2020

Half Year Report

NobleOak Life Limited

For the half-year ended 31 December 2020

NOBLEOAK

DIRECTORS' REPORT

The Directors of NobleOak Life Limited (the Company) present their report, together with the Financial Statements of the Consolidated Group, being the Company and its controlled entities, for the half-year ended 31 December 2020.

Directors

The names of Directors of the Company who held office during the half-year ended 31 December 2020 and up to the date of this report are shown below.

- Stephen J Harrison (Chairman)
- Emery Feyzeny
- Kevin Hamman
- Anthony R Brown
- Inese I Kingsmill
- Andrew J Boldeman

The above-named Directors held office during and since the end of the half year unless otherwise stated above.

Company Secretary

Mr A R Brown was appointed Company Secretary on 8 September 2017 and Mr R S Pearson was appointed as an additional Company Secretary on 25 March 2020, both remained in office for the entire half year.

Principal Activities

The principal activities of the Consolidated Group during the period were the manufacture and distribution of life insurance products (including death, disability, trauma, income protection and business expenses insurance) through Direct and Partnership (Advised) channels. NobleOak also provides administration services for run-off life insurance products through its subsidiary Genus Life Insurance Services Limited.

Operating Results and Review of Operations

We are pleased to report another successful period for NobleOak, notwithstanding the challenges presented by COVID-19 and ongoing regulatory developments and change. The business has performed strongly and we remain grateful to our staff, clients, partners and shareholders for their ongoing support and efforts.

NobleOak continues to perform favourably when compared to competitors and the broader Life Insurance industry in terms of growth, profit, customer satisfaction and awards. We remain focused on delivering to the needs of our customers and ensuring our underlying infrastructure remains robust to facilitate longer term, sustainable growth. With a strengthened balance sheet, following our successful capital raising undertaken in December 2020, as well as a resilient portfolio with relatively low claims and lapse rates compared to the broader market and a high calibre and determined executive team, we are well positioned to continue on our growth trajectory.

Results Overview

The Directors report that the Consolidated Group profit before tax for the half-year ended 31 December 2020 is $3.8m compared to the $4.2m for the half-year ended 31 December 2019.

Growth in Normalised Profit

While the normalised profit increased from 31 December 2019 to 31 December 2020, the Consolidated Group profit for both periods were impacted by the movement in interest rates during each period (~10 basis points increase in half year to December 2020). The company's Actuarial estimate of policy liability reserves, including deferred acquisition costs, are discounted to present value using risk free interest rates. The impact of the change in interest rates on the valuation of policy liabilities was an unfavourable $0.6m to profit before tax in the half-year to December 2020 (compared to half-year ended 31 December 2019: favourable $0.1m). This has no impact to the NobleOak capital position.

Normalised profit before tax adjusting for this change in interest rates is $4.4m (half-year ended 31 December 2019: $4.1m), representing a 7% growth on the corresponding period the year before, as set out in the following table.

Profit Before Tax ($m)	**1H 2020**	**1H 2019**	**change%**
Reported Profit Before Tax	3.8	4.2	(10%)
Add/(Less) –Impact of change in Interest rates on DAC[1]	0.6	(0.1)	Large
Normalised Profit Before Tax	4.4	4.1	7%

1 = DAC = Deferred Acquisition Cost

Since balance date, the yield curve of risk free assets matching the duration of the company's policy liabilities has increased by 100 basis points (1.0%). The Company has disclosed in Note 16 the impact of changes in key actuarial assumptions.

The positive normalised result has been driven by strong in-force premium growth across both our Direct and Partner portfolios, and lower than expected lapse rates, in part offset by additional costs associated with the preparation for IPO. Total in-force premiums in open benefit funds at 31 December 2020 was $142m, representing an increase of 30% from the $110m at 30 June 2020 and 82% from the $78m as at 31 December 2019.

Our administration business, Genus, has performed better than expected, having also experienced lower than expected lapse rates. We continue to work closely with our partners to complete the conduct remediation of the previous Freedom Insurance Policies.

Capital Management

NobleOak successfully completed a $15 million capital raising in December 2020 (undertaken at $1.80 per share) predominantly from institutions. We value our shareholders' support and are pleased to have a diverse shareholder base. The majority of the proceeds from the capital raising are being used to fund NobleOak growth initiatives across direct marketing strategies, new products, brand build and other areas.

As an APRA regulated Life insurer, NobleOak remains well capitalised with a solvency ratio of approximately 378% at 31 December 2020. We continue to closely monitor our capital position to ensure we are well capitalised to support our existing customer base and invest in the business to drive further growth.

Prospective Initial Public Offer (IPO) on ASX

The Board and senior executive team have commenced efforts to list NobleOak on the Australian Securities Exchange. The current timetable is predicting a listing in July 2021. We have mobilised our Due Diligence Committee and IPO advisory group and have formally commenced the IPO due diligence process.

The demands on our management team of preparing the business for listing, responding to and preparing the business for regulatory changes and generally managing a high growth business are significant and the Board is thankful for their efforts as we embark on the next phase in our journey.

Business Segment Performance

Direct	Our Direct Strategy continues to deliver pleasing results. Our committed investment in the direct market, especially in digital marketing, has yielded further success, at a time when many larger competitors have contracted. The investment has seen the number of policies increase by 13% with in-force premiums in our Direct business growing by $6m to $51m (gross premiums) for the half-year ended 31 December 2020, an increase of 30% above half-year ended 31 December 2019. Normalised profit generated from Direct activities has risen to $2.4m for the half-year ended 31 December 2020, representing a 9% increase from the prior comparable period. Delivery on our core values of nobility, simplicity, adaptability and delivery has seen: • 95% of new clients rate their experience as 'good' or' excellent" during the quotation and application process based on our annual Customer Satisfaction Survey conducted in 2020. • 95% of existing clients rate customer service provided to date as 'good' or' excellent" which is continuously monitored by our post interaction surveys. • A 4.7/5 Feefo customer rating as at 31 December 2020. NobleOak has received a second Platinum Trusted Service award for maintaining a Gold Trusted Service Award standard for three consecutive years in 2020. • A 4.5/5 Google customer satisfaction rating as at 31 December 2020. • NobleOak wins numerous awards with Canstar, Plan for Life, Experts Choice and Finder over multiple years for the quality of our Life Insurance and Income Protection products. NobleOak was the most awarded direct Life insurer in 2020. Our leadership in digital innovation is continuing and has seen web user growth of 149% from 91,051 for the half-year ended 31 December 2019 to 226,954 for the half-year ended 31 December 2020. We launched a new intuitive website in January 2021, optimised for mobile channels, as mobile traffic to our website now represents 51% of total website traffic.
Partner	Our Strategic Partners portfolio continues to deliver strong growth. • This channel comprises our three key Partners, NEOS, PPS Mutual, and Avant Mutual, • In-force Annual Premium has grown to $90m at 31 December 2020, representing an increase of 42% from $64m at 30 June 2020 and an increase of 138% from $38m at 31 December 2019. • Contribution to group profit before tax was $1.0m for the half-year ended 31 December 2020 an increase of 29% from the corresponding period the year before. • The Avant Benefit Fund growth has remained modest, with the product mix weighting to income protection policies outside target range. NobleOak is working with Avant and reinsurers to attempt to reposition the portfolio. We will then assess the future viability of the benefit fund. The governance of our Partners has significantly evolved over the past 18 months, and we continue to invest in the governance and management of our Partners to ensure we are always delivering value to customers, irrespective of the distribution channel.
Genus	The administration business called Genus, contributed $1.0m to the group profit before tax for the half-year ended 31 December 2020. Genus administers a run-off book of business and provides services supporting the administration of the remediations of former Freedom Insurance policies. Service levels have remained at high levels over the period.

