

New Zealand Branch of
SCOR SE

Financial Report

2020



 @SCOR_SE  SCOR SE  SCOR



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New Zealand Branch of SCOR SE

COMPANY NUMBER 7217635

Financial Report

For the year ended 31 December 2020



QUANTUM LEAP

2019/2021

In a changing risk coverage market, **QUANTUM LEAP** will ideally position SCOR to create even greater value for all its stakeholders.

TWO EQUALLY WEIGHTED TARGETS

HIGH RETURN ON EQUITY

> 800 basis points over the risk-free rates over the cycle⁽¹⁾

⁽¹⁾ Based on a 5-year rolling average of 5-year risk-free rates.

OPTIMAL SOLVENCY RATIO⁽²⁾

Between 185% and 220%

⁽²⁾ Ratio of Eligible Own Funds (EOF) to Solvency Capital Requirement (SCR) calculated by the internal model.

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BOARD AND OFFICERS

For the year ended 31 December 2020

Principal place of business and registered office - Company Number 7217635

Principal Place of Business

C/O SCOR Global Life Australia Pty Ltd
Suite 7.02, Level 7, CHIFLEY TOWER
2 Chifley Square, Sydney, NSW, 2000
Australia

Registered Office

5 Avenue Kleber 75795
Paris, Cedex 16
France

Board of Directors of SCOR SE (all of whom have been in office throughout the year ended 31 December 2020 unless otherwise stated)

Denis KESSLER Chairman of the Board of Directors and SCOR SE CEO	BURNS, Lauren Elizabeth
BRÉGIER, Fabrice	DERHAN, Fiona
DE ROMANET DE BEAUNE, Augustin	COURET, Adrien
MARQUETTE, Vanessa	PFISTER, Bruno
VALLA, Natacha	MALAKOFF MÉDÉRIC ASSURANCES (Holding Malakoff Humanis) Represented by Thomas SAUNIER
SORENSEN, Kory	TENDIL, Claude
WICKER MIURIN, Jane Fields	WANG, Zhen

Executive Officers of SCOR SE (in office throughout the year ended 31 December 2020)

Dion Crawford RUSSELL	CEO of the New Zealand Branch of SCOR SE
Colin Weir	CFO of the New Zealand Branch of SCOR SE

External Auditors and Appointed Actuary

Appointed Actuary	James Hickey Partner at Deloitte 225 George St Sydney NSW 2000 Australia
External Auditor	Andrew Reeves Partner at KPMG Tower Three International Towers Sydney 300 Barangaroo Avenue Sydney NSW 2000 Australia

STATUTORY AND OTHER DISCLOSURES

For the year ended 31 December 2020

This report is presented on the New Zealand Branch of SCOR SE (the Branch or SCOR SE NZ) for the year ended 31 December 2020. All comparative figures for 2019 cover the year from 1 January 2019 to 31 December 2019.

SCOR SE NZ is managed by its Chief Executive Officer who ultimately reports to the SCOR Group executive management.

Principal activities

SCOR SE NZ provides solely life reinsurance services. The Branch's net profit for the year was \$nil (2019: \$0.005m).

SCOR 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. SCOR SE was certified as an overseas Non-ASIC Company by the Registrar of Companies New Zealand on 16th of January 2019, under Section 337[1] of the Companies Act 1993. On the same date, the Reserve Bank of New Zealand (RBNZ) in its capacity of insurance regulator and industry supervisor issued the Company with a licence to carry on insurance business in New Zealand.

Economic Dependency

The Branch relies on SCOR SE Singapore Branch meeting their reinsurance obligations in order to comply with solvency requirements under the RBNZ "Solvency Standard for Life Insurance Business". The Branch's operations during the year performed as expected.

State of affairs

The year 2020 was marked by the historic global shock of Covid-19. SCOR successfully passed this real-life test and continues to actively monitor and model for Covid-19 impacts on our solvency.

During the reporting period, there was no significant change in the state of affairs of the Company other than that referred to in the financial statements or notes thereto.

COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a "global pandemic", following the global spread of this virus in late 2019. SCOR SE (SCOR Group or the Group) has taken stringent action to protect our employees, their families and society at large. We continue to closely monitor the situation, taking proactive and appropriate actions to mitigate operational and business risks.

The COVID-19 pandemic developed rapidly during the year, with a significant number of cases and loss of life all around the globe. Measures taken by various governments to contain the virus have affected economic activity. The Group has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people like social distancing and working from home.

