from the provision of general legal services incorporating commercial employment and property. Revenue for general legal services is recognised over time in the accounting period when services are rendered.

Fee arrangements from Commercial legal services are unconditional fee for service arrangements ("Time and Materials").

In fee for service arrangements revenue is recognised up to the amount of fees the entity is entitled to invoice for services performed to date based on contracted rates.

Work in progress is only included in revenue to the extent that it is highly probable that the cumulative amount of revenue recognised in respect to the contract at the end of the reporting period will not be subject to a significant reversal when the matter is concluded.

A receivable in relation to these services is recognised when a bill is raised and issued, as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

vii. Provision of legal services – Litigation

Revenue from the provision of litigation legal advice is recognised over the time that the services are performed on a time and material basis.

Fee arrangements from litigation legal services include unconditional fee for service arrangements ("Time and Materials") and variable or contingent fee arrangements for some commercial litigation services. Work in progress is only included in revenue to the extent that it is highly probable that the cumulative amount of revenue recognised in respect to the contract at the end of the reporting period will not be subject to a significant reversal when the matter is concluded.

A receivable in relation to these services is recognised when a bill is raised and issued, as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

No changes to revenue recognition were identified under AASB 15.

Notes to the Financial Statements cont.

Year ended 30 June 2022

Medicines information – maintenance contracts

Revenue from medicines information maintenance contracts is recognised as performance obligations are satisfied over time, by reference to the stage of completion of a contract or contracts in progress at the balance sheet date. Stage of completion is measured by reference to the date that each annual maintenance contract expires.

Revenue derived from all ad hoc document changes is recognised once the amended documents have been released for distribution to external parties.

viii. Guildcare subscriptions revenue

Revenue from subscriptions contracts is recognised as performance obligations are satisfied over time, which is on a straight-line basis over the term of contract, in line with the timing as to when the customer simultaneously receives and consumes the benefits of the services.

ix. Reinsurance Commissions

Reinsurance Commissions represent income received from Reinsurers (in the form of an operating cost recovery) as a direct result of Guild Insurance Limited obtaining reinsurance across its portfolio to reduce its overall exposure. Reinsurance Commission is an agreed percentage based on the total proportion of ceded premium to the reinsurer. Where applicable, reinsurance commission revenue is subject to the achievement of a specific level of profitability of the reinsured portfolio in a given financial/underwriting year. The pattern of recognition aligns to the policy or indemnity period and is earned adopting the 365ths method.

x. Agency Commissions

Agency Commission represents income received from Guild Early Learning Pty Ltd which is an authorised representative of Guild Insurance Limited to underwrite Workers Compensation Insurance. Commission received is based on a set percentage of the total gross written premium in a financial year for the specific scheme underwritten. Placing business as an agent for GEL

would be the performance obligation for the agency commission. Once the business has been placed the commission can start earning adopting the 365ths method.

xi. Presentation and disclosure requirements

The Group has disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to note 5a. for the disclosure of disaggregated revenue.

Interest income

Interest income is recognised as interest accrues using the effective interest method when the Group has control of the right to receive the interest payment.

g. Fire service levy and other charges

A liability for fire service levy and other charges is recognised on business written to the reporting date. Levies and charges payable are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment.

h. Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNRs are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries receivable are measured as the present value of the expected future receipts.

i. Outwards reinsurance premium expense

The Group cedes insurance risk in the normal course of business. Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of

outwards reinsurance premium is treated as a prepayment and presented as deferred outwards reinsurance expense on the balance sheet at the reporting date.

j. Deferred acquisition costs

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

k. Liability adequacy test

Liability adequacy testing is performed in order to recognise any deficiencies in the Statement of Comprehensive Income arising from the carrying amount of the unearned premium liability less any related deferred acquisition costs and intangible assets not meeting the estimated future claims under current insurance contracts.

The estimated future claims under current insurance contracts are measured using the present value of the expected cash flows relating to future claims and associated expenses (discounted using a risk free discount rate) plus an additional fair value risk margin to reflect the inherent uncertainty of those estimated cash flows.

Any deficiency arising from the test is recognised in the profit or loss with the corresponding impact on the balance sheet recognised first through the write down of deferred acquisition costs for the relevant portfolio of contracts, with any remaining balance being recognised on the balance sheet as an unexpired risk liability.

Liability adequacy testing is performed at the level of a portfolio of contracts that are subject to broadly similar risks

Notes to the Financial Statements cont.

Year ended 30 June 2022

and are managed together as a single portfolio.

I. Claims liabilities

The outstanding claims liability is measured as the central estimate of the present value of expected future payments relating to claims incurred at the reporting date with an additional risk margin to allow for the inherent uncertainty in the central estimate. The liability is measured based on the valuation performed by the Appointed Actuary. The expected future payments include those in relation to claims reported but not yet paid or not yet paid in full, claims incurred but not enough reported (IBNER), claims incurred but not reported (IBNR) and the anticipated direct and indirect claims handling costs. The liability is discounted to present value using a risk free rate.

Claims expense represents claim payments adjusted for the movement in the outstanding claims liability.

The estimation of the outstanding claims liability involves a number of key assumptions and is the most critical accounting estimate. All reasonable steps are taken to ensure that the information used regarding claims exposure is appropriate. However, given the uncertainty in establishing the liability, it is likely that the final outcome will be different from the original liability established. Changes in claims estimates are recognised in profit or loss in the reporting period in which the estimates are changed.

m. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand available on demand and deposits held at call with financial institutions. Cash and cash equivalents are measured at amortised cost, being the principal amount. For the purposes of the cash flow statement, cash also includes other highly liquid investments not subject to significant risk of change in value, with short periods to maturity, net of any bank overdraft.

n. Trade and other receivables

Trade and other receivables are recognised initially at original invoice or fair value plus any transaction costs

and then subsequently measured at amortised cost using the effective interest rate method, less impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an on-going basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the entity will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts greater than trade terms are considered objective evidence of impairment. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

o. Work in progress – contracts with customers

Work in progress represents client cases which have not yet reached a conclusion and comprises of insurance claims, commercial claims and commercial litigation. Amounts ultimately owed to Meridian Lawyers are valued at the lower of cost and net realisable value, as fees are not rendered on matters until either the completion of a particular task or time period.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The following methodologies are used in determining the value of work completed:

Time Recording

Contracts for general and commercial law matters are billed based on time spent by a professional and is recorded against the matter at an agreed hourly rate. As permitted under AASB 15 Revenue from Contracts with customers, the transaction price allocated to the unsatisfied or partially unsatisfied performance obligations under these contracts has not been disclosed.

Estimated Fees Earned

Work in progress reflects the time recorded against each matter as at a particular date and is used as a guide in determining the professional and other fees that will ultimately be rendered to the relevant client, which is accrued and held as a receivable in the Statement of Financial Position.

Recognition of revenue

Work in progress is only included in revenue to the extent that it is highly probable that the cumulative amount of revenue recognised in respect to the contract at the end of the reporting period will not be subject to a significant reversal when the matter is concluded.

p. Investments

Investments comprise assets held to back insurance liabilities (also referred to as policyholder funds) and assets that represent shareholders' funds. Investments that back insurance liabilities include fixed interest deposits, investments in unit trusts and amounts receivable in respect of hire purchase arrangements and investment loans. All investments are managed, and performance evaluated on a fair value basis for both external and internal reporting purposes in accordance with a documented investment policy.

Except for loans and receivables, all other investments are designated as fair value through profit or loss upon initial recognition. They are initially recorded at fair value (being the cost of acquisition excluding transaction costs) and are subsequently remeasured to fair value at each reporting date. Changes in the fair value from the previous reporting date (or cost of acquisition excluding transaction costs if acquired during the financial period) are recognised as realised or unrealised investment gains or losses in profit or loss. Purchases and sales of investments are recognised on a trade date basis being the date on which a commitment is made to purchase or sell the asset. Transaction costs for purchases of investments are expensed as incurred and presented in the statement of comprehensive income as investment expenses on assets backing policyholder funds and fees based, corporate and other

Notes to the Financial Statements cont.

Year ended 30 June 2022

expenses for investments that represent shareholder funds.

Investments are derecognised when the rights to receive future cash flows from the assets have expired or have been transferred and substantially all the risk and rewards of ownership have transferred.

For securities traded in an active market, fair value is determined by reference to published bid price quotations. For unlisted unit trusts this generally means using the net asset value provided by the trustee. For investments not traded in active market, the fair value is determined using appropriate valuation techniques based on Guild's proportion of net assets.

Investment revenue, comprising dividends, trust distributions and interest, is brought to account on an accrual basis. Revenue on investment in equity securities and unit trusts is deemed to accrue on the date the dividends/distributions are declared, which for listed equity securities is deemed to be the ex-dividend date. Dividend revenue from Australian equities is received net of any franking credits.

Loans and receivables are non-derivative investments with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. Amortised cost approximates to fair value.

q. Property, plant and equipment

Cost and valuation

Plant and equipment is stated at historical cost, net of accumulated depreciation and/or any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- (i) Leasehold improvements over the terms of the various leases

- (ii) Fixtures and fittings 2-13 years

The residual values, useful lives, impairment and amortisation methods are reviewed and adjusted if appropriate, at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

r. Right of use assets

Right-of-use assets are initially recorded at cost which is the fair value of consideration provided plus incidental costs directly attributable to the acquisition. Depreciation is calculated using the straight-line method to allocate the cost of assets less any residual value over the estimated useful economic life, which ranges between 2 – 10 years.

Payments associated with short-term leases of property, motor vehicles and equipment are recognised on a straight-line basis as an expense in profit or loss. Short-term leases have a lease term of 12 months or less.

Operating leases of equipment, motor vehicles and property are recognised as Right-of-use assets from 1 July 2019.

s. Goodwill and intangible assets

Goodwill

Goodwill recognised in a business combination is an asset representing the future economic benefits arising from other assets acquired in the business combination that are not individually identified and separately recognised. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any

accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Intangible Asset – System development costs

An intangible asset arising from development expenditure on an internal project is recognised only when the entity can demonstrate:

- > The technical feasibility of completing the intangible asset so that it will be available for use;
- > Its intention to complete and its ability to use the asset;
- > How the asset will generate future economic benefits;
- > The availability of resources to complete the asset;
- > The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit (5 year period for Guidewire Insurance System, 5 year period for Digital Platforms, 10 years for practice management software). Amortisation is recorded in operating expenses.

Amortisation is calculated on a straight-line basis over their estimated useful lives as follows:

- i. Guidewire Insurance System 5 year period
- ii. Digital Platforms 5 year period
- iii. Practice Management Software 10 year period

Notes to the Financial Statements cont.