COVID-19

Like all Australian companies, NobleOak was impacted by the COVID-19 pandemic. Our focus has been on ensuring we look after our staff as well as our customers during this challenging time while thoughtfully managing additional risks.

The NobleOak team quickly mobilised to enable all staff to work from home with no access to the government jobkeeper arrangements required. As a result, impacts on our customers were minimal and employees have continued to employ flexible working arrangements and have maintained high levels of customer service through these changing times.

Mental wellbeing is receiving an increased focus as the impacts of COVID-19 continue to be experienced. We have maintained the modest reserves that were established to cover this potential exposure as at 30 June 2020 and we will be carefully monitoring this for both our staff and customers.

There is no pandemic exclusion clause in the NobleOak insurance policies held by existing customers. Additionally, NobleOak is working with our customers and our reinsurers to support those that have been financially impacted by the pandemic, for example through short term waivers of premiums.

People

NobleOak conducts an employee engagement survey on an annual basis, consisting of a number of questions across areas such as career development, work engagement and environment, remuneration and benefits, leadership, risk and workplace health and safety. Our most recent employee engagement was conducted in August 2020, with a participation rate of over 90% with very positive results. The engagement score was 86% and the risk culture score was 88%.

Despite a challenging year which resulted in staff having to transition to a work-from-home environment, staff retention, productivity and engagement levels remain at high levels.

We continue to invest in and strengthen the leadership team to support the needs of NobleOak as a growing insurer.

Risk Management

Risk management and mitigation remains at the forefront of our operations. Our Board, dedicated Risk Management Committee, Product and Insurance Committee, and senior executive team are highly engaged and regularly monitor and manage all material risks across the business. We are also proactive in our approach in engaging with regulatory bodies (including APRA and ASIC) where required.

The significant risks for NobleOak remain within our stated tolerance levels.

Life Insurance and Regulatory Environment

The Life Insurance industry continues to attract regulatory focus and scrutiny. Whilst this places additional compliance, risk and reporting obligations on industry participants, we view this in a positive light and continuously monitor our business, products, processes and culture to ensure they are consistent with the regulators' objectives of a "customer first" approach and a sustainable industry. Further, given the level of investment, infrastructure and technical capabilities required to operate as a life company, we believe all of these factors materially increase the barriers to entry for potential new entrants, thus further strengthening the NobleOak market position and ability to gain market share.

Since prior to the pandemic, APRA has been particularly focused on the life insurance industry as a result of the ongoing poor performance of the retail income protection market. The heightened risk of mental health related TPD (Total and permanent disability) and income protection claims in the market continues in light of economic impacts arising from COVID-19. APRA has been seeking innovation in product design for income protection products to develop longer term, sustainable products. Life Insurance providers are required to have redeveloped and relaunched their income protection products by 1 October 2021 (noting the restructure will impact go-forward policies only).

Other key near term regulator focus areas include:

- addressing Unfair Contract Terms, which will require industry participants to review portfolio wording to ensure the products are being presented appropriately and fairly to customers (in effect in April 2021); and
- Design and Distribution Obligations (DDO), which are scheduled to come into effect in October 2021.

NobleOak is well progressed in addressing the above items and views these as positive developments which will present opportunities for niche players such as NobleOak with a strong value proposition, focussing on a fully underwritten product at competitive prices.

Significant Changes in State of Affairs

Other than the matters disclosed above, there were no other significant changes in the state of affairs of the Consolidated Group during the reporting period.

After Balance Date Events

There has been no matter or circumstance that has arisen since the reporting date that has significantly affected, or may significantly affect, the operations of the Group, or the state of affairs of the Group in future years other than listed below:

The Company has significant policy liability provisions which are sensitive to changes in interest rates. Since balance date the yield curve of risk free assets matching the duration of the company's policy liabilities has increased by 100 basis points (1.0%). The Company has disclosed in Note 16 the impact of changes in key actuarial assumptions.

The potential impact of COVID-19 on the business continues to be monitored. There has been nothing observed since balance date that is anticipated to have significant impact.

The company has commenced planning for an IPO, subject to market condition it is currently planned for July 2021.

Future Developments

The company has commenced efforts to list NobleOak on the Australian Stock Exchange. The current timetable is predicting a listing in July 2021. The IPO will provide the NobleOak with a number of benefits (as noted in *Operating Results and Review of Operations* section of this report) which will ultimately assist the Company with achieving its growth ambitions and shareholder objectives.

Regulatory Change Impacts

During the reporting period, there have been no regulatory changes that have impacted on the preparation and presentation of financial information or the capital structure of the company.

Dividend Payments

No dividends have been paid or declared during the reporting period (2019: Nil).

Indemnification of Officers and Auditors

To the extent permitted by the Corporations Act 2001, during the reporting period, the Company paid insurance premiums to insure the Directors and Officers of the Company, and its related entities against any liability which may be incurred by the Directors or Officers in carrying out their duties in good faith.

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

Environmental Issues

The Consolidated Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company, or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the reporting period.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 8 of the financial report.

This report is made in accordance with the resolution of the Board of Directors.

On behalf of the Directors

Anthony R Brown
Director

Stephen Harrison
Chairman

Sydney, 28 April 2021

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

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

The Board of Directors
NobleOak Life Limited
66 Clarence Street
SYDNEY NSW 2000

28 April 2021

Dear Board of Directors

Auditor's Independence Declaration to NobleOak Life Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of NobleOak Life Limited.

As lead audit partner for the review of the financial statements of NobleOak Life Limited for the financial half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants
Sydney

Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2020

	Note	Consolidated Half-year ended 31/12/20 $'000	Consolidated Half-year ended 31/12/19 $'000	The Company Half-year ended 31/12/20 $'000	The Company Half-year ended 31/12/19 $'000
Continuing Operations					
Insurance premium revenue	2(a)	73,652	46,844	67,520	42,407
Reinsurance expenses	2(a)	(52,346)	(30,190)	(52,346)	(30,190)
Net insurance premium revenue		21,306	16,654	15,174	12,217
Investment income	2(a)	140	209	532	690
Net commissions	2(a)	6,358	3,943	6,358	3,943
Fees & other revenue	2(a)	1,913	4,152	4,636	3,050
Claims expense - net of reinsurance recoveries	2(b)	(2,399)	(1,214)	(2,399)	(1,214)
Policy acquisition costs	2(b)	(17,577)	(13,906)	(16,193)	(12,640)
Change in gross policy liabilities	5	2,857	5,812	2,857	5,812
Change in gross policy liabilities ceded under reinsurance	5	29	(798)	29	(798)
Administration expenses	2(b)	(8,759)	(10,611)	(7,734)	(7,338)
Operating Profit		**3,868**	**4,241**	**3,260**	**3,722**
Lease interest expense		(49)	(68)	(36)	(49)
Profit Before Tax		**3,819**	**4,173**	**3,224**	**3,673**
Income tax expense		(1,146)	(1,070)	(835)	(762)
Profit After Tax		**2,673**	**3,103**	**2,389**	**2,911**
Other Comprehensive Income		-	-	-	-
Total Comprehensive income attributable to Owners of the Company		**2,673**	**3,103**	**2,389**	**2,911**
Earnings per share					
Basic (cents per share)	3	4.49	5.63		
Diluted (cents per share)	3	4.38	5.51		