At this stage, the impact on our business and results has not been significant. Based on our experience to date, we expect this to remain the case. We will continue to follow the various government policies and advice, and in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

STATUTORY AND OTHER DISCLOSURES

For the year ended 31 December 2020

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.

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.

Indemnification and insurance of directors and officers

SCOR 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 period.

Non-audit services provided by the Auditor (KPMG)

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.

For the year ended 31 December 2020, the Branch has not entered into any agreements with its auditors for the provision of non-audit services.

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 2020

		2020	2019
	Note	\$'000	\$'000
Life Reinsurance Premium Revenue		172,431	156,799
Retrocession Expense - Premium		(172,431)	(156,799)
Net Reinsurance Premium Revenue		-	-
Investment Revenue	4	1	8
Net Revenue		1	8
Life Reinsurance Claims Expense		(69,418)	(67,740)
Retrocession Recoveries - Claims		69,418	67,740
Net Claims Expense		-	-
Life Reinsurance Commission Expense		(53,194)	(82,007)
Retrocession Recoveries - Commission		54,294	82,007
Other Expenses		(1)	(1)
Operating Expenses		1,099	(1)
Movement in net Life Reinsurance Contract Liabilities	5	-	-
Profit before Income Tax		1,100	7
Income Tax Expense	6	(1,100)	(2)
Profit after Income Tax		-	5
Other Comprehensive Income net of Tax		-	-
Total Comprehensive Profit for the year		-	5

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		2020	2019
	Note	\$'000	\$'000
Assets			
Cash and Cash Equivalents	7	4,077	3,427
Receivables	8	12,099	2,825
Assumed Life Reinsurance Contract Liabilities	5	176,791	147,344
Total Assets		192,967	153,596
Liabilities			
Payables	9	10,999	2,825
Current Tax Liability	6	1,100	-
Ceded Life Reinsurance Contract Liabilities	5	176,791	147,344
Total Liabilities		188,890	150,169
Net Assets		4,077	3,427
Head Office Account			
Capital Injections		3,890	3,240
Retained Earnings		187	187
Total Head Office Account		4,077	3,427

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



Denis KESSLER

Chairman of the Board of Directors and
Chief Executive Officer of SCOR SE

Date: 28 April 2021

STATEMENT OF CHANGES IN HEADOFFICE ACCOUNT

For the year ended 31 December 2020

2020	Capital Injections	Retained Earnings	Total for the year
	\$'000	\$'000	\$'000
At 1 January 2020	3,240	187	3,427
Capital Injections	650	-	650
Profit for the year	-	-	-
At 31 December 2020	3,890	187	4,077

2019	Capital Injections	Retained Earnings	Total for the year
	\$'000	\$'000	\$'000
At 1 January 2019	2,740	182	2,922
Capital Injections	500	-	500
Profit for the year	-	5	5
At 31 December 2019	3,240	187	3,427

The Statement of Changes in Head Office Account should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020	2019
Note	\$'000	\$'000
Cash flow from Operating Activities		
Net receipts from Life Reinsurance Contracts	34,895	19,602
Net retrocession payments	(34,895)	(19,602)
Interest received	1	8
Bank charges paid	(1)	(1)
Income Tax paid	-	(2)
	-	5
Net cash flow from Operating Activities	7	5
Cash flows from Financing Activities		
Capital injection by Head Office	650	-
	650	-
Net cash flow from Financing Activities	650	-
	650	5
Net increase in cash held	650	5
	3,427	2,922
Cash at the beginning of the year	3,427	2,922
	4,077	2,927
Cash at the end of the year	7	2,927

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 1. Corporate Information

SCOR SE, a company incorporated in France and listed on the Euronext Paris, 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 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. 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 3. 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 2020.

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 SCOR 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), Reported But Not Admitted claims (RBNA), Admitted But Not Paid claims (ABNP), Disability income Claims In the Course of Payment (CICP), and Unearned Premium Reserves (UPR).

For mortality, TPD and trauma business, the claim rates adopted are based on the Australia FSC IA 2004-08 industry standard tables, which were adjusted for historical portfolio experience. For disability income business, the claim rates adopted are based on the Australia FSC ADI 2007-11 industry standard tables, which were adjusted for industry experience and portfolio experience.

