General Reinsurance
Life Australia Ltd.
New Zealand Branch

Financial Report
for the Financial Year ended
31 December 2015
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</tr>
</tbody>
</table>
DIRECTORS’ REPORT

The Directors present their report together with the annual financial report for the financial year ended 31 December 2015 and the auditor’s report thereon. The New Zealand Branch (the branch) is a foreign operation of General Reinsurance Life Australia Ltd (the company) incorporated in Australia.

Directors

The Directors of the company during or since the end of the financial year were:

<table>
<thead>
<tr>
<th>Name and qualifications</th>
<th>Age</th>
<th>Experience and special responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>F Allan McDonald</td>
<td>76</td>
<td>Mr. McDonald is also a director of Astro Japan Property Group Limited, General Reinsurance Australia Ltd and Brookfield Capital Management Limited. He has 49 years' industry experience, has been a director of General Reinsurance Life Australia Ltd since May 1981 and was appointed as Chairman in May 1992. He is also a member of the Board Audit, Risk and Remuneration Committees.</td>
</tr>
<tr>
<td>Kathryn J McCann</td>
<td>54</td>
<td>Ms. McCann has 30 years’ experience in the finance and business management industry. She is a director of Astro Japan Property Group Limited and General Reinsurance Life Australia Ltd. She holds a Master of Business Administration degree and held the position of Principal of a major management consulting firm up to 2002. Director since August 2006 and a member of the Board Audit Committee since November 2006, she has also been the Chair of the Remuneration Committee since March 2010.</td>
</tr>
<tr>
<td>Winfried Heinen</td>
<td>56</td>
<td>Dr Heinen is also an executive director of General Reinsurance AG (Germany) and a non-executive director of General Re Corporation (US), General Re Life Corporation (US) and General Reinsurance Africa Limited (South Africa). He holds a Masters and a PhD in Mathematics and has been employed with Gen Re since 1988. He is a member of the German society of actuaries. He was appointed to the Board of General Reinsurance Life Australia Ltd on 17 August 2012.</td>
</tr>
</tbody>
</table>

Name and qualifications Age Experience and special responsibilities

F Allan McDonald
B.Ec, FCPA, FGIA, FAIM
- Chairperson
- Non-Executive Director
- Member of Board Audit Committee
- Member of Board Risk Committee
- Member of Board Remuneration Committee

Kathryn J McCann
B.App.Sci (Computing Science), B.Com
- Non-Executive Director
- Member of Board Audit Committee
- Member of Board Risk Committee
- Chair of Board Remuneration Committee

Winfried Heinen
Doctorate Mathematics
- Non-Executive Director
DIRECTORS’ REPORT (continued)

<table>
<thead>
<tr>
<th>Name and qualifications</th>
<th>Age</th>
<th>Experience and special responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mark Phillips</strong></td>
<td>55</td>
<td>Mr Phillips has over 35 years’ experience in the financial services industry. Following twenty years at the Commonwealth Bank of Australia, he held Managing Director roles over the course of ten years within listed financial services businesses. Mr Phillips was appointed to the Board of General Reinsurance Life Australia Ltd in January 2014 and became a member of the Board Audit and Board Remuneration Committees at the same time. He was appointed as Chair of the Board Audit Committee in May 2014 and Chair of the Board Risk Committee in November 2014.</td>
</tr>
<tr>
<td>B. Com, M. Com</td>
<td></td>
<td>- Non-Executive Director</td>
</tr>
<tr>
<td>- Chair of Board Audit Committee</td>
<td></td>
<td>- Chairman of the Board Risk Committee</td>
</tr>
<tr>
<td>- Member of Board Remuneration Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Meredith Brooks</strong></td>
<td>54</td>
<td>Ms Brooks has over 30 years’ experience in the financial services industry, including extensive experience in funds management both in Australia and overseas. She also holds the positions of Non-executive Director at BT Investment Management Limited, Chair at Critical Path Inc., Council Member at Glaucoma Australia and was also appointed to the Board of General Reinsurance Australia Ltd. in January 2016. She holds a Bachelor of Arts in Actuarial Studies and is a Fellow of the Institute of Actuaries of Australia. Ms Brooks became a member of the Board Audit, Remuneration, and Risk Committees upon her appointment to the Board of the Company in January 2016.</td>
</tr>
<tr>
<td>B.A. (Actuarial Studies), FIAA</td>
<td></td>
<td>- Non-Executive Director</td>
</tr>
<tr>
<td>- Member of Board Audit Committee</td>
<td></td>
<td>- Member of Board Risk Committee</td>
</tr>
<tr>
<td>- Chair of Board Remuneration Committee</td>
<td></td>
<td>- Chair of Board Remuneration Committee</td>
</tr>
<tr>
<td><strong>Andres Webersinke</strong></td>
<td>50</td>
<td>Mr Webersinke has worked for the Gen Re Group since 1993. He was previously Head of the Research &amp; Development Service Unit in Cologne and prior to that the Principal Officer of Gen Re’s Singapore branch. He was appointed to the board effective 17 June 2014.</td>
</tr>
<tr>
<td>Master of Mathematics (German university degree comparable) Actuary (DAV), FIAI, FASSA - Managing Director</td>
<td></td>
<td>- Non-Executive Director</td>
</tr>
</tbody>
</table>

Meetings of directors

The number of Directors’ meetings (including meetings of committees of Directors) and number of meetings attended by each of the directors of the company during the financial year ended 31 December 2015 are:

<table>
<thead>
<tr>
<th>Director</th>
<th>Directors’ Meetings</th>
<th>Board Audit Committee</th>
<th>Board Remuneration Committee</th>
<th>Board Risk Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>B</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>F Allan McDonald</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Kathryn J McCann</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Winfried Heinen</td>
<td>2</td>
<td>4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mark Phillips</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Andres Webersinke</td>
<td>4</td>
<td>4</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

A - The number of meetings attended.
B - The number of meetings held during the time the Director held office during the year.
DIRECTORS’ REPORT (continued)

Company secretaries

Particulars of the qualifications and experience of each Company Secretary during or since the end of the financial year are

<table>
<thead>
<tr>
<th>Name and qualifications</th>
<th>Age</th>
<th>Experience and special responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Herman Beukes</td>
<td>39</td>
<td>Mr. Beukes has been in the employment of the Gen Re group since 2003, and prior to transferring to Australia spent 3 years as the Chief Financial Officer of the South African office. He was appointed as Chief Financial Officer effective 21 May 2012 and Company Secretary effective 1 July 2012. In July 2015 Mr. Beukes was promoted to Regional Financial Controller for the Asia Pacific region.</td>
</tr>
</tbody>
</table>

Principal activities

The principal activity of the branch is reinsurance underwriting.

There has been no significant change in the nature of this activity during the year.

Review of operations

Operating Results

The net profit of the branch for the year, after provision for income tax, amounted to $9,994,000 compared with the 2014 profit of $6,295,000.

State of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the branch that occurred during the financial year under review not otherwise disclosed in this report or the financial statements or notes thereto.

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the branch, to affect significantly the operations of the branch, the results of those operations, or the state of affairs of the branch in subsequent financial years.
DIRECTORS’ REPORT  (continued)

Indemnification of officers and auditors

The Board of General Re Corporation (incorporated in the USA) has, by resolution, provided indemnification to each of the Directors of the Company, as per the By-Laws of General Re Corporation.

The Company has not otherwise during or since the end of the financial year, except to the extent permitted by law and noted above, indemnified or agreed to indemnify, an officer or auditor of the Company or of any state body corporate against liability incurred as such an officer or auditor.

Likely developments

There are no future developments in the normal operations of the branch that require comment in this report other than the comments made under the Review of Operations. The directors do not consider there are any likely developments which will impact the operations of the branch.

Environmental regulation

This branch is not subject to significant environmental regulation as the branch operates solely in the financial services sector.

