New Zealand Branch of SCOR Global Life SE

Financial Report

2017

The Art & Science of Risk

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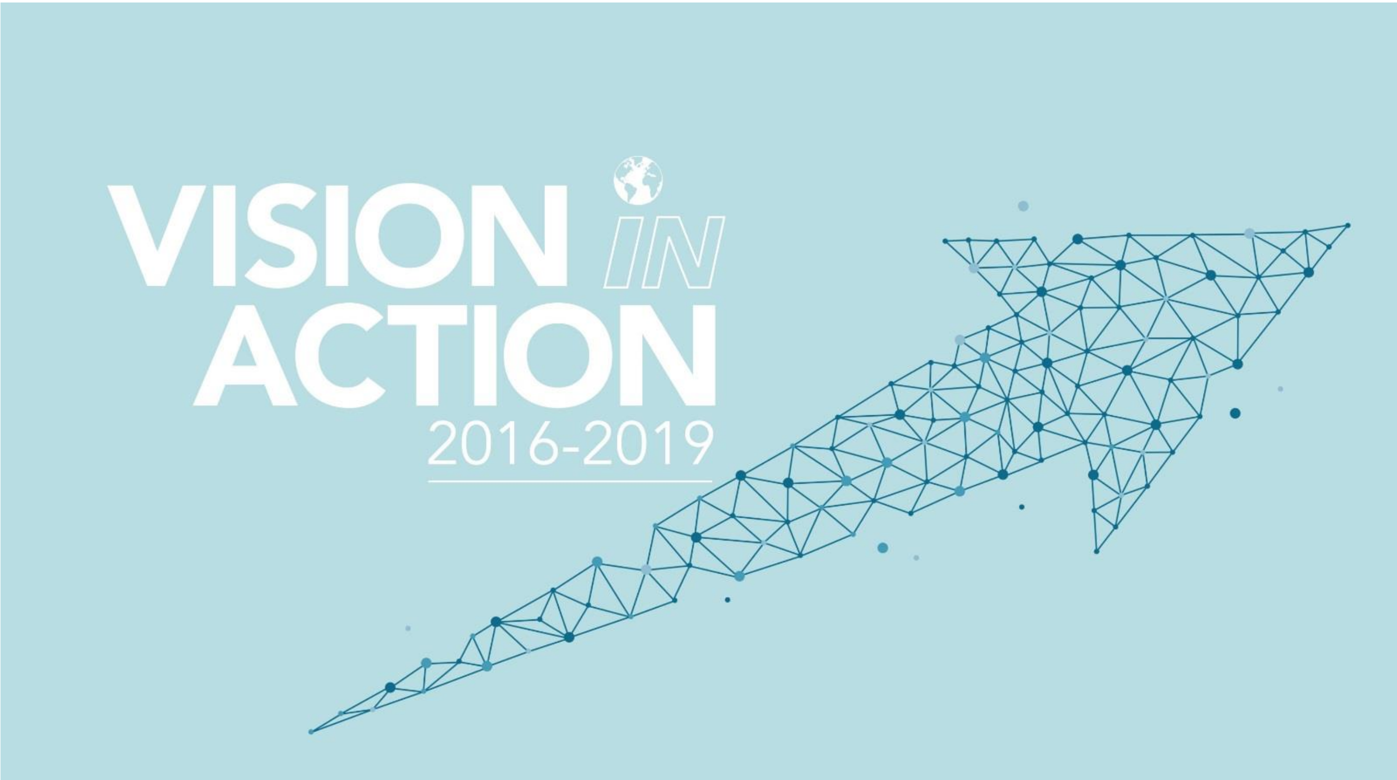
New Zealand Branch of SCOR Global Life SE

COMPANY NUMBER 3207487

Financial Report

For the year ended 31 December 2017



NZ Branch of SCOR Global Life SE
Level 20, Lumley Centre
88 Shortland Street
Auckland 1010 | New Zealand

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INDEPENDENT AUDITOR'S REPORT .... **Error! Bookmark not defined.**

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BOARD AND OFFICERS

For the year ended 31 December 2017

Principal place of business and registered office - Company Number 3207487

Principal Place of Business	**Registered Office**
Level 1	Level 20, Lumley Centre
33-45 Hurstmere Road	88 Shortland Street
Takapuna Auckland 0740 New Zealand	Auckland 1010 New Zealand

Board of Directors of SCOR Global Life SE (all of whom have been in office throughout the year ended 31 December 2017 unless otherwise stated)

Denis KESSLER	Chairman of the Board of Directors and SCOR SE CEO
Mark KOCIANCIC	SCOR SE Chief Financial Officer
Frieder KNÜPLING	SCOR SE Chief Risk Officer
Romain LAUNAY	SCOR SE Chief Operating Officer

Executive Officers of SCOR Global Life SE (in office throughout the year ended 31 December 2017

Paolo DE MARTIN	SCOR Global Life SE CEO
Dion Crawford RUSSELL	CEO of the New Zealand Branch of SCOR Global Life SE
Iain Alastair BULCRAIG (appointed 1 May 2017)	CFO of the New Zealand Branch of SCOR Global Life SE

External Officers

Appointed Actuary	**External Auditor**
James Hickey	Louise Burns
Partner, Deloitte	Partner, Ernst & Young
225 George St	200 George Street
Sydney | NSW 2000 | Australia	Sydney | NSW 2000 | Australia

STATUTORY AND OTHER DISCLOSURES

For the year ended 31 December 2017

This report is presented on the New Zealand Branch of SCOR Global Life SE (the Branch or SGL SE NZ) for the year ended 31 December 2017. All comparative figures for 2016 cover the year from 1 January 2016 to 31 December 2016.