Best estimate lapse rate assumptions are set by benefit type, product, premium type, policy duration, age and sum insured, and are based on portfolio experience.

c) Impact of Changes in Assumptions

The 31 December 2020 claim assumption is 46% (2019: 48.1%), a slight decrease on prior year largely due to changes in business mix. The Impact on Profit after Tax and Head Office Account is nil.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

The following table illustrates the sensitivity of the current year possible changes in key assumptions as at 31 December 2020.

Assumption	Impact on Gross Future Profits \$'000	Impact on Gross Policy liability \$'000	Impact on Profit after Tax and Head Office Account \$'000
10% Increase in Mortality and Morbidity	Decrease of 29,109	Increase of 1,727	-
10% Increase in Lapses	Decrease of 29,374	-	-
10% Increase in Maintenance Expenses	Decrease of 5,329	-	-

NOTE 4. Investment Revenue

	2020	2019
	\$'000	\$'000
Interest, Dividend and Other Revenue:		
Interest Income from Cash and Cash Equivalents	1	8
Total Investment Revenue	1	8

NOTE 5. Life Reinsurance Contract Liabilities

	2020	2019
	\$'000	\$'000
Assumed Life Reinsurance Contract Liabilities	176,791	147,344
minus Ceded Life Reinsurance Contract Liabilities	176,791	147,344
Net Life Reinsurance Contract Liabilities	-	-
	2020	2019
	\$'000	\$'000
Movement in Life Reinsurance Contract Liabilities		
Assumed Life Reinsurance Contract Liabilities	29,447	32,087
minus Ceded Life Reinsurance Contract Liabilities	29,447	32,087
Movement in Net Life Reinsurance Contract Liabilities	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 6. 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)	2020	2019
	\$'000	\$'000
Income tax expense for the year	(1,100)	(2)
Income tax paid during the year	-	2
Current income tax movement	(1,100)	-

(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:

	2020	2019
	\$'000	\$'000
Profit before Income Tax	1,100	7
Tax (expense) at the New Zealand tax rate of 28%	(308)	(2)
Tax effect of non-taxable amounts	308	-
Tax effect of non-deductible amounts	-	-
Tax effect of taxable amount ⁽¹⁾	(1,100)	-
Income tax expense	(1,100)	(2)
Profit after Income Tax	-	5

⁽¹⁾ The income tax expense is reimbursed by SCOR SE Singapore branch by way of retrocession commission.

(c) Tax Losses

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(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) Assumed Life Premiums
- (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)

It was agreed between the Branch and the Inland Revenue Department of New Zealand that each of the Branch's treaties is regarded as life financial reinsurance until the Experience Account Balances reduces to zero, at which point, the treaty will become a life reinsurance contract for tax purposes. One of the treaties became a life reinsurance contract on 1 July 2020, giving rise to a taxation liability of \$1.1m.

NOTE 7. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, Cash and Cash Equivalents comprise cash available on demand and deposits held at call with financial institutions. Cash available on demand at the end of the financial period was \$4.077m (2019: \$3.427m).

Reconciliation of Net Profit after Income Tax to net Cash Flows from Operating Activities

	2020	2019
	\$'000	\$'000
Net Profit from Operating Activities after Income Tax	-	5
Change in Assets and Liabilities during the year		
(Increase) / Decrease in Outstanding Premiums	(9,274)	8,501
Increase in Assumed Life Reinsurance Contract Liab's	29,447	32,087
Increase / (Decrease) in Payables	8,174	(8,501)
Increase in Ceded Life Reinsurance Contract Liab's	(29,447)	(32,087)
Net Cash Flow from Operating Activities	-	5

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 8. Receivables

	2020	2019
	\$'000	\$'000
Outstanding Premiums	12,099	2,825
Total Receivables	12,099	2,825
Expected to be realised within 12 months	12,099	2,825

NOTE 9. Payables

	2020	2019
	\$'000	\$'000
Amount owed to SCOR SE - Singapore branch For Retrocession	10,999	2,825
Total Payables	10,999	2,825
Expected to be settled within 12 months	10,999	2,825

NOTE 10. Auditor's Remuneration

	2020	2019
	\$'000	\$'000
The auditor of the Branch for the period is KPMG Australia (prior period: Ernst & Young Australia)		
Amounts received or due and receivable by KPMG for:		
- Audit of the annual financial report of the entity	19	23
	19	23

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 11. Related Party Disclosures