Companies Act disclosures

No disclosure has been made in respect of s211 (a) and (e) to (j) of the Companies Act 1993 following a unanimous decision by the shareholders in accordance with s211 (3) of the Act.

Acknowledgements

The Directors wish to place on record their appreciation of the support given to our branch by clients. In addition, the Directors take this opportunity to formally thank management and staff for their efforts throughout the year.

Auditor’s independence declaration

The auditor’s Independence Declaration is contained on page 7.

Approval

Signed in accordance with a resolution of the Directors made pursuant to Section 211(1)(k) of the Corporations Act 1993 on 15 March 2016.

On behalf of the Directors:

K.J. McCann
Acting Chair

A. Webersinke
Managing Director

Sydney, 15 March 2016
### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Premium revenue</td>
<td>56,254</td>
<td>52,534</td>
</tr>
<tr>
<td>Outwards reinsurance expense</td>
<td>(1,309)</td>
<td>(1,236)</td>
</tr>
<tr>
<td><strong>Net premium revenue</strong></td>
<td>54,945</td>
<td>51,298</td>
</tr>
<tr>
<td>Life claims expense</td>
<td>(39,521)</td>
<td>(37,574)</td>
</tr>
<tr>
<td>Change in life insurance contract policy liabilities</td>
<td>(2,255)</td>
<td>(11,301)</td>
</tr>
<tr>
<td>Change in reinsurance recoveries</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net claims incurred</strong></td>
<td>(41,771)</td>
<td>(48,875)</td>
</tr>
<tr>
<td>Other income</td>
<td>-</td>
<td>26</td>
</tr>
<tr>
<td>Policy acquisition costs</td>
<td>(2,445)</td>
<td>(3,557)</td>
</tr>
<tr>
<td>General and administration expenses</td>
<td>(1,988)</td>
<td>(3,186)</td>
</tr>
<tr>
<td><strong>Net underwriting profit/(loss)</strong></td>
<td>8,741</td>
<td>(4,294)</td>
</tr>
<tr>
<td>Interest income</td>
<td>4,077</td>
<td>6,087</td>
</tr>
<tr>
<td>Investment expenses</td>
<td>(76)</td>
<td>(60)</td>
</tr>
<tr>
<td>Net investment gain/(loss)</td>
<td>836</td>
<td>(474)</td>
</tr>
<tr>
<td><strong>Net investment income</strong></td>
<td>4,838</td>
<td>5,553</td>
</tr>
<tr>
<td><strong>Profit before income tax</strong></td>
<td>13,579</td>
<td>1,259</td>
</tr>
<tr>
<td>Income tax (expense)/benefit</td>
<td>(3,585)</td>
<td>5,036</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>9,994</td>
<td>6,295</td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit/loss</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Items that will not be reclassified subsequently to profit/loss</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year attributable to the members of the company</strong></td>
<td>9,994</td>
<td>6,295</td>
</tr>
</tbody>
</table>

*This Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to and forming part of the financial statements.*
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

For the financial year ended 31 December 2015

<table>
<thead>
<tr>
<th>Account</th>
<th>Head Office</th>
<th>Retained Earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Balance at 1 January</td>
<td>532</td>
<td>21,457</td>
<td>21,989</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td>9,994</td>
<td>9,994</td>
</tr>
<tr>
<td>Transfers to Australian statutory fund</td>
<td>-</td>
<td>(2,150)</td>
<td>(2,150)</td>
</tr>
<tr>
<td>Balance at 31 December</td>
<td>532</td>
<td>29,301</td>
<td>29,833</td>
</tr>
</tbody>
</table>

For the financial year ended 31 December 2014

<table>
<thead>
<tr>
<th>Account</th>
<th>Head Office</th>
<th>Retained Earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Balance at 1 January</td>
<td>532</td>
<td>25,622</td>
<td>26,154</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td>6,295</td>
<td>6,295</td>
</tr>
<tr>
<td>Transfers to Australian statutory fund</td>
<td>-</td>
<td>(10,460)</td>
<td>(10,460)</td>
</tr>
<tr>
<td>Balance at 31 December</td>
<td>532</td>
<td>21,457</td>
<td>21,989</td>
</tr>
</tbody>
</table>

All retained earnings are attributable to the shareholder. Shareholder’s access to the retained profits and shareholder’s capital is restricted to the extent these monies within the Statutory Funds are required to meet solvency and capital adequacy requirements under the Life Insurance Prudential Standards.

Transfers are made between the New Zealand branch statutory fund and the Australian company statutory fund in order to maintain capital requirements and aid in liquidity.

This Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial statements.
# STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2015

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>9,871</td>
<td>17,616</td>
</tr>
<tr>
<td>Investments</td>
<td>117,137</td>
<td>115,163</td>
</tr>
<tr>
<td>Accrued investment income</td>
<td>946</td>
<td>1,081</td>
</tr>
<tr>
<td>Receivables</td>
<td>585</td>
<td>365</td>
</tr>
<tr>
<td>Reinsurance recoverable</td>
<td>25</td>
<td>20</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,326</td>
<td>490</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>129,890</td>
<td>134,735</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding claims liabilities</td>
<td>9,484</td>
<td>10,027</td>
</tr>
<tr>
<td>Life insurance contract liabilities</td>
<td>80,956</td>
<td>78,701</td>
</tr>
<tr>
<td>Other payables</td>
<td>2,835</td>
<td>19,534</td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td>2,438</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>4,344</td>
<td>4,484</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>100,057</td>
<td>112,746</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>29,833</td>
<td>21,989</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Head office account</td>
<td>532</td>
<td>532</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>29,301</td>
<td>21,457</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>29,833</td>
<td>21,989</td>
</tr>
</tbody>
</table>

This Statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial statements.
# Statement of Cash Flows

## For the Financial Year Ended 31 December 2015

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
</tbody>
</table>

### Cash Flows from Operating Activities

- **Premiums received**: 56,034 59,051
- **Outwards reinsurance paid**: (1,236) (1,031)
- **Claims paid**: (40,064) (35,831)
- **Other payments to employees, suppliers and related parties**: (23,327) (2,633)
- **Interest received**: 5,745 6,064
- **Investment expenses paid**: (76) (60)
- **Income tax received/(paid)**: (0) 728

**Net cash (used in)/provided by operating activities**: (2,925) 26,288

### Cash Flows from Investing Activities

- **Payments for purchase of investments**: (43,785) (13,142)
- **Proceeds from sale of investments**: 41,115 7,841

**Net cash used by investing activities**: (2,670) (5,301)

### Cash Flows from Financing Activities

- **Capital transfer (to)/from Australian statutory fund**: (2,150) (10,460)

**Net (used in)/provided by financing activities**: (2,150) (10,460)

**Net (decrease)/increase in cash and cash equivalents during the financial year**: (7,745) 10,527

### Cash and Cash Equivalents at Beginning of Financial Year

- **Cash and cash equivalents at beginning of financial year**: 17,616 7,089

### Exchange Fluctuations on Cash and Cash Equivalents Held in Foreign Currencies

- **Exchange fluctuations on cash and cash equivalents held in foreign currencies**: - -

### Cash and Cash Equivalents at End of Financial Year

- **Cash and cash equivalents at end of financial year**: 9,871 17,616

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This Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the financial statements.
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

1  SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

These general purpose financial statements cover General Reinsurance Life Australia Ltd. - New Zealand Branch (the Branch). The Branch is domiciled in New Zealand, registered address at 205 Queen Street, Auckland. The Branch is a Financial Markets Conduct reporting entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013, and it's financial statements comply with these Acts.

On 22 May 2013 the Branch became an issuer as required by the Insurance (Prudential Supervision) Act 2010.

The annual financial statements have been prepared in accordance with the Generally Accepted Accounting Practice in New Zealand (‘NZ GAAP’). They fully comply with the New Zealand Equivalents of International Financial Reporting Standards (‘NZ IFRS’) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (‘IFRS’).