The Life Insurance division of the SCOR Group is SCOR Global Life SE (the Company or SGL SE); its main office is located in France. The New Zealand branch office is managed by its Chief Executive Officer who ultimately reports to the Company's executive management.

Principal activities

The principal activity of SGL SE NZ during the year was the provision of life reinsurance services.

SGL SE, a body corporate incorporated in France, is registered on the New Zealand Overseas Company Register to carry on business in this country, under Part XVIII of the Companies Act 1993. SGL SE was certified as an overseas Non-ASIC Company by the Registrar of Companies New Zealand on 30th November 2010, under Section 337[1] of the Companies Act 1993.

From March 2012, the Reserve Bank of New Zealand (RBNZ) took on the role of insurance regulator and industry supervisor. The Company was issued with a licence by the RBNZ to carry on insurance business in New Zealand under the new regime, with effect from 8 March 2012.

Economic Dependency

The Branch is reliant on SGL SE Singapore Branch to provide all financial support to meet its business commitments. The Branch fully relies on SGL SE Singapore Branch to comply with solvency requirements under the RBNZ "Solvency Standard for Life Insurance Business".

Operating and financial review

The Branch's net profit for the year after income tax is $0.007m (2016: $0.017m). The Branch's operations during the half year performed as expected.

Risk management

The Branch takes a proactive approach to risk management and provides regular reporting of any key issues or risks relating to the New Zealand business to the SCOR Group's Risk Management team.

Significant events after the balance date

In the interval between the end of the financial year and the date of this report, other than as disclosed, no item, transaction or event of a material nature has arisen that, in the opinion of the Directors of the Company, is likely to significantly affect the operations of the Branch or the state of affairs of the entity in future financial periods.

STATUTORY AND OTHER DISCLOSURES

For the year ended 31 December 2017

Indemnification and insurance of directors and officers

SGL SE has entered into a deed of access, indemnity and insurance with each Director to indemnify the Director to the extent permitted by law against certain liabilities incurred by the Director as an officer of the Company. Otherwise, no indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an officer or auditor of the Company.

No person has applied for leave of Court to bring proceedings on behalf of the Company, or intervened in any proceedings to which the Company is a party, or 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 year.

Non-audit services provided by the Auditor (Ernst & Young - EY)

The Branch may decide to employ its auditor on assignments additional to their statutory audit duties, where the auditor's expertise and experience with the Branch is important.

The Board is satisfied that the provision of the non-audit services by the Branch auditor is compatible with the general standard of independence for auditors. The nature and scope of the non-audit service provided means that auditor independence was not compromised.

Rounding

All amounts are in New Zealand dollars, unless otherwise specified.

The amounts contained in the financial report have been rounded to the nearest $1,000, unless stated to be otherwise and where noted ($'000).

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

STATEMENT OF COMPREHENSIVE INCOME

	Note	2017 $'000	2016 $'000
Life Reinsurance Premium Income		117,719	98,123
Retrocession Expense - Premium		(117,719)	(98,123)
Net Reinsurance Premium Revenue		**-**	**-**
Investment Revenue	**5**	11	24
Total Income		**11**	**24**
Life Reinsurance Claims Expense		(33,831)	(34,106)
Retrocession Recoveries - Claims		33,831	34,106
Net Claims Expense		**-**	**-**
Life Reinsurance Commission Expense		(62,057)	(59,211)
Retrocession Recoveries - Commission		62,057	59,211
Operating Expenses		**-**	**-**
Movement in net Life Reinsurance Contract Liabilities	**6**	-	-
Total Claims and Expenses		**-**	**-**
Profit before Income Tax		**11**	**24**
Income Tax Expense	**7**	(3)	(7)
Profit after Income Tax		**8**	**17**
Other Comprehensive Income net of Tax		-	-
Total Comprehensive Profit for the year		**8**	**17**

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

STATEMENT OF FINANCIAL POSITION

	Note	2017 $'000	2016 $'000
ASSETS			
Cash and Cash Equivalents	**8**	2,915	2,908
Receivables	**9**	133,103	156,060
Ceded Life Reinsurance Contract Liabilities	**6**	(214,475)	(205,507)
TOTAL ASSETS		**(78,457)**	**(46,539)**
LIABILITIES			
Payables	**10**	133,103	153,290
Provisions		-	2,771
Assumed Life Reinsurance Contract Liabilities	**6**	(214,475)	(205,507)
TOTAL LIABILITIES		**(81,372)**	**(49,446)**
NET ASSETS		**2,915**	**2,907**
EQUITY			
Contributed Equity		2,740	2,740
Retained Earnings		175	167
TOTAL EQUITY		**2,915**	**2,907**

