

Resolution Life New Zealand Limited
NZBN 942 904 784 0034

Consolidated financial statements
for the year ended
31 December 2021

Resolution Life New Zealand Limited
NZBN 942 904 784 0034
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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Consolidated statement of comprehensive income

for the year ended 31 December 2021

		Year ended 31 Dec 2021 NZ\$000	Period from 9 Dec 2019 to 31 Dec 2020 NZ\$000
	Note		
Income and expenses of the shareholder and policyholders ⁽¹⁾			
Life insurance contract related revenue	4.2	9	9,006
Service fee revenue	1.1	38,776	20,080
Other revenue	1.1	582	292
Operating expenses	1.2	(43,604)	(23,492)
Change in policyholder liabilities	4.2	277	(8,784)
Loss for the year / period before tax attributable to the shareholder		(3,960)	(2,898)
Income tax credit	1.3	1,066	603
Net loss for the year / period after tax attributable to the shareholder		(2,894)	(2,295)
Total comprehensive income		(2,894)	(2,295)

⁽¹⁾ Income and expenses include amounts attributable to the life statutory fund. Resolution Life New Zealand Ltd has not issued any participating contracts. In general, policyholders' interests in the transactions for the year / period are attributed to them in the line Change in policyholder liabilities.

The accompanying notes form part of these consolidated financial statements


Resolution Life New Zealand Limited consolidated financial statements
Consolidated statement of financial position
As at 31 December 2021

		2021	2020
	Note	<u>NZ\$000</u>	<u>NZ\$000</u>
Assets			
Cash and cash equivalents	7.1	71,501	72,965
Receivables and prepayments	2.1	704	1,019
Current tax assets		1,487	544
Property and equipment		115	249
Deferred tax assets	1.3	1,166	1,024
Right of use assets	7.4	2,532	1,097
Total assets of shareholder and policyholders		<u>77,505</u>	<u>76,898</u>
Liabilities			
Payables	2.2	10,973	8,658
Life insurance contract liabilities	4.2	8,507	8,784
Lease liabilities	7.4	2,567	1,104
Total liabilities of shareholder and policyholders		<u>22,047</u>	<u>18,546</u>
Net assets of shareholder		<u>55,458</u>	<u>58,352</u>
Equity			
Share Capital	3.3	60,647	60,647
Retained earnings		<u>(5,189)</u>	<u>(2,295)</u>
Total equity of shareholder and policyholders		<u>55,458</u>	<u>58,352</u>

For and on behalf of the Board who authorised these consolidated financial statements for issue on 31 March 2022.



Director



Anne Blackburn
Director

The accompanying notes form part of these consolidated financial statements

Resolution Life New Zealand Limited consolidated financial statements

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Share capital	Retained earnings	Total equity
	<i>NZ\$000</i>	<i>NZ\$000</i>	<i>NZ\$000</i>
Balance as at 1 January 2021	60,647	(2,295)	58,352
Net loss for the year after tax	-	(2,894)	(2,894)
Balance as at 31 December 2021	60,647	(5,189)	55,458
Balance at the beginning of the period (9 December 2019)	-	-	-
Capital contribution	60,647	-	60,647
Net profit for the period after tax	-	(2,295)	(2,295)
Balance as at 31 December 2020	60,647	(2,295)	58,352

The accompanying notes form part of these consolidated financial statements

Consolidated statement of cash flows

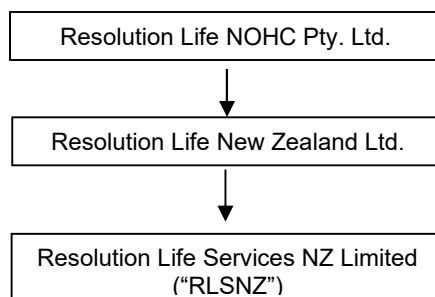
for the year ended 31 December 2021

		Year ended 31 Dec 2021 NZ\$000	Period from 9 Dec 2019 to 31 Dec 2020 NZ\$000
	Note		
Cash flows from operating activities			
Cash receipts in the course of operations		39,224	28,189
Interest received		582	292
Cash payments in the course of operations		(40,316)	(14,247)
Income tax paid		(23)	(965)
Cash flows (used in) / from operating activities	7.1	(533)	13,269
Cash flows from investing activities			
Acquisition of plant and equipment		-	(332)
Cash flows used in investing activities		-	(332)
Cash flows from financing activities			
Lease payments - Right of use assets		(931)	(619)
Capital contribution		-	60,647
Cash flows (used in) / from financing activities		(931)	60,028
Net (decrease) / increase in cash and cash equivalents		(1,464)	72,965
Cash and cash equivalents at the beginning of the year / period		72,965	-
Cash and cash equivalents at the end of the year / period	7.1	71,501	72,965

The accompanying notes form part of these consolidated financial statements

(a) Understanding these consolidated financial statements

On 22 June 2020, the Reserve Bank of New Zealand (“RBNZ”) granted Resolution Life New Zealand Limited (“Resolution Life” or the “Company”) a full licence to carry on insurance business under the Insurance (Prudential Supervision) Act 2010 (“IPSA”). Resolution Life is incorporated and domiciled in New Zealand. Resolution Life carries out its life insurance business in New Zealand and is deemed to be a “FMC Reporting entity” as defined by the Financial Markets Conduct Act 2013. Resolution Life is a self-contained legal entity in New Zealand. A summarised Group structure is as follows:



The life insurance operations of Resolution Life are conducted within a statutory fund as required by IPSA and are reported in aggregate in the Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity and the Consolidated statement of cash flows. Further information on the Statutory Fund and Shareholder’s Fund is provided in Section 1.

For the purpose of these consolidated financial statements, the entities comprise of Resolution Life and its subsidiary Resolution Life Services NZ Limited (collectively, the “Group”).

The Company is a registered issuer of life insurance policies in New Zealand. The liability associated with life insurance policies issued in New Zealand is limited to the Statutory Fund which forms part of Resolution Life.

(b) Materiality

Information has only been included in the consolidated financial statements to the extent it has been considered material and relevant to the understanding of the consolidated financial statements. A disclosure is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- It is important for understanding the results of the Group;
- It helps explain the impact of significant changes in the Group, for example acquisitions or disposals; and/or
- It relates to an aspect of the Group’s operations that is important to its future performance.

(c) Basis of preparation

These consolidated financial statements for the year ended 31 December 2021 were authorised by the Directors of Resolution Life on 30 March 2022. They have been prepared on a going concern basis in accordance with generally accepted accounting practice in New Zealand, the requirements of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013 (“FRA 2013”).

The consolidated financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000), unless otherwise stated.