The accounting policies below have been applied in preparing the financial statements for the financial year ended 31 December 2015 and comparative information presented in these financial statements for the financial year ended 31 December 2014.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Branch’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements have been disclosed in Note 2.

These financial statements are presented in New Zealand Dollars ($), which is the Branch’s functional currency. All financial information presented in New Zealand Dollars has been rounded to the nearest thousand, except when otherwise indicated.

The New Zealand Branch is part of General Reinsurance Life Australia Ltd. (the ‘Company’) which is incorporated in Australia. The assets of the Branch are legally available for the satisfaction of debts of the entire Company, not solely those appearing on the accompanying Statement of Financial Position and its debts may result in claims against assets not appearing thereon.

The financial statements were authorised for issue by the Directors on 15 March 2016.

Adoption of new and revised accounting standards

In the current year, the branch has adopted all the new and revised Standards and Interpretations issued by the New Zealand Accounting Standards Board (the NZASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations have not resulted in change to the branch’s accounting policies for the current and prior years.

Accounting standards and interpretations issued but not yet effective

At the date of authorisation of the financial report, the following Standards and Interpretations, including those Standards or Interpretations issued by the IASB/IFRIC where an equivalent New Zealand Standard or Interpretation has not been approved, were on issue but not yet effective.

<table>
<thead>
<tr>
<th>Standard</th>
<th>Effective for annual reporting periods beginning on or after</th>
<th>Expected to be initially applied in the financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ IFRS 9 Financial Instruments</td>
<td>1 January 2018</td>
<td>31 December 2018</td>
</tr>
<tr>
<td>NZ IFRS 15 Revenue from contracts with customers</td>
<td>1 January 2018</td>
<td>31 December 2018</td>
</tr>
</tbody>
</table>

When adopted in future periods these accounting standards are not expected to have a material impact on the Branch’s results or financial positions, however, they may have an impact on disclosures.
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

1 SUMMARY OF ACCOUNTING POLICIES (continued)

Basis of preparation

The financial report has been prepared in accordance with the historical cost convention, except for assets backing insurance liabilities which are stated at fair value and provisions for outstanding claims and life insurance contract liabilities which have been inflation adjusted and discounted as required by the relevant standard.

Prior period restatements

A number of prior year balances have been restated in the prior year comparative (2014). These relate to the following points:
- To provide a greater level of detail on the face of the primary statements for which information was already visible in the prior year note disclosures.
- Change of signing to be more transparent to users and to align the financial statements of the Branch to the Company.
- Certain regroupings of portfolio presentations to align the presentation of the Branch with the Company.
- Correction of matters that are not deemed to be material.

These changes have not resulted in changes in net profit, net assets and net cash flows.

Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Principles of Life Insurance contract business

The life insurance operation of the Branch is reported in the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity of the Branch. The life insurance operations of the Branch comprise the selling and administration of reinsurance of life insurance contracts.

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). Insurance contracts include those where the insured benefits are payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness. The Stop loss retrocession is linked to the market value of investments held by the Company, with the intent to offset the effects of changes in discount rate on policy liabilities. Life insurance contract business written by the Branch is non-participating and all profits and losses are allocated to the Shareholders. All products sold meet the definition of a life insurance contract.

(b) Outstanding claims

 Provision is made for the estimated cost of unsettled lump sum claims.

Reserves for claims incurred but not reported and claims considered likely to arise are included in the actuarial valuation of policy liabilities as discussed in Note 3.

(c) Basis of expense apportionment

Expenses are incurred in relation to the acquisition and maintenance of life insurance.

Policy acquisition costs are the fixed and variable costs of acquiring new business. They include commission and similar distribution costs. The actual acquisition costs incurred are recorded in Note 5(d).
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(d) Policy liabilities

Policy liabilities consist of life insurance contract liabilities.

The value of life insurance contract liabilities is calculated using the Margin on Services methodology. Under this methodology, planned profit margins and an estimate of future liabilities are calculated separately for each related product group using best estimate assumptions at each reporting date. Profit margins are released over each reporting period in line with the services that have been provided. The balance of the planned profits is deferred by including them in the value of policy liabilities. Further details of the actuarial assumptions used in these calculations are set out in Note 3.

(e) Assets backing policy liabilities

The Branch has determined that all assets held are assets backing policy liabilities on the basis that all assets of the Branch are available for the settlement of claims if required. All assets of the Branch are managed under the Company’s Risk Management Strategy and Framework on a fair value basis and are reported to the Board on this basis, all assets have been valued at fair value through the Statement of Profit or Loss and Other Comprehensive Income where available.

Restrictions on assets
Investments held in the life insurance statutory funds can only be used within the restrictions imposed under the Life Act. The main restrictions are that the assets in a fund can only be used to meet the liabilities and expenses of that fund, to acquire investments to further the business of the fund, or as distributions.

Financial assets
Financial assets are classified as fair value through the Profit or Loss. Initial recognition is at cost and subsequent measurement is at fair value. Unrealised gains and losses on subsequent measurement to fair value are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Fair value is determined as follows:
- Cash and cash equivalents are carried at face value of the amounts deposited or drawn. The carrying amounts of cash and cash equivalents approximate to their fair value. For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand.
- Fixed interest securities are carried at fair value represented by the quoted market value at balance date.

(f) Outward reinsurance premiums

Premiums ceded to reinsurers are recognised as an expense in accordance with the recognition (or earning) pattern of reinsurance services rendered. Accordingly, a portion of outward reinsurance premiums is treated as a prepayment at balance date, where appropriate.

(g) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid and outstanding claims are recognised as revenue. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the for outstanding claims liability.

(h) Premiums

Inward reinsurance premiums comprise amounts charged to the ceding company, excluding amounts collected on behalf of third parties. Premiums are recognised as revenue on an accruals basis, based on current experience. Premiums in relation to unclosed business have been brought to account and are based on historical data.

Refunds of premiums arising under contractual obligations are accounted for as a reduction in premium income.
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(i) Deferred acquisition costs

The costs incurred in acquiring specific life insurance contracts include commission payments and similar distribution costs. The policy liabilities take into account the deferral and future recovery of acquisition costs, resulting in policy liabilities being lower than otherwise determined, with those costs being amortised over the period that they will be recoverable. The deferred amounts are recognised in the Statement of Financial Position as a reduction in life insurance contract liabilities and are amortised through the Statement of Profit or Loss and Other Comprehensive Income over the expected duration of the relevant policies.

The acquisition costs deferred are determined as the lesser of actual costs incurred and the allowance for the recovery of those costs from the premiums or policy charges (as appropriate for each policy class), subject to an overall limit that the value of future profits at inception cannot be negative (acquisition losses are recognised at inception to the extent the latter situation arises).

(j) Investments

Financial assets are classified at fair value through Profit or Loss. Initial recognition and subsequent measurement is at fair value. Unrealised gains and losses on subsequent measurement to fair value are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Fair value is determined as follows:

- Cash and cash equivalents are carried at face value of the amounts deposited or drawn. The carrying amounts of cash and cash equivalents approximate to their fair value. For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand.
- Fixed interest securities are carried at fair value represented by the quoted market value at balance date.

(k) Foreign currency

Foreign currency transactions are translated to New Zealand currency at the rates of exchange ruling at the date of the transactions. Amounts receivable and payable in foreign currencies are translated at the rates of exchange ruling at balance date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account in the Statement of Profit or Loss and Other Comprehensive Income in the financial year in which the exchange rates change, as exchange gains or losses.

(l) Receivables

Receivables are recognised as follows:

- Premium receivables are recognised in accordance with New Zealand IFRS 4 “Insurance Contracts”.
- Income receivable on financing and investment activities is accrued in accordance with the terms and conditions of the underlying financial instrument.
- Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is established where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted. Examples of evidence that may indicate a review of collectability are bankruptcy of counterparties, disputes with counterparties or non-collection for over 180 days.
- For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(m) Income tax
Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive 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. In principle, deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affects neither taxable income nor accounting profit.