Director of SGL SE

Name in print: Mark KOCIANCIC

Date: 26 April 2018

Director of SGL SE

Name in print: Romain LAUNAY

Date: 26 April 2018

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

STATEMENT OF CHANGES IN EQUITY

2017	Contributed Equity $'000	Retained Earnings $'000	Total for the year $'000
At 1 January 2017	2,740	167	2,907
Contributed Equity	-	-	-
Profit for the year	-	8	8
At 31 December 2017	2,740	175	2,915

2016	Contributed Equity $'000	Retained Earnings $'000	Total for the year $'000
At 1 January 2016	2,740	150	2,890
Contributed Equity	-	-	-
Profit for the year	-	17	17
At 31 December 2016	2,740	167	2,907

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

STATEMENT OF CASH FLOWS

	Note	2017 $'000	2016 $'000
Net Cash Flows from Operating Activities			
Payments to Suppliers		-	-
Interest Received (net of witholding tax)		7	17
Net Cash Flow from Operating Activities	**8(ii)**	**7**	**17**
Net Cash Flows from Investing Activities		**-**	**-**
Net Cash Flow from Financing Activities		**-**	**-**
Net increase in Cash Held		**7**	**17**
Cash at the beginning of the year		**2,908**	**2,891**
Cash at the end of the year	**8(i)**	**2,915**	**2,908**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

NOTE 1. Corporate Information

SGL SE is a profit-oriented entity incorporated as a French overseas company, under the New Zealand Companies Act 1993, and operating in New Zealand as a Branch. The direct and ultimate parent of SGL SE is SCOR SE, a company incorporated in France and listed on the Euronext Paris.

The life reinsurance operations of the Branch consist solely of non-investment-linked business.

Non-investment-linked business is business in which a licensed entity issues a contract where the reinsured benefit is not directly linked to the market value of investments held. These benefits are payable on death, or on the occurrence of an insured event such as injury, illness or disability. The risk of the occurrence of the event, which crystallises the payment of the insured benefit, is borne by the reinsurer.

NOTE 2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. There have been no significant changes to accounting policies during the financial year.

a) Statement of Compliance

The financial statements of the Branch comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards as appropriate for profit-oriented entities.

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

b) Basis of preparation

The financial statements have been prepared on an ongoing concern basis and in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013, Companies Act 1993, Financial Reporting Act 2013, and the Insurance (Prudential Supervision) Act 2010.

For the purposes of complying with NZ GAAP, the entity is a for-profit entity.

The financial report is presented in New Zealand dollars, which is the Branch's functional and presentation currency, and all values are rounded to the nearest thousand ($000) unless otherwise stated.

The accompanying statement of financial position has been prepared using the liquidity format of presentation. The financial statements provide comparative information in respect of the previous period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

c) Early adoption of standards

The Branch has not elected to early adopt, in this financial report, any new standards, amendments or interpretations that are issued but not yet effective, including improvements to NZ IFRSs, for the year ended 31 December 2017.

The Branch will apply the standards and amendments detailed below for the reporting periods beginning on the operative dates set out below. An assessment of the financial impact of the standards and amendments has been undertaken and they are not expected to have a material impact on the Branch's financial statements or accounting policies except for IFRS 17. The impact of this standard is still being assessed as it is not applicable until 1 January 2021. Projects have been initiated to evaluate the standard and its impact on the Branch.

Title	Operative Date
IFRS 9 Financial Instruments	01-Jan-18
IFRS 15 Revenue from Contracts with Customers	01-Jan-18
IFRS 16 Leases	01-Jan-19
IFRS 17 Insurance Contracts	01-Jan-21

d) Specific Accounting Policies

i. Life Reinsurance Premium

Premiums are recognised as revenue on an accruals basis. A provision for unearned premiums is included in the actuarial valuation of liabilities. Outstanding premiums are included as an asset in the Statement of Financial Position.

ii. Investment Revenue

All investment income is recognised as revenue on an accruals basis. Consistent with the principles of fair value accounting for investment assets, movements in the valuation of investment assets are recognised in the Statement of Comprehensive Income.

Interest income is brought to account on an accruals basis when the entity obtains the right to receive the interest income.

iii. Life Reinsurance Claims

Claims are recognised when the liability to the cedant under the reinsurance contract has been established or upon notification of the reinsured event.