The consolidated financial statements are also prepared in a manner consistent with the financial reporting requirements of IPSA.

The Company is predominantly a life insurance business. Where permitted under accounting standards, the assets and liabilities associated with life insurance are generally measured on a fair value basis and other assets and liabilities are generally measured on a historical cost basis.

Assets and liabilities have been presented on the face of the Consolidated statement of financial position in decreasing order of liquidity and do not distinguish between current and non-current items. The majority of the assets of the Group are investment assets held to back life insurance contract liabilities. Although the amount of those assets which may be realised and those liabilities which may be settled within twelve months of the reporting date are not always known, estimates of amounts expected to be recovered or settled (a) no more than 12 months after the reporting date, and (b) more than 12 months after the reporting date, have been provided in notes to the relevant section.

Notes to the consolidated financial statements

for the year ended 31 December 2021

(c) Basis of preparation (continued)

The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"). The consolidated financial statements also comply with International Financial Reporting Standards ("IFRS"). For the purposes of NZGAAP the Group is classified as a for-profit entity.

(d) Basis of consolidation

The consolidated financial statements are for the consolidated entity, which consists of the Group and all entities controlled by the Group during the year end and at balance sheet date.

These consolidated financial statements consolidate the financial information of controlled entities. Control arises from exposure, or rights, to variable returns from involvement with an entity where the Group has the ability to affect those returns through its power over the entity.

The financial information for controlled entities is prepared for the same reporting period as the Group, using consistent accounting policies. Where dissimilar accounting policies exist, adjustments are made to bring these into line.

The Group conducts its life insurance business (see note 4) through the Statutory Fund. Income, expenses, assets and liabilities attributable to policyholder activities within the Statutory Fund are consolidated into the Group's consolidated financial statements, along with those attributable to the Shareholder Fund.

Consolidation principles require the total amounts of each underlying asset, liability, income and expense of the controlled entities to be recognised in the consolidated financial statements.

Controlled entities that are acquired are accounted for using the acquisition method of accounting. Information from the financial statements of controlled entities is included from the date the Group obtains control until such time as control ceases.

Where the Group ceases to control an entity, the consolidated financial statements include the results for the part of the reporting period during which the Group had control. The Group derecognises the related assets, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

All inter-company balances and transactions within the consolidated group are eliminated in full, including unrealised profits arising from intra-group transactions.

(e) Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are contained in the notes to the consolidated financial statements to which they relate. All accounting policies have been consistently applied to the current period, unless otherwise stated. Where an accounting policy relates to more than one note or where no note is provided, the accounting policies are set out below.

(f) Functional and presentation currency

Both the functional and presentation currency of the Group is New Zealand dollars (NZ\$).

Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date with exchange gains and losses recognised in the Consolidated statement of comprehensive income.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the consolidated financial statements

for the year ended 31 December 2021

(g) Critical judgements and estimates

Preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions about future events. Information on critical judgements and estimates considered when applying the accounting policies can be found in the following section:

Accounting judgements and estimates	Section
Tax	Section 1.3 Taxes
Life insurance contract liabilities	Section 4.1 Accounting for life insurance contracts
Consolidation	Section 6.1 Controlled entities

(h) Impact of COVID-19

We have assessed the impact of the Coronavirus (COVID-19) pandemic on the Group as a whole and on the Company. Given the nature and operations of the business, the COVID19 pandemic does not have a material impact on the Group's financial statements for the year ended 31 December 2021.

Section 1: Results for the year

- 1.1 Service fee and other revenue and investment income
- 1.2 Operating expenses
- 1.3 Taxes

1.1 Service fee and other revenue and investment gains

Accounting policy – recognition and measurement

Service Fee revenue

Service fees are fees earned on administration services provided to entities within the Resolution Life Group. Revenue is recognised as it is earned by reference to the completion of the services being provided.

Interest income

Interest income is recognised using the effective interest method.

1.2 Operating expenses

		Year ended 31 Dec 2021 NZ\$000	Period from 9 Dec 2019 to 31 Dec 2020 NZ\$000
	Note		
Operating expenses			
Wages and salaries		15,411	8,711
Superannuation costs – defined contribution scheme		2,108	1,118
Other staff costs		1,376	281
Staff and related expenses		18,895	10,110
Depreciation – property and equipment		134	83
Depreciation – right of use assets		959	626
Impairment of goodwill		-	743
IT and communication		5,444	3,453
IT consulting		1,188	475
Service charges including Intra-group Service charges	6.2	11,917	5,748
Other expenses		5,066	2,254
Other operating expenses		24,709	13,382
Total operating expenses		43,604	23,492

Accounting policy – recognition and measurement

All operating expenses, other than those allocated to life insurance contracts (see note 4.2), are expensed as incurred.

Section 1: Results for the year

1.3 Taxes

(a) Income tax expense

The following provides a reconciliation of differences between prima facie tax calculated at 28% of the profit before income tax for the year / period and the actual income tax expense recognised in the Consolidated statement of comprehensive income for the year/ period. The income tax expense amount reflects the impact of both income tax attributable to the shareholders as well as income tax attributable to policyholders.

The impact of the tax is charged against the policyholder liabilities. The rate applicable to New Zealand life insurance business during the year / period was 28%.

	Year ended 31 Dec 2021 NZ\$000	Period from 9 Dec 2019 to 31 Dec 2020 NZ\$000
Loss for the year / period before income tax	(3,960)	(2,898)
Prima facie shareholder tax at the rate of 28%	1,109	811
Shareholder impact of life tax treatment Non-taxable or deductible items	(43)	(208)
Income tax credit	1,066	603

(b) Analysis of income tax expense

	Year ended 31 Dec 2021 NZ\$000	Period from 9 Dec 2019 to 31 Dec 2020 NZ\$000
Current tax credit	937	328
Increase in net deferred tax assets	143	275
Over provided in previous years:	(14)	-
Income tax credit	1,066	603

(c) Deferred tax assets

	2021 NZ\$000	2020 NZ\$000
Analysis of net deferred tax assets		
Accruals and provisions	1,150	1,012
Right of use assets	(709)	(307)
Lease liabilities	719	309
Fixed Assets	6	10
Net deferred tax assets	1,166	1,024

Notes to the consolidated financial statements

for the year ended 31 December 2021

Section 1: Results for the year

1.3 Taxes (continued)

Accounting policy – recognition and measurement

Income tax expense

Income tax expense/credit is the tax payable on taxable income for the current period, based on the income tax rate and adjusted for changes in deferred tax assets and liabilities attributable to:

- temporary differences between the tax bases of assets and liabilities and their Consolidated statement of financial position carrying amounts,
- unused tax losses and
- the impact of changes in the amounts of deferred tax assets and liabilities arising from changes in tax rates or in the manner in which these balances are expected to be realised.