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

(n) Accounts payable
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within thirty days of recognition.

(p) Impairment of financial assets
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

(o) Goods and services tax
Revenues, expenses, assets and liabilities are recognised net of the amount of applicable goods and services tax (GST), except:
(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the acquisition cost of an asset or as part of an item of expense; or
(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the taxation authorities is classified as operating cash flows.
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The branch makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below.

(a) Life insurance contract liabilities

Life insurance contract liabilities are computed by suitably qualified personnel on the basis of actuarial methods, with due regard to relevant actuarial principles as required by the Australian Prudential Regulatory Authority ("APRA") and the New Zealand Society of Actuaries. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written.

The key factors that affect the estimation of these liabilities and related assets are:
- the level of expenses of the branch
- mortality and morbidity experience on life insurance products
- discontinuance experience, which affects the Company’s ability to recover the cost of acquiring new business over the lives of the contracts
- future interest rates
- delays in notification of claim events

(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods where applicable. All reinsurance contracts are with the parent company and the recoverability of such assets is not considered to be impaired by any counterparty or credit risk.

3 ACTUARIAL ASSUMPTIONS AND METHODS

The Company's Appointed Actuary, Paul Drysdale, is a Fellow of the New Zealand Society of Actuaries and Fellow of the Institute of Actuaries of Australia. The Appointed Actuary is satisfied as to the nature, sufficiency and accuracy of the data upon which policy liabilities have been determined.

The amount of policy liabilities has been determined in accordance with the methods and assumptions disclosed in this financial report and are in compliance with the standards of the New Zealand Society of Actuaries and the Insurance (Prudential Supervision) Act 2010.

(a) Policy liabilities

The policy liabilities have been determined in accordance with applicable accounting and actuarial standards. Policy liabilities for life insurance contracts are valued in accordance with New Zealand IFRS 4 "Life Insurance Contracts".

Life insurance contract liabilities have been calculated in a way that allows for the systematic release of planned margins as services are provided to policyholders and premiums are received, referred to as the Margin on Services method. Under this method, policy liabilities equal the amount, which together with future premiums and investment earnings will:

(i) meet the expected payment of future benefits and expenses; and
(ii) provide for the systematic release of profit as policy services are provided and income is received or recognised.
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

3 ACTUARIAL ASSUMPTIONS AND METHODS (continued)

(a) Policy liabilities

The major product groups are individual lump sum risk business and individual disability income business. There is also a small volume of group business and catastrophe business. The profit carrier used in order to achieve the systematic release of planned margins was inforce premium.

Policy liabilities for the majority of the business have been calculated on a projection basis, with the residual business being calculated by the "accumulation" method as permitted under NZ IFRS4. The result of using this method rather than the "projection" method required under NZ IFRS4 is not materially different and achieve the principals of the standard.

Policy liabilities under the accumulation method have been calculated as the sum of the provisions for:
(i) Unearned premium,
(ii) Level premium reserves for policies written on a level premium basis,
(iii) Surrender values of policies that provide a surrender value,
(iv) Capitalised losses, where applicable,
(v) plus/minus a provision which adjusts the policy liability to give effect to the requirement for the systematic release of planned surplus and mostly represents recoverable deferred first and/or second year policy costs not matched by the corresponding premium income.

The amortisation of these costs was established by financial model projections of representative policy portfolios, allowing for the release of future profits in proportion to a "profit carrier" as required under NZ IFRS4.

In addition to the policy liabilities calculated under the projection and accumulation method were reserves for:
(i) Incurred but not reported claims (IBNR),
(ii) Accumulated experience rebates,
(iii) Reserves for expected future payments on reported disability income claims.

(b) Regulatory capital requirements

These are amounts required to meet the prudential standards specified by the Insurance (Prudential Supervision) Act 2010 to provide protection to the policy owners against the impact of fluctuations and unexpected adverse experience of the business.

The methods and bases adopted for determining the solvency requirements are in accordance with licensing conditions imposed by the Reserve Bank of New Zealand.

(c) Disclosure of assumptions

(i) Discount rates

Allowance for future interest rates of 3.50% pa (2014: 3.75%) is assumed

Policy liabilities are determined on the basis of using risk-free discount rates based on government bond rates and consideration of the term of the liabilities.

(ii) Inflation rates

Allowance for future inflation of 2.00% pa (2014: 2.00%) is assumed

Some contract terms set a minimum level of policy indexation and this is used to index policy benefits where it exceeds the assumed inflation rate.

(iii) Future expenses and indexation

The allowance for future expenses was based on the Branch’s experience in 2015, with allowance for one-offs, as the best available estimate for 2016. Expenses are assumed to remain a stable percentage of in-force premiums over the life of the business. Benefits and premiums are assumed to increase by the rate of inflation, or by some other factor, where specified for the policies being reinsured.
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

3 ACTUARIAL ASSUMPTIONS AND METHODS (continued)

(iv) Rates of taxation
Policy liabilities have been calculated gross of tax given that the business is taxed on a profits basis.

(v) Future expenses and indexation
Mortality: Tables derived from the NZ10 Insured Lives Tables with allowance for subsequent improvements in mortality, subdivided into smoker and non-smoker classes and adjusted to the classes of life insurance written.

Disability: Tables derived from the IAD89-93 and US 85 CIDA tables with adjustments to incidence rates and termination rates of claim.

Trauma: Trauma claims were derived from various studies of the incidence of the individual trauma conditions.

Adjustments made to the base table are made after consideration of the:
(i) type of product being written (policy terms, underwriting/claims approach, target market), and
(ii) actual experience investigations undertaken by the branch.

(vi) Rate of discontinuance
Future rates of discontinuance for the major classes of business vary by policy duration and age. Overall they are assumed to be in the order of:

<table>
<thead>
<tr>
<th>Type</th>
<th>2015 Rates</th>
<th>2014 Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lump-sum Risk</td>
<td>12.0% per annum</td>
<td>12.0% per annum</td>
</tr>
<tr>
<td>Disability Income</td>
<td>14.0% per annum</td>
<td>14.0% per annum</td>
</tr>
</tbody>
</table>

Rates are based on actual branch experience and market data as obtained from client companies.

(viii) Claim Delay
Significant delays are incurred between the date of the event resulting in a claim and the claim being reported to the branch. The branch establishes IBNR reserves to estimate the cost of these claims based on the expected level of claims and the average delay in reporting. The following delay assumptions are assumed:

Claim event (in months)

<table>
<thead>
<tr>
<th>Event</th>
<th>2015 months</th>
<th>2014 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accidental death</td>
<td>9.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Death</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Trauma</td>
<td>9.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Total and Permanent Disability</td>
<td>18.0</td>
<td>18.0</td>
</tr>
<tr>
<td>Disability income</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Group Life</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Group TPD</td>
<td>4.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Group Salary Continuance</td>
<td>1.8</td>
<td>1.8</td>
</tr>
</tbody>
</table>

The above is based on actual experience of the branch and other data obtained from client companies.
3 ACTUARIAL ASSUMPTIONS AND METHODS (continued)