Claims are treated directly as an expense when a liability to the cedant is estimated and reported to the branch.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Reserves for claims incurred but not reported, claims reported but not admitted and claims considered likely to arise are included in the actuarial valuation of reinsurance contract liabilities.

iv. Expenses

All costs are charged to operating expenses as incurred.

v. Retrocession Expense

Premiums ceded to reinsurers under retrocession contracts are recorded as an outwards reinsurance expense and are recognised over the period of indemnity of the retrocession contract in accordance with the expected pattern of the incidence of risk.

vi. Retrocession Recoveries

Reinsurance recoveries reduce gross claims and commissions expense to determine net positions. Amounts recoverable are assessed in accordance with the terms of the retrocession contracts, which is in a manner similar to the assessment of outstanding claims or commissions.

Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the provision for outstanding claims or commissions.

vii. Cash and Cash Equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand that is available on demand and deposits that are held at call with financial institutions. Cash and cash equivalents are measured at fair value, being the principal amount.

Statement of cash flows

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

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

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

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

viii. Investments and other financial assets

Investments and financial assets in the scope of NZ IAS 39 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

The Branch has determined that all assets held within the Branch are assets backing policy liabilities of the life reinsurance business. As these assets are managed on a fair value basis and are reported on this basis, they have been valued at fair value through profit or loss wherever the applicable standard allows.

Investments in financial assets are initially recognised at fair value determined as the purchase cost of the asset, exclusive of any transaction costs.

Subsequent to initial recognition, the fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing models, making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

ix. Receivables

Receivables are recognised initially at fair value. Receivables related to technical operations are recognised and carried at billed amount. No amounts have been provided for any uncollectible amounts.

Interest income is brought to account on an accruals basis when the entity obtains the right to receive the interest income.

x. Payables

These amounts represent liabilities for goods and services provided to the Branch prior to the end of the year, which are unsettled. Payables are generally recognised at fair value.

xi. Life Reinsurance Contract Liabilities

Life Reinsurance Contract Liabilities in the statement of financial position and the increase or decrease in policy liabilities in the Statement of Comprehensive Income have been calculated in accordance with the New Zealand Society of Actuaries Professional Standard No. 20 – Determination of Life Insurance Policy Liabilities ('PS20'). Life reinsurance contracts are accounted for in accordance with the requirements of NZ IFRS 4 Insurance Contracts.

The policy liabilities are calculated on a best estimate basis. Under PS20 the policy liability is required to provide for:

(i) Best Estimate Liabilities

(ii) The value of future expected profit margins to be released as services are provided

The policy liability is calculated using an accumulation approach as permitted under PS20 and comprises the following:

(i) Unearned premium reserve

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(ii) Outstanding claim reserves

(iii) Deferred acquisition costs (asset or negative liability)

Deferred Acquisition Costs (DAC) are determined from initial commission payments using a methodology that amortises the DAC according to the present value of future gross margins (premiums less renewal commissions, claims and maintenance expenses).

The measurement of life reinsurance contract liabilities is subject to actuarial assumptions. Assumptions made in the calculation of the life reinsurance contract liability at each reporting date are based on best estimates at that date. Best Estimate Assumptions must be made about the future cost of the risks accepted and services provided, including probabilities of occurrence, having regard to available statistical and other evidence subject to any requirements in PS20. The assumptions used in the calculation of the life reinsurance contract liabilities are reviewed at each reporting date. The assumptions are reviewed against the entity's own experience and management practices, published information on industry experience and emerging trends (both in New Zealand, and where relevant, overseas) and professional standards. A summary of the significant actuarial methods and assumptions used is contained in NOTE 4.

xii. Taxes

Current tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Statement of Financial Position balance date.

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates that are expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities.

Deferred tax, including amounts in respect of life reinsurance contracts, is not discounted to present value.

Income tax expense

The income tax expense is the tax payable on taxable income for the current period, based on the income tax rate for each jurisdiction and adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

xiii. Other Taxes

All revenues, expenses and certain assets are recognised net of goods and services taxes (GST) except where the GST is not recoverable. In these circumstances, the GST is included in the related asset or expense. Receivables and payables are reported inclusive of GST. The net GST payable to or recoverable from the tax authorities as at balance date is included as a receivable or payable in the balance sheet.

xiv. Allocation of Operating Results

All of the operating result is allocated to the Branch. There are no participating policy owners.

NOTE 3. Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue, and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Policy liabilities arising from life reinsurance contracts are calculated at each reporting date using mathematical and statistical models. The valuations are prepared by appropriately qualified and experienced actuaries based on internationally recognised actuarial methods set out in Professional Standards issued by the New Zealand Society of Actuaries, a full member of the International Actuarial Association. The methodology considers the risks and uncertainties of the particular classes of business written.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

The key factors that affect the estimation of these liabilities are:

- The cost of providing benefits and administering these contracts;
- Mortality and morbidity experience on life reinsurance products;
- Persistency experience, which affects the entity's ability to recover the cost of acquiring new business over the lives of the contracts;
- Retrocession arrangements in place;
- Other factors such as regulation, competition, interest rates, the performance of the capital markets and general economic conditions affect the level of these liabilities.