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

Statement of Financial Position

As at 31 December 2020

	Note	Consolidated		The Company	
		31/12/20	30/06/20	31/12/20	30/06/20
		$'000	$'000	$'000	$'000
Assets					
Cash and cash equivalents		40,645	28,517	37,034	24,220
Receivables		5,343	10,888	5,968	12,113
Financial assets	4	13,049	11,858	13,063	11,872
Gross policy liabilities ceded under reinsurance	5	39,287	32,945	39,287	32,945
Other assets		864	892	382	529
Plant and equipment		647	827	196	214
Right-of-use assets		1,769	2,193	1,285	1,592
Deferred tax asset		1,795	1,789	1,183	1,156
Intangibles		570	150	420	-
Total assets		**103,969**	**90,059**	**98,818**	**84,641**
Liabilities					
Payables		16,664	23,294	13,723	19,634
Lease liabilities		1,880	2,281	1,368	1,660
Provisions		4,533	4,801	3,388	3,933
Gross policy liabilities	5	(971)	(4,337)	(971)	(4,337)
Total liabilities		**22,106**	**26,039**	**17,508**	**20,890**
Net assets		**81,863**	**64,020**	**81,310**	**63,751**
Equity					
Issued share capital	6(a)	62,360	47,120	62,360	47,120
Accumulated profits		19,068	16,395	18,515	16,126
Share based payment reserve	6(b)	435	505	435	505
Total equity		**81,863**	**64,020**	**81,310**	**63,751**

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

Statement of Cash Flows

For the Half-Year Ended 31 December 2020

	Note	Consolidated Half-year ended		The Company Half-year ended	
		31/12/20	31/12/19	31/12/20	31/12/19
		$'000	$'000	$'000	$'000
Cash flows from operating activities					
Premium received		72,374	48,987	66,017	41,507
Reinsurance premium payments		(51,232)	(26,974)	(51,232)	(26,974)
Reinsurance recoveries received		16,948	8,023	16,948	8,023
Claims paid		(14,306)	(10,113)	(14,306)	(10,113)
Interest received		92	166	85	150
Dividends received		-	-	400	500
Fees and other income received		46,782	22,279	50,784	24,706
Marketing and policy acquisition costs		(59,928)	(28,600)	(58,545)	(27,334)
Payments to other suppliers and employees		(11,811)	(12,559)	(10,669)	(10,276)
Net cash (used in)/from operating activities		(1,081)	1,209	(518)	189
Cash flows from investing activities					
Purchase of plant and equipment		(24)	(50)	(24)	(47)
Purchase of intangible assets		(420)	-	(420)	
Purchase of financial assets		(1,136)	(801)	(1,135)	(801)
Net cash used in investing activities		(1,580)	(851)	(1,579)	(848)
Cash flows from financing activities					
Repayment of leasing liabilities		(401)	(371)	(292)	(267)
Lease interest paid		(49)	(68)	(36)	(49)
Amounts received from issue of shares		15,286	6,010	15,286	6,010
Cost of issue of shares		(47)	(64)	(47)	(64)
Net cash from financing activities		14,789	5,507	14,911	5,630
Net increase/(decrease) in cash and cash equivalents held		**12,128**	**5,865**	**12,814**	**4,971**
Cash and cash equivalents at the beginning of the period		**28,517**	**11,514**	**24,220**	**10,053**
Cash and cash equivalents at the end of the period		**40,645**	**17,379**	**37,034**	**15,024**

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

Statement of Changes in Equity

For the Half-Year Ended 31 December 2020

Consolidated

	Note	Issued share capital $'000	Accumulated profits $'000	Share based payment reserve $'000	Total equity $'000
Balance as at 1 July 2019		37,122	8,759	206	46,087
Share capital net of transaction cost	6(a)	5,946	-	-	5,946
Profit for the period		-	3,103	-	3,103
Recognition of share based payments	6(b)	-	-	150	150
Balance at 31 December 2019		43,068	11,862	356	55,286
Balance as at 1 July 2020		47,120	16,395	505	64,020
Share capital net of transaction cost	6(a)	15,240	-	-	15,240
Profit for the period		-	2,673	-	2,673
Recognition of share based payments	6(b)	-	-	(70)	(70)
Balance at 31 December 2020		62,360	19,068	435	81,863

The Company

	Note	Issued share capital $'000	Accumulated profits $'000	Share based payment reserve $'000	Total equity $'000
Balance as at 1 July 2019		37,122	8,467	206	45,795
Share capital net of transaction cost	6(a)	5,946	-	-	5,946
Profit for the period		-	2,911	-	2,911
Recognition of share based payments	6(b)	-	-	150	150
Balance at 31 December 2019		43,068	11,378	356	54,802
Balance as at 1 July 2020		47,120	16,126	505	63,751
Share capital net of transaction cost	6(a)	15,240	-	-	15,240
Profit for the period		-	2,389	-	2,389
Recognition of share based payments	6(b)	-	-	(70)	(70)
Balance at 31 December 2020		62,360	18,515	435	81,310

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

Notes to the Financial Statements

For the Half-Year Ended 31 December 2020

1 Statement of Significant Accounting Policies

Noble Oak Life Limited (the Company) is a company limited by shares, incorporated and domiciled in Australia.

The Company's registered office is Level 7, 66 Clarence Street, Sydney NSW, 2000. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is a for-profit entity and is primarily involved in the sale and management of life insurance products.

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent 30 June 2020 annual financial report issued on 25 September 2020.

Basis of Preparation

The financial report is a general purpose report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Life Insurance Act 1995 ("the Life Act") and the Corporations Act 2001. For the purpose of preparing the financial statements, the Company is a for-profit entity.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. The accounting policies adopted in the preparation of the interim set of financial statements are consistent with those adopted and disclosed in the Group's annual financial report for the year ended 30 June 2020.

The financial report has been prepared on an accruals basis and is based on historic costs, except financial instruments that are measured at revalued amounts or fair values at the end of each reporting period. The amounts presented in the financial report are in Australian dollars and have been rounded to the nearest dollar.

The Company operates predominantly in the financial services industry. As such, the assets and liabilities disclosed in the statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity.

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars which is the Company's functional currency. The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars ('000), unless otherwise stated.

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The company has adjusted claims reserving to account for any potential impact of covid-19, the potential impact on the business continues to be monitored. There has been nothing observed to date that is anticipated to have significant impact. The solvency of the company remain strong which was further strengthened by a capital raise completed in December 2020, with the funds raised to support ongoing growth on the business.

1 Statement of Significant Accounting Policies (cont.)

Life insurance contract liabilities

The insurance policy liabilities provisions are calculated in accordance with Prudential Standard LPS 340 Valuation of Policy Liabilities ("LPS 340"). The valuation approach is based upon a best estimate projection of future benefit payments, expenses, premiums and investment returns, however approximate methods may be used where the result will not be materially different from a full valuation process.

NobleOak's policy liabilities are calculated using:

- Projection method: is the best estimate of the present value of the liabilities under the in-force policies. This is the mechanism by which planned margins are recognised over the period which the services are provided to the policyholder. If future losses are expected to arise then these are recognised immediately through the profit and loss.
- Accumulation method: this method is an approximation to the projection method. The policy liabilities include outstanding claims liabilities, unearned premium reserves and deferred acquisition costs.

As at 30 June 2020, policy liabilities for all benefit funds, with the exception of the Funeral Fund, were calculated using the accumulation method.

With effect from 1 July 2020, the Appointed Actuary is progressively transitioning the policy liability calculation to the projection method. As at 31 December 2020 the transition was complete for Risk Fund No 1 (Direct Portfolio).