(d) Sensitivity analysis
The policy liability is derived based on the best estimate of various variables – interest rates, inflation rates, expenses, mortality & morbidity and discontinuance rates. The movement in any assumption can have an impact on the policy liability, profit and shareholder equity positions.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Impact of movement in underlying variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rates</td>
<td>A reduction in interest rates would result in an increase in policy liabilities and an increase in the value</td>
</tr>
<tr>
<td></td>
<td>of assets backing those policy liabilities. As the assets currently have a shorter average duration than</td>
</tr>
<tr>
<td></td>
<td>the liabilities a reduction in interest rates would decrease profit and shareholder equity.</td>
</tr>
<tr>
<td>Inflation rates</td>
<td>An increase in inflation rates would result in an increase in policy liability and therefore a reduction in</td>
</tr>
<tr>
<td></td>
<td>profit and shareholder equity. To the extent that higher inflation will be accompanied by higher interest</td>
</tr>
<tr>
<td></td>
<td>rates, the policy liabilities will reduce, there will be a decrease in the value of assets backing those</td>
</tr>
<tr>
<td></td>
<td>policy liabilities and there would be a reduction in profit and shareholder equity.</td>
</tr>
<tr>
<td>Expense rates</td>
<td>Expenses as a proportion of inforce premium are relatively small and therefore any reasonable deviation on</td>
</tr>
<tr>
<td></td>
<td>the level of expenses have little impact on profit and shareholder equity.</td>
</tr>
<tr>
<td>Mortality rates</td>
<td>Higher mortality rates would lead to increased claim costs/policy liabilities, reducing profit and</td>
</tr>
<tr>
<td></td>
<td>shareholder equity. Lower mortality rates would increase profit and shareholder equity.</td>
</tr>
<tr>
<td>Morbidity rates</td>
<td>Higher incidence and duration of claim would lead to increased claim costs/policy liabilities, reduced profit</td>
</tr>
<tr>
<td></td>
<td>and shareholders equity. Lower morbidity incidence rates would increase profit and shareholder equity.</td>
</tr>
<tr>
<td></td>
<td>Lower morbidity termination rates would lead to increased claim costs/policy liabilities, reduced profit</td>
</tr>
<tr>
<td></td>
<td>and shareholders equity. Higher morbidity incidence rates would decrease profit and shareholder equity.</td>
</tr>
<tr>
<td>Discontinuance</td>
<td>Higher discontinuance rates may impact on the recoverability of deferred acquisition costs and therefore</td>
</tr>
<tr>
<td></td>
<td>would impact on profit and shareholder equity if deferred acquisition costs were required to be written</td>
</tr>
<tr>
<td></td>
<td>down to what would be recoverable. Lower discontinuance rates would increase profit and shareholder equity</td>
</tr>
<tr>
<td></td>
<td>if there are capitalised losses that can be recovered, otherwise they will have no impact on profit or</td>
</tr>
<tr>
<td></td>
<td>shareholder equity.</td>
</tr>
</tbody>
</table>

To the extent that future profit margins can absorb the effect of higher claims costs and premium rates are reviewable, then changes in assumptions have little, if any, impact on the policy liability apart from IBNR reserves. Retrocession arrangements can also suppress the impact that changes in assumptions may have.

The table below illustrates how changes in key assumptions would have impacted the reported profit and retained earnings of the branch as at year end (after tax and retrocession).
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

3 ACTUARIAL ASSUMPTIONS AND METHODS (continued)

(d) Sensitivity analysis (continued)

<table>
<thead>
<tr>
<th></th>
<th>Profit $'000</th>
<th>Retained earnings $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current value</td>
<td>9,994</td>
<td>29,301</td>
</tr>
<tr>
<td>+1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rates</td>
<td>12,842</td>
<td>32,149</td>
</tr>
<tr>
<td></td>
<td>7,146</td>
<td>26,453</td>
</tr>
<tr>
<td>Inflation rates*</td>
<td>8,492</td>
<td>27,799</td>
</tr>
<tr>
<td></td>
<td>11,496</td>
<td>30,803</td>
</tr>
<tr>
<td>+10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td>9,994</td>
<td>29,301</td>
</tr>
<tr>
<td></td>
<td>9,994</td>
<td>29,301</td>
</tr>
<tr>
<td>Mortality and morbidity incidence</td>
<td>6,168</td>
<td>25,475</td>
</tr>
<tr>
<td></td>
<td>11,392</td>
<td>30,699</td>
</tr>
<tr>
<td>Morbidity termination rates</td>
<td>3,898</td>
<td>23,205</td>
</tr>
<tr>
<td></td>
<td>12,632</td>
<td>31,939</td>
</tr>
<tr>
<td>Discontinuance rates</td>
<td>9,994</td>
<td>29,301</td>
</tr>
<tr>
<td></td>
<td>9,994</td>
<td>29,301</td>
</tr>
<tr>
<td>Claim reporting delay</td>
<td>8,596</td>
<td>27,903</td>
</tr>
<tr>
<td></td>
<td>11,392</td>
<td>30,699</td>
</tr>
</tbody>
</table>

* It has been assumed this will be accompanied by an increase/decrease in interest rates of +/-1%.

4 RISK MANAGEMENT POLICIES AND PROCEDURES

(a) Insurance contracts – Risk management policies and procedures

The financial condition and operation of the Branch are affected by a number of key risks including insurance risk, interest rate risk, currency risk, credit risk, market risk, liquidity risk, financial risk, compliance risk, fiscal risk and operational risk. Notes on the company's policies and procedures in respect of managing these risks are set out in this note.

Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The Branch has an objective to control insurance risk thus minimizing substantial unexpected losses that would expose the Company to a loss of capital.

The Board and senior management of the Company have developed, implemented and maintain a sound and prudent Risk Management Strategy (RMS) and a Risk Appetite Statement (RAS).

The Internal Capital Adequacy Assessment Process (ICAAP) and RMS identify the Company's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Company. Annually, the Board certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Company has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to compliance with the RMS.

The ICAAP is reviewed on an annual basis, unless circumstances necessitate a more frequent review.
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The ICAAP, RMS and RAS have been approved by the Board. Key aspects of the processes established in the RMS to mitigate risks include:

- The maintenance and use of sophisticated management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- Actuarial models, using information from the management information systems, are used to calculate premiums and monitor claims patterns. Past experience and statistical methods are used as part of the process.
- Documented procedures are followed for underwriting and accepting reinsurance risks.
- Reinsurance is used to limit the company’s exposure to large single claims and catastrophes.
- The company’s investment portfolio is prudently managed with respect to key criteria such as the average duration and credit quality.
- The mix of assets in which the company invests is driven by the nature and term of insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match the maturity dates of assets with the expected pattern of claim payments.
- The diversification of business over classes within the reinsurance portfolio, separate geographical segments and large numbers of uncorrelated individual risks also reduce variability in loss experience.

Financial risks

Financial risks are controlled by the majority of investments being in government bonds in the same currency and similar duration as the underlying policy liabilities, the balance of investments being held in cash assets. This significantly reduces any interest rate, currency, credit and liquidity risk that the branch may incur.

(a) Liquidity risk

Underwriting reinsurance contracts exposes the Branch to liquidity risk through the obligation to make payments of unknown amounts on unknown dates. The assets backing insurance liabilities consist of government securities and other quality securities which can generally be readily sold or exchanged for cash.

The Branch also has the option to request additional capital injections from the Parent, General Reinsurance AG (GRAG), following board approval.

(b) Interest rate risk

Fixed interest rate instruments expose the Branch to fair value interest rate risk. The Branch’s risk management approach is to minimise interest rate risk by actively managing investment portfolios. The Branch invests in high quality, liquid interest-bearing bonds and cash and actively manages the duration of the fixed interest portfolio. The claims provision is discounted to present value by reference to risk-free interest rates therefore exposed to potential underwriting result volatility as a result of interest rate movements. In practice, however, an increase or decrease in interest rates is normally offset by a corresponding increase or decrease in inflation.

(c) Credit risk

Financial assets or liabilities arising from insurance and reinsurance contracts are stated in the Statement of Financial Position at the amount that best represents the maximum credit risk exposure at balance date. There are no significant concentrations of credit risk, except for related party transactions.

(d) Terms and conditions of reinsurance business

The terms and conditions attaching to reinsurance contracts affect the level of insurance risk accepted by the company. All reinsurance contracts are subject to pre-determined capacity limits and underwriting guidelines and authorities. There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements.