Year ended 30 June 2022

t. Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 to 90 days of recognition.

u. Lease liabilities

Liabilities arising from a lease are initially measured as the present value of lease payments over the term of the agreement that are not paid at that date. Lease liabilities include the following lease payments:

- > Fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- > variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date. At 30 June 2022 there were no variable lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group has also elected not to recognise ROU assets and lease liabilities for leases of low-value assets (i.e. < \$5,000) and short-term leases (i.e. < 12 months). Options (extension / termination) on lease contracts are considered on a case by case basis following a regular management assessment. When an agreement includes an option to extend the lease term, the probability of renewing the lease is assessed and includes the renewal term in the ROU asset and lease liability measurement where the option to extend the lease is reasonably certain.

The Group has used one single Incremental Borrowing Rate (IBR) for a portfolio of leases having similar risk characteristics updated twice yearly at 31 December and 30 June. The lease liabilities were discounted at the reference rate as at 1 July 2022, which was 3.71%.

v. Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When some or all of a provision is expected to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Liabilities, including non-monetary benefits expected to be settled within 12 months of the reporting date are recognised up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expected future payments are discounted using market yields at the reporting date on corporate bonds (employee provisions) or national government bonds (other provisions) with terms to maturity that match, as closely as possible, the estimated future cash outflows.

w. Interest bearing borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Borrowing

costs are recognised as an expense when incurred.

x. Income tax and other taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill or of a right-of-use asset or lease liability arising from initial adoption of AASB 16, or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except when the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of a right-of-use asset or lease liability arising from initial adoption of AASB 16, or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Notes to the Financial Statements cont.

Year ended 30 June 2022

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are reported on a net basis as per AASB 112.74.

Tax consolidation legislation

Guild Group Holdings Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Guild Group Holdings Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Guild Group Holdings Limited also recognises the current liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under the tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Goods and services tax ('GST')

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from,

or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

y. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

z. Business combination under common control

Gold Cross Products and Services Pty Ltd was acquired by Guild Insurance Limited in 2021 and has been accounted for using business combinations under common control.

aa. Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated

or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 33. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk Management Framework ('RMF')

The Guild Group has a formally approved RMF in place that describes the strategies and approach for effectively identifying, assessing and managing material risk across the organisation. The Group's RMF is considered an enterprise wide capability in that it is a fully integrated and active process within all Group entities, business lines and support service functional areas. The presence of the RMF supports the Group's belief that having an effective risk management framework in place is considered a critical element in supporting the organisation meet its strategic and operational goals.

The RMF details the layers of managerial responsibility, risk management related policies and the key processes used to identify, assess, monitor, report on and mitigate all material risks that have the potential (if realised) to impact the Group achieving its strategic objectives. The Board has delegated its authority for the oversight of the RMF to the Risk Management & Compliance Committee. In turn the Risk Management & Compliance Committee works closely with the Chief Executive Officer ('CEO'), the Chief Risk Officer ('CRO') and the dedicated risk management function to ensure that the RMF remains appropriate and effective. The CRO is charged with overall functional responsibility for the RMF and risk management capability. The Group's Executive Leadership Team also assists the CEO by providing

Notes to the Financial Statements cont.

Year ended 30 June 2022

additional support to ensure the management of risk, within established risk appetite parameters, is appropriately maintained across the Group.

A major element of the RMF is the formally approved Risk Appetite Statement ('RAS') which is an overall declaration regarding the amount and type of risk that the Board is prepared to accept in order to achieve its strategic and operational objectives. The RAS has been developed by incorporating the expectations of various stakeholders and has resulted in risks considered material having specific risk tolerance limits established that form the basis for ongoing Board governance reporting and oversight.

The RMF is also reflected in the Risk Management Strategies ("RMSs") in place that describe the specific processes for managing risks considered material to the licensed entities.

The Guild Group RMF is currently going through a transformation to uplift the Group's risk management capabilities and to address effectiveness concerns raised by APRA in their prudential review of Guild Trustee Services Limited in the reporting year and also to address the commitments made in the insurance risk management (IRM) self-assessment submitted to APRA by Guild Insurance Limited. This will result in corresponding changes in the RAS and RMSs in the upcoming financial year.

In conjunction with the application of the RMF, the risks currently considered material to the Group are discussed below.

a. Governance risk

Governance risk involves any risks associated with insufficient or ineffective processes being in place to ensure appropriate oversight and decision making within the Group. This includes a lack of transparency over decision-making processes, conflicts of interest, fitness & propriety issues, delegation of roles and responsibilities, and remuneration structures.

Key controls for mitigating Governance Risk

- > The Group has a governance framework in place that includes director education, Board Charters, Board renewal processes, Board Remuneration Committee & Policy, conflicts recognition and a company secretariat function. Delegations of Authority have also been established and formally approved by the Board.
- > A Risk Management & Compliance Committee and an Audit Committee is in place that operates under a formal Terms of Reference and delegation from the Board.
- > A Fit & Proper Policy is in place that provides the establishment and monitoring processes for the Group's regulator mandated Responsible Persons.
- > A Conflicts Management Framework is in place that includes policies for Conflicts of Interest and Gifts & Entertainment.
- > A Whistle-blower Policy is in place that informs employees of the Whistle-blower hotline and how to make a confidential report of any areas of concern. The purpose of the policy is to encourage the reporting of matters that may cause financial/non-financial loss or damage our reputation.

b. Strategic & tactical risk

Strategic and Tactical risk refers to any risks that may impact the Group as a result of strategic initiatives and/or the business plan being inadequately established or coordinated. This risk also includes issues concerning business efficiency, product or service design, and association, broker and/or client relationship maintenance.

Key controls for mitigating Strategic & Tactical Risk

- > The Group's Strategic Business Plan is reviewed and formally approved by the Board annually. Regular reporting to the Board occurs regarding actual performance against the Strategic Business Plan.

- > Strategic / continuous improvement initiatives are underway that are intended to improve business efficiency across the Group.
- > The Strategic Business Plan includes specific customer focus and the Group's value proposition is also aligned to client expectations.
- > Regular competitor analysis is conducted and market competitiveness is also considered during the Group's business pricing process.
- > A tiered model is in place to facilitate key relationship engagement occurring on a regular basis.

c. Capital management risk

Capital management risk relates to the potential for financial issues occurring that may be amplified by the Group's inability to access capital, and/or that the Group's current capital adequacy requirements are being adversely impacted.

Key controls for mitigating Capital Management Risk

- > The Group has a formally approved Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement that identifies and documents the policies, procedures, systems and controls in place to manage associated capital related risks and to ensure that capital is held commensurate with the relevant level of risk. The ICAAP also articulates the Group's strategy for maintaining adequate capital over time, including the setting of capital targets that are consistent with the Group's risk profile, its risk appetite and the relevant regulatory requirements.
- > Calculations occur monthly to monitor the adequacy of capital being maintained within a specified risk appetite range and these calculations are also reported to the Board quarterly for appropriate governance oversight.
- > Capital management processes and calculations are subject to review by the Group's Appointed Actuary.

Notes to the Financial Statements cont.

Year ended 30 June 2022

d. Insurance risk

Insurance risk is the risk of financial loss and the inability to meet liabilities due to inadequate or inappropriate insurance product design, pricing, underwriting, concentration risk, reserving, claims management and/or reinsurance management. The principal risk associated with any insurance contract is the possibility of the insured event occurring and the uncertainty of the amount of the resulting claim.

Key controls for mitigating Insurance Risk

To mitigate the impact of insurance risk, the entity has the RAS, ICAAP summary statement, RMF, RMSs as well as the following key policies and procedures in place:

Selection and Pricing of Risk

- > Underwriting authority is delegated to experienced underwriters following a detailed analysis of each class of business being underwritten by the Group.
- > Implementation and annual review of underwriting guidelines and criteria covering the classes of risk the Group is authorised to underwrite.
- > Maximum limits are set for the acceptance of risk on an individual contract basis, for classes of business and across the portfolio with particular attention paid to geographic exposure, industry segment and the Group's risk appetite and tolerance.
- > Management information systems are used to provide current reliable and accurate data about the various risks being underwritten by the business.
- > In-house pricing models are formulated and monitored by the analytics unit within the Insurance division using historical pricing and statistical data as well as claims analysis for each portfolio. Economic data and industry information is gathered to ensure underwriters are aware of current developments and prevailing conditions in the markets being underwritten and the expected future trends facing those markets.

- > An Underwriting Committee is in place to oversee, investigate and determine the processes necessary to address the pricing of insurance products, and also to provide strategic direction in relation to the management of insurance portfolios.

Concentration Risk

- > Relevant risk appetite parameters are in place requiring the diversification of the insurance portfolio across classes, industries and regions. Concentration exposure is monitored on a regular basis ensuring the portfolio is sufficiently diversified such that there is no undue concentration by risk class or by industry.
- > Business is written across broad geographical regions within Australia and regular reviews are undertaken to gauge the applicable geographic accumulation exposure.
- > Catastrophe reinsurance is purchased to ensure that any accumulation of losses from one area is protected.
- > Concentration risk is particularly relevant on the occurrence of a catastrophic event. Typically these are weather-related but can also be man-made such as industrial accidents and infrastructure collapse. The nature and level of catastrophes in any one year cannot be accurately anticipated but the Group uses predictive modelling in conjunction with its reinsurance broker to monitor its exposure.
- > An Insurance Strategy is in place that defines catastrophe cover parameters. Such parameters also form part of the Group's risk appetite criteria.

Claims Management and Reserving

- > Experienced claims officers are used to assess the claim and determine a case strategy. Where necessary, they are assisted by subject matter experts. It is the Group's policy to respond to and resolve genuine claims as quickly as possible in accordance with the provisions of the policy.
- > Claims reserves are established by local knowledge from claims

officers, underwriters and specialist advisors. The Appointed Actuary provides an independent assessment of the provision at least semi-annually.

- > The risk of the liability being inadequate is monitored by way of half-yearly actuarial valuation and mitigated by the inclusion of a risk margin to increase the probability of sufficiency of the reserves to at least 85%.

Reinsurance Management

- > Clearly defined credit policies for the approval and management of credit risk in relation to reinsurers are in place.
- > Monitoring of the financial condition of its reinsurers on an ongoing basis and periodically reviews the reinsurers' ability to fulfil their obligations to the entity under respective existing and future reinsurance contracts. This is assessed through the use of rating information available in the public domain or gathered through other investigations.
- > Reinsurance recoveries are also monitored and managed internally involving engagement with specialised reinsurance brokers operating in the international reinsurance market.
- > All reinsurers with credit ratings of at least A- as determined by Standard & Poor's ("S&P") or AM Best equivalent. Where the credit rating of a reinsurer falls below the required quality during the period of risk, a contractual right to replace the counterparty exists. Having reinsurance protection with strong reinsurers also benefits regulatory capital calculations. The risk charges vary with the grade of reinsurers such that higher credit quality reinsurance counterparties incur lower APRA regulatory capital charges.
- > Reinsurance is used to limit the entity's exposure to individual claims and catastrophes. Guild Insurance calculates its insurance concentration risk charge ("ICRC") regularly and purchases reinsurance to limit its exposure accordingly within the entity's risk appetite.

Notes to the Financial Statements cont.