Adjustments to income tax expense / credit are also made for any differences between the amounts paid or expected to be paid in relation to prior periods and the amounts provided for these periods at the start of the current period.

Income tax expense is recognised in the Consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity or other comprehensive income.

Tax consolidation

The Company is not consolidated for income tax with any tax group. The Company's subsidiary, Resolution Life Services New Zealand Limited (RLSNZ), continues to be a member of the Resolution Life Australasia Consolidated Tax Group.

Income tax for life insurance contracts business

The income tax expense/credit recognised in the Consolidated statement of comprehensive income arising in the Group reflects tax imposed on the shareholder.

Life insurance contract liabilities are established gross of deferred tax balances of the Group.

The policy liabilities (being the life insurance contract liabilities) and solvency reserves are determined at the reporting date in accordance with IPSA and the Solvency Standard for Life Insurance Business.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates which are expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted at the reporting date.

The relevant tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax, including amounts in respect of life insurance contracts, is not discounted to present value.

Goods and services tax

All income, expenses and assets (excluding receivables) are recognised net of any GST paid, except where they relate to products and services that are input taxed for GST purposes or where the GST incurred is not recoverable from the Inland Revenue Department. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the particular expense.

Receivables and payables are recorded with the amount of GST included. The net amount of GST recoverable from or payable to the Inland Revenue Department is included as either receivable or payable in the Consolidated statement of financial position.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the Inland Revenue Department are classified as Operating cash flows.

Notes to the consolidated financial statements

for the year ended 31 December 2021

Section 1: Results for the year

1.3 Taxes (continued)

Critical accounting estimates and judgements:

The application of tax law to the specific circumstances and transactions of the Group requires the exercise of judgement by management. The tax treatments adopted by management in preparing the consolidated financial statements may be impacted by changes in legislation and interpretations or be subject to challenge by tax authorities.

Judgement is also applied by management in determining the extent to which the recovery of carried forward tax losses is probable for the purpose of meeting the criteria for recognition as deferred tax assets.

The Group recognises tax losses within current tax as they can be offset within the Resolution Life Australasia consolidated tax group and will be settled within the next 12 months.

Section 2: Investments and working capital

- 2.1 Receivables and prepayments
- 2.2 Payables

2.1 Receivables and prepayments

	Note	2021 NZ\$000	2020 NZ\$000
Prepaid expenses		246	122
Other receivables			
- related entities	6.2	-	147
- other entities		458	750
Total receivables and prepayments		704	1,019

All receivables are expected to be recovered within 12 months from the reporting date.

Accounting policy – recognition and measurement

Receivables

Receivables that back life insurance contract liabilities are designated as financial assets measured at fair value through profit or loss. Receivables that do not back life insurance contract liabilities are measured at amortised cost, less any allowance for Expected Credit Loss (ECLs).

The Group applies a simplified approach in calculating ECLs for receivables. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.2 Payables

	Note	2021 NZ\$000	2020 NZ\$000
Trade payables			
- related entities	6.2	4,884	1,536
- other entities		328	596
Accrued salaries and wages		2,238	2,158
Liability for employee entitlements		1,672	1,316
Other accruals		1,851	3,052
Total payables		10,973	8,658

None of payables are expected to be settled more than 12 months from reporting date except for \$234 thousand of the liability for employee entitlements (2020: \$125 thousand).

Accounting policy – recognition and measurement

Payables

Payables that back life insurance contract liabilities are financial liabilities and are measured at fair value. Other payables are measured at amortised cost using the effective interest method. Given the short-term nature of most payables, they are not discounted and their carrying amount approximate fair value.

Notes to the consolidated financial statements

for the year ended 31 December 2021

Section 3: Capital structure and financial risk management

- 3.1 Financial risk management
- 3.2 Capital management
- 3.3 Share capital

3.1 Financial risk management

The Group's Board has overall responsibility for the risk management framework including the approval of the Group's strategic plan, risk management strategy and risk appetite. Specifically, financial risk arises from the holding of financial instruments and financial risk management ("FRM") is an integral part of the Group's enterprise risk management framework.

This note discloses financial risk in accordance with the categories in NZ IFRS 7 *Financial Instruments: Disclosures*:

- Market risk
- Liquidity risk
- Credit risk

These risks are managed in accordance with the board approved risk appetite statement.

(a) Market risk

Market risk is the risk that the fair value of assets and liabilities, or future cash flows of a financial instrument will fluctuate due to movements in the financial markets including interest rates, foreign exchange rates and other financial market variables.

The following table provides information on significant market risk exposures for Group, which could lead to an impact on the Group's profit after tax and equity, and the management of those exposures.

Market risk	Exposures	Management of exposures
Interest rate risk		
The risk of an impact on the Group's profit after tax and equity arising from fluctuations of the fair value or future cash flows of financial instruments due to changes in market interest rates.	Interest bearing investment assets of the Shareholder and Statutory Funds.	The Group manages interest rate and other market risks pursuant to AMP Life Asset Valuation Policy and are also subject to the relevant regulatory requirements governed by IPSA. Except for the cash at bank, the Group does not have interest bearing investment assets at 31 December 2021.

Notes to the consolidated financial statements

for the year ended 31 December 2021

Section 3: Capital structure and financial risk management**3.1 Financial risk management (continued)****(b) Liquidity risk****Liquidity risk**

The risk that the Group is not able to meet its obligations as they fall due because of an inability to liquidate assets or obtain adequate funding when required. The Company is covered by the RLNZ Capital Management and Liquidity policy (the "Policy") and the Board is reported on the compliance with the Policy on a quarterly basis.

Maturity analysis

Below is a summary of the maturity profiles of the Group's undiscounted financial liabilities at the reporting date, based on contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

Total undiscounted financial liabilities	Up to 1 year or no term NZ\$000	1 to 5 years NZ\$000	More than 5 years NZ\$000	Other NZ\$000	Total NZ\$000
2021	10,739	234	-	-	10,973
2020	8,533	125	-	-	8,658

(c) Credit risk

Credit default risk is the risk of financial or reputational loss due to a counterparty failing to meet their contractual commitments in full and on time. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Cash and cash equivalents.

The exposures on cash equivalents which impact the Company's capital position are managed by the Company's Board Audit and Risk Committee (BARC). The Subsidiary is managed by the Resolution Group within the limits set by that Group's Asset, Liability & Investment Committee.

The carrying amount of cash and cash equivalents best represents their maximum credit risk exposure at balance date.