(e) Concentration of insurance risk

The Branch’s exposure to concentrations of insurance risk is mitigated by a portfolio diversified into two major classes of business (individual and group) written out of New Zealand. The portfolio is controlled and monitored through the Company’s Risk Management Framework. This includes identifying and mitigating the concentrations of insurance risk by reviewing the type of insured event and also the geographical area of the risk.
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

4 RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

Non-financial risks

Non-financial risks are controlled through the use of:
1) medical and non-medical underwriting procedures and authorities
2) claims management procedures and authorities
3) product development/review procedures and authorities
4) treaty underwriting procedures and authorities
5) underwriting and claim peer reviews of clients
6) charging adequate premium rates for the business
7) quarterly monitoring of profitability overall and by client
8) reinsurance agreement terms and conditions
9) non-guaranteed reinsurance rates
10) retrocession arrangements to limit the effect of adverse claims experience, via stop-loss and surplus retrocession arrangements

5 PROFIT FROM ORDINARY ACTIVITIES

(a) Revenues from operating activities

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>General and insurance revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross written premiums</td>
<td>56,254</td>
<td>52,534</td>
</tr>
<tr>
<td>Outwards reinsurance expense</td>
<td>(1,309)</td>
<td>(1,236)</td>
</tr>
<tr>
<td>Total net premium revenue</td>
<td>54,945</td>
<td>51,298</td>
</tr>
</tbody>
</table>

(b) Included in general and administration expenses are:

- Expenses of management - policy maintenance | (2,988) | (3,312) |
- Net foreign exchange gains | 1,000 | 126 |
- Other Income* | - | - |

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1,988)</td>
<td>(3,186)</td>
</tr>
</tbody>
</table>

* Other income of $25,937 was "included in general and administration expenses" for the year ended 31 December 2014. Other Income is now presented separately in the Statement of Profit or Loss and Other Comprehensive Income and is not included in this note.

(c) Net claims incurred

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross claims incurred - death and disability*</td>
<td>(39,521)</td>
<td>(37,574)</td>
</tr>
<tr>
<td>Reinsurance recoveries - death and disability</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(39,516)</td>
<td>(37,574)</td>
</tr>
</tbody>
</table>

* Movements in Disability Income (individual and group) claims reserves are excluded from gross claims incurred and disclosed in note 13(a).

(d) Policy Acquisition

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy acquisition c - premium discount</td>
<td>(2,445)</td>
<td>(3,557)</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

5 PROFIT FROM ORDINARY ACTIVITIES (continued)

(e) Net investment income

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>4,077</td>
<td>6,087</td>
</tr>
<tr>
<td>Investment expenses</td>
<td>(76)</td>
<td>(60)</td>
</tr>
<tr>
<td>Net investment gain/(loss)</td>
<td>1,590</td>
<td>(583)</td>
</tr>
<tr>
<td>- Changes in fair values</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Realised (loss)/gain</td>
<td>(754)</td>
<td>109</td>
</tr>
<tr>
<td>Investment gain/(loss)</td>
<td>836</td>
<td>(474)</td>
</tr>
<tr>
<td></td>
<td>4,838</td>
<td>5,553</td>
</tr>
</tbody>
</table>

(f) Remuneration of auditors

Audit fees and Directors’ emoluments are borne as part of head office overheads and are not separately charged to the New Zealand branch, but rather included in the overall recharge.

The auditor of the company is Deloitte Touche Tohmatsu, Australia.

6 INCOME TAX

(a) Income tax (expense)/benefit

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax benefit comprises:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current tax (expense)/benefit relating to current year</td>
<td>(4,036)</td>
<td>-</td>
</tr>
<tr>
<td>Current tax benefit/(expense) relating to prior years</td>
<td>310</td>
<td>5,660</td>
</tr>
<tr>
<td>Deferred tax relating to temporary differences</td>
<td>141</td>
<td>(624)</td>
</tr>
<tr>
<td>Income tax (expense)/benefit relating to loss from ordinary activities</td>
<td>(3,585)</td>
<td>5,036</td>
</tr>
</tbody>
</table>

The prima facie income tax benefit on the pre-tax accounting loss reconciles to the income tax benefit shown in the financial statements, as follows:

Net profit before tax | 13,579 | 1,259 |
Income tax expense calculated at 28% (2014: 28%) of operating profit | (3,802) | (352) |
Permanent differences | (279)  | (272) |
Transitional adjustment | 186    | -    |
Prior year over provision | 310   | 5,660 |
Total income tax (expense)/benefit | (3,585) | 5,036 |

(b) Deferred tax

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December the deferred tax liability comprises:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax losses</td>
<td>-</td>
<td>416</td>
</tr>
<tr>
<td>Temporary differences</td>
<td>(4,344)</td>
<td>(4,900)</td>
</tr>
<tr>
<td></td>
<td>(4,344)</td>
<td>(4,484)</td>
</tr>
</tbody>
</table>

The tax balances and reconciliation above are based on the current corporate tax rates of 28% in New Zealand on taxable profits under New Zealand Income Tax Law.
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

(b) Deferred tax (continued)

<table>
<thead>
<tr>
<th></th>
<th>2015 Temporary differences</th>
<th>2014 Temporary differences</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Opening balance '000</td>
<td>Charged to profit/loss '000</td>
</tr>
<tr>
<td>Accruals and other liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tax losses</td>
<td>416</td>
<td>(416)</td>
</tr>
<tr>
<td>Unrealised foreign exchange differences</td>
<td>(122)</td>
<td>122</td>
</tr>
<tr>
<td>Insurance provisions</td>
<td>(4,778)</td>
<td>434</td>
</tr>
<tr>
<td></td>
<td>(4,484)</td>
<td>140</td>
</tr>
</tbody>
</table>

Losses of General Reinsurance Australia Ltd. – New Zealand Branch of NZ$ 1,288 (2014: $NIL) have been utilised by General Reinsurance Life Australia Ltd. – New Zealand Branch, and the Company will be reimbursed the tax value thereof.

7 COMPONENTS OF PROFITS

Components of profit related to the movement in life insurance contract policy liabilities

<table>
<thead>
<tr>
<th></th>
<th>2015 '000</th>
<th>2014 '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planned margins of revenue over expenses released</td>
<td>7,248</td>
<td>6,347</td>
</tr>
<tr>
<td>Difference between actual and assumed experience</td>
<td>1,031</td>
<td>(1,427)</td>
</tr>
<tr>
<td>Investment earnings on assets in excess of life insurance policy liabilities</td>
<td>1,715</td>
<td>1,375</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>9,994</td>
<td>6,295</td>
</tr>
</tbody>
</table>

8 RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>2015 '000</th>
<th>2014 '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums receivable</td>
<td>585</td>
<td>365</td>
</tr>
<tr>
<td>Less: Provision for doubtful debts</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>585</td>
<td>365</td>
</tr>
<tr>
<td>Receivables expected to be realised within 12 months</td>
<td>585</td>
<td>365</td>
</tr>
</tbody>
</table>
## 9 REINSURANCE RECOVERABLE

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Reinsurance recoveries</td>
<td>25</td>
<td>20</td>
</tr>
<tr>
<td>Reconciliation of reinsurance recoveries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as at 1 January</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Movement in incurred recoveries</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>25</td>
<td>20</td>
</tr>
</tbody>
</table>

## 10 OTHER ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Sundry assets</td>
<td>677</td>
<td>-</td>
</tr>
<tr>
<td>Receivables from related parties:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- General Reinsurance Australia Ltd</td>
<td>649</td>
<td>490</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,326</td>
<td>490</td>
</tr>
</tbody>
</table>