Both calculation methods are designed to calculate the value of life insurance policy liabilities using the Margin on Services methodology. Under this methodology, planned profit margins and an estimate of future liabilities are calculated separately for each related product group, with future cash flows determined using best estimate assumptions and discounted to the reporting date. Profit margins are systematically released over the term of the policies in line with the pattern of services to be provided. The future planned profit margins are deferred and recognised over time by including the value of the future planned profit margins within the value of the policy liabilities.

The assumptions used in the calculation of the insurance contract policy liabilities are reviewed at each reporting date. Details of Specific actuarial policies and methods are set out in note 16.

Policy acquisition costs

The policy acquisition costs incurred are recorded in the statement of profit or loss and other comprehensive income and represent the fixed and variable costs of acquiring new business. The policy acquisition costs include commission, advertising, policy issue and underwriting costs, and related costs.

The acquisition costs incurred in relation to life insurance contracts are capitalised in the valuation of policy liabilities.

Details of Specific actuarial policies and methods are set out in note 16.

Change in accounting policy

No new accounting pronouncements were relevant to the company since the preparation of the June 2020 Financial Report.

At the date of authorisation of the consolidated financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial instruments' - The Company is taking the deferral approach and will be implement AASB 9 at the same time as AASB 17 'Insurance contracts'	1 January 2021	30 June 2023
AASB 17 'Insurance contracts' will replace AASB 1038 Life Insurance Contracts.	1 January 2022	30 June 2023

1 Statement of Significant Accounting Policies (cont.)

Impact of changes to Australian Accounting Standards and Interpretation

AASB 17 'Insurance Contracts'

AASB 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. AASB 17 will supersede AASB 1038 *'Insurance Contracts'*. The IASB has amended the effective date to annual reporting periods beginning on or after 1 January 2023.

The Company intends to first apply AASB 17 on 1 January 2023. There is a project in place supported by the engagement of a professional advisor to implement the new standard with the systems, data and process changes currently being determined. The project is currently on schedule to meet the implementation timeline. The Company anticipates that the application of AASB 17 in the future is likely to have a material impact on the amounts reported and disclosures made in the financial statements, but the exact impact has not yet been quantified.

AASB 9 'Financial Instruments'

AASB 9 Financial Instruments replaces AASB 139 Financial Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments. It also carries forward guidance on recognition and de-recognition of financial instruments from AASB 139. The application of AASB 9 is not expected to have a material impact on the results of the Company. The majority of the Company's assets are assets backing policyholder liabilities and are currently designated at fair value through the profit or loss. The Company's other financial instruments (i.e. receivables and payables) are held at amortised cost. The standard is now in effect, however the Company is taking the deferral approach. The Company has measured those liabilities which are within the scope of AASB 4 Insurance Contracts, and these are greater than the 90% threshold of total liabilities required to take the deferral option available as an insurer. AASB 9 is currently being evaluated by the Company to consider the impact and implementation alongside AASB 17.

2 Profit from continuing operations

	Consolidated Half-year ended		The Company Half-year ended	
	31/12/20	31/12/19	31/12/20	31/12/19
	$'000	$'000	$'000	$'000
The profit from operations includes the following items of income and expense:				
(a) i) Net Insurance Premium Revenue				
Premium revenue from insurance contracts*	73,652	46,844	67,520	42,407
Less: Outward reinsurance expense	(52,346)	(30,190)	(52,346)	(30,190)
	21,306	16,654	15,174	12,217

*NobleOak's in-force premium as at 31 December 2020 in active benefit funds was $143,028,000 ($78,185,000 as at 31 December 2019). In-force premiums in closed benefit funds as at 31 December 2020 was $18,201,000 ($20,246,000 as at 31 December 2019). From 1 June 2019 NobleOak generated revenue from the closed benefit funds to support the administration cost of managing the run-off to these policies.

There is a difference between in-force premiums and the revenue recognised in the profit or loss statement due to timing of policy start dates (earned premium) and sales incentives offered with the policies (premium free periods). For direct life insurance business, the gross premium (including base premium and fees) is collected by NobleOak Services Limited (the subsidiary company and the administrator). The base premium is paid to NobleOak Life Limited (the parent company and the insurer) which is recognised as insurance premium revenue in the statement of profit or loss. The fee component of the gross premium retained in the subsidiary company (NobleOak Services Limited) is recognised within the insurance premium revenue in the consolidated profit or loss statement.

	Consolidated 31/12/20 $'000	Consolidated 31/12/19 $'000	The Company 31/12/20 $'000	The Company 31/12/19 $'000
ii) Investment Income				
Interest & investment revenue	85	163	77	144
Increase in market value of investments	55	46	55	46
Dividends received	-	-	400	500
	140	209	532	690
iii) Net commissions				
Commissions received from reinsurers	49,945	26,038	49,945	26,038
Commissions paid to distributors	(43,587)	(22,095)	(43,587)	(22,095)
	6,358	3,943	6,358	3,943
iv) Fees & other revenue				
Management fees & administration fees	1,913	4,152	4,636	3,050
	1,913	4,152	4,636	3,050

(b) Expenses

Profit before income tax has been arrived at after charging the following expenses:

	Consolidated 31/12/20 $'000	Consolidated 31/12/19 $'000	The Company 31/12/20 $'000	The Company 31/12/19 $'000
i) Claims Expenses				
Claims payments	14,299	10,229	14,299	10,229
Claims expense reserve	197	262	197	262
Less: Reinsurance claims recovery	(12,097)	(9,277)	(12,097)	(9,277)
	2,399	1,214	2,399	1,214

2 Profit from continuing operation (cont.)

	Consolidated Half-year ended		The Company Half-year ended	
	31/12/20	31/12/19	31/12/20	31/12/19
	$ ('000)	$ ('000)	$ ('000)	$ ('000)
ii) Policy Acquisition Costs				
Commission	5,231	3,951	3,847	2,685
Marketing & promotion	4,995	4,760	4,995	4,760
Salary & employee benefits	3,063	2,691	3,063	2,691
Other variable costs	4,288	2,504	4,288	2,504
	17,577	13,906	16,193	12,640
iii) Administration expenses				
Administration expenses include the following				
Salary & employee costs (incl Board costs)	4,571	5,679	2,966	2,539
Marketing & Promotion – Brand and non-lead	555	882	555	882
Management fees	48	43	1,987	1,931
Conduct remediation cost*	-	500	-	-
Depreciation & Amortisation	441	438	325	322
Other Expenses	3,144	3,069	1,901	1,664
	8,759	10,611	7,734	7,338

*The Remediation expenses provision relates to cost associated with the activities being undertaken to remediate policies following poor sales practices of Freedom Insurance Group, which were insured by NobleOak through the Freedom and Rewards benefit funds between April 2014 and June 2017.