Year ended 30 June 2022

- > A Capital (Reinsurance & Investments) Committee is also in place that meets regularly to review the adequacy and effectiveness of our reinsurance program.
- > Reinsurance contracts include catastrophe excess of loss & aggregate reinsurance, property per risk excess of loss, casualty excess of loss, facultative, quota share and the run off of previous quota share and surplus reinsurance arrangements.
- > The Reinsurance program and risk tolerances are subject to the principles set out in the Reinsurance Management Strategy (ReMS).

Terms and Conditions of insurance business

- > Contract terms are developed which are specific to each product written. There are no specific contract terms and conditions that are expected to have a material impact on the financial report.

e. Asset (investment) risk

The risk of unfavorable changes in interest rates, equity prices, credit spreads, commodity prices and investment market volatilities. It also includes the risk that the Group will be unable to service its cash flow obligations today or in the future.

Key controls for mitigating Asset (Investment) Risk

- > To mitigate risks associated with investments, an Investment Policy is in place that provides restrictions for risk appetite and liability matching, transaction supervision, defined monthly and exception reporting processes.
- > A Capital (Reinsurance & Investments) Committee is also in place to regularly review investment strategy, performance and compliance with the Investment Policy.

The Group is exposed to mainly the following categories of investment risks – liquidity risk, credit risk, interest rate risk and equity price risk. The key controls for mitigating these risks are outlined below.

f. Investment - liquidity risk

Liquidity risk is concerned with the risk of there being insufficient cash resources to meet payment obligations without affecting the daily operations of the financial condition of the Group. Liquidity facilitates the ability to meet expected and unexpected requirements for cash.

Key Controls for mitigating Liquidity Risk

- > Investment portfolio mandates and policy provide sufficient cash

deposits to meet day-to-day obligations.

- > Investment funds set aside within the portfolio can be realised to meet significant claims payment obligations.
- > In the event of a catastrophe, immediate cash access once retention limit is reached is available under the terms of reinsurance arrangements.
- > Financing facility with set limits for loans, leasing and guarantees.
- > Regular monitoring of liquidity levels.

A maturity analysis of the Group's cash, trade receivables, investments and reinsurance and other recoveries receivable by contractual maturity is provided in the following table along with maturity analysis of trade payables, interest bearing loans and the estimated net discounted outstanding claims liability based on the remaining term to payment at the reporting date.

This maturity profile is a key tool used in the investment of assets backing insurance liabilities in accordance with the policy of matching the maturity profile of the assets with the estimated pattern of claims payments.

	< 6 Months	6-12 Months	1-5 Years	>5 Years	Total
2022	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash and cash equivalents	36,522	—	—	—	36,522
Trade and other receivables	155,043	2,628	—	—	157,671
Investments	54,079	44,145	160,491	88,278	346,993
Reinsurance and other recoveries receivable	48,292	16,249	20,956	13,698	99,195
	293,936	63,022	181,447	101,976	640,381
Financial Liabilities					
Trade and other payables	34,118	14,622	—	—	48,740
Interest Bearing Borrowings	—	—	17,252	—	17,252
Lease Liabilities	2,877	3,516	9,330	—	15,723
Claims liabilities	98,541	47,640	133,309	48,326	327,816
	135,536	65,778	159,891	48,326	409,531
Net Maturity	158,400	(2,756)	21,556	53,650	230,850

Notes to the Financial Statements cont.

Year ended 30 June 2022

2021	Consolidated				Total \$'000
	< 6 Months \$'000	6-12 Months \$'000	1-5 Years \$'000	>5 Years \$'000	
Financial Assets					
Cash and cash equivalents	51,437	—	—	—	51,437
Trade and other receivables	134,399	1,200	—	—	135,599
Investments	7,349	22,235	173,515	124,304	327,403
Reinsurance and other recoveries receivable	15,603	3,694	14,069	336	33,702
	208,788	27,129	187,584	124,640	548,141
Financial Liabilities					
Trade and other payables	26,349	8,327	—	—	34,676
Interest Bearing Borrowings	—	—	17,252	—	17,252
Lease Liabilities	3,291	4,022	8,224	—	15,537
Claims liabilities	106,032	34,275	143,235	3,836	287,378
	135,672	46,624	168,711	3,836	354,843
Net Maturity	73,116	(19,495)	18,873	120,804	193,298

g. Investment - credit risk

Credit risk is the risk of financial loss from a counterparty failing to discharge an obligation within agreed terms. The Group's credit risk arises predominantly from trade receivables, reinsurance recoveries and investments.

Key controls for mitigating Credit Risk

To mitigate the impact of credit risk, the following key policies and procedures in place:

Trade Receivables

- > Trade (including premiums) receivables are mostly due direct from the client or insurance brokers with a proportion coming from monthly instalments along with amounts receivable from related parties. Late premium payments will result in the cancellation of the insurance contract with the policy holder, eliminating both the credit risk and insurance risk for the unpaid balance.

- > The maximum exposure to credit risk as at reporting date is indicated by the carrying amounts of the trade receivables on the Statement of Financial Position, with the ageing in Note 9.
- > A Debtor Management policy is in place that outlines the appropriate processes and procedures for staff dealing with the management of debtors.

Reinsurance Recoveries

- > Reinsurance arrangements are monitored and managed internally and by specialised reinsurance brokers operating in the international reinsurance market. Concentration of credit risk is mitigated by placement of cover with a number of reinsurers of at least A- rating as determined by Standard & Poor's ("S&P") or AM Best equivalent.

Investments

- > Investments in financial instruments in the investment portfolio are held in accordance with the Investment Policy. Credit

and counterparty limits have been established within the policy to ensure counterparties have appropriate credit ratings and that concentration risk is minimised. The Group limits its exposure to credit risk by investing with various counterparties that have an S&P credit rating of AA or better. The credit risk relating to investments is monitored and assessed regularly.

- > There is credit risk exposure from investments in fixed term deposits with Australian banks which are regulated by APRA. The maximum exposure to credit risk as at reporting date is the carrying amounts of the investments in the Statement of Financial Position as they are measured at fair value.
- > Credit derivatives to offset its credit exposure are not held.

The following table provides information regarding the credit risk exposure to trade receivables, reinsurance recoveries and investments.

Notes to the Financial Statements cont.

Year ended 30 June 2022

	Neither past-due nor impaired			Total
	Investment grade	Non-investment grade: satisfactory	Past-due but not impaired	
2022	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	36,522	—	—	36,522
Interest bearing investments	263,677	83,317	—	346,994
Trade and other receivables	—	147,887	9,785	157,672
Reinsurance and other recoveries receivable	99,195	—	—	99,195
Total credit risk exposure	399,394	231,204	9,785	640,383

2021				
Cash and cash equivalents	51,437	—	—	51,437
Interest bearing investments	238,933	88,470	—	327,403
Trade and other receivables	—	126,520	9,173	135,693
Reinsurance and other recoveries receivable	33,702	—	—	33,702
Total credit risk exposure	324,072	214,990	9,173	548,235

2022					Total past-due but not impaired
	< 30 days	31 to 60 days	61 to 90 days	91+ days	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other receivables	—	3,748	2,347	3,690	9,785
Total credit risk exposure	—	3,748	2,347	3,690	9,785

2021				
Trade and other receivables	—	3,760	2,440	2,973
Total credit risk exposure	—	3,760	2,440	2,973

h. Investment - interest rate risk

Interest rate risk is the risk of loss arising from an unfavourable movement in market interest rates. Fixed interest rate assets and liabilities create exposure to fair value interest rate risk which is a market risk. Financial assets and liabilities with floating interest rates create exposure to cash flow interest rate risk.

Key controls for mitigating Interest Rate Risk - Assets

- > Exposure to interest rate risk is monitored through several measures that include position limits, scenario testing, stress testing, and asset and liability matching using measures such as duration.

Key controls for mitigating Interest Rate Risk - Liabilities

- > The Group has a policy of investing in assets backing insurance liabilities principally in fixed interest securities broadly matched to the expected payment pattern of the insurance liabilities. Movements in investment income on assets backing insurance liabilities broadly offset the impact of movements in discount rates on the insurance liabilities.
- > Interest bearing liabilities (bank loans) are exposed to interest rate risk but as they are measured at amortised cost they therefore do not expose the Group to fair value interest rate risk. In addition, interest bearing liabilities bearing fixed interest rates reduce the

entity's exposure to cash flow interest rate risk.

Sensitivity Analysis

The sensitivity analysis provided in the following table demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. The investments in interest bearing securities are recognised on the balance sheet at fair value. Movements in market interest rates impact the price of the securities (and hence their fair value measurement) and so would impact profit. The impact from the measurement of the interest bearing securities held at reporting date of a change in interest rates at reporting date by +1% or -1% on profit after tax, is shown in the table below.

Notes to the Financial Statements cont.

Year ended 30 June 2022

		2022	2021
		\$'000	\$'000
		Post Tax Profit	Post Tax Profit
Financial assets - Interest Bearing Securities	+1%	3,756	6,570
	-1%	(3,756)	(6,570)

i. Investment - equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to individual stocks or factors affecting all instruments in the market.

Key controls for mitigating Equity Price Risk

- > To limit equity price risk, investments are held in a diversified Australian share trust in accordance with limits set by the Board. The majority of the equity investments within the trust are of a high quality and are publicly traded on the ASX 300 Index.
- > Risk appetite parameters have been established defining the upper and lower limits for equity asset allocation.

Sensitivity Analysis

The impact from the measurement of the investments held at reporting date of a change in equity values at reporting date by +10% or -10% on profit after tax, is shown in the table below.

		2022	2021
		\$'000	\$'000
		Post Tax Profit	Post Tax Profit
Financial assets - Unlisted Unit Trust	+10%	4,013	4,236
	-10%	(4,013)	(4,236)

j. Operational risk

Operational risk is the risk of financial loss (including lost opportunities) resulting from external events and/or inadequate or failed internal processes, wherein people and systems fail to perform as required. Operational risk can have overlaps with all of the other risk categories. When controls fail, operational risk events can cause injury, damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but manages these by initiating an appropriate control framework and by monitoring and responding to potential risks, and thereby minimise exposure to such risks.

Key controls for mitigating Operational Risk

- > In conjunction with the various policies and processes that make up the Group's RMF, the identification, assessment, management and monitoring of operational risk is regularly performed. In addition to this, the RMSs & ICAAP (incorporating the

Group's Capital Management Plan) also include specific consideration of operational risk being identified and assessed on an ongoing basis.

- > Management and staff are responsible for identifying, assessing and managing operational risks in accordance with their roles and responsibilities and a designated Risk, Audit & Compliance function that monitors processes and procedures involving the management of operational risk.

k. Regulatory risk

Regulatory risk is the risk of legal or regulatory sanctions, financial loss, or loss to reputation which the Group may suffer as a result of its failure to comply with all applicable regulations, codes of conduct and good practice standards.