Past due but not impaired receivables

Ageing of past due but not impaired receivables is used by the Group to measure and manage emerging credit risks. The following table provides an ageing analysis of receivables that are past due as at reporting date but not impaired.

	Past due but not impaired				Total NZ\$000
	Less than 30 days NZ\$000	31 to 60 days NZ\$000	61 – 90 days NZ\$000	More than 91 days NZ\$000	
Trade receivables					
2021	458	-	-	-	458
2020	897	-	-	-	897

Section 3: Capital structure and financial risk management (continued)

(c) Credit risk (continued)

3.2 Capital management

The Group holds capital to protect creditors, shareholders and counter-parties of the Company's insurance contracts against unexpected losses to a level that is consistent with the Group's risk appetite, approved by the board.

The Company is a RBNZ regulated company. The Company has a Board approved minimum capital target above RBNZ requirements, set with reference to the amount of assets required to be held under the reinsurance treaty with AMP Life.

At all times during the current period, the Company complied with the applicable externally imposed capital requirements.

3.3 Share capital

As at 31 December 2021, the Group had 60,000,102 ordinary shares issued to Resolution Life NOHC Pty. Ltd. The Group does not have authorised capital or par value in respect of its issued shares which all rank equally and are fully paid.

Each ordinary share is entitled to one vote.

	Year ended 31 Dec 2021 NZ\$000	Period from 9 Dec 2019 to 31 Dec 2020 NZ\$000
Movements in issued and fully paid ordinary shares		
Balance at the beginning of the financial year / period	60,647	-
Shares issued	-	60,647
Balance at the end of the financial year / period	60,647	60,647

Notes to the consolidated financial statements

for the year ended 31 December 2021

Section 4: Life insurance contracts

- 4.1 Accounting for life insurance contracts
- 4.2 Life Insurance contracts - premiums, claims, expenses and liabilities
- 4.3 Life Insurance contracts - assumptions and valuation methodology
- 4.4 Other disclosure - life insurance contracts

4.1 Accounting for life insurance contracts

For the purposes of these consolidated financial statements, holders of life insurance contracts are collectively and individually referred to as *policyholders*.

Life insurance contracts

The Company issues contracts that transfer significant insurance risk from the policyholder, covering death, disability or longevity risk. Such contracts are defined as *life insurance contracts* and accounted for using the *New Zealand Society of Actuaries Professional Standard No. 20 Determination of Life Policy Liabilities* ("PS20").

In particular, the Company provides group life insurance cover to RLSNZ with respect to its employees, as well as, reinsurance cover to Resolution Life Australasia Limited with respect to its New Zealand business (both participating and non-participating).

The Company applies the accumulation approach in determining its life insurance contracts. An accumulation approach may be used if it produces results that are not materially different from those produced by a projection method. Under the Company's accumulation approach, the amount of life insurance contract liabilities is equivalent to the unearned premium reserve, plus an allowance for incurred but not reported claims (IBNR), subject to the liability adequacy test.

Under the liability adequacy test, the Company assesses at the end of each reporting period whether its recognised life insurance contract liabilities are adequate, using current estimates of future cashflows under its insurance contracts. The excess of present value of expenses and claims costs over the remaining unearned premium reserve arising during the reporting period is recognised in profit or loss in the reporting period in which the assessment is made. The loss reflects a higher present obligation due to expected adverse future experience.

Allocation of expenses within the statutory funds

All operating expenses relating to the life insurance contract activities are apportioned between acquisition, maintenance and investment management expenses. Expenses which are directly attributable to a life insurance contract are allocated directly to a particular expense category as appropriate.

Where expenses are not directly attributable, they are appropriately apportioned, according to detailed expense analysis, with due regard to the activities to which that expense relates to.

Investment management expenses of the life statutory fund are classified as operating expenses.

Critical accounting judgments and estimates

Life insurance contract liabilities

The measurement of insurance contract liabilities is determined using the accumulation approach. The determination of the liability amounts involves judgement in selecting the valuation methods, and valuation assumptions (if any). The determination is subjective and relatively small changes in assumptions may have a significant impact on the reported profit.

Assets backing life insurance contract liabilities

All assets under the Statutory Fund of the Company are used to back the Company's life insurance contract liabilities.

Notes to the consolidated financial statements

for the year ended 31 December 2021

Section 4: Life insurance contracts (continued)**4.2 Life insurance contracts – premiums, claims, expenses and liabilities**

	Year ended 31 Dec 2021 NZ\$000	Period from 9 Dec 2019 to 31 Dec 2020 NZ\$000
(a) Analysis of life insurance contract related revenue		
Life insurance contract related premiums received and receivable ⁽¹⁾	9	9,006
Life insurance contract related revenue	9	9,006
(b) Analysis of life insurance operating expenses		
Life insurance contract acquisition expenses	-	-
Life insurance contract maintenance expenses	685	482
Investment management expenses	-	-
(c) Life insurance contract liabilities determined using accumulation approach		
Unearned premium reserve	8,507	8,784
Total life insurance contract liabilities determined using accumulation approach	8,507	8,784
Total life insurance contract liabilities per the Consolidated statement of financial position	8,507	8,784

⁽¹⁾ Life insurance contract related premiums received, and receivable consists of direct insurance and reinsurance premiums. The Company has inward reinsurance premium revenue for risks ceded by Resolution Life Australasia Limited's New Zealand business.

Accounting policy**Insurance premium and related revenue**

Premium amounts earned by bearing insurance risks are recognised as revenue.

Premiums with no due date or fixed amount are recognised on a cash-received basis. Premiums with a regular due date are recognised on an accrual's basis

Insurance claims and related expenses

Claims incurred from insurance risk bearing contracts is treated as an expense.

Claims are recognised when the liability to the policyholder under the life insurance contract has been established or upon notification of the insured event, depending on the type of claim.

	2021 NZ\$000	2020 NZ\$000
(d) Reconciliation of changes in life insurance contract liabilities		
Total life insurance contract liabilities at the beginning of the period	8,784	-
Change in life insurance contract liabilities recognised in the Consolidated statement of comprehensive income	(277)	8,784
Total life insurance contract liabilities at the end of the period	8,507	8,784

Notes to the consolidated financial statements

for the year ended 31 December 2021

Section 4: Life insurance contracts (continued)**4.3 Life insurance contracts - assumptions and valuation methodology**

Life insurance contract liabilities, and hence the net profit from life insurance contracts, are calculated by applying the principles of accumulation approach described in section 4.1.

The key assumptions used in the calculation of life insurance contract liabilities is with regard to the run-off of the Unearned Premium Reserve. This has been calculated with reference to the expected run-off of the underlying sums insured under the Reinsurance Treaty. Over the next 40 years the sums insured are expected to run down broadly linearly to 20% of the current level.