The uncertainties surrounding these assumptions mean that it is likely that the actual observed claims incidence will vary from the liability estimated at the reporting date.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

NOTE 4. Summary of significant actuarial methods and assumptions

According to section 77(1) of the Insurance (Prudential Supervision) Act 2010, the Appointed Actuary, Mr James Hickey, Deloitte, must review the actuarial information in, or used in the preparation of, the financial statements. The Appointed Actuary is satisfied as to the accuracy of the data from which the policy liabilities have been determined. The effective date of the Appointed Actuary's advice and of the policy liabilities and solvency reserves calculation is 31 December 2017.

a) Appointed Actuary's opinion

Senior management receives a Financial Condition Report (FCR) annually from the Appointed Actuary of the Branch in accordance with the Insurance (Prudential Supervision) Act 2010. The purpose of the FCR is to provide the Appointed Actuary's objective assessment of the Branch's overall financial condition. It considers, among other things, the material risks facing the Branch that, in the Appointed Actuary's opinion, pose a threat to its ability to remain financially solvent now and in the future.

b) Actuarial Assumptions

The Accumulation method of valuation is used for SGL SE NZ product groups (i.e. Retail Lump Sum Risk and Retail Disability Income).

Systematic release of planned margin is achieved through the calculation of Deferred Acquisition Costs. Profit carriers are implicit in the Accumulation method used.

Allowance has been made for Incurred But Not Reported claims (IBNR), Admitted But Not Paid claims (ABNP), Reported But Not Assessed claims (RBNA), Disability income Claims In the Course of Payment (CICP), and Unearned Premium Reserves (UPR).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Best estimate claim assumptions are primarily based on actual experience observed on the reinsured portfolio.

Best estimate lapse assumptions are primarily based on actual experience observed by underwriting year and policy duration with adjustments to recognise the lapse experience is not yet fully developed for all policy years.

c) Impact of Changes in Assumptions

The 31 December 2017 claim assumption has increased from a loss ratio of 36.5% to 36.6%.

d) Sensitivity Analysis

The Branch conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables that affect profits. The valuations included in the reported results are the Branch's best estimate of future performance and are calculated using certain assumptions about these variables. The movement in any key variable will affect the performance and net assets of the Branch and as such represents a risk.

The following table illustrates the sensitivity of the current year possible changes in key assumptions as at 31 December 2017.

Assumption	Impact on Gross Future Profits $'000	Impact on Gross Policy liability $'000	Impact on Profit after Tax and Equity $'000
10% Increase in Mortality and Morbidity	Decrease of 31,843	Increase of 909	-
10% Increase in Lapses	Decrease of 15,346	-	-
10% Increase in Maintenance Expenses	Increase of 419	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

NOTE 5. Investment Revenue

	2017 $'000	2016 $'000
Interest, Dividend and Other Revenue:		
Interest Income from Cash and Cash Equivalents	10	24
Total Investment Revenue	**10**	**24**

NOTE 6. Life Reinsurance Contract Liabilities

	2017 $'000	2016 $'000
Assumed Life Reinsurance Contract Liabilities	(214,475)	(205,507)
minus Ceded Life Reinsurance Contract Liabilities	(214,475)	(205,507)
Net Life Reinsurance Contract Liabilities	**-**	**-**

	2017 $'000	2016 $'000
Movement in Life Reinsurance Contract Liabilities		
Assumed Life Reinsurance Contract Liabilities	8,968	23,646
minus Ceded Life Reinsurance Contract Liabilities	8,968	23,646
Movement in Net Life Reinsurance Contract Liabilities	**-**	**-**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

NOTE 7. Income Tax

The following disclosures reflect the current and deferred tax movements on the results of the Branch for the reporting period.

(a) Income tax (balance sheet)	2017	2016
	$'000	$'000
Income tax expense for the year	(3)	(7)
Income tax paid during the year	3	7
Current income tax movement	**-**	**-**

(b) Numerical reconciliation of income tax expense to prima facie tax payable

A reconciliation of the differences between prima facie tax, calculated as 28% of the profit before income tax for the period and the actual income tax expense recognised in the Statement of Comprehensive Income for the period is as follows:

	2017	2016
	$'000	$'000
Profit before Income Tax	11	24
Tax (expense) at the New Zealand tax rate of 28%	(3)	(7)
Tax effect of non-taxable amounts	-	-
Tax effect of non-deductible amounts	-	-
Income tax expense	**(3)**	**(7)**
Profit after Income Tax	**8**	**17**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(c) Tax Losses

There are no unused tax losses for which a deferred tax asset has not been recognised.