3 Earnings per share

	Consolidated	
	Half-year ended	
	31/12/20	31/12/19
Earnings per share (cents)		
Basic earnings (cents)	4.49	5.63
Diluted earnings (cents)	4.38	5.51

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Profit for the period attributable to owners of the Company ($'000)	2,673	3,103
Earnings used in the calculation of basic earnings per share ($'000)	2,673	3,103
Weighted average number of ordinary shares for the purpose of basic earnings per share	59,535,836	55,135,549

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows:

Profit for the period attributable to owners of the Company ($'000)	2,673	3,103
Earnings used in the calculation of total diluted earnings per share ($'000)	2,673	3,103

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the average number of ordinary shares used in the calculation of basic earnings per share as follows:

Weighted average number of ordinary shares used in the calculation of basic earnings per share	59,535,836	55,135,549
Shares deemed to be dilutive in respect of the Premium Option Plan and Performance Rights Plan	1,547,156	1,125,261
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (all measures)	61,082,992	56,260,810

4 Financial assets

	Consolidated		The Company	
	31/12/20	30/06/20	31/12/20	30/06/20
	$'000	$'000	$'000	$'000
Financial assets held at cost:				
Shares in Subsidiary	-	-	151	151
Financial assets held at fair value through profit or loss:				
Bank bills and term deposits	9,001	7,865	8,865	7,728
Fixed interest investment	4,048	3,993	4,047	3,993
	13,049	11,858	13,063	11,872
Current vs non-current:				
Current	9,001	7,865	8,865	7,728
Non-current	4,048	3,993	4,198	4,144
	13,049	11,858	13,063	11,872

Fair value:				
Level 1				
Bank bills and term deposits	9,001	7,865	8,865	7,728
Level 2				
Fixed interest Investment	4,048	3,993	4,047	3,993
	13,049	11,858	12,912	11,721

Fair value hierarchy

The investments carried at fair value have been classified under the three levels of the fair value hierarchy as follows:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets

(ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices). Far value is calculated by actuary based on discounted cashflow model using a yield curve appropriate to the remaining maturity of the investment

There have been no movements between levels during the period.

5 Policy & member liabilities

	Consolidated		The Company	
	31/12/20	30/06/20	31/12/20	30/06/20
	$'000	$'000	$'000	$'000
Opening balance	(37,282)	(27,835)	(37,282)	(27,835)
Increase in outstanding claims	195	847	195	847
Decrease in net policy liabilities reflected in the income statement (pre tax)	(2,886)	(9,739)	(2,886)	(9,739)
Decrease in net policy liabilities reflected in the income statement (tax in relation to Profit Share)	(285)	(555)	(285)	(555)
Closing balance	(40,258)	(37,282)	(40,258)	(37,282)

(i) Movement for 31/12/20 represents haf-year ended 31 December 2020, movement for 30/06/20 represents financial year ended 30 June 2020

Gross policy Liabilities				
Policy liabilities reserve	(45,611)	(41,800)	(45,611)	(41,800)
Claims reserve	41,378	34,866	41,378	34,866
Profit share reserve	3,262	2,595	3,262	2,595
Total Gross Policy Liability/(Asset)	(971)	(4,337)	(971)	(4,337)
Policy Liabilities – Ceded to Reinsurers				
Policy liabilities reserve	(711)	(683)	(711)	(683)
Claims reserve	(38,576)	(32,262)	(38,576)	(32,262)
Profit share reserve	-	-	-	-
Total Gross Policy Liability/(Asset)	(39,287)	(32,945)	(39,287)	(32,945)
Net Policy Liabilities				
Policy liabilities reserve	(46,322)	(42,483)	(46,322)	(42,483)
Claims reserve	2,802	2,606	2,802	2,606
Profit share reserve	3,262	2,595	3,262	2,595
Total Net Policy Liability/(Asset)	(40,258)	(37,282)	(40,258)	(37,282)

6 Share capital

	Consolidated		The Company	
	31/12/20	30/06/20	31/12/20	30/06/20
	$'000	$'000	$'000	$'000
(a) Issued share capital				
Fully paid ordinary shares	62,360	47,120	62,360	47,120

Movement in issued share capital

Company & Consolidated

Ordinary Shares	**Number of Shares**	**Issue Price**	**$ Value ('000)**
Opening Balance 1 July 2019	52,840,780		37,122
Ordinary Share – Staff share scheme (i)	68,370	1.55	106
Ordinary Shares – Employee Options Exercised December March 2020 (ii)	50,000	0.75	38
Ordinary Shares – Sophisticated investors – November 19 (iii)	3,877,735	1.55	6,009
Ordinary Shares – Sophisticated investors – February 2020 (iv)	2,580,645	1.55	4,000
Less Transaction cost			(155)
Balance 30 June 2020	59,417,530		47,120
Ordinary Share – Employee Options Exercised December July 2020 – (v)	15,000	1.045	16
Ordinary Shares – 2017 LTI share issue September 2020 (vi)	57,733	1.55	89
Ordinary Shares – Sophisticated investors – December 20 (vii)	8,434,028	1.80	15,181
Less Transaction cost			(46)
Balance 31 December 2020	67,924,291		62,360

(i) Ordinary Shares issued to employees under the Employee Share Purchase Plan, the shares were issued at fair value. A new Employee Share Plan issue was undertaken in Feb 2020.
(ii) Options issued to employees in the 2015 Premium Options Plan (staff) have been exercised.
(iii) Ordinary Shares issued to sophisticated investors from capital raising activities undertaken in November 2019.
(iv) Ordinary Shares issued to sophisticated investors from capital raising activities undertaken in February 2020.
(v) Options issued to employees in the 2016 Premium Options Plan (staff) have been exercised.
(vi) Ordinary Shares issued to Staff under the 2017 Long Term Incentive Scheme that matured in July 2020.
(vii) Ordinary Shares issued to sophisticated investors from capital raising activities undertaken in December 2020. $15.2m was raised in total.

6 Share capital (cont.)

(b) Share based payment reserve

Share based payment reserve	Number of Options/Rights	$ Value ('000)
Opening Balance 1 July 2019	1,407,690	206
2015 Premium Option Plan exercised (i)	(50,000)	(2)
Ordinary Shares – 2017 Long Term Incentive Rights (iii)	19,424	20
Ordinary Shares – 2018 Long Term Incentive Rights (iv)	34,570	40
Ordinary Shares – 2019 Long Term Incentive Rights (v)	58,710	91
Option Plan 2019 – IPO (vi)	(294,808)	150
Balance 30 June 2020	1,175,586	505
2016 Premium Option Plan exercised and expired (ii)	(35,000)	(0)
Ordinary Shares – 2017 Long Term Incentive Rights (iii)	(58,313)	(90)
Option Plan 2019 – IPO (vi)	(930,660)	(180)
Ordinary Shares – 2018 Long Term Incentive Rights (iv)	9,319	40
Ordinary Shares – 2019 Long Term Incentive Rights (v)	14,068	40
Ordinary Shares – 2020 Long Term Incentive Rights (vii)	66,667	120
Balance 31 December 2020	241,667	435

Options/rights plan	Number	Grant date	Expiry date	Exercise price ($)
Expired				
(i) 2015 Premium Option Plan	50,000	18/03/2015	11/03/2020	0.75
(ii) 2016 Premium Option Plan	35,000	01/12/2016	01/07/2020	1.045
(iii) 2017 Performance Rights Plan	58,313	03/11/2017	n/a	Nil
(vi) 2019 Option Plan – IPO	1,225,468	01/06/2019	31/12/2022 & 31/12/2023	1.30
Current				
(iv) 2018 Performance Rights Plan	102,222	23/06/2019	n/a	Nil
(v) 2019 Performance Rights Plan	72,778	20/12/2019	n/a	Nil
(vii) 2020 Performance Rights Plan	66,667	14/12/2020	n/a	Nil

(i) 2015 Premium Option Plan issued to senior staff vested and were exercised.

(ii) 2016 Premium Option Plan issued to senior staff vested and were exercised or have now expired.

(iii) A 2017 Long-term incentive plan was established for key executives. The plan is based on the outcome of 3 years results ending 30 June 2020. This reserve is a provision for the estimated potential shares earned to date based on current year's results. During the 2020 year the expected rights issue increased from that estimated in 2019. This plan has matured and shares entitlement earned were issued in October 2020.

(iv) A 2018 Long-term incentive plan was established for key executives. The plan is based on the outcome of 3 years results ending 30 June 2021. This reserve is a provision for the potential shares earned to date based on current period's results. These rights were reviewed by the Board and reissued in line with an independent review (by AON).