Key controls for mitigating Regulatory Risk

- > In conjunction with the various licences and regulatory obligations operated under, Compliance Plans have been developed for all licensed entities and attestations are obtained regularly from the business confirming adherence with the obligations noted in the Compliance Plans. Any breach (potential or actual) of a regulatory obligation, will be managed by the established incident management process that forms part of the RMF.
- > Commensurate with operating within the heavily regulated Australian financial services industry, our Risk, Audit & Compliance function facilitates a process whereby any regulatory change resulting from new or amended legislation / regulation will be identified, assessed and the appropriate areas are engaged to ensure the changes are addressed as necessary.

Notes to the Financial Statements cont.

Year ended 30 June 2022

I. Outsourcing risk

Outsourcing risk is the risk of material service providers and / or external third party suppliers being poorly selected and / or failing to meet their obligations under the outsourced arrangements, including in respect to adequacy of resources, resulting in material loss, or significant reputational damage or regulatory action.

Key controls for mitigating Outsourcing Risk

- > A Vendor Management framework is in place to establish the

discipline behind the process of working with vendors, controlling costs and increasing value, while ensuring quality and mitigating risks. It also assists in promoting a productive and successful relationship between both parties.

- > An Outsourcing policy describes the framework and processes for ensuring that all risks arising from outsourcing material business activities are being appropriately managed. These processes include the initial due diligence of

any intended outsourced providers or service, a formal agreement being established that contains specified service levels, and performance monitoring being regularly undertaken against the established service levels being provided by the outsourced provider. The policy, along with its associated policies, is considered a key part of the RMF.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

COVID-19 related potential Business Interruption claims

The Group has considered the impact from COVID-19 in its assumptions for measuring outstanding claims liabilities. At the reporting date, the outstanding claims liability inclusive of risks margins relating to business interruption was reduced from \$58.0m (at 30 June 2021) to \$5.3m following the outcome of the second industry test case held in the Federal Court of Australia ("the Court") in February 2022 which ruled in favour of insurers. The ruling upheld key arguments advanced by all insurers and determined that business interruption cover issued by Guild Insurance Limited does not respond to COVID-19 related losses.

The remaining provision reflects the ongoing economic uncertainties from COVID-19 as well as a prudently held

reserve should the findings of the Court applicable to the second industry test case be appealed. The remaining provision held has been calculated on a weighted basis and significant judgement has been exercised by Management and the Board in conjunction with the Group's Appointed Actuary to derive a reasonable estimate of any potential future exposure.

a. Ultimate liability arising from claims made under insurance contracts

A liability is recorded at the end of the year for the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not yet reported to the Group.

The estimated net cost of claims includes direct expenses to be incurred in settling claims net of the expected value of salvage and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims liabilities, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where more information about the claim event is generally available. IBNR claims may often not be reported until many years after the events giving rise to the claims that have occurred. 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 Group uses a variety of estimation techniques, generally based upon statistical analyses of historical Group and industry experience that assumes that the development pattern of the current claims will be consistent with past Group 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 decrease when compared with the cost of previously settled claims.

Details of specific actuarial techniques and assumptions used and analysis of the outstanding claims liabilities at the reporting date are described in Note 23.

At each reporting date, the adequacy of the unearned premium liability is assessed on a net of reinsurance basis against the present value of the expected future cash flows relating to potential future claims, plus a risk margin to reflect the inherent uncertainty of the central estimate (refer Note 23). Future claims are those claims expected to arise from claims events occurring after the reporting date. The assessment is carried out using the same methods described in Note 21. AASB 1023 requires that this test be carried out at

Notes to the Financial Statements cont.

Year ended 30 June 2022

the level of a “portfolio of contracts that are subject to broadly similar risks and are managed together in a single portfolio”. As AASB 1023 does not explicitly define “broadly similar risks” or “managed together as a single portfolio”, the Group has interpreted these terms in a way that reflects our day to day approach to managing the various risks to which the Group is exposed. The Group’s portfolios are structured in a way that facilitates the efficient and effective management of our insurance businesses, and recognises that these businesses are subject to broadly similar risks such as the interest and inflation rate environment, pricing risk, credit risk, social and political risks such as unemployment and social unrest, and common insurance risks such as exposure to weather-related or other natural catastrophe risks.

The COVID-19 BI Provision of \$5.3m at 85% level of sufficiency is at the recommended provision of the mean plus half a standard deviation.

b. Assets arising from reinsurance contracts and other recoveries

Estimates of reinsurance and other recoveries are also determined using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Group may not receive amounts due and these amounts can be reliably measured. Analysis of reinsurance recoveries is provided in Note 10.

c. Trade debtors and other receivables

The impact of COVID-19 on the recoverability of receivables have been considered. While the methodologies and assumptions applied remained unchanged from those applied in the prior financial year, the Company has incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic. Whilst no material recoverability issues have been identified, there is a risk that the economic impacts of COVID-19 could

be deeper or more prolonged than anticipated, which could result in higher credit losses than those modelled under the base case.

d. Annual impairment tests

The Group tests annually whether goodwill and identifiable intangibles have suffered any impairment, in accordance with the accounting policy stated in Note 2r. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 16 for details of these assumptions and the potential impact of changes to the assumptions.

e. Deferred tax assets

The Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped. If the entity fails to satisfy the tests, carried forward losses of \$25,801 that are currently recognised as deferred tax asset would have to be written off to income tax expense.

f. Deferral of revenue – contracts with customers

The Group defers revenue to a liability balance sheet account as a contract liability and recognises the revenue over the contract period, consistent with the satisfaction of performance obligations and the recognition of revenue. The Group re-assess the balance on a periodic basis to reflect significant changes in the expected timing of satisfying performance obligations to which the liability relates.

g. Revenue recognition – revenue from contracts with customers

Superannuation

1. Identifying the Performance obligations

Contracts with clients generally comprise of a single distinct

performance obligation, once the service has been provided at end of the month and the transaction price is allocated to this single performance obligation. Management considers the methods used provide a reasonable depiction of the transfer of goods or services.

2. Estimating the Transaction price:

The Company allocates the transaction price to each performance obligation based on the Product Disclosure Statement. Allocation of transaction price is otherwise based on either daily or monthly participation, depending on the revenue category and the members options.

Legal fees

1. Identifying the Performance obligations

In insurance and commercial matters contracts with clients generally comprise of a single distinct performance obligation, being the provision of services in pursuit of the successful settlement of the client’s claim and the transaction price is allocated to this single performance obligation. Some contracts contain multiple deliverables, and, in such circumstances, these multiple deliverables are considered to represent a single distinct performance obligation. Management considers the methods used provide a reasonable depiction of the transfer of goods or services.

2. Estimating the Transaction price: Variable consideration Class Action Arrangements

The entity provides various services based on a part conditional fee arrangement. The uncertainty around the full fees ultimately receivable under these arrangements is generally only fully resolved when a matter is concluded.

Fees are only included in revenue to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract at the end of the reporting period will not be subject to significant reversal when a matter is concluded.

Notes to the Financial Statements cont.

Year ended 30 June 2022

3. Work in Progress

Work in progress represents client cases which have not yet reached a conclusion. Stage of completion is measured by the labour hours incurred valued at chargeable hourly rates, less allowance for any amounts expected not to be recovered, to date compared to that expected on completion.

Work in progress is only included in revenue to the extent that it is highly probable that the cumulative amount of revenue recognised in respect to the contract at the end of the reporting period will not be subject to a significant reversal when the matter is concluded.

Medicines information and subscription revenue

1. Identifying the Performance obligations

Contracts with medicines information clients are recognised as performance obligations are satisfied over time, by reference to the stage of completion of a contract or contracts in progress at the reporting date. Stage of completion is measured by reference to the date that each annual maintenance contract expires. Subscription revenue is recognised on a straight-line basis over the term of contract, in line with the timing as to when the customer simultaneously receives and consumes the benefits of the services.

2. Estimating the Transaction price:

The Group's customer contracts may include multiple performance obligations. In these cases, the Company allocates the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct service. Stand-alone selling prices are determined based on prices charged to customers for individual products and services, taking into consideration the size and length of contracts and the Company's overall go-to-market strategy.

Notes to the Financial Statements cont.

Year ended 30 June 2022

5. REVENUE AND EXPENSES	2022	2021
	\$'000	\$'000
Revenue		
a. Premium revenue	263,745	235,639
b. Investment revenue on assets backing policyholder funds		
Interest income	6,287	6,230
Rebate of management services fees	525	564
Realised losses on financial assets	(5,174)	(1,064)
Unrealised losses on financial assets held at fair value	(10,987)	(3,006)
Distributions from unit trust	263	368
	(9,086)	3,092
c. Investment revenue on assets backing shareholder funds		
Interest income	2,514	2,508
Rebate of management services fees	1,594	1,712
Realised gains/(losses) on financial assets	(1,501)	620
Unrealised gains/(losses) on financial assets held at fair value	(7,915)	(839)
Distributions from unit trust	1,819	1,525
	(3,489)	5,526
d. Fee and other income		
Reinsurance commission	24,510	20,035
Revenue from contract with customers under AASB 15 (see below)	47,978	41,311
Other revenue	5,799	4,329
	78,287	65,675
Revenue from contracts with customers		
Type of contract		
Time and Materials - Insurance (legal fees)	19,195	17,396
Time and Materials - Commercial (legal fees)	4,208	4,328
Conditional Fee Arrangement - Class Action (legal fees)	—	—
Superannuation fees	20,688	18,846
Insurance administration	763	741
Gold Cross Net Income	3,124	—
Total revenue from contracts with customers	47,978	41,311

Notes to the Financial Statements cont.

Year ended 30 June 2022

5. REVENUE AND EXPENSES CONT'D	2022	2021
	\$'000	\$'000
Expenses		
e. Gross claims expense		
Gross claims - current year	217,195	150,322
Gross claims - prior years	(50,498)	(9,638)
Impact of discounting	(28,284)	885
	138,413	141,569
f. Reinsurance and other recoveries revenue		
Reinsurance and other recoveries - current year	88,723	44,811
Reinsurance and other recoveries - prior years	2,607	(6,018)
Impact of discounting	9,221	106
	100,551	38,899
g. Net claims expense		
Net claims - current year	128,472	105,511
Net claims - prior years	(53,105)	(3,620)
Impact of discounting	(37,505)	779
	37,862	102,670
h. Acquisition costs		
Commissions and referral fees	28,857	24,683
Other acquisition costs	16,572	16,326
	45,429	41,009
i. Underwriting and other expenses		
Other underwriting expenses	40,739	35,111
Fire service levy expense	8,763	10,237
	49,502	45,348
j. Finance costs		
Interest expenses - parent entity	740	619
k. Other expenses		
Depreciation - property, plant and equipment	669	677
Employee Entitlements	10,224	8,151
Amortisation of intangible assets and goodwill	2,316	1,768
Depreciation of right-of-use assets	5,709	5,554
Interest expense on lease liabilities	480	884
	19,398	17,034

Notes to the Financial Statements cont.