(d) Taxation Basis

The principal elements for the calculation of the taxable income are as follows:

(i) Investment earnings made up of interest received

(ii) Premiums Earned

(iii) Other Income

The allowable deductions for each taxable class of business in New Zealand include:

(i) Claims Payments

(ii) Renewal Commissions

(iii) General Management Expenses

(iv) Other Expenses referable to the business (such as Management Fees)

(v) The movement in the life reinsurance contract liabilities for the period (excluding deferred acquisition costs written off)

NOTE 8. Cash and Cash Equivalents

i) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, Cash includes cash on hand that is available on demand, plus deposits held at call. Cash at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position:

	2017	2016
	$'000	**$'000**
Cash at Bank	2,915	2,908
Total Cash	**2,915**	**2,908**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

ii) Reconciliation of the Gains & (Losses) from Operating Activities after Income Tax to net Cash Flows from Operating Activities

	2017	2016
	$'000	**$'000**
Gains from Operating Activities after Income Tax	**8**	**17**
Change in Assets and Liabilities during the year		
Decrease in Sundry Debtors	22,957	2,664
Decrease in Ceded Life Reinsurance Contract Liabilities	8,968	23,646
Decrease in Accounts Payables	(20,187)	(4,735)
(Decrease) / Increase in Provisions	(2,771)	2,071
Decrease in Assumed Life Reinsurance Contract Liabilities	(8,968)	(23,646)
Net Cash Flow from Operating Activities	**7**	**17**

NOTE 9. Receivables

	2017	2016
	$'000	**$'000**
Amounts due from SCOR Global Life SE - Singapore branch		
For ceded transactions	119,402	142,055
For Goods & Services Tax refund	11,016	12,011
For Withholding Tax refund	-	1,450
Outstanding Premiums	2,685	544
Total Receivables	**133,103**	**156,060**
Expected to be realised within 12 months	2,685	544

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

NOTE 10. Payables

	2017	2016
	$'000	$'000
Amount owed to SCOR Global Life SE - Singapore branch		
For Retrocession	133,103	153,271
Amount owed to the IRD for Goods & Services Tax	-	19
Total Payables	**133,103**	**153,290**
Expected to be settled within 12 months	-	19

NOTE 11. Auditor's Remuneration

	2017	2016
	$'000	$'000
The auditor of the Branch is Ernst & Young.		
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- An audit of the financial report of the entity	19	19

NOTE 12. Related Party Disclosures

a) The Directors of SGL SE during the year were:

- Denis KESSLER
- Mark KOCIANCIC
- Frieder KNÜPLING
- Romain LAUNAY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

b) Ultimate Controlling Entity:

SGL SE is a profit-oriented entity incorporated as a French overseas company, under the New Zealand Companies Act 1993, and operating in New Zealand as a Branch. The direct and ultimate parent of SGL SE is SCOR SE, a company both domiciled and incorporated in France and listed on the Euronext Paris.

c) The following related party transactions occurred during the financial year:

Related Party Transactions

The Branch has in place a retrocession agreement with SCOR Global Life SE Singapore Branch. SCOR's Insurer Financial Strength rating with Standard & Poor's (S&P) is AA- stable outlook and the Group counterparty credit ratings is AA-/A-1+.

	2017		
	$'000		
Amounts owed	**by related parties***	**to related parties***	**Revenue / (Expense)**
SCOR Global Life SE - Singapore branch			
Retrocession	-	133,103	(21,832)
Goods & Services Tax refund	11,016	-	-
Ceded transaction recoveries	119,402	-	-
Witholding Tax refund	-	-	-
	130,418	**133,103**	**(21,832)**

	2016		
	$'000		
Amounts owed	**by related parties***	**to related parties***	**Revenue / (Expense)**
SCOR Global Life SE - Singapore branch			
Retrocession	-	153,271	(4,806)
Goods & Services Tax refund	12,011	-	-
Ceded transaction recoveries	142,055	-	-
Witholding Tax refund	1,450	-	-
	155,516	**153,271**	**(4,806)**

* The amounts are classified as receivables and payables, respectively.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

NOTE 13. Events Subsequent to Balance Date

In the interval between the end of the financial year and the date of this report, other than as disclosed, no item, transaction or event of a material nature has arisen that is likely to significantly affect the operations of the Branch or the state of affairs of the entity in future financial periods.

NOTE 14. Commitments, Contingent Liabilities and Contingent Assets

SCOR Global Life SE and its subsidiaries regularly take part in judiciary and arbitration procedures, within the normal framework of their activities. However, to the best of the knowledge of the Directors of the Branch, there does not exist, on the date of approval of these financial statements, any litigation likely to have or have had in the recent past significant impact on the financial situation, the activity and operating results of the Branch.

NOTE 15. Other Life Reinsurance Disclosures

Capital requirements of the Life Entity

The Branch's main objective is to safeguard its ability to continue as a going concern, so that it can continue to provide returns and benefits for its stakeholders while maintaining the RBNZ solvency requirements.

The primary source of capital used is total equity attributable to owners. Total equity attributable to owners equates to capital as defined in the Solvency Standard. Regulatory capital is made up of two components, actual solvency capital, and minimum solvency capital with the difference representing the solvency margin. The calculation of the solvency margin for the Branch is detailed below.

The Branch satisfied all externally imposed capital requirements that it was subject to during the year ended 31 December 2017. No changes were made in the objectives, policies, or processes for managing capital during the year.