(v) A 2019 Long-term incentive plan was established for key executives. The plan is based on the outcome of 3 years results ending 30 June 2022. This reserve is a provision for the potential shares earned to date based on current period's results.

(vi) Options issued on the 1 June 2019 were issued to executives and senior management and vest in 2020 and 2021 and are dependent on achieving the planned objectives. The object was not achieved in the appropriate time frame so the options did not vest.

(vii) A 2020 Long-term incentive plan was established for key executives. The plan is based on the outcome of 3 years results ending 30 June 2023. This reserve is a provision for the potential shares earned to date based on current period's results.

7 Related party disclosures

a) Key management personnel remuneration

The Directors and Key Personnel of NobleOak Life Limited during the period were:

Non Executive Directors

Mr E A Feyzeny, appointed 24 February 2011
Mr K Hamman, appointed 27 January 2011
Mr S J Harrison, appointed 27 January 2011
Mr M Edwards, appointed 26 October 2016, resigned 3 June 2020
Ms I I Kingsmill, appointed 3 December 2019
Mr A J Boldeman, appointed 3 June 2020

Executive Director and Key Personnel

Mr A R Brown – Chief Executive Officer, Executive Director and Company Secretary, appointed 23 July 2012, 31 July 2013 and 8 August 2017 respectively.
Mr S Pearson – Chief Financial Officer and Company Secretary, appointed 11 February 2019 and 25 March 2020 respectively.
Mr M Wilson – Chief Risk Officer, appointed 1 October 2014.
Mr M Minney – Head of Claims and Operations, joined the Company in September 2016 and appointed as part of Key Management Personnel from 1 July 2019.

8 After balance date events

There has been no matter or circumstance that has arisen since the reporting date that has significantly affected, or may significantly affect, the operations of the Group, or the state of affairs of the Company in future years other than listed below:

The Company has significant policy liability provisions which are sensitive to changes in interest rates. Since balance date the yield curve of risk free assets matching the duration of the company's policy liabilities has increased by 100 basis points (1.0%). The Company has disclosed in Note 16 the impact of changes in key actuarial assumptions.

The potential impact of COVID-19 on the business continues to be monitored. There has been nothing observed since balance date that is anticipated to have significant impact.

The company has commenced planning for an IPO, subject to market conditions it is currently planned for June 2021.

9 Information on the Group's operations

The Company operates primarily in life insurance industry. The Company's operations are located in New South Wales and its customers are located in each State and Territory of Australia.

10 Additional information

NobleOak Life Limited is a public company limited by shares, incorporated in Australia. If the Company is wound up, shareholders will not be required to contribute further equity other than the balance of any partially paid shares.

Principal Place of Business & Registered Office

Level 7, 66 Clarence Street
SYDNEY, NSW 2000
Tel: 1300 041 494

11 Contingent liabilities

The Group has provided a bank guarantee of $520,998 to support the commercial lease on its office premises at Level 1 and Level 7, 66 Clarence Street, Sydney NSW 2000.

12 Segment Information

AASB 8 requires disclosure of operating segments that engage in business activities and whose results are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess performance.

The principal operating segments within the insurance operations of NobleOak are as follows:
Direct Business
Partnership
Genus

a) Direct Business
The term 'Direct' reflects the life insurance protection products that are sold directly to customers under the NobleOak brand. This segment also includes the results of the management fund, whose function is to recognise the expenses incurred and investment income of the group (net of allocation to the other segments), as well as two small closed funds which are held for the Druids members (Blue Chip Endowment Assurance Fund and Funeral Benefit Fund).

Products sold under the direct branded Premium Life Direct or My Protection Plan include term life, total and permanent disability, trauma, income protection and business expenses.

b) Strategic Partnerships
The term 'Strategic Partnerships' reflects the life insurance protection products which are sold to customers primarily through advisors under our partner brands. At the current date, NobleOak is the issuer of life insurance policies for PPS Mutual (established 2016), Avant Mutual (established 2017) and NEOS (established 2018).

c) Genus
The term 'Genus' refers to life insurance administration services performed by the NobleOak Group Company Genus Life Insurance Services Pty Ltd. Genus took on the administration of the run-off of life and funeral insurance protection products written through Freedom Insurance Group following it ceasing operations in 2019. Genus receives revenue from the insurer/reinsurer of portfolio with the business performance driven by costs base to provide quality services to the policyholders. The segment also includes the residual results of the Freedom and Reward benefit Funds.

	Direct		Strategic Partnerships		Genus		Consolidated	
	Half-year ended		Half-year ended		Half-year ended		Half-year ended	
	31/12/20 $'000	31/12/19 $'000	31/12/20 $'000	31/12/19 $'000	31/12/20 $'000	31/12/19 $'000	31/12/20 $'000	31/12/19 $'000
Insurance premium revenue	24,129	18,815	40,500	18,113	9,023	9,916	73,652	46,844
Reinsurance expenses	(11,238)	(9,032)	(34,943)	(14,377)	(6,165)	(6,781)	(52,346)	(30,190)
Net insurance premium revenue	12,891	9,783	5,557	3,736	2,858	3,135	21,306	16,654
Investment income	115	164	20	30	5	15	140	209
Net commissions from reinsurers	2,986	2,856	3,451	1,348	(79)	(261)	6,358	3,943
Fees & other revenue	-	-	-	-	1,913	4,152	1,913	4,152
Claims expense - net of reinsurance recoveries	(2,049)	(1,132)	(350)	(82)	-	-	(2,399)	(1,214)
Policy acquisition costs	(11,046)	(9,984)	(5,829)	(3,087)	(702)	(835)	(17,577)	(13,906)
Change in gross policy liabilities	5,841	8,064	(2,903)	(2,242)	(81)	(10)	2,857	5,812
Change in gross policy liabilities ceded under reinsurance	(1,951)	(2,328)	1,925	1,523	55	7	29	(798)
Administration & other expenses	(5,004)	(5,093)	(829)	(421)	(2,975)	(5,165)	(8,808)	(10,679)
Profit Before Tax	1,783	2,330	1,042	805	994	1,038	3,819	4,173
Income Tax expense	(524)	(509)	(312)	(241)	(310)	(320)	(1,146)	(1,070)
Profit After Tax	1,259	1,821	730	564	684	718	2,673	3,103

13 Capital Adequacy Requirements

31 December 2020	The Company $'000
(a) Capital Base	27,142
(b) Prescribed capital amount (1)	7,187
Capital in excess of prescribed capital amount = (a) - (b)	19,955
Capital adequacy multiple (%) (a) / (b)	378%
Capital Base comprises:	
Common Equity Tier 1 Capital	81,310
Regulatory adjustment applied in calculation of Tier 1 capital	(54,168)
(A) Common Equity Tier 1 Capital	27,142
Additional Tier 1 Capital	-
Regulatory adjustment applied in calculation of Additional Tier 1 capital	-
(B) Total Additional Tier 1 Capital	-
Tier 2 Capital	-
Regulatory adjustment applied in calculation of Tier 2 capital	-
(C) Total Tier 2 Capital	-
Total capital base	27,142

Explanatory Notes:
(1) The minimum level of assets required to be held in each statutory fund, prescribed by the solvency standard referred to in part 5 of the Life Insurance Act 1995.