Year ended 30 June 2022

5. REVENUE AND EXPENSES CONT'D	2022	2021
	\$'000	\$'000
I. Provisions		
Doubtful debts - trade and other receivables	144	(166)
Doubtful debts - loans and receivables	—	24
Employee entitlements	(3,568)	(4,596)
Total provisions	(3,424)	(4,738)

¹ Prior year reversals relate to the release of provisions where there has been a lower than expected cost of claims

6. INCOME TAX	2022	2021
	\$'000	\$'000

The major components of income tax expense are:

Income statement

Current income tax

Current income tax charge	14,861	173
Adjustments in respect of current income tax of previous years	(2,978)	(441)

Deferred income tax

Relating to origination and reversal of temporary differences	(6,218)	(2,053)
Adjustments in respect of income tax of previous years	3,413	
Movement in booked losses	609	(3,868)
Income tax (credit) / expense reported in the statement of comprehensive income	9,687	(6,189)

A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the company's applicable income tax rate is as follows:

Accounting profit/(loss) before income tax	32,663	(16,937)
Profit/(loss) before income tax from a discontinued operation	(2,594)	(2,115)
Accounting profit/(loss) before income tax	30,069	(19,052)
At the company's statutory income tax rate @ 30% (2021:30%)	10,031	(5,081)
Adjustments in respect of current income tax of previous year	359	(441)
Expenditure not allowable for income tax purposes	43	27
Other	(46)	(71)
Income tax (credit) / expense reported in the statement of comprehensive income	10,387	(5,566)
Income tax expense attributable to a discontinued operation	(700)	(623)
	9,687	(6,189)

Notes to the Financial Statements cont.

Year ended 30 June 2022

	Balance Sheet		Income Statement	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities				
Revaluations of available-for-sale investments to fair value	(46)	(2,848)	(2,802)	17
Prepayments	(193)	(119)	74	6
Right-of-use assets	(3,691)	(3,247)	445	(1,395)
Work in progress	(1,233)	(1,169)	64	177
Other	(100)	(49)	51	(125)
Goldcross acquisition	—	(28)	(28)	28
	(5,263)	(7,460)		
Deferred tax assets				
Provisions	5,720	5,182	(538)	1,907
Revaluations of available-for-sale investments to fair value	9,805	6,802	(3,004)	(1,131)
Claims handling costs	5,546	4,904	(642)	(1,253)
Lease liabilities	4,284	4,228	(56)	(421)
Booked Losses	24	3,817	3,793	(3,817)
Other	422	807	385	144
Goldcross acquisition	—	60	60	(60)
	25,801	25,800		
Deferred income tax benefit			(2,198)	(5,923)
Reflected in the statement of financial position as follows:				
Deferred Tax Liabilities				
Continuing Operations	(5,263)	(7,458)		
Discontinued Operations	—	—		
Deferred Tax Assets				
Continuing Operations	25,503	25,359		
Discontinued Operations	298	439		
Deferred Tax Assets, net	20,538	18,340		
Continuing Operations	20,240	17,901		
Discontinued Operations	298	439		

The deferred tax asset for the consolidated entity relating to prior year tax losses brought into account is \$25,801 (2021: \$25,800).

This benefit for tax losses will only be obtained if:

- the subsidiary entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- the subsidiary entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- no changes in tax legislation adversely affect the subsidiary entity in realising the benefit from the deductions for the losses.

At 30 June 2022, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries, as the Group has no liability for additional taxation should unremitted earnings be remitted (2021 – \$nil).

Notes to the Financial Statements cont.

Year ended 30 June 2022

7. DIVIDENDS PAID AND PROPOSED

The Guild Group Holdings Limited board did not declare a dividend in FY2022 (2021: \$—).

	2022	2021
	\$'000	\$'000
Declared and paid during the year		
Dividends on ordinary shares	—	—
Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
> franking account balance as at the end of the financial year at 30% (2021: 30%)	63,957	62,534
> franking credits/debits that will arise from the payment of income tax payable/receivables at the end of the financial year	—	—
> franking debits that will arise from the receipt of income tax receivable as at the end of the financial year	1,690	1,423
	65,647	63,957

The tax rate at which paid dividends have been franked is 30% (2021: 30%)

8. CASH AND CASH EQUIVALENTS

	2022	2021
	\$'000	\$'000
a. Reconciliation to Cash Flow Statement		
Cash balance comprises:		
Cash at bank and on hand	36,522	51,438

Notes to the Financial Statements cont.

Year ended 30 June 2022

8. CASH AND CASH EQUIVALENTS CONT'D

b. Reconciliation of operating loss after income tax to the net cash flows from operations	2022	2021
	\$'000	\$'000
Profit/(Loss) after income tax from operating activities	22,276	(11,371)
Profit/(Loss) after income tax from discontinued operations	(1,894)	(1,492)
Profit/Loss after income tax inclusive of discontinued operations	20,382	(12,863)
Adjustments for:		
Depreciation and amortisation	8,912	8,246
Movement in doubtful debts and impairment	155	83
Changes in fair value of financial assets	18,925	5,132
Movement in interest receivable	(7,906)	(9,612)
Movement in investment in joint venture	(10)	(150)
Movement in distributions from unit trust	3,088	(1,893)
Loss on sale of non current assets	(245)	(61)
Interest expense on lease liabilities	471	1,473
Changes in assets and liabilities		
Decrease/(Increase) in work in progress	(214)	(589)
Decrease/(Increase) in reinsurance and recoveries receivable	(29,904)	(3,756)
Decrease/(Increase) in deferred acquisition costs	(2,637)	(3,958)
Decrease/(Increase) in deferred outwards reinsurance premium expense	(19,020)	(20,428)
Increase/(Decrease) in claims liabilities	4,850	48,499
Increase/(Decrease) in premium liabilities	15,822	2,141
Increase/(Decrease) in amounts payable to reinsurers	9,747	2,423
Increase/(Decrease) in trade and other payables	3,198	8,037
Decrease/(Increase) in right of use asset	34	4,204
Increase/(Decrease) in lease liabilities	—	(5,742)
Increase/(Decrease) in provisions	10,827	15,096
Increase/(Decrease) in income tax payable	12,930	(2,441)
Increase/(Decrease) in deferred income tax	5,263	(1,094)
Decrease/(Increase) in deferred tax assets	(7,601)	(4,876)
Decrease/(Increase) in amounts receivable from other related parties	—	388
Increase/(Decrease) in accrued income	—	—
Increase/(Decrease) in deferred revenue	(75)	—
Increase/(Decrease) in amount payable to ultimate parent entity	—	722
Decrease/(Increase) in trade and other receivables	(21,679)	(1,624)
Decrease/(Increase) in prepayments	992	(2,649)
Net cash flows (used in) / from operating activities	28,199	26,200

Notes to the Financial Statements cont.

Year ended 30 June 2022

c. Changes in liabilities arising from financing activities

	1 July 2021 \$'000	Cash Flows \$'000	Additions \$'000	Interest Charged \$'000	Changes in Fair Values \$'000	Risk Free Adjustment \$'000	Other \$'000	30 June 2022 \$'000
Dividends Paid	—	(300)	—	—	—	—	—	(300)
Lease Liabilities	15,657	(7,519)	8,201	483	—	—	(1,099)	15,723
							2022	2021
							\$'000	\$'000

d. Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

Total facilities

> Bank overdraft	1,000	1,000
> Leasing/hire purchase/credit cards	1,582	1,582
> Bank guarantees	6,000	6,000
	8,582	8,582

Facilities used at reporting date

> Bank overdraft	—	—
> Leasing/hire purchase/credit cards	277	203
> Bank guarantees	2,864	3,722
	3,141	3,925

Facilities unused at reporting date

> Bank overdraft	1,000	1,000
> Leasing/hire purchase/credit cards	1,305	1,379
> Bank guarantees	3,136	2,278
	5,441	4,657

9. TRADE AND OTHER RECEIVABLES

a. Trade receivables

Trade receivables	143,905	126,405
Provision for impairment	(661)	(583)
	143,244	125,822

b. Other receivables

Other amounts receivable	4,845	5,104
Loan receivable	5,493	739
Agency service debtors	4,089	3,934
	157,671	135,599

Notes to the Financial Statements cont.

Year ended 30 June 2022

c. Provision for impairment

Trade receivables are non-interest bearing and are generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$661,000 (2021: \$583,000) has been recognised for specific 91+ days receivables and there is no past due but not impaired receivables which has not been recognised by the Group. No individual amount within the impairment allowance is material.

d. Maturity

	Total days \$'000	0 – 30 days \$'000	30 – 60 days \$'000	60 – 90 days \$'000	91+ days \$'000
2022	144,465	133,713	4,230	2,832	3,690
2021	127,703	118,645	3,748	2,347	2,963

The loan receivable from Australian Childcare Alliance NSW is in relation to the Guild Early Learning Pty Ltd joint venture. Interest is calculated quarterly utilising the aggregate of the Australian Bond 5 year yield quoted by Bloomberg at 10.00am (AEST) and a margin of 1%. There are no set repayment terms or covenants.

Other receivable balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other receivable balances will be received when due.

e. Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the carrying value of receivables. Collateral is not held as security, nor is it the entity's policy to transfer (on-sell) receivables to special purpose entities.

f. Receivables are expected to be received within 12 months of the financial year end.

	2022 \$'000	2021 \$'000
10. REINSURANCE AND OTHER RECOVERIES RECEIVABLE		
a. On outstanding claims		
Expected future recoveries (undiscounted)	108,836	34,122
Discount to present value	(9,641)	(420)
Reinsurance and other recoveries receivable	99,195	33,702
b. Maturity		
Expected to be realised within 12 months	64,541	19,297
Expected to be realised after 12 months	34,654	14,405
	99,195	33,702

c. Actuarial Assumptions

The effect of changes in assumptions on the net outstanding claims liability, which incorporates the reinsurance recoveries on outstanding claims and other recoveries receivable, is disclosed in the claims liability note.

Notes to the Financial Statements cont.

Year ended 30 June 2022

	2022	2021
	\$'000	\$'000
11. INVESTMENTS		
a. Fixed interest deposits - fair value	269,180	245,926
b. Investment in unlisted unit trust - fair value	41,504	45,767
c. Agricultural investments	–	1,054
d. Infrastructure investments	15,820	14,749
e. Loans *	561	762
f. Amounts receivable in respect of:		
Investment Loans	19,929	19,145
Expected to be realised within 12 months	6,220	5,588
Expected to be realised after 12 months	13,709	13,557
	19,929	19,145
	346,994	327,403
g. Maturity		
Expected to be realised within 12 months	97,068	32,856
Expected to be realised after 12 months	249,926	294,547
	346,994	327,403

* Loans have been made directly with selected Meridian senior employees for the purchase of Meridian Shares via the Employee Share Trust and are fully recourse.

Investments – determination of fair value

There has been no change during the current reporting period in the processes used for the determination of the fair value for investments.