Solvency Information

Solvency requirements established by the RBNZ are in place to reinforce safeguards for policyholders' interests and primarily relate to the Branch's ability to meet future claims payments. The Branch adheres to the Solvency Standard for Life Insurance Business issued by the RBNZ in August 2011 and guidance from the New Zealand Society of Actuaries ('NZSA')

Separate to policy liabilities recognised in the balance sheet, a life reinsurer shall disclose its regulatory solvency position.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

The Solvency Margin is designed to give a reasonable expectation that an entity has sufficient assets:

- to meet its obligations to existing policyholders, including appropriate allowances for future bonuses and to creditors under a range of adverse conditions; and
- to meet its obligations to policyholders and creditors should all policies discontinue and current surrender values be paid.

These additional reserves provide a cushion against adverse experience in managing long-term risks.

The Branch's unaudited solvency return calculation results at 31 December 2017 were:

Solvency calculation results

	2017	2016
	$'000	**$'000**
Actual Solvency Capital	2,915	2,908
Minimum Solvency Capital	1,310	1,003
Solvency Margin	1,605	1,905

	2017	2016
Solvency ratio	2.22	2.90

NOTE 16. Risk Management

Risk Management Framework

The Branch's activities expose it to a variety of financial and non-financial risks. As the Branch is an entity within the SCOR Group, it works within the context of the SCOR Group risk management objectives and structure.

Day to day management of the Branch is the responsibility of the Branch's Chief Executive Officer (CEO). The CEO recommends changes in the business, performance, goals, strategies, and plans of the Branch. The CEO monitors aggregate risk data and make overall risk management decisions. The two risks with potentially the most serious outcomes are counter-party failure or inadequate capital funding. Both are deemed to be unlikely.

SGL SE's Board of Directors (the Board) recognises that effective risk management is considered to be critical to the achievement of the Group's objectives. The Board has in place an integrated framework of controls designed to safeguard the Group's assets and interests and to ensure the integrity of its reporting. The Board requires and sets high standards of corporate governance and continually reviews its governance practices in the light of best practice. The Board has responsibility for ensuring an appropriate Risk Management Strategy is in place, for ensuring it is aligned with strategic business objectives, and for monitoring management's performance against this policy.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

The Company's Risk Management Framework (RMF) is subject to periodical reviews, updated for material changes as they occur and is approved by the Board. The Branch is mainly exposed to the following categories of market risks:

Categories of market risk	Definition
Insurance Risk	Risk of financial loss and inability to meet liabilities due to inadequate/inappropriate reinsurance product design, pricing, underwriting, concentration risk, reserving, claims and/or retrocession management
Credit risk	The risk of loss to an insurer arising from a party to a contract or transaction with the insurer not being able to meet its obligations
Interest rate risk	The risk of a change in value caused by a deviation of the actual interest rates from the expected interest rates
Liquidity risk	The risk that that an insurer doesn't have access to cash at the time the need for cash arises. It can arise in relation to liabilities (e.g. claims) and assets (e.g. investments)

Insurance Risk

The life reinsurance business undertaken by the Branch involves a number of risks concerned with the pricing, acceptance, and management of the mortality, morbidity, and longevity risks accepted from policyholders.

Key objectives in managing insurance risk are:

(i) To ensure sound business practices are in place for underwriting risks and claims management;

(ii) To ensure solvency and capital requirements are met.

Insurance risks are controlled through pricing controls, policies, and techniques, the use of underwriting procedures and adequate premium rates and policy charges. Tight controls are maintained over claims management practices to ensure the correct and timely payment of reinsurance claims.

The key processes in place to mitigate insurance risk include the following:

(i) the setting and adherence to pricing controls and policies that reflect the objective of avoiding poor risks and writing profitable business;

(ii) the setting and adherence to underwriting guidelines that determine policies and procedures for acceptance of risk;

(iii) the setting of formal claims acceptance limits and the regular review and updating of claims experience data;

(iv) the reduction in the concentration of insurance risk through diversification, the Branch aims to maintain a portfolio of policyholders with a broad spread of reinsurance risk types, ages, sexes, occupation classes and geographical locations for the individual and group risk business;

(v) the Branch enters into retrocession arrangements to manage earnings volatility from statistical variations or adverse deterioration;

(vi) the maintenance of appropriate actuarial reserves including reserves to cover claims incurred but not yet reported, reported but not admitted and reopened claims;

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(vii) the identification and consistent monitoring against budget projections derived from the actuarial projections models of external variables which impact claims cash flow such as mortality and morbidity experience, claims frequency and persistency; and

(viii) managing of risk exposures using various analyses and valuation techniques to calculate the capital required under adverse risk scenarios.

Concentration of insurance risk is mitigated through diversification of risk, for example by benefit type, insurance business, and industry segments and with retrocession coverage.

Credit risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitments in full and on time. The Branch is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, and other financial instruments. The Branch does not invest in derivatives.