There were no changes to assumptions over the period to 31 December 2021.

Life insurance contracts - risk**(a) Life insurance risk**

The Company issues contracts that transfer significant insurance risk from the policyholders, covering death, disability or longevity of the insured.

Insurance risk is managed through ensuring that policy and treaty wording is clear, unambiguous and does not leave the Company open to claims from causes that were not anticipated.

Group life claims are managed through a dedicated claims management team, with formal claims acceptance limits and appropriate training and development of staff with an objective to ensure payment of all genuine claims.

(b) Insurance risk sensitivity analysis – life insurance contracts

The financial position of Resolution Life Australasia Limited with respect to the policies covered under the reinsurance treaty has the potential to have the most significant material impact on the amount, timing and uncertainty of the Company's cashflows. This position is therefore monitored on a regular basis throughout the year.

(c) Liquidity risk and future net cash outflows

The following table shows the estimated timing of the amounts to be recognised resulting from insurance contract liabilities.

	Up to 1 year NZ\$000	1 to 5 years NZ\$000	Over 5 years NZ\$000	Total NZ\$000
31 December 2021	267	993	7,246	8,507
31 December 2020	227	829	7,728	8,784

Notes to the consolidated financial statements

for the year ended 31 December 2021

Section 4: Life insurance contracts (continued)**4.4 Other disclosure - life insurance contracts**

	2021 NZ\$000	2020 NZ\$000
(a) Analysis of life insurance contracts profit		
Components of profit related to life insurance liabilities:		
- Planned margins of revenues over expenses released	61	118
- Losses arising from difference between actual and assumed experience	(72)	(24)
- Profits arising from changes in assumptions	-	-
- Capitalised (losses) reversals	-	-
Profit related to movement in life insurance contracts liabilities	(11)	94
Investment earnings on assets in excess of life insurance contract liabilities		
	304	143
Other loss	(224)	(256)
Profit / (Loss) for the year / period	69	(19)

(b) Restrictions on assets in Statutory fund

The Company has one statutory fund. All of the life insurance business of the Company is held in the Statutory fund. The business includes ceded risk from AMP Life with respect to AMP Life's New Zealand business and group risk from RLSNZ with respect to its employees.

Assets held in the life statutory fund can only be used in accordance with the relevant regulatory restrictions imposed under IPSA and associated rules and regulations. The main restrictions are that the assets in a life statutory fund can only be used to meet the liabilities and expenses of that life statutory fund, to acquire investments to further the business of the life statutory fund or as distributions provided solvency, capital adequacy and other regulatory requirements are met.

Further details about solvency and capital adequacy are provided in Note 4.5 (c).

(c) Capital requirements

The RBNZ has granted Resolution Life New Zealand Limited a full licence to carry on insurance business in New Zealand under IPSA.

Registered life insurance entities are required to maintain sufficient capital to meet solvency requirements, over and above their life insurance liabilities, as a buffer against adverse experience and poor investment returns. These solvency requirements are specified by IPSA and the Solvency Standard for Life Insurance Business (the "Solvency Standard") issued by RBNZ. The Solvency Standard takes account the full range of risks to which a regulated institution is exposed and introduces the Minimum Solvency Capital Amount ("MSC") requirement. The MSC is the minimum level of capital that the regulator deems must be held to meet policyholder obligations.

Under the condition of its licence to carry on insurance business, the Company is required to maintain a minimum solvency margin of at least \$0 for the Shareholder Fund and of at least \$15m for the Statutory Fund. The Company is also required to maintain a minimum actual solvency capital of at least \$5m.

The Appointed Actuary of the Company has confirmed that the actual solvency capital has always exceeded MSC and that the solvency margin exceeds the required minimum solvency margin during the period.

Notes to the consolidated financial statements

for the year ended 31 December 2021

Section 4: Life insurance contracts (continued)**4.4 Other disclosure - life insurance contracts (continued)****(c) Capital requirements (continued)**

The Company's minimum solvency capital required to be retained to meet the requirements of the Solvency Standard and the solvency margin above this requirement is shown below:

	Statutory Fund NZD \$000	Shareholder Fund NZD \$000	Total NZD \$000
as at 31 December 2021			
Actual solvency capital	46,498	3,553	50,051
Minimum solvency capital	599	34	632
Solvency margin	45,899	3,520	49,418
Solvency ratio	78	106	79
as at 31 December 2020			
Actual solvency capital	46,227	3,755	49,982
Minimum solvency capital	633	34	667
Solvency margin	45,594	3,720	49,314
Solvency ratio	73	109	75

(d) Actuarial information

Catherine Henshall (MA, FNZSA, FIA), the Appointed Actuary of the Company, is satisfied as to the accuracy of the data used in the valuations in the consolidated financial statements and in the tables in this note and notes [4.1-4.4].

Catherine Henshall is a Fellow of the New Zealand Society of Actuaries and a Fellow of the Institute and Faculty of Actuaries. Catherine Henshall has no financial interest in the Company.

The liabilities to policyholders (being the life insurance contract liabilities), actual solvency capital and MSC amounts have been determined at the reporting date in accordance with relevant standards and regulations, namely, PS20, IPSA and the Solvency Standard.

(e) Amounts which may be recovered or settled within 12 months after the reporting date

Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately NZ\$267,000 of policy liabilities may be settled within 12 months of the reporting date.

Notes to the consolidated financial statements

for the year ended 31 December 2021

Section 4: Life insurance contracts (continued)**4.4 Other disclosure - life insurance contracts (continued)****(f) Disaggregated information**

IPSA requires the life insurance business of the Company to be conducted within a life statutory fund that is separate to the Shareholder Fund. Information for all major components of the consolidated financial statements disaggregated between the Statutory Fund and the Shareholder Fund is provided within this note.