The table below separates the total investments balance based on a hierarchy that reflects the significance of the inputs used in the determination of fair value. The fair value hierarchy has the following levels:

- > Level 1 – the fair value is calculated using quoted prices in active markets.
- > Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- > Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data. Investment loans are carried at amortised cost and not fair valued.

Notes to the Financial Statements cont.

Year ended 30 June 2022

11. INVESTMENTS CONT'D

	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total
	\$'000	\$'000	\$'000
2022			
Investments			
Investment in unlisted unit trust – fair value	35,258	6,246	41,504
Fixed interest deposits – fair value	269,180	–	269,180
Agricultural investment	–	–	–
Infrastructure Investment	–	15,820	15,820
Investment/other loans	–	20,490	20,490
	304,438	42,556	346,994
2021			
Investments			
Investment in unlisted unit trust – fair value	39,396	6,371	45,767
Fixed interest deposits – fair value	245,926	–	245,926
Agricultural investment	–	1,054	1,054
Infrastructure Investment	–	14,749	14,749
Investment/other loans	–	19,907	19,907
	285,322	42,081	327,403

Description of significant unobservable inputs to valuation:

The significant unobservable inputs have been summarised using the fair value measurement categorised within the Level 3 of the fair value hierarchy for the Agricultural Investment/Unlisted unit trust.

Valuation Technique	Significant Unobservable Inputs	Range	Sensitivity of the input to fair value
Guild's proportion of net assets	Net asset value	+10% -10%	10% increase/(decrease) in net asset value will result in an increase/(decrease) in fair value by \$2,020k.
	Liquidity discount factor of 30%	+10% -10%	10% increase/(decrease) in liquidity discount factor will result in a (decrease)/increase in fair value by \$32k.

	2022 \$'000	2021 \$'000
Reconciliation of Level 3 fair value movements		
Opening balance	42,081	36,353
Fair value movement	(791)	1,212
New business/purchases	15,821	22,909
Repayments	(14,555)	(18,393)
Closing balance	42,556	42,081

Notes to the Financial Statements cont.

Year ended 30 June 2022

12. INVESTMENT IN JOINT VENTURE

The Group has a 50% interest in Guild Early Learning Pty Limited (2021: 50%) which involves general insurance underwriting for workers compensation. The Group interest in Guild Early Learning Pty Limited is accounted for using the equity method in the financial statements. The following table illustrates the summarised financial information of the Company's investment in Guild Early Learning Pty Limited:

	2022	2021
	\$'000	\$'000
Current assets	5,313	4,769
Current liabilities	(4,329)	(4,141)
Equity	984	628
Company's share in equity = 50% (2021: 50%)	492	314
a. Company's carrying amount of the investment	492	314
Revenue	7,206	7,579
Administrative expenses	(7,226)	(7,993)
Loss before income tax	(20)	(414)
Income tax expense	–	(285)
Net loss for the year	(20)	(699)
b. Company's share of net profit/(loss) for the year	(10)	(350)

Guild Early Learning Pty Limited had no contingent liabilities or capital commitments as at 30 June 2022.

13. PREPAYMENTS AND WORK IN PROGRESS

	2022	2021
	\$'000	\$'000
Work in progress – contract asset under AASB 15	4,112	3,898
Prepayments	7,577	8,549
Accrued income – contract under AASB 15	–	(1)
	11,689	12,446

Notes to the Financial Statements cont.

Year ended 30 June 2022

	2022	2021
	\$'000	\$'000
14. DEFERRED INSURANCE ASSETS		
a. Deferred Acquisition Costs		
Carrying amount at the beginning of the period	20,481	16,523
Deferral of expenses in the period	48,066	44,967
Expensed in the period	(45,429)	(41,009)
Carrying amount at the end of the period	23,118	20,481
b. Maturity		
Expected to be realised within 12 months	23,118	20,481
	23,118	20,481
c. Deferred Outwards Reinsurance Premium Expense		
Carrying amount at the beginning of the period	23,543	15,676
Deferral of expenses in the period	112,115	84,403
Expensed in the period	(99,711)	(76,536)
Carrying amount at the end of the period	35,947	23,543
d. Maturity		
Expected to be realised within 12 months	35,947	23,543
	35,947	23,543
	Fixtures & Fittings	Total
	\$'000	\$'000
15. PROPERTY, PLANT AND EQUIPMENT		
Reconciliation 2022		
Carrying amount at the beginning of the period	1,402	1,402
Additions	1,136	1,136
Inter-Group Transfers	—	—
Utilised/Disposals	(116)	(116)
Depreciation charge for the year	(717)	(717)
Carrying amount at the end of the period	1,705	1,705
Reconciliation 2021		
Carrying amount at the beginning of the period	1,616	1,616
Additions	548	548
Inter-Group Transfers	—	—
Utilised/Disposals	(41)	(41)
Depreciation charge for the year	(720)	(720)
Carrying amount at the end of the period	1,403	1,403

Notes to the Financial Statements cont.

Year ended 30 June 2022

	Property \$'000	Motor Vehicle \$'000	Equipment \$'000	Total \$'000
16. RIGHT-OF-USE ASSET				
Reconciliation 2022				
As at July 2021	11,144	379	14	11,537
Additions	7,106	202	330	7,637
Less disposals	(148)	(56)	(61)	(265)
Depreciation	(5,397)	(239)	(89)	(5,725)
Risk-free adjustment	—	—	—	—
As at 30 June 2022	12,705	286	194	13,184

Reconciliation 2021				
As at July 2020	15,542	541	133	16,216
Additions	955	174	8	1,137
Less disposals	(224)	(35)	—	(259)
Depreciation	(5,483)	(308)	(128)	(5,919)
Risk-free adjustment	354	7	1	362
As at 30 June 2021	11,144	379	14	11,537

	2022 \$'000	2021 \$'000
17. INTANGIBLE ASSETS AND GOODWILL		
a. Goodwill		
Goodwill at the beginning of the year	3,757	3,757
Balance at end of year	3,757	3,757

Goodwill – Impairment Tests

For the purposes of impairment testing, goodwill is allocated to the Group's operating divisions, or cash generating units ('CGU') (superannuation) which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount for the relevant CGU has been determined based on value-in-use calculations. The value-in-use is calculated using a discounted cash flow methodology covering a five year period with an appropriate terminal value at the end of year five less net assets required, for the CGU. The carrying value of identified intangible assets is deducted from the value generated from the cash flow projections to arrive at a recoverable value for goodwill which is

then compared with the carrying value of goodwill.

Key assumptions used

The following describes the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

- > **Cash flow forecasts** – are based on cash flow projections from 2021/2022 financial budgets, as well as the three year business plans approved by management and the Board. Five year periods are used to enable appropriate phasing to terminal values.
- > **Terminal growth rates** – are based on past performance, market performance and management's expectations for future performance in each CGU.

Terminal growth rate 0% (2021 - 0%) – Zero growth rate has been applied for periods after year five.

- > **Discount rate** – the discount rates used reflect management's estimate of the time value of money, and the benchmark to assess operating performance and to evaluate future investment proposals. Discount rate of 10% (2021 - 10%) has been applied which is the pre tax hurdle rate.

Sensitivity – Superannuation

For a period of five years, using any one of annual investment returns of negative 10%, client exits of 25% or a 50% discount rate would be required to give a value in use equal to the carrying amount of the CGU.

Notes to the Financial Statements cont.

Year ended 30 June 2022

b. Systems Development & Computer Software – at cost

	Computer Software \$'000	Assets in the course of Development \$'000	Total \$'000
Reconciliation 2022			
Carrying amount at the beginning of the period	8,909	226	9,136
Transfers	–	–	–
Additions	2	–	2
Amortisation	(2,320)	–	(2,320)
Transfer deployed assets to Additions	226	(226)	–
Carrying amount at the end of the period	6,817	–	6,818
Reconciliation 2021			
Carrying amount at the beginning of the period	2,727	3,920	6,647
Transfers	–	–	–
Additions	1,985	2,345	4,330
Amortisation	(1,796)	(45)	(1,841)
Transfer deployed assets to Additions	5,994	(5,994)	–
Carrying amount at the end of the period	8,910	226	9,136
		2022	2021
		\$'000	\$'000
Total intangible assets and goodwill		10,575	12,893

18. TRADE AND OTHER PAYABLES

	2022	2021
	\$'000	\$'000
a. Trade and other payables	32,010	26,283
Amounts payable to reinsurers	16,622	6,865
Amounts payable to ultimate parent entity	–	1,528
Deferred revenue – contracts with customers under AASB	108	–
	48,740	34,676
b. Maturity		
Expected to be realised within 12 months	48,740	34,676
	48,740	34,676
c. Fair value		

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Notes to the Financial Statements cont.

Year ended 30 June 2022

19. PREMIUM LIABILITIES

	2022	2021
	\$'000	\$'000
a. Unearned premium	171,138	155,315
	171,138	155,315
b. Carrying amount at the beginning of the period	155,315	115,940
Deferral of premiums on contracts in the period	279,490	274,957
Earning of premiums written in the period	(263,667)	(235,582)
Carrying amount at the end of the period	171,138	155,315

c. Maturity

Premium liabilities are expected to be earned within 12 months of the financial year end.

d. Liability adequacy test

Expected present value of future cash flows for future claims including risk margin

Undiscounted net central estimate	81,835	70,644
Discount to present value	(5,618)	(1,370)
	76,217	69,274
Risk margin at the 75th percentile of insurance liabilities	12,793	11,818
Expected present value of future cash flows for future claims including risk margin	89,010	81,092

The probability of adequacy applied in the liability adequacy test differs from the probability of adequacy adopted in determining the outstanding claims provision. The reason for the difference is that the former is a benchmark used only to test the sufficiency of net premium liabilities whereas the latter is a measure of the adequacy of the outstanding claims provision actually carried by the Group.

AASB 1023 requires the inclusion of a risk margin in insurance liabilities, but does not prescribe a minimum level of margin. Whilst there is established practice in the setting of the probability of adequacy for the claims provision, no such guidance exists in respect of the level of probability of adequacy to be used in determining the adequacy of premium liabilities. The Group has adopted a risk margin for the purposes of the liability adequacy test to produce a 75%

probability of adequacy in respect of total insurance liabilities. The 75% basis is a recognised industry benchmark in Australia, being the minimum probability of adequacy required for Australian licensed insurers by APRA.

The application of the liability adequacy test in respect of the net premium liabilities identified a surplus at 30 June 2022 and 2021.

Notes to the Financial Statements cont.