30 June 2020	The Company $'000
(a) Capital Base	13,893
(b) Prescribed capital amount (1)	6,000
Capital in excess of prescribed capital amount = (a) - (b)	7,893
Capital adequacy multiple (%) (a) / (b)	232%
Capital Base comprises:	
Common Equity Tier 1 Capital	63,751
Regulatory adjustment applied in calculation of Tier 1 capital	(49,858)
(A) Common Equity Tier 1 Capital	13,893
Additional Tier 1 Capital	-
Regulatory adjustment applied in calculation of Additional Tier 1 capital	-
(B) Total Additional Tier 1 Capital	-
Tier 2 Capital	-
Regulatory adjustment applied in calculation of Tier 2 capital	-
(C) Total Tier 2 Capital	-
Total capital base	13,893

Explanatory Notes:
(1) The minimum level of assets required to be held in each statutory fund, prescribed by the solvency standard referred to in part 5 of the Life Insurance Act 1995.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2020

14 Capital Adequacy Requirements of Benefit Funds

	Risk Fund No. 1	Freedom Insurance Benefit Fund	Reward Insurance Benefit Fund	PPS Mutual Benefit Fund	Avant Benefit Fund	Blue Chip Endowment Bond Fund	NEOS Benefit Fund	Funeral Benefit Fund	Total Benefit Funds	Management Fund
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
31 December 2020										
(a) Capital Base	2,925	277	53	543	734	-	684	1,326	6,542	20,60020,526
(b) Prescribed capital amount	96	60	9	-	48	-	248	-	461	6,726
Capital in excess of prescribed capital amount = (a) - (b)	2,829	217	44	543	686	-	436	1,326	6,081	13,874
Capital adequacy multiple (%) = (a) / (b)	3042%	460%	574%		1546%		276%		1420%	306%
Capital Base comprises:										
Net Assets (including Seed Capital)	54,519	277	53	541	1,405	-	609	1,325	58,729	26,547
Regulatory adjustment applied in calculation of Tier 1 capital	(51,594)	-	-	2	(671)	-	75	1	(52,187)	(5,947)
(A) Net assets after applying any regulatory adjustments	2,925	277	53	543	734	-	684	1,326	6,542	20,600
Tier 2 Capital	-	-	-	-	-	-	-	-	-	-
Regulatory adjustment applied in calculation of Tier 2 capital	-	-	-	-	-	-	-	-	-	-
(B) Total Tier 2 Capital	-	-	-	-	-	-	-	-	-	-
Total capital base	2,925	277	53	543	734	-	684	1,326	6,542	20,600
Prescribed capital amount comprises:										
(C) Insurance Risk Charge	-	-	-	-	-	-	-	-	-	-
(D) Asset Risk Charge	96	60	9	-	48	-	248	-	461	482
(E) Asset Concentration Risk Charge	-	-	-	-	-	-	-	-	-	2,190
(F) Operational Risk Charge	-	-	-	-	-	-	-	-	-	4,054
(G) Aggregation benefit	-	-	-	-	-	-	-	-	-	-
(H) Combined scenario adjustment	-	-	-	-	-	-	-	-	-	-
(I) APRA approved transition amount under capital adequacy standards	-	-	-	-	-	-	-	-	-	-
Prescribed capital amount = (C) + (D) + (E) + (F) - (G) + (H) + (I)	96	60	9	-	48	-	248	-	461	6,726

14 Capital Adequacy Requirements of Benefit Funds (cont.)

	Risk Fund No. 1	Freedom Insurance Benefit Fund	Reward Insurance Benefit Fund	PPS Mutual Benefit Fund	Avant Benefit Fund	Blue Chip Endowment Bond Fund	NEOS Benefit Fund	Funeral Benefit Fund	Total Benefit Funds	Management Fund
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2020										
(a) Capital Base	2,488	276	53	469	690	-	756	1,253	5,986	7,906
(b) Prescribed capital amount	124	65	9	-	33	-	204	-	434	4,102
Capital in excess of prescribed capital amount = (a) - (b)	2,364	211	44	469	657	-	552	1,253	5,552	3,804
Capital adequacy multiple (%) = (a) / (b)	2006%	425%	589%		2091%		371%		1379%	193%
Capital Base comprises:										
Net Assets (including Seed Capital)	50,133	276	53	467	1,300	-	680	1,252	54,160	13,556
Regulatory adjustment applied in calculation of Tier 1 capital	(47,645)	-	-	2	(610)	-	76	1	(48,174)	(5,650)
(A) Net assets after applying any regulatory adjustments	2,488	276	53	469	690	-	756	1,253	5,986	7,906
Tier 2 Capital	-	-	-	-	-	-	-	-	-	-
Regulatory adjustment applied in calculation of Tier 2 capital	-	-	-	-	-	-	-	-	-	-
(B) Total Tier 2 Capital	-	-	-	-	-	-	-	-	-	-
Total capital base	2,488	276	53	469	690	-	756	1,253	5,986	7,906
Prescribed capital amount comprises:										
(C) Insurance Risk Charge	68	-	-	-	-	-	-	-	68	-
(D) Asset Risk Charge	92	65	9	-	33	-	203	-	402	628
(E) Asset Concentration Risk Charge	-	-	-	-	-	-	-	-	-	-
(F) Operational Risk Charge	-	-	-	-	-	-	-	-	-	3,474
(G) Aggregation benefit	35	-	-	-	-	-	-	-	35	-
(H) Combined scenario adjustment	-	-	-	-	-	-	-	-	-	-
(I) APRA approved transition amount under capital adequacy standards	-	-	-	-	-	-	-	-	-	-
Prescribed capital amount = (C) + (D) + (E) + (F) - (G) + (H) + (I)	125	65	9	-	33	-	203	-	435	4,102

15 Critical accounting Judgements and estimates

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities at year end. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas where critical accounting estimates are applied are noted below.

(a) Life insurance contract liabilities

NobleOak's policy liabilities are calculated using:

- Projection method: is the best estimate of the present value of the liabilities under the in-force policies. This is the mechanism by which planned margins are recognised over the period which the services are provided to the policyholder. If future losses are expected to arise then these are recognised immediately through the profit and loss.
- Accumulation method: this method is an approximation to the projection method. The policy liabilities include outstanding claims liabilities, unearned premium reserves and deferred acquisition costs.

As at 30 June 2020, policy liabilities for all benefit funds, with the exception of the Funeral Fund, were calculated using the accumulation method.

With effect from 1 July 2020, the Appointed Actuary is progressively transitioning the policy liability calculation to the projection method. As at 31 December 2020 the transition was complete for Risk Fund No 1 (Direct Portfolio).

Computations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written. Deferred policy acquisition costs and present value of in-force business (PVIF) are connected with the measurement basis of life insurance contract liabilities and are equally sensitive to the factors that are considered in the liability measurement. The key factors that affect the estimation of these liabilities and related assets are:

- The estimated cost of providing benefits and administering these insurance contracts;
- Expected mortality and morbidity experience on life insurance products, including enhancements to policyholder benefits;
- Discontinuance experience, which affects the Group's ability to recover the cost of acquiring new business over the expected life of the contracts; and
- The amounts credited to policyholders' accounts compared to the returns on invested assets through asset-liability management and strategic and tactical asset allocation.

In addition, factors such as regulation, competition, interest rates, taxes, securities market conditions and general economic conditions affect the level of these liabilities. Details of specific actuarial policies and methods are set out in note 16.

16 Summary of Significant Actuarial Methods and Assumption

The effective date of the Actuarial Valuation Report on policy liabilities and solvency reserves calculation is 31 December 2020. The Actuarial Valuation Report was prepared by Ms. B. Cummings BEc (Hons) FIAA and indicates that Ms. B. Cummings is satisfied as to the accuracy of the data upon which policy liabilities have been determined.

Valuation of Policy Liabilities

Policy liabilities for life insurance business have been determined in accordance with Life Prudential Standard 340 issued by the Australian Prudential Regulation Authority. The standard requires that the policyholder liabilities be calculated on the basis of best estimate assumptions and in a way that allows for the systematic release of planned margins as services are provided to policyholders or premiums are received.