(i) Statement of comprehensive income

	Statutory Fund NZ\$000	Shareholder Fund NZ\$000	Total NZ\$000
as at 31 December 2021			
Premium revenue	9	-	9
Investment income	463	31	494
Claims expense	-	-	-
Net movement in life insurance contract liabilities	277	-	277
Operating expense	(373)	(312)	(685)
Other (expenses)/ revenue	-	-	-
Profit /(loss) before income tax	376	(280)	96
Income tax credit /(expense)	(105)	78	(27)
Net profit after tax for the period attributable to the owner of the Company	271	(202)	69

as at 31 December 2020

Premium revenue	9,006	-	9,006
Investment income	219	15	234
Claims expense	-	-	-
Net movement in life insurance contract liabilities	(8,784)	-	(8,784)
Operating expense	(126)	(356)	(482)
Other (expenses)/ revenue	-	-	-
Profit /(loss) before income tax	315	(341)	(26)
Income tax credit /(expense)	(88)	95	7
Net profit after tax for the period attributable to the owner of the Company	227	(246)	(19)

Section 4: Life insurance contracts (continued)

4.4 Other disclosure - life insurance contracts (continued)

(i) *Statement of financial position*

as at 31 December 2021

Assets

Investment assets
Other assets

Total assets

Liabilities

Life insurance contract liabilities
Other liabilities

Total liabilities

Net assets

Equity

Shareholder capital
Retained earnings

Total equity

	Statutory Fund NZ\$000	Shareholder Fund NZ\$000	Total NZ\$000
as at 31 December 2021			
Assets			
Investment assets	55,785	3,744	59,529
Other assets	-	10,662	10,662
Total assets	55,785	14,406	70,191
Liabilities			
Life insurance contract liabilities	8,507	-	8,507
Other liabilities	780	207	987
Total liabilities	9,287	207	9,494
Net assets	46,498	14,199	60,697
Equity			
Shareholder capital	46,000	14,647	60,647
Retained earnings	498	(448)	50
Total equity	46,498	14,199	60,697

as at 31 December 2020

Assets

Investment assets
Other assets

Total assets

Liabilities

Life insurance contract liabilities
Other liabilities

Total liabilities

Net assets

Equity

Shareholder capital
Retained earnings

Total equity

Investment assets	55,198	3,896	59,094
Other assets	-	10,662	10,662
Total assets	55,198	14,558	69,756
Liabilities			
Life insurance contract liabilities	8,784	-	8,784
Other liabilities	187	157	343
Total liabilities	8,971	157	9,128
Net assets	46,227	14,401	60,628
Equity			
Shareholder capital	46,000	14,647	60,647
Retained earnings	227	(246)	(19)
Total equity	46,227	14,401	60,628

Notes to the consolidated financial statements

for the year ended 31 December 2021

Section 4: Life insurance contracts (continued)

4.4 Other disclosure - life insurance contracts (continued)

(ii) *Retained earnings*

	Statutory Fund NZ\$000	Shareholder Fund NZ\$000	Total NZ\$000
Opening retained earnings- as at 1 January 2021	227	(246)	(19)
Profit / (loss) after tax for the year	271	(202)	69
Transfer of retained profit to/from Shareholder Fund	-	-	-
Closing retained earnings – As at 31 December 2021	498	(448)	50
Opening retained earnings	-	-	-
Profit / (loss) after tax for the period	227	(246)	(19)
Transfer of retained profit to/from Shareholder Fund	-	-	-
Closing retained earnings- as at 31 December 2020	227	(246)	(19)

Notes to the consolidated financial statements

for the year ended 31 December 2021

Section 5: Related party disclosures - Employee disclosures

- 5.1 Key management personnel

5.1 Key management personnel**(a) Key management personnel details**

The following individuals were the key management personnel of Resolution Life New Zealand Limited (being those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of Resolution Life New Zealand Limited or Resolution Life Services NZ Limited for the whole or part of the reporting period as indicated:

Name	Position	
Megan Beer	Executive Director and CEO of Resolution Life Australasia	(Appointed 30 June 2020)
Karen Scheirlinck	Executive Director and CEO of Resolution Life New Zealand Limited	(Appointed 25 February 2022)
Therese Singleton	Executive Director	(Resigned 25 February 2022)
Margaret Anne Blackburn	Non-executive Director (Chairman)	(Appointed 09 December 2019)
Alison O'Connell	Non-executive Director	(Appointed 09 December 2019)
Susan Sheldon	Non-executive Director	(Appointed 09 December 2019)
Catherine Johnstson	Appointed Actuary of Resolution Life NZ Limited	(Resigned 21 January 2022)

(b) Compensation to key management personnel⁽¹⁾

The following table provides aggregate details of the compensation of the key management personnel of the Group (in thousands of New Zealand dollars).

	Short Term Benefits	Post-Employment Benefits	Other Long-Term Benefits	Termination Benefits	Total
2021	3,084	258	1,528	-	4,870
2020	1,467	98	56	198	1,819

⁽¹⁾ For key management personnel of the Group, including employees of Resolution Life Services NZ for the consolidated period.

⁽²⁾ Other long-term benefits include reversals of long-service-leave provisions where individuals are no longer employees of Resolution Life and their respective length of service requirements have not been met.

(c) Key management personnel access to the group insurance policy issued by the Company to RLSNZ

During the year, key management personnel and their personally related entities may also have had access to the group insurance policy issued by the Company to RLSNZ. The group policy is provided to key management personnel within normal employee terms and conditions.

Information about such transactions does not have the potential to affect adversely decisions about the allocation of scarce resources made by users of these consolidated financial statements, or the discharge of accountability by the specified executives or specified directors.

Accounting policy – recognition and measurement

Short-term benefits - Liabilities arising in respect of salaries and wages and any other employee entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts.

Post-employment benefits - Defined contribution funds - The contributions paid and payable by Resolution Life Group to defined contributions funds are recognised in the Consolidated statement of comprehensive income as an operating expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other long-term benefits - Other employee entitlements are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, discount rates are determined with reference to market yields at the end of the reporting period on high quality corporate bonds.

Notes to the consolidated financial statements

for the year ended to 31 December 2021

Section 6: Related party disclosures – Group entities

- 6.1 Controlled entities
- 6.2 Transactions with related parties

6.1 Controlled entities

Details of significant investments in controlled entities held by the Statutory and Shareholder Funds are as follows:

Critical accounting estimates and judgements:

Judgement is applied in determining the relevant activities of each entity and determining, whether the Group has power over these activities and whether control exists. This involves assessing the purpose and design of the entity and identifying the activities which significantly affect that entity's returns and how decisions are made about those activities. In assessing how decisions are made, management considers voting and veto rights, contractual arrangements with the entity or other parties, and any rights or ability to appoint, remove or direct key management personnel or entities that have the ability to direct the relevant activities of the entity. Management also considers the practical ability of other parties to exercise their rights.

Judgement is also applied in identifying the variable returns of each entity and assessing the Group's exposure to these returns. Variable returns include distributions, exposure to gains or losses and fees that may vary with the performance of an entity.

NAME OF ENTITY	INCORPORATION	Share type	% Holdings	
			2021	2020
Resolution Life Services NZ Limited	New Zealand	Ordinary	100.00	100.00

6.2 Transactions with related parties

The outstanding balances with related parties as at 31 December 2021 are unsecured, non-interest bearing and settlement occurs in cash or through inter-company accounts as necessary.