Year ended 30 June 2022

20. INTEREST BEARING BORROWINGS

2022 2021
\$'000 \$'000

The \$16,840 million floating rate loan with the Pharmacy Guild of Australia qualifies as Tier 2 capital for APRA reporting purposes.

a. Loan – floating rate

Loan payable to ultimate parent entity – floating rate	16,840	16,840
Loan payable to ultimate parent entity – fix interest loan	412	412
	17,252	17,252

b. Maturity

Expected to be realised within 12 months	–	–
Expected to be realised after 12 months	17,252	17,252
	17,252	17,252

c. Assets pledged as security

The carrying amount of assets pledged as security for interest bearing liabilities:

Fixed and floating company charge on assets

Guild Superannuation Services Limited	6,331	6,332
Guild Finance Facility Limited	790	790
Guild Commercial Finance Pty Limited	138	138
	7,259	7,260

Fixed Charge

Shares in Guild Trustee Services Pty Limited	50	50
Total assets pledged as security	7,309	7,310

A fixed and floating charge, in favour of the bank, applies against all the guarantees supported by a Registered Equitable Mortgage.

Fair values

The carrying amount of the Group's borrowings disclosed in order of liquidity approximate their fair value.

Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

Notes to the Financial Statements cont.

Year ended 30 June 2022

21. LEASE LIABILITIES

	2022	2021
	\$'000	\$'000
Balance at 1 July	15,657	21,383
Additions	8,201	1,125
Less disposals	(1,099)	(347)
Interest charged	483	603
Repayment of lease liabilities	(7,519)	(7,516)
Risk free adjustment	—	289
Balance at 30 June	15,723	15,537
Maturity		
Expected to be released within 12 months	6,393	7,313
Expected to be released after 12 months	9,330	8,344
	15,723	15,657

The Group has used one single Incremental Borrowing Rate (IBR) for a portfolio of leases having similar risk characteristics. The IBR is updated twice yearly at 31 December and 30 June. The lease liabilities were discounted at the reference rate as at 3.71%.

The Group has determined the IBR to be the interest rate provided by the Ultimate parent entity plus the six month BBSY interest rate, which is sourced from the Reserve Bank of Australia twice yearly.

22. PROVISIONS

	Employee Entitlements
	\$'000
At 1 July 2021	22,225
Arising during the year	14,911
Utilised	(11,199)
Unused amounts Reversed	(144)
As at 30 June 2022	25,793
Current 2022	19,701
Non-current 2022	6,092
	25,793
Current 2021	16,437
Non-current 2021	5,788
	22,225

Notes to the Financial Statements cont.

Year ended 30 June 2022

Employee Entitlements

a. Annual Leave

Liability for annual leave is recognised at the nominal amounts unpaid at the reporting date using remuneration rates that are expected to be paid when the liability is settled, including on costs.

b. Long Service Leave

A liability for long service leave is recognised as the present value of estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The estimated future cash outflows are discounted using corporate bond yields which have terms to maturity that match, as close as possible, the estimated future cash outflows. Factors which affect the estimated future cash outflows such

as expected future salary increases, experience of employee departures and period of service, are incorporated in the measurement.

c. Short Term Incentive (STI)

The short term incentive plan continued in operation during the current reporting year. Eligible employees have the capacity to earn a proportion of their base pay as a cash incentive annually. The incentive opportunity is set depending on an employee's role and responsibilities. The majority of employees are on a 8%, 10%, 15% or 20% plan. The incentive payments are determined based on an assessment of individual performance and achievement of a range of business unit and individual goals.

d. Long Term Incentive (LTI)

LTI rewards behaviour and results that add value to the Group's business. The LTI is based on company, business unit and individual performance metrics. The rules for the payment of the incentive schemes must, and have been developed to meet the APRA prudential requirements in respect to remuneration arrangements. Participation in the Group LTI scheme commencing 1 July 2010 is only available to the following eligible employees: Executive Team and Extended Leadership Team (ELT)/ Technical Talent. Incentive achievement targets for the Group or business units will be set annually by the Chief Executive Officer and the Board. The LTI bonus earned will be paid at the end of year 3 on a rolling year (1 July – 30 June) basis.

23. CLAIMS LIABILITIES

	2022 \$'000	2021 \$'000
a. Expected future claims payments (undiscounted – central estimate)	298,063	226,630
Discount to present value	(28,376)	(4,737)
	269,687	221,893
Claims handling costs	16,383	13,707
	286,070	235,600
Risk margin	41,747	51,778
Liability for outstanding claims	327,817	287,378
Expected to be realised within 12 months	146,182	140,307
Expected to be realised after 12 months	181,635	147,071
	327,817	287,378

b. Process for determining risk margin

The overall risk margin was determined by the Appointed Actuary based on the uncertainty of the outstanding claims estimates for each class and allowing for diversification between different business classes. The uncertainty for each class was established using benchmarking, supplemented by analysis of the history of Guild Insurance.

The risk margin applied to the COVID-19 Business Interruption provision is based on a range of possible outcomes which potentially may arise out of the upcoming court cases.

The overall assumptions regarding uncertainty for each class (setting aside the COVID-19 provision) were applied to the net central estimates, and the results were aggregated, allowing for diversification in order to arrive at an overall provision which is

intended to have a 85% (2021 - 85%) probability of sufficiency (POS). The overall risk margin for the underlying business (excluding COVID-19 business interruption claims) applied was 22.0% (2021 - 22.0%).

Notes to the Financial Statements cont.

Year ended 30 June 2022

c. Actuarial assumptions and methods

The following ranges of key actuarial assumptions were used in the measurement of outstanding claims and recoveries, where appropriate, at the reporting date.

	2022	2021
Inflation rate	3.64 %	2.52 %
Superimposed inflation rate (weighted average)	3.99 %	4.01 %
Discount rate (weighted average)	3.39 %	0.88 %
Claims handling expense rate	6.10 %	6.35 %
Weighted average term to settlement (number of years)	2.7	2.7

Process used to determine assumptions

A description of the processes used to determine these assumptions is provided below:

Inflation rate

Economic inflation assumptions are set by reference to current economic indicator.

Superimposed inflation rate

Superimposed inflation occurs due to non-economic effects such as court settlements increasing at a faster rate than the economic inflation rate utilised. An allowance for

superimposed inflation was made for each underlying model, where appropriate, based on expected cost pressures to re-emerge.

Discount rate

The discount rate is derived from market yields on government securities.

Claims handling expense rate

A rate for claims handling expenses was calculated by reference to past experience of estimated claims handling costs as a percentage of past payments.

Weighted average term to settlement

The average weighted term to settlement is calculated as the time weighted average of projected aggregate cash flows for all classes of business (gross of reinsurance and other recoveries and discounted to the balance date).

Sensitivity analysis

The impact on the profit or loss to changes in key actuarial assumptions is summarised below. Each change has been calculated in isolation of the other changes and is gross and net of reinsurance recoveries.

d. Reconciliation of movement in discounted outstanding claims liability

	2022			2021		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Brought forward	287,378	33,702	253,676	238,942	30,009	208,933
Movement in the prior year central estimate	(38,788)	3,978	(42,766)	(17,100)	(20,448)	3,348
Current year claims incurred	152,199	75,196	77,003	120,807	24,728	96,079
Claims paid/recoveries received	(60,111)	(11,009)	(49,102)	(53,958)	(11,581)	(42,377)
Movement in discounting	(12,861)	(2,970)	(9,891)	(749)	(25)	(724)
Movement in risk margin	—	298	(298)	(2,656)	11,079	(13,735)
Movement in claims handling expense	—	—	—	2,092	(60)	2,152
Carried forward	327,817	99,195	228,622	287,378	33,702	253,676

Notes to the Financial Statements cont.

Year ended 30 June 2022

e. Claims development table

The following table shows the development of net undiscounted outstanding claims relative to the ultimate expected claims for the ten most recent accident years.

	2013 (and prior)	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Net	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Estimate of Ultimate claims cost											
At end of accident year	769,841	96,793	103,690	86,124	91,464	86,054	86,952	99,241	93,700	88,638	769,841
One year later	755,678	88,218	97,177	82,011	84,207	80,950	87,690	109,618	96,906	—	852,470
Two years later	749,624	84,314	93,489	79,488	82,383	78,339	88,671	95,285	—	—	941,531
Three years later	739,881	81,827	92,810	81,717	83,002	76,965	90,762	—	—	—	1,007,495
Four years later	733,758	81,602	92,903	78,892	82,243	75,872	—	—	—	—	1,082,548
Five years later	731,314	78,866	93,369	75,741	81,330	—	—	—	—	—	1,155,476
Six years later	728,140	77,736	91,994	75,835	—	—	—	—	—	—	1,231,912
Seven years later	725,146	76,790	92,131	—	—	—	—	—	—	—	1,323,416
Eight years later	720,704	77,316	—	—	—	—	—	—	—	—	1,416,426
Nine years later	720,988	—	—	—	—	—	—	—	—	—	1,495,063
Current estimate of cumulative claims cost	720,988	77,316	92,131	75,835	81,330	75,872	90,762	95,285	96,906	88,638	1,495,063
Cumulative payments	712,530	73,807	89,949	71,652	74,096	65,500	69,163	65,536	45,284	22,091	1,289,607
Outstanding claims – undiscounted	8,244	3,509	2,182	4,183	7,234	10,372	21,600	29,749	51,622	66,548	205,241
Discount	(705)	(336)	(252)	(419)	(620)	(1,117)	(2,171)	(2,993)	(5,518)	(5,476)	(19,608)
Outstanding claims	7,539	3,173	1,930	3,764	6,614	9,255	19,429	26,756	46,104	61,072	185,633
Claims handling expenses											16,383
Risk margin											26,606
Total net outstanding claims per the Statement of Financial Position											228,622
Reinsurance and other recoveries on outstanding claims liability											99,195
Total gross outstanding claims per the Statement of Financial Position											327,817

24. CONTRIBUTED EQUITY

a. Authorised shares

Consolidated and Parent entity

2022

(i) Ordinary shares

	Number of shares	\$'000
Ordinary shares issued and fully paid	19,440,044	21,420
Ordinary shares issued during the year and fully paid (\$1 par value)	—	—
Total ordinary shares issued and fully paid as at 30 June 2022	19,440,044	21,420

2021

(i) Ordinary shares

Ordinary shares issued and fully paid (\$1.55 par value)	13,149,054	15,129
Ordinary shares issued during the year and fully paid (\$1 par value)	6,290,990	6,291
Total ordinary shares issued and fully paid as at 30 June 2021	19,440,044	21,420

Notes to the Financial Statements cont.

Year ended 30 June 2022

b. Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared.

c. Capital management

When managing capital, management's objective is to ensure the Group continues as a going concern as well as to maintain optimal

returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Group. Management adjust the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management

may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. During 2021/2022, dividends of \$300,000 were paid by Guild Group Holdings Limited (2020/2021: nil).

	Notes	2022 \$'000	2021 \$'000
d. Retained earnings			
Balance at 1 July		95,289	108,541
Net profit/(loss) attributable to members of Guild Group Holdings Limited		19,983	(13,252)
Total available for appropriation		115,272	95,289
Dividends paid or provided		—	—
Balance at 30 June		115,272	95,289
e. Merger reserve (pooling of interest)			
Merger reserve	30a.	1,581	1,581

25. NON-CONTROLLING INTEREST

	2022 \$'000	2021 \$'000
a. Interest in:		
A ¹ class ordinary shares	719	749
Dividend paid	(300)	—
Retained earnings	1,810	1,411
Distribution to Minority Interest holder	—	—
Balance at 30 June	2,129	2,160

b. Guild Group Holdings Limited owns 52.05% of the total equity in Meridian Lawyers Limited. The remaining 47.95% of equity is held by the Meridian Employee Share Scheme (22.95%) and Steadfast Group Limited (ASX: SGL) (25%).