Investments in financial instruments are only dealt with on recognised exchanges and via over-the-counter contracts. The counterparties to over-the-counter contracts are limited to companies and governments, with primarily investment grade credit ratings from a recognised credit rating agency, and are normally banks operating in New Zealand. Credit management (credit rating and credit limit controls) policies are in place to limit exposure to any one counterparty as a proportion of the investment portfolio.

Retrocession recoveries, credit risk with respect to retrocession programs is minimised by placement of cover with the Branch's parent entity or one of its branches.

There were no financial assets that are past due or impaired at balance date (2016: Nil). The credit quality of financial assets that are either past due or impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Cash and cash equivalents are represented by current accounts with major New Zealand banks. The interest rate is variable and cash is available at call.

The Branch has policies in place to ensure that services are performed for customers with an appropriate credit history and cash is held with financial institutions of high credit-worthiness.

The Branch trades only with recognised, creditworthy third parties, and therefore does not require collateral or other security to support credit risk exposures.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Concentration of credit risk

Concentration of credit risk exists if a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions. The concentration of credit risk on financial assets is generally the carrying amount, net of any provisions for doubtful debts.

Credit concentration analysis is based on the counterparty, industry and geographical location of the financial assets the Branch holds.

Interest rate risk

Interest rate risk is the risk of loss of Branch's earnings or capital arising from unfavourable movements in interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between different yield curves and the volatility of interest rates.

Management of risks associated with investments undertaken by the Branch, including interest rate risk is subject to the relevant regulatory requirements.

Sensitivity Analysis

The following analysis demonstrates the impact of a 100-basis point change in New Zealand interest rates, with all other variables held constant. Given the volatility experienced in the market during the last year, a movement of 100 basis points (2016:100 basis points) is considered reasonably possible and has been applied to the sensitivity analysis.

After tax profit and other comprehensive income would have been affected as follows:

		2017	2016
Impact on the Branch's result after tax		**$'000**	**$'000**
Change in interest rates of:	+ 1% (100 basis points)	21	21
	- 1% (100 basis points)	(21)	(21)

The Branch does not hold any interest bearing financial liabilities.

Liquidity risk

Liquidity risk is the risk that the Branch will encounter difficulties in meeting its debt obligations, or other cash outflows, as they fall due because of a lack of liquid assets or access to adequate funding on acceptable terms.

Prudent liquidity risk management requires the maintenance of sufficient cash and access to funding to meet current and future obligations of the Branch. The Branch manages liquidity risk by maintaining adequate reserves and by monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Economic Dependency

The Branch is reliant on SGL SE to provide financial support to meet its business commitments. It is also noted that the Branch relies on SGL SE to comply with the solvency requirements under the RBNZ "Solvency Standard for Life Insurance Business".

There has been no material change in the liquidity risk faced by the Branch or the policies and processes for managing the risk during the period.

NOTE 17. Fair Values of Financial Assets and Liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value of financial instruments traded in active markets is based on quoted market prices at balance date. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Refer below for details of valuation methods used for each category of financial assets and liabilities.

The carrying amounts of all financial assets and liabilities reasonably approximate their fair values. The following methods and assumptions were used by the Branch in estimating the fair values of financial instruments.

(i) Cash and cash equivalents: carrying amount reasonably approximates its fair value.

(ii) The carrying value of receivables and other financial liabilities, adjusted for impairment values when applicable, reasonably approximate their fair values.

Financial Instruments of the Branch	**2017**	**2016**
	$'000	**$'000**
Cash and Cash Equivalents	2,915	2,908
Receivables	133,103	156,060
Total Financial Assets	**136,018**	**158,968**
Payables	133,103	153,290
Provisions	-	2,771
Total Financial Liabilities	**133,103**	**156,061**

At balance date, the Branch had no material financial assets exposed to New Zealand variable interest rate risk (2016: nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Fair value hierarchy

The Branch uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

At balance date, the Branch had no financial assets determined and disclosed using valuation techniques (2016: nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

EY
Building a better working world

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Independent Auditor's Report to the Shareholders of SCOR Global Life SE

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the New Zealand Branch of SCOR Global Life SE on pages 4 to 28, which comprise the statement of financial position of the New Zealand Branch of SCOR Global Life SE as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the New Zealand Branch of SCOR Global Life SE, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 4 to 28 present fairly, in all material respects, the financial position of the New Zealand Branch of SCOR Global Life SE as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the company's shareholders. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders for our audit work, for this report, or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the New Zealand Branch of SCOR Global Life SE in accordance with Professional and Ethical Standard 1 (revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor we have no relationship with, or interest in, the New Zealand Branch of SCOR Global Life SE. Partners and employees of our firm may deal with the New Zealand Branch of SCOR Global Life SE on normal terms within the ordinary course of trading activities of the business of the New Zealand Branch of SCOR Global Life SE.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Building a better working world

Directors' Responsibilities for the Financial Statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing on behalf of the New Zealand Branch of SCOR Global Life SE's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the New Zealand Branch of SCOR Global Life SE or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board website:
https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx. This description forms part of our auditor's report.

Ernst & Young

Ernst & Young

Sydney
26 April 2018