## 11 OUTSTANDING CLAIMS

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Outstanding claims</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as at 1 January</td>
<td>10,027</td>
<td>8,284</td>
</tr>
<tr>
<td>Claims paid</td>
<td>(27,920)</td>
<td>(24,846)</td>
</tr>
<tr>
<td>Reported new claims</td>
<td>29,809</td>
<td>28,060</td>
</tr>
<tr>
<td>Other change in outstanding claims</td>
<td>(2,431)</td>
<td>(1,471)</td>
</tr>
<tr>
<td>Liability for outstanding claims</td>
<td>9,484</td>
<td>10,027</td>
</tr>
<tr>
<td>Expected to be realised within 12 months</td>
<td>9,484</td>
<td>10,027</td>
</tr>
<tr>
<td>Expected to be realised in more than 12 months</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>9,484</td>
<td>10,027</td>
</tr>
</tbody>
</table>

## 12 OTHER PAYABLES

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Accruals</td>
<td>49</td>
<td>519</td>
</tr>
<tr>
<td>Other payables*</td>
<td>2,786</td>
<td>19,015</td>
</tr>
<tr>
<td></td>
<td>2,835</td>
<td>19,534</td>
</tr>
<tr>
<td>Expected to be realised within 12 months</td>
<td>2,835</td>
<td>19,534</td>
</tr>
<tr>
<td>Expected to be realised in more than 12 months</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2,835</td>
<td>19,534</td>
</tr>
</tbody>
</table>

* For amounts owing to related parties see note 16 below.
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

13 LIFE INSURANCE CONTRACT LIABILITIES

(a) Reconciliation of movements in policy liabilities

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Life insurance contract liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross life insurance contract liabilities at 1 January</td>
<td>78,701</td>
<td>67,400</td>
</tr>
<tr>
<td>Increase in life insurance contract liabilities reflected in the statement of profit or loss and other comprehensive income</td>
<td>2,255</td>
<td>11,301</td>
</tr>
<tr>
<td>Foreign exchange difference</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gross life insurance contract liabilities at 31 December</td>
<td>80,956</td>
<td>78,701</td>
</tr>
<tr>
<td>Reinsurer's share of life insurance liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balance at 1 January</td>
<td>(20)</td>
<td>(20)</td>
</tr>
<tr>
<td>Increase/(decrease) in reinsurance assets reflected in the statement of profit or loss and other comprehensive income</td>
<td>(5)</td>
<td>-</td>
</tr>
<tr>
<td>Reinsurer's share of life insurance liabilities at 31 December</td>
<td>(25)</td>
<td>(20)</td>
</tr>
<tr>
<td>Total net life insurance contract liabilities</td>
<td>80,931</td>
<td>78,581</td>
</tr>
</tbody>
</table>

Net policy liabilities at 31 December

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Expected to be realised within 12 months</td>
<td>(874)</td>
<td>792</td>
</tr>
<tr>
<td>Expected to be realised in more than 12 months</td>
<td>81,605</td>
<td>77,889</td>
</tr>
<tr>
<td></td>
<td>80,931</td>
<td>78,581</td>
</tr>
</tbody>
</table>

Reconciliation of change in life insurance assets and liabilities

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Disability policy liabilities</td>
<td>(2,384)</td>
<td>(9,823)</td>
</tr>
<tr>
<td>Unearned premium</td>
<td>-</td>
<td>29</td>
</tr>
<tr>
<td>Deferred acquisition costs</td>
<td>885</td>
<td>968</td>
</tr>
<tr>
<td>Other actuarial reserves</td>
<td>(757)</td>
<td>(2,475)</td>
</tr>
<tr>
<td>Change in life insurance assets and liabilities</td>
<td>(2,255)</td>
<td>(11,301)</td>
</tr>
</tbody>
</table>

(b) Components of net life insurance contract liabilities

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Future policy benefits</td>
<td>531,401</td>
<td>509,721</td>
</tr>
<tr>
<td>Future expenses</td>
<td>68,782</td>
<td>61,801</td>
</tr>
<tr>
<td>Future charges for acquisition costs</td>
<td>(11,620)</td>
<td>(10,735)</td>
</tr>
<tr>
<td>Future premiums in excess of charges for acquisition costs</td>
<td>(570,828)</td>
<td>(534,514)</td>
</tr>
<tr>
<td>Best estimate liability</td>
<td>17,735</td>
<td>26,273</td>
</tr>
<tr>
<td>Shareholder profit margins</td>
<td>63,221</td>
<td>52,428</td>
</tr>
<tr>
<td>Gross life insurance contract liabilities at 31 December</td>
<td>80,956</td>
<td>78,701</td>
</tr>
</tbody>
</table>

(c) Regulatory capital requirements

These are amounts required to meet the prudential standards specified by the Insurance (Prudential Supervision) Act 2010 (the "Act") to provide protection against the impact of fluctuations and unexpected adverse experience on the Company.

On 22 May 2013 the Company was issued with a full License under the Act. The licence includes an exemption under s59 of the Act allowing the Company to calculate and report its solvency position in accordance with the regulatory requirements of its home jurisdiction.

The Company is required to maintain its APRA solvency margin and to notify the RBNZ if it carries on insurance business in New Zealand that is not reinsurance.

The Company is required to maintain its APRA solvency margin to meet the requirements of APRA and the Reserve Bank of New Zealand. The Company has complied with all externally imposed capital requirements throughout the year.

The following information refers to APRA's capital adequacy requirements. The calculation of capital and some other balances are based on different methodologies from those used to prepare these financial statements. The column labelled statutory fund 1 represents the Australian statutory fund and the New Zealand branch is reflected in the column labelled "Statutory Fund 2".
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

13 POLICY LIABILITIES (continued)

2015

<table>
<thead>
<tr>
<th></th>
<th>Stat-Fund 1</th>
<th>Statutory Fund 2</th>
<th>Shareholder Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AUD’000</td>
<td>AUD’000</td>
<td>AUD’000</td>
<td>AUD’000</td>
</tr>
<tr>
<td><strong>Adjusted Tier 1 Capital</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1 Capital</td>
<td>94,782</td>
<td>28,195</td>
<td>2,955</td>
<td>125,932</td>
</tr>
<tr>
<td>Premium liability surplus/deficit net of tax</td>
<td>(13,965)</td>
<td>(3,932)</td>
<td>-</td>
<td>(17,897)</td>
</tr>
<tr>
<td>Excess deferred tax assets over deferred tax liabilities</td>
<td>(21,551)</td>
<td>-</td>
<td>-</td>
<td>(21,551)</td>
</tr>
<tr>
<td><strong>Capital base</strong></td>
<td>59,266</td>
<td>24,263</td>
<td>2,955</td>
<td>86,484</td>
</tr>
<tr>
<td><strong>Prescribed Capital Amount (PCA)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset Risk Charge</td>
<td>2,242</td>
<td>2,203</td>
<td>167</td>
<td>4,612</td>
</tr>
<tr>
<td>Insurance Risk Charge</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Asset Concentration Risk Charge</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operational Risk Charge</td>
<td>9,521</td>
<td>1,639</td>
<td>-</td>
<td>11,160</td>
</tr>
<tr>
<td>Combined Stress Scenario Adjustment</td>
<td>961</td>
<td>857</td>
<td>71</td>
<td>1,889</td>
</tr>
</tbody>
</table>

Total: 12,724 4,699 238 17,661

**PCA coverage ratio**

4.6578 5.1634 12.4160 4.8969

General Reinsurance Life Australia Ltd has a "AA+" credit rating from Standard and Poor's as at 31 December 2015 (2014: AA+).