Notes to the Financial Statements cont.

Year ended 30 June 2022

26. RELATED PARTIES

	2022	2021
	\$	\$
(Amounts are in whole dollars)		
Transactions of Directors		
Guild Insurance Limited had loans to directors during the period, Mr J Dowling (Director of the parent entity) on normal terms and conditions no more favourable than those available on similar transactions to other customers:		
Repayments received during the year in relation to the loans	8,750	8,854
Aggregate amount of loans outstanding at year end	250,000	250,000
Interest revenue from directors	8,750	8,854
Transactions of Parent		
Loan advanced to:		
Ultimate Parent Entity	5,000,000	—
Ultimate Parent Entity	23,088	—
Interest paid/payable to The Pharmacy Guild of Australia	713,752	618,643
Guild Insurance Limited has paid commission on policies written to The Pharmacy Guild of Australia. The rates are based on normal commercial terms and conditions.	3,607,167	3,587,303
Sponsorship Fees paid by the parent and subsidiary entities to The Pharmacy Guild of Australia	164,920	168,132
Insurance Premiums received/receivable by subsidiary entities from The Pharmacy Guild of Australia.	77,876	57,220
Legal fees received/receivable by subsidiary entities from The Pharmacy Guild of Australia.	332,978	244,132
Amounts owed by The Pharmacy Guild of Australia	551,924	529,632
Guild Insurance Limited sold insurance policies to directors or their director-related entities, and to the directors of The Pharmacy Guild of Australia or their director-related entities during the year within a normal employee or customer relationship on terms and conditions no more favourable than those available on similar transactions to other employees or customers.		
Transactions of Other Related Parties:		
Legal fees received/paid from other related parties	1,058,591	555,474
Insurance premiums received/paid from other related parties	1,641	57,220
Commissions paid/payable to Steadfast owned brokers	260,695	257,364
Loan Receivable - Joint Venture Partner	469,507	739,222

Parent entity:

The parent entity (and ultimate parent entity) is The Pharmacy Guild of Australia.

27. SIGNIFICANT EVENTS AFTER BALANCE DATE

At balance date, Guild Group was in discussions with MedAdvisor Limited (ASX: MDR) in relation to the potential sale of GuildLink Pty Ltd. The sale was completed subsequent to balance date and on 27 July 2022. Under the sale agreement, MedAdvisor acquired all aspects of the GuildLink business including GuildCare, Medicine Information, Guild Data, Guild Digital and MyPharmacyLink through an all-scrip acquisition.

Following a strategic review of the GuildLink business in the first half of 2022, the Guild Group Board and Management concluded that the sale of GuildLink to MedAdvisor would provide a better service offering to the pharmacy and health sector with the merged organisations providing a more effective medications management platform and as a result of this an improved healthcare value chain for the needs of communities across Australia.

A restructuring provision of \$497,000 will be recognised post year end in relation to the above change.

Guild Group's investment in GuildLink Pty Ltd has been treated as assets held for sale for the purposes of the financial statements in accordance with AASB 5.

Notes to the Financial Statements cont.

Year ended 30 June 2022

28. REMUNERATION OF AUDITORS

	2022	2021
(Amounts are in whole dollars)	\$	\$
Amounts received, or due and receivable, by Ernst & Young:		
Audit of the financial report of the consolidated group	470,723	455,968
Assurance services in relation to the consolidated group	210,287	197,859
	681,010	653,827

29. KEY MANAGEMENT PERSONNEL

Directors' remuneration

The following Directors held office during the year:

Mr A. Bloore, Mr J. Dowling, Mr T. Twomey, Ms K Pratt, Ms C. Dube, Mr M. Kay & Mr A. Tassone.

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of the consolidated entity, directly or indirectly, from the entity or any related party:

	2022	2021
(Amounts are in whole dollars)	\$	\$
Short term benefits	807,016	971,268
Post-employment benefits	78,186	94,328
Total compensation	885,202	1,065,596

Other Key Management Personnel

Remuneration received or due and receivable by executive officers (including directors) of the consolidated group whose remuneration is \$100,000 or more, from the entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated group, whether as an executive officer or otherwise is:

	2022	2021
(Amounts are in whole dollars)	\$	\$
Short term benefits	6,114,580	4,846,602
Post-employment benefits	334,152	304,973
Other long term benefits	838,031	1,192,976
Termination benefits*	217,834	—
Total compensation	7,504,597	6,344,551

* Termination benefits relate to key management personnel who have ceased employment.

The remuneration of all Leadership Team members includes a base remuneration component, a short-term incentive payment and a pro-rata long-term incentive payment.

The remuneration detailed above only includes amounts that were either paid or payable at 30 June 2022.

If certain performance conditions are met and employment continues an additional amount may be payable in accordance with the long-term incentive scheme at a future date.

Subsidiaries of Guild Group Holdings Limited sold insurance policies and financial products to key management personnel or their related entities during the year within a normal employee or customer relationship on terms and conditions no more favourable than those available on similar transactions to other employees in line with the company's policy on staff discounts.

Notes to the Financial Statements cont.

Year ended 30 June 2022

30. INVESTMENT IN SUBSIDIARY ENTITIES

Name of entity	Book Value of Parent Entity's Investment		Equity Holding		Class of shares
	2022	2021	2022	2021	
	\$'000	\$'000	%	%	
Parent Entity					
Guild Group Holdings Limited					
Controlled Entities					
Guild Insurance Limited	34,228	34,228	100	100	Ordinary
Guild Superannuation Services Limited	5,862	5,862	100	100	Ordinary
Guild Finance Facility Limited	750	750	100	100	Ordinary
Meridian Lawyers Limited	881	751	52	50	Ordinary
Guild Commercial Finance Pty Limited	350	350	100	100	Ordinary
GuildLink Pty Ltd	9,544	9,544	100	100	Ordinary
Guild Solutions Inc	242	242	100	100	Ordinary
Entity Investments at 30 June	51,857	51,727			

All controlled entities are incorporated in Australia.

Guild Group Holdings Limited owns 52.05% (2021: 50.05%) of the total equity in Meridian Lawyers Limited. The remaining 47.95% (2021: 49.95%) of equity is held by the Meridian Employee Share Scheme (22.95%) (2021: 24.95%) and Steadfast Group Limited (ASX:SGL) (25%) (2021: 25%).

31. CONTINGENCIES

The entity has \$2,863,606 (2021: \$3,722,237) in contingent liabilities relating to bank guarantees as at 30 June 2022.

Notes to the Financial Statements cont.

Year ended 30 June 2022

32. PARENT ENTITY FINANCIAL STATEMENTS

	2022	2021
	\$'000	\$'000
Statement of financial position		
Assets		
Cash and cash equivalents	2,301	963
Trade and other receivables	552	560
Related Party Receivables	8,623	3,600
Income tax receivable	—	1,620
Prepayments and inventories	919	1,551
Property, plant and equipment	437	301
Deferred tax assets	1,631	5,063
Financial assets	52,418	53,543
Intangible assets	197	296
Right of Use Assets	78	—
Total Assets	67,156	67,497
Liabilities		
Trade and other payables	13,042	13,281
Interest-bearing loans and borrowings	16,840	16,840
Provisions	7,427	6,261
Total Liabilities	37,309	36,382
Net Assets	29,847	31,115
Equity		
Contributed equity	21,420	21,420
Retained earnings	8,427	9,695
Total Equity	29,847	31,115

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

Notes to the Financial Statements cont.

Year ended 30 June 2022

	2022	Parent
Statement of Financial Performance	\$'000	2021
		\$'000
Other revenue	25,279	23,377
Administration expenses	(6,560)	(5,521)
Marketing expenses	(1,533)	(1,112)
Occupancy expenses	(57)	(27)
Salary related expenses	(18,319)	(16,668)
Finance costs	(714)	(619)
Unrealised gain on investment	—	58
Profit on sale of subsidiary entity	(17)	10
(Loss) before income tax	(1,921)	(502)
Income tax credit	653	146
Net profit/(loss) for the year	(1,268)	(356)
Profit/(loss) for the year is attributable to:		
Owners of the parent	(1,268)	(356)
Other comprehensive income for the year is attributable to:		
Owners of the parent	(1,268)	(356)

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

Notes to the Financial Statements cont.

Year ended 30 June 2022

33: DISCONTINUED OPERATIONS

At 30 June 2022, Guildlink Pty Limited was classified as a disposal group held for sale and as a discontinued operation. The sale was completed subsequent to balance date and on 27 July 2022.

The major classes of assets and liabilities of Guildlink Pty Limited classified as held for sale as at 30 June are as follows:

	2022	2021
Statement of financial position	\$'000	\$'000
Assets		
Cash and cash equivalents	3,854	3,730
Trade and other receivables	560	1,289
Accrued Income	182	105
Prepayments	229	246
Property, plant & equipment	68	71
Right-of-use Assets	—	101
Intangibles	180	225
Deferred Tax Assets	298	439
Assets Held for Sale	5,371	6,206
Liabilities		
Trade and other payables	1,171	376
Provisions - Current	760	499
Provisions - Non Current	228	205
Lease liabilities - Current	—	—
Lease liabilities - Non Current	—	120
Deferred Income - Current	1,816	1,642
Deferred Income - Non Current	—	37
Borrowings	39	78
Liabilities directly associated with assets held for sale	4,014	2,956
Net assets directly associated with disposal group	1,357	3,250

The results of Guildlink Pty Limited for the year are presented below:

Notes to the Financial Statements cont.

Year ended 30 June 2022

Statement of Financial Performance	2022	2021
	\$'000	\$'000
Revenue		
Revenue from contracts with customers	7,476	6,989
Other revenue	45	2
Expenses		
Cost of Sales	(1,099)	(1,021)
Employee benefit expense	(5,664)	(5,209)
Depreciation and amortisation expense	(99)	(84)
Advertising and marketing expense	(247)	(264)
Consultancy and contractor fees	(1,336)	(986)
Legal and professional fees	(150)	(118)
Other expenses	(1,485)	(1,385)
Finance costs	(35)	(38)
Loss before income tax	(2,594)	(2,115)
Income tax credit/(expense)	700	623
Profit/(loss) for the year from discontinued operations	(1,894)	(1,492)

The net cash flows incurred by Guildlink Pty Limited are, as follows:

Statement of Cash flow	2022	2021
	\$'000	\$'000
Net cash flows used in operating activities	30	(1,603)
Net cash flows used in investing activities	166	(128)
Net cash flows used in financing activities	(72)	(81)
Net increase/(decrease) in cash and cash equivalents	125	(1,812)



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