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

Denis KESSLER Chairman of the Board of Directors and SCOR SE CEO	BURNS, Lauren Elizabeth
BRÉGIER, Fabrice	DERHAN, Fiona
DE ROMANET DE BEAUNE, Augustin	COURET, Adrien
MARQUETTE, Vanessa	PFISTER, Bruno
VALLA, Natacha	MALAKOFF MÉDÉRIC ASSURANCES (Holding Malakoff Humanis) Represented by Thomas SAUNIER
SORENSEN, Kory	TENDIL, Claude
WICKER MIURIN, Jane Fields	WANG, Zhen

b) Ultimate Controlling Entity:

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

The Branch has in place a retrocession agreement with SCOR 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+.

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

	2020	2019
	\$'000	\$'000
SCOR SE - Singapore branch		
Amount owed for Retrocession		
to related parties*	10,999	2,825
Net Retroceded Expenses	(48,719)	(7,052)

* This amount is classified as receivables.

NOTE 12. Events occurring after the Statement of Financial Position 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 13. Commitments, Contingent Liabilities and Contingent Assets

SCOR 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 14. 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 (or Head Office Account). 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 2020. 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.

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 2020 were:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

	2020	2019
	\$'000	\$'000
Actual Solvency Capital	4,077	3,427
Minimum Solvency Capital	3,171	2,621
Solvency Margin	906	806
	2020	2019
Solvency ratio	1.29	1.31

NOTE 15. 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 makes overall risk management decisions. The two risks with potentially the most serious outcomes are counter-party failure or inadequate funding. Both are deemed to be unlikely.

SCOR 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.

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 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)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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; and
- (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;
- (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. Concentration of insurance risk is also mitigated through the retrocession agreement which cedes 100% of the risk.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 (2019: 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.

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 funding 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 (2019:100 basis points) is considered reasonably possible and has been applied to the sensitivity analysis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

	2020	2019
Impact on the Branch's result after tax	\$'000	\$'000
Change in interest rates of: + 1% (100 basis points)	34	21
- 1% (100 basis points)	(34)	(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.

Economic Dependency. The Branch is reliant on SCOR SE to provide financial support to meet its business commitments. It is also noted that the Branch relies on SCOR 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 16. 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 values of receivables and other financial liabilities, adjusted for impairment values when applicable, reasonably approximate their fair values.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

Financial Instruments of the Branch	2020	2019
	\$'000	\$'000
Cash and Cash Equivalents	4,077	3,427
Receivables	12,099	2,825
Total Financial Assets	16,176	6,252
Payables	10,999	2,825
Total Financial Liabilities	10,999	2,825

At balance date, the Branch had no material financial assets exposed to New Zealand variable interest rate risk (2019: nil).

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 (2019: nil).

NOTE 17. 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 a going 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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. Certain previous period comparative information has been revised in this financial report to conform with the current period's presentation.

c) Changes in accounting policy, disclosures, standards and interpretations

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 2020.

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.

New accounting standards and amendments issued but not yet effective

Title	Operative Date
Extension of the Temporary Exemption from applying NZ IFRS 9 (insurers only) ¹	01 Jan 2021
Interest Rate Benchmark Reform (Phase 2) Amendments to NZ IFRS 9, NZ IAS 39, NZ IFRS 7, NZ IFRS 4 and NZ IFRS 16	01 Jan 2021
Annual Improvements to NZ IFRS 2018–2020	01 Jan 2022
Onerous Contracts - Cost of Fulfilling a Contract Amendments to NZ IAS 37	01 Jan 2022
Property, Plant and Equipment Proceeds before Intended Use Amendments to NZ IAS 16	01 Jan 2022
Reference to the Conceptual Framework Amendments to NZ IFRS 3	01 Jan 2022
NZ IFRS 17 Insurance Contracts	01 Jan 2023
Classification of Liabilities as Current or Non-current Amendments to NZ IAS 1	01 Jan 2023 ²
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture Amendments to NZ IFRS 10 and NZ IAS 28	01 Jan 2025 ³

¹ This exemption applies only to certain insurers that meet specific criteria.

² The effective date was originally 1 January 2022 when issued but was deferred to 1 January 2023 in August 2020 Classification of Liabilities as Current or Non-current – Deferral of Effective Date.