The Company is a Trustee of AMP Life NZ Trust Fund (the "Trust").

The Company's subsidiary, Resolution Life Services NZ Limited, provided administrative services to Resolution Life Australasia Limited and the Company, both on the Company's own account and to the Company as a Trustee. The Group also receives administrative services from Resolution Life Services Australia Pty Ltd. Resolution Life Australasia Limited (Formerly *AMP Life Limited*) and Resolution Life Services Australia Pty Ltd are subsidiaries of the Company's ultimate parent entity, Resolution Life NOHC (Australia) Pty Ltd.

Notes to the consolidated financial statements

for the year ended to 31 December 2021

Section 6: Related party disclosures – Group entities (continued)**6.2 Transactions with related parties (continued)**

The following table provides the amount of significant transactions which the Group has entered into with related parties for the relevant financial period. These transactions are in addition to the acquisition of subsidiary disclosed in Note 6.3:

	For the year/ period ended 31 December		As at 31 December	
	Service, management, recharges and other fee revenue from related parties NZ\$000	Service, management and other fee expense to related parties NZ\$000	Amounts owed by related parties NZ\$000	Amounts owed to related parties NZ\$000
Related parties				
2021				
Resolution Life Australasia Limited (formerly AMP Life Limited NZ)	38,776	-	-	2,938
Resolution Life Services Australia Pty Ltd	-	11,917	-	1,946
2020				
Resolution Life Australasia Limited (formerly AMP Life Limited NZ)	20,080	-	147	760
Resolution Life Services Australia Pty Ltd	-	5,748	-	561
AMP Services (NZ) Ltd	-	-	-	56
AMP Services Pty Ltd	-	-	-	159

Notes to the consolidated financial statements

for the year ended to 31 December 2021

Section 7: Other disclosures

- 7.1 Notes to Consolidated statement of cash flows
- 7.2 Contingent liabilities
- 7.3 Auditor's remuneration
- 7.4 Right of use and lease liabilities
- 7.5 New accounting standards
- 7.6 Events occurring after reporting date

7.1 Notes to Consolidated statement of cash flows**(a) Reconciliation of cash flows from operation activities**

	Year ended 31 Dec 2021	Period from 9 Dec 2020 to 31 Dec
	NZ\$000	NZ\$000
Net loss after income tax	(2,894)	(2,295)
Depreciation of property and equipment	134	83
Depreciation of right of use assets	959	626
Impairment of goodwill	-	743
(Decrease) / Increase in life insurance contract liabilities	(277)	8,784
(Decrease) / Increase in other operating assets & liabilities	2,630	6,293
Increase in current and deferred tax asset - net	(1,085)	(965)
Cash flows (used in) / from operating activities	(533)	13,269

(b) Reconciliation of cash

For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 31 December 2020:

	2021 NZ\$000	2020 NZ\$000
Cash in bank	71,501	72,965
Balance at the end of the year / period	71,501	72,965

Cash and cash equivalents earn interest at floating rates predominantly based on overnight cash rates.

Accounting policy – recognition and measurement**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand that is available on demand and deposits that are held at call with financial institutions. For the purpose of the Consolidated statement of cash flows, cash and cash equivalents also includes other highly liquid investments not subject to significant risk of change in value, with short periods to maturity, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in the Consolidated statement of financial position. Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as "cash and cash equivalents"

Cash and cash equivalents are financial assets carried at amortised costs.

Notes to the consolidated financial statements

for the year ended 31 December 2021

Section 7: Other disclosures (continued)**7.2 Contingent liabilities**

The Group from time to time may incur obligations arising from litigation or various types of contracts entered into in the normal course of business including guarantees issued for performance obligations to controlled entities of the Group. A contingent liability is disclosed where a legal or constructive obligation is possible, but not probable, or where the obligation is probable, but the financial impact of the event is unable to be reliably estimated.

Where it is determined that the disclosure of information in relation to a contingent liability can be expected to seriously prejudice the position of the Group in a dispute, accounting standards allow the Group not to disclose such information and it is the Group's policy that such information is not to be disclosed in this note.

At reporting date there were no material contingent liabilities where the probability of any outflow in settlement was greater than remote.

7.3 Auditor's remuneration

Amounts paid or payable to the Auditor of the Group for:

	2021 NZ\$000	2020 NZ\$000
Audit of the consolidated financial statements	254	502
Other assurance-related services	-	68

The above amounts are inclusive of non-recoverable GST.

7.4 Right of use assets and lease liabilities

	2021 NZ\$000	2020 NZ\$000
Right of Use Lease Assets		
Cost as at 31 December	4,428	2,035
Accumulated depreciation and impairment	(1,896)	(938)
Net carrying amount as at 31 December	2,532	1,097
Opening net carrying amount at 1 January	1,097	2,186
Impact of changes in lease term	2,394	(463)
Depreciation for the year / period	(959)	(626)
Net carrying amount as at 31 December	2,532	1,097
Lease Liabilities	2021 NZ\$000	2020 NZ\$000
<i>Maturity analysis – contractual undiscounted cash flows</i>		
Less than one year	765	923
One to five years	1,883	186
Total undiscounted Lease liabilities	2,648	1,109
Current	717	917
Non-current	1,850	187
Total Lease liabilities 31 December	2,567	1,104

	2021 NZ\$000	2020 NZ\$000
Amounts recognised in consolidated statement of comprehensive income		
Interest expense on lease liabilities (included in other expenses in Note 1.2))	32	13

Notes to the consolidated financial statements

for the year ended 31 December 2021

7.4 Right of Use Assets and Lease Liabilities (continued)

Accounting policy – Right of use assets and lease liabilities

(a) Definition of a Lease

At the beginning of a contract, the Group assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relevant stand-alone prices.

(b) Leases as a lessee

The Group leases its Auckland and Wellington office via 3rd party. The Auckland office is leased for 5 years & lease payments are fixed for 1 year and will increase at the compound rate of 2.5% pa from the end of 1st year. The Wellington office is leased for 3 years & payment are fixed for the 3 years term.

(c) Right of use assets

The Group recognises a Right of use asset at the lease commencement date. The right of use asset is initially measured at cost, which comprises of the initial lease liability amount adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the Right of use asset is periodically reduced by impairment losses, if any and adjusted for certain measurements of the lease liability.

Right of use assets have been presented separately within the Consolidated statement of financial position.