The policy liabilities for the PPS Mutual Benefit Fund, the Avant Benefit Fund, the Neos Benefit Fund, the Freedom Fund and the Reward Fund have been calculated using an accumulation method. Under this method the policy liability is equal to the policies' Termination Value and an Acquisition Expense Recovery Component (which only applies to the Avant Benefit Fund).

The Termination Value has been calculated as the sum of the amount of unearned premium and the value of incurred claim liabilities not recognised elsewhere within the Balance Sheet. No explicit actuarial assumptions are required for the accumulation method except to estimate a provision for incurred but not reported claims and outstanding claim payments for Group Salary Continuance. The use of the accumulation method will result in profits emerging in proportion to premiums.

The Acquisition Expense Recovery Component (also known as Deferred Acquisition Cost or DAC) refers to the costs incurred in order to acquire new business. As the benefits obtained from these costs are expected to be long term in nature, it is reasonable to defer the recognition of these costs to align with the benefits obtained. These acquisition costs are allocated to Risk Fund No. 1 and the Avant Benefit Fund in line with NobleOak's DAC Policy. For the Avant Benefit Fund, the DAC is reduced by the amount of acquisition costs amortised and increased with acquisition costs incurred during the period. The amount of DAC amortised over the period is determined in accordance with Life Prudential Standard 340 issued by the Australian Prudential Regulation Authority and based upon the change in the present value of in-force premiums from the start of the period to the end of the period.

A Liability Adequacy Test (LAT) is required to ensure that future investment earnings and premium income are expected to exceed future benefit payments and expenses. The expenses of the benefit fund include management fees paid to the Management Fund, stamp duty whenever a premium is collected and the amortisation of the DAC (which was described previously).

The policy liability for Risk Fund No.1 and the Funeral Fund has been calculated using the projection method. The projection method uses expected cash flows (premium, investment income, redemptions or benefit payments and expenses) to establish the value of policy liability based upon a range of actuarial assumptions including lapse, mortality, morbidity and expense assumptions. The value of expected future premiums is deducted from the value of expected future benefit and expense payments to arrive at the net obligation to policy owners. For Risk Fund No. 1, this method results in the DAC being implicit within the cash-flows and thus the DAC is not explicitly held on the balance sheet. The LAT is also implicit within the projection method of determining policy liabilities. A deficiency reserve is required only if the projected future value of premiums and investment income are not sufficient to meet the projected future value of benefit and expense payments.

16 Summary of Significant Actuarial Methods and Assumption (cont.)

Disclosure of Material Assumptions

Required Assumption	Basis of Assumption	Assumption Adopted
Discount rate – Funeral Fund	Yield on Australian Government bonds at the expected duration of policy liability	1.87%.
Discount rate – Risk Fund No. 1	Yield curve based upon Australian Government bonds at 31 December 2020	Ranging between 0% to 2.8% pa over 20 years.
Mortality – Funeral Fund	ALT2010-2012 table adjusted for Funeral Fund experience	65% of ALT2010-2012.
Mortality – Risk Fund No. 1	FSC-KPMG 2004-08 table adjusted for Risk Fund No. 1 experience and selection effects	80% of FSC-KPMG 2004-08; plus Selection factors ranging between 45% to 100% applied over policy years 1-5.
Lump Sum Morbidity – Risk Fund No. 1	FSC-KPMG 2004-08 table adjusted for Risk Fund No. 1 experience and selection effects	120% of FSC-KPMG 2004-08 for TPD and trauma; plus Selection factors ranging between 50% to 100% applied over policy years 1-5.
Income Protection Morbidity – Risk Fund No. 1	FSC-KPMG ADI 2014-18 table adjusted for Risk Fund No. 1 incidence and terminations experience	85% of FSC-KPMG 2014-18 incidence rates. 100% of FSC-KPMG 2014-18 termination rates.
Lapse Assumptions – Risk Fund No. 1	Industry average lapse rates with adjustments for Risk Fund No. 1 experience	5-15% pa for policies with a duration of 10 years or less. 10-25% pa for policies over the age of 55.
Expense Assumptions – Risk Fund No. 1	Management Fees and average stamp duty cost	6% of gross premium.
Management Fees – other Benefit Funds (% of net assets)	Based on same dollar management fee charged to Benefit Fund each year, subject to maximum fee permissible	Funeral Fund: 1.0%.
COVID-19 short-term overlay – Risk Fund No. 1	The effects of COVID-19 are expected to be short-term in nature. An overlay was established to reflect the impact of potentially higher claim levels arising from deaths and longer-term Income Protection claims.	Mortality: 1 additional claim equal to NobleOak's maximum retention of $0.2 million; plus Morbidity: Existing outstanding claims reserve held with respect to Income Protection claims increased by 25%, reflecting 6 months of additional claim payments for accepted Income Protection claims.

16 Summary of Significant Actuarial Methods and Assumption (cont.)

Disclosure of LAT Assumptions (Avant Fund)

Required Assumption	Basis of Assumption	Assumption Adopted
Discount rate	Yield on Australian Government bonds at the expected duration of policy liability.	0.34%
Future lapse rates	Based upon long term industry lapse experience, taking into account a blend of mature policies (which typically have higher lapse rates as premium increases towards the upper age bands are high) and newly acquired policies (which typically have lower lapse rates as cover was recently purchased).	12%
Age and CPI increases	Long term average age and CPI increases are set with reference to the premium rate tables and the expected take-up of the contractual indexation.	6.5%
Future loss ratios	Long term pricing assumptions, with the exception of Income Protection loss ratios where the long term assumption was adjusted upwards for the recent industry deterioration in claims experience.	50-85% of premium

Sensitivities

NobleOak conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results and best estimate of future performance are calculated using certain assumptions about these variables. The movement in any key variable may impact the reported results. The table below illustrates how outcomes during the half-year ended 31 December 2020 in respect of the key variables would have impacted on the net profit and shareholders equity.

	Change in Profit after Tax $'000	Change in Equity $'000
Claims Reserves		
- Increase by 10%	(196)	(196)
- Decrease by 10%	196	196
Policy Liability Discount Rate		
- Increase of 1%	(5,734)	(5,734)
- Decrease of 1%	6,310	6,310

Directors' Declaration

The Directors declare:

a) In the director's opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with *the Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity;

c) the allocation and distribution of the surplus of the Benefit Funds of the Company have been made in accordance with Division 5 of Part 4 of the Life Insurance Act 1995 and the Benefit Fund Rules of each Benefit Fund; and

d) no assets of the Benefit Funds of the Company have been applied or invested in contravention of any relevant laws.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Anthony R Brown
Director

Stephen Harrison
Chairman

Sydney, 28 April 2021

Independent Auditor's Report

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

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

Independent Auditor's Review Report
to the Members of NobleOak Life Limited

Conclusion

We have reviewed the half-year financial report of NobleOak Life Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on page 9 to 32.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of NobleOak Life Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of NobleOak Life Limited's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of NobleOak Life Limited in accordance with 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Liability limited by a scheme approved under Professional Standards Legislation

Independent Auditor's Report

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the NobleOak Life Limited's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants
Sydney, 28 April 2021

NobleOak Life Limited
ABN 85 087 648 708   AFSL No 247302

Telephone: 1300 041 494
Email enquiries: sales@nobleoak.com.au
Website: www.nobleoak.com.au

Head office address:
Level 7, 66 Clarence Street, Sydney NSW 2000
GPO Box 4793, Sydney NSW 2001

NOBLEOAK

the smarter way to insure your life