³ The original effective date of this amending standard was 1 January 2016. However, the IASB deferred the effective date of the equivalent amendments indefinitely. In New Zealand, all accounting standards and amendments must have an effective date. Therefore, in New Zealand, the effective date of these amendments is currently deferred to 1 January 2025.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

i. NZ IFRS 9 Financial Assets

The Branch applies the temporary exemption from NZ IFRS 9 as permitted by the amendments to NZ IFRS 4 Applying NZ IFRS 9 Financial Instruments with NZ IFRS 4 Insurance Contracts issued in September 2016. The temporary exemption permits the Branch to continue applying NZ IAS 39 rather than NZ IFRS 9 for annual periods beginning before 1 January 2021.

The Branch concluded that it qualified for the temporary exemption from NZ IFRS 9 because its activities are predominantly connected with insurance. As at 31 December 2015, the Branch's gross liabilities arising from contracts within the scope of NZ IFRS 4 represented 95% of the total carrying amount of all its liabilities. Since 31 December 2015, there has been no change in the activities of the Branch that requires reassessment of the use of the temporary exemption.

On adoption of NZ IFRS 9, the Company has assessed the impact to be not material.

ii. NZ IFRS 17 Insurance Contracts

The final version of the standard was finalised in the second half of 2020. The effective date for application of IFRS 17 and exemption from applying IFRS 9 has been set for annual reporting periods beginning on or after 1 January 2023. Companies are to adopt a transition date of 1 January 2022.

NZ IFRS 17 supersedes NZ IFRS 4 Insurance Contracts and similarly applies to insurance contracts. The classification of insurance contracts is similar to NZ IFRS 4 however unbundling rule changes may mean some contract components now need to be measured under NZ IFRS 17.

The new standard contains a lower level of aggregation / smaller portfolios, changes to contract boundaries and valuation approaches, the application of Contractual Service Margins to policies valued under certain methodologies, changes in treatment to reinsurance and an ability to use OCI for changes in asset values.

The impact of NZ IFRS 17 Insurance Contracts is still being assessed. The Group have initiated several global projects to evaluate the standard and measure its impact on the Group as a whole and on the Branch.

d) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

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 Head Office Account 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 2020

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
- ii. Outstanding claim reserves
- iii. Deferred acquisition costs (asset or negative liability)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 3.

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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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.

Independent Auditor's Report

To the Member of the New Zealand Branch of SCOR SE

Report on the audit of the financial statements

Opinion

In our opinion, the accompanying financial statements of the New Zealand Branch of SCOR SE (the 'Branch') on pages 4 to 26:

- i. present fairly in all material respects the Branch's financial position as at 31 December 2020 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 December 2020
- the statement of comprehensive income, changes in head office account and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Branch in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the Branch as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements

The key audit matter

How the matter was addressed in our audit

Recoverability of Ceded Life Reinsurance Contract Liabilities

Refer to Note 6 to the Financial Report.

Implicit within the ceded life reinsurance contract liabilities are the amounts due from retrocessionaire on the outstanding claims reserves. The recoverability of the amounts due from retrocessionaire is a significant focus for our audit owing to the significance of the balance as well as the complexity involved in the calculation of the balance.

Due to the above matters, we considered the recoverability of the amounts due from retrocessionaire to be a key audit matter.

Our audit procedures included, among others:

- evaluating key controls over the processes designed to record and monitor amounts due from retrocessionaire;
- Agree the retrocessionaire amounts to bank receipts, to ensure the completeness, existence and accuracy of the balance;
- Assess the recoverability of the amounts due from retrocessionaire as at 31 December 2020 by reviewing the credit rating, reading the financial statements as well as the solvency returns of the parent;
- Confirmed with the group audit team that there are no issues with the recoverability of the amounts due from retrocessionaire or any impositions by the local regulator on retrocessionaire; and
- Testing the allowance for impairment of amounts due from retrocessionaire for compliance with the Branch's accounting policies and the requirements of the accounting standards.

Other information

The Directors, on behalf of the Branch, are responsible for the other information included in the entity's Annual Financial Report. Other information includes the Statutory and Other Disclosures. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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

Use of this independent auditor's report

This independent auditor's report is made solely to the Branch as a body. Our audit work has been undertaken so that we might state to the Branch those matters we are required to state to them in the independent 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 Branch as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the financial statements

The Directors, on behalf of the Branch, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objective is:

- 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 independent 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 ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Reeves.

For and on behalf of



KPMG

Sydney
30 April 2021