(d) Lease Liabilities

The lease liability is initially measured as the present value of the lease payments that are not paid as at commencement date. Lease payments are discounted using the interest rate implicit in the lease. In cases in which the rate cannot be readily determined, the Group uses its incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease payments included in the measurement of the lease liability comprise of the following:

- Fixed payments including in substance fixed payments
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Lease liabilities have been presented separately within the Consolidated statement of financial position. Interest expense on Lease Liabilities have been presented in the Consolidated statement of comprehensive income within the operating expenses line item.

Notes to the consolidated financial statements

for the year ended 31 December 2021

7.5 New accounting standards

(a) New and amended accounting standards adopted by the Group

There have been no new or amended accounting standards adopted by the Group within the current reporting period.

(b) New accounting standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective, none of which have been early adopted by the Group in these consolidated financial statements. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the Group, other than as set out below.

NZ IFRS 17 Insurance Contracts

NZ IFRS 17 Insurance Contracts (NZ IFRS 17) was released in 2017 and, as currently issued, is mandatory for adoption by Resolution Life from 1 January 2023. The new standard introduces significant changes to accounting for life insurance contracts. The changes impact all of the Company's business.

The NZ IFRS 17 requirements affect recognition, measurement, presentation and disclosure relating to insurance contracts. The new standard, of itself, does not change the underlying economics or cash flows of the life insurance business. However, there will be significant changes on the measurement of insurance contract liabilities including the amount of deferred acquisition costs and the profit emergence profiles from life insurance contracts.

Since the standard was introduced, various implementation issues have been raised by stakeholders and the International Accounting Standards Board ("IASB") is currently considering certain targeted amendments to the standard. Amendments to IFRS 17 were approved by the IASB in June 2020 to address implementation issues identified and the effective date of IFRS 17 was revised to be applicable for reporting periods beginning on or after 1 January 2023. These amendments were adopted in NZ IFRS 17 in August 2020, which means the new standard will be mandatory for the Group's consolidated financial statements for periods starting from 1 January 2023.

Previous period comparatives would be restated based on restated insurance contract liabilities at 31 December 2022, including opening balances as at 1 January 2022.

In addition to the financial reporting impacts, regulators are considering their response to the new standard which may lead to changes in the determination of capital requirements, income tax and prudential reporting.

Due to the complexities of the requirements, evolving interpretations and the potential changes to the original standard, it is not yet practicable to quantify the financial impact on the Company. In some cases, the final impact of the new requirements will not be determined until any amendments, interpretations and regulatory responses to the new standard are determined. The Company is continuing to develop its implementation plans for the adoption of NZ IFRS 17.

7.6 Events occurring after reporting date

As at the date of these consolidated financial statements, the directors are not aware of any matters or circumstances that have arisen since the end of the financial period that have significantly affected, or may significantly affect:

- The operations of the Group in future years;
- The results of those operations in future years; or
- The state of affairs of the Group in future financial years.

Independent Auditor's Report to the Shareholder of Resolution Life New Zealand Limited

Opinion

We have audited the consolidated financial statements of Resolution Life New Zealand Limited and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies as set out on pages 2 to 31.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the Group's consolidated financial position as at 31 December 2021 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for Opinion

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

We are independent of the Group 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.

Other than in our capacity as auditor, we have no relationship with or interests in the Group, except that partners and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. The firm has no other relationship with, or interest in, the Group.

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

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 for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Actuarial Valuations</p> <p>As at 31 December 2021 the Group's Life insurance contract liabilities amounted to \$8.5m calculated on the basis of actuarial assumptions and methods as disclosed in note 4.3.</p> <p>Significant management judgement is involved, including assumptions that have been identified as having high estimation uncertainty and include:</p> <ul style="list-style-type: none"> • appropriateness of assumptions used in the valuation of the reinsurance treaty; • appropriateness of allowances for discretions and professional judgement; and • completeness and accuracy of data used for the valuation models. 	<p>In conjunction with our actuarial specialists our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • assessing the valuation methodology, valuation process and the valuation model to ensure compliance with respect to actuarial standards; • validating the assumptions used by management and comparing valuation assumptions to the results of experience studies or other sources of assumptions for reasonableness; • assessing the competency and objectivity of the Appointed Actuary; • discussions with the Appointed Actuary and Management; • reviewing documentation of model integrity checks, technical reviews, peer reviews and other documented data checks produced by the Group; and • assessing the appropriateness of the disclosures in Section 4 to the consolidated financial statements.

Other Information

The directors on behalf of the Group are responsible for the other information. The other information comprises the information relating to solvency that accompanies the consolidated financial statements for the year ended 31 December 2021, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs (NZ) 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 consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The auditor also provides the Directors with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied.



From the matters communicated with the directors, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

A handwritten signature in black ink, appearing to read "Stuart Alexander".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Stuart Alexander".

Stuart Alexander
Partner
Chartered Accountants
Sydney, 31 March 2022

Appointed Actuary's Report for Resolution Life New Zealand Limited

To the Directors of Resolution Life New Zealand Limited ("RLNZ")

This report has been prepared for RLNZ in accordance with Section 78 of the Insurance (Prudential Supervision) Act 2010 ("the Act").

In terms of Section 77(1) of the Act, I have reviewed the actuarial information contained in, or used in the preparation of, the financial Statements of RLNZ for the year ended 31 December 2021 ("the financial statements").

For the purposes of this report, "actuarial information" is as defined in Section 77(4) of the Act, together with paragraph 139 of the Solvency Standard for Life Insurance Business 2014 ("the Life Solvency Standard") issued by the Reserve Bank of New Zealand under the Act.

My review has included review of the premiums, claims, policy liabilities and solvency calculations for RLNZ as at 31 December 2021, together with the assumptions used for valuation purposes. My review has been carried out in accordance with the relevant professional standards of the New Zealand Society of Actuaries and the Life Solvency Standard.

I have obtained all of the information and explanations that I have required in order to carry out my review.

I certify that in my opinion, and from an actuarial perspective:

- a) the actuarial information contained in the financial statements has been appropriately included in those statements;
- b) the actuarial information used in the preparation of the financial statements has been used appropriately;
- c) RLNZ and its Statutory Fund is maintaining solvency margins imposed by the conditions of its licence under section 21 of the Act as at 31 December 2021.

Other than my relationship as Appointed Actuary of RLNZ, I am engaged by of Resolution Life Services NZ Limited, a subsidiary of RLNZ. I do not have any other relationship with, or interests in, RLNZ or its subsidiary.

This report is provided solely in my capacity as the RLNZ Appointed Actuary. To the fullest extent permitted by law, I do not accept responsibility to anyone for the contents of this report other than the Reserve Bank of New Zealand, RLNZ and its directors and shareholders.



Catherine Henshall, FNZSA FIA
Appointed Actuary, RLNZ
23 March 2022