2014

<table>
<thead>
<tr>
<th></th>
<th>Statutory Fund 1</th>
<th>Statutory Fund 2</th>
<th>Shareholder Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AUD’000</td>
<td>AUD’000</td>
<td>AUD’000</td>
<td>AUD’000</td>
</tr>
<tr>
<td><strong>Adjusted Tier 1 Capital</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1 Capital</td>
<td>89,735</td>
<td>21,022</td>
<td>2,810</td>
<td>113,567</td>
</tr>
<tr>
<td>Premium liability surplus/deficit net of tax</td>
<td>(13,211)</td>
<td>(3,690)</td>
<td>-</td>
<td>(16,901)</td>
</tr>
<tr>
<td>Excess deferred tax assets over deferred tax liabilities</td>
<td>(24,768)</td>
<td>-</td>
<td>-</td>
<td>(24,768)</td>
</tr>
<tr>
<td><strong>Capital base</strong></td>
<td>51,756</td>
<td>17,332</td>
<td>2,810</td>
<td>71,898</td>
</tr>
<tr>
<td><strong>Prescribed Capital Amount (PCA)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset Risk Charge</td>
<td>1,692</td>
<td>2,024</td>
<td>349</td>
<td>4,065</td>
</tr>
<tr>
<td>Insurance Risk Charge</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Asset Concentration Risk Charge</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operational Risk Charge</td>
<td>9,513</td>
<td>1,610</td>
<td>-</td>
<td>11,123</td>
</tr>
<tr>
<td>Combined Stress Scenario Adjustment</td>
<td>725</td>
<td>867</td>
<td>150</td>
<td>1,742</td>
</tr>
</tbody>
</table>

Total: 11,930 4,501 499 16,930

**PCA coverage ratio**

4.3383 3.8507 5.6313 4.2468

General Reinsurance Life Australia Ltd has a "AA+" credit rating from Standard and Poor's as at 31 December 2015 (2014: AA+).
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

14 CONTINGENT ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

There were no outstanding contingencies at the end of the year (2014: nil).

15 ULTIMATE PARENT ENTITY

The ultimate parent entity of General Reinsurance Life Australia Ltd. is Berkshire Hathaway Inc., a company incorporated in the United States of America.

The immediate parent entity of General Reinsurance Life Australia Ltd. is General Reinsurance AG (GRAG), a company incorporated in Germany.

16 RELATED PARTIES

Directors

The names of each person holding the position of Director of General Reinsurance Life Australia Ltd. during the financial year were:

F.A. McDonald
M. Phillips
A. Webersinke
W. Heinen
K. J. McCann

Parent entity - related party transactions

The Branch has in place surplus, stop loss and quota share retrocession agreements with GRAG. Transactions under these agreements and the amounts due to or from the parent and associated entities are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Related party balances at reporting date</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Reinsurance AG - parent</td>
<td>(1,294)</td>
<td>(1,221)</td>
</tr>
<tr>
<td>General Reinsurance Australia Ltd</td>
<td>649</td>
<td>490</td>
</tr>
<tr>
<td>General Reinsurance Life Australia Ltd - head office*</td>
<td>(1,493)</td>
<td>(17,794)</td>
</tr>
</tbody>
</table>

* The prior year balance consists of transfers made to the head office as well as a portion of expenses allocated to the New Zealand branch. The balance was mostly cash settled during 2015.

Management charges by related entities

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Reinsurance Life Australia Ltd</td>
<td>2,572</td>
<td>3,219</td>
</tr>
<tr>
<td>General Re - New England Asset Management Inc.</td>
<td>50</td>
<td>38</td>
</tr>
</tbody>
</table>

Retrocessions

The company is a party to retrocession agreements with related parties. These agreements are entered into under normal commercial terms and conditions. Details of transactions are listed below.

Related party: General Reinsurance AG

Retrocession premiums

(1,309)  (1,236)

Intercompany balances are at no interest and are due on demand.
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

17 NOTES TO THE STATEMENT OF CASH FLOWS

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconciliation of net operating cash flows to net profit</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Net profit after income tax</td>
<td>9,994</td>
<td>6,295</td>
</tr>
<tr>
<td>Gain on sale of investments</td>
<td>-</td>
<td>(109)</td>
</tr>
<tr>
<td>Unrealised movement in fair value of investments</td>
<td>696</td>
<td>583</td>
</tr>
<tr>
<td><strong>Change in operating assets and liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Decrease)/increase in receivable</td>
<td>(221)</td>
<td>6,496</td>
</tr>
<tr>
<td>(Decrease)/increase in reinsurance recoverable</td>
<td>(5)</td>
<td>-</td>
</tr>
<tr>
<td>(Decrease)/increase in payables</td>
<td>(1,097)</td>
<td>(2,423)</td>
</tr>
<tr>
<td>(Increase)/decrease in underwriting provisions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- outstanding claims</td>
<td>(543)</td>
<td>1,743</td>
</tr>
<tr>
<td>(Decrease)/increase in amount owing to head office</td>
<td>(16,301)</td>
<td>6,711</td>
</tr>
<tr>
<td>Increase/(decrease) in life insurance contract liabilities</td>
<td>2,256</td>
<td>11,300</td>
</tr>
<tr>
<td>Movement in tax accounts</td>
<td>2,297</td>
<td>(4,308)</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>(2,925)</td>
<td>26,288</td>
</tr>
</tbody>
</table>

18 FINANCIAL INSTRUMENTS

(a) Credit Risk Exposure
Financial assets or liabilities arising from insurance and reinsurance contracts are stated in the Statement of Financial Position at the amount that best represents the maximum credit risk exposure at balance date. There are no significant concentrations of credit risk.

(b) Interest Rate Risk
The Branch’s exposure to interest rate risk is managed through adjustments to the investment portfolio. The Company’s exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and liabilities is set out below in section (j).

(c) Net fair value of financial assets and liabilities
The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Branch approximates to their carrying value. The net fair value of other monetary financial assets and financial liabilities is based upon market prices.

(d) Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability are disclosed in note 1 of the financial statements.

(e) Capital risk management
The Branch manages its capital so it will be able to continue operating as a going concern while maximising the return to stakeholders through the optimisation of equity.

The capital structure of the Branch consists of the head office accounts and retained earnings as disclosed in the Statement of Changes in Equity.

The Company’s capital is managed through its ICAAP. The ICAAP is reviewed internally on an annual basis. Independent reviews are performed every three years.
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

18 FINANCIAL INSTRUMENTS (continued)

(f) Categories of financial instruments

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>2015 $'000</th>
<th>2014 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>9,871</td>
<td>17,616</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>117,137</td>
<td>115,163</td>
</tr>
<tr>
<td>Fixed interest securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>8</td>
<td>585</td>
</tr>
<tr>
<td>Reinsurance assets</td>
<td>9</td>
<td>25</td>
</tr>
</tbody>
</table>

Financial liabilities

<table>
<thead>
<tr>
<th>Amortised cost</th>
<th>2015 $'000</th>
<th>2014 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade creditors and other payables</td>
<td>12</td>
<td>2,835</td>
</tr>
</tbody>
</table>

(i) Financial assets carried at fair value through profit or loss have been designated as such upon initial recognition. None of the receivables are designated as ‘fair value through profit or loss’.

(g) Financial risk management objectives

It is ultimately the responsibility of the Board to ensure that there is an effective risk management control framework in place. Consistent with regulatory requirements the board has explicitly allocated to the Managing Director, the function of overseeing the establishment and maintenance of risk-based systems and controls across the Company. The Chief Risk Officer (CRO) is to review, monitor and report on the RMS to the Managing Director.

As part of the overall governance framework the Board and senior management of the Company have developed, implemented and maintain a sound and prudent RMS. The RMS identify the Company’s policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Company. Annually, the Board declares to the Reserve Bank of New Zealand that adequate strategies have been put in place to monitor those risks, that the Branch has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to compliance with the RMS.

(h) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Branch. The Branch has adopted the policy of only dealing with creditworthy cedants and bondholders as a means of mitigating the risk of financial loss from defaults. The Branch’s overall strategy in respect of credit risk management remains unchanged from 2014.

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>2015 $'000</th>
<th>2014 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>9,871</td>
<td>17,616</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>117,137</td>
<td>115,163</td>
</tr>
<tr>
<td>Fixed interest securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premiums receivable</td>
<td>8</td>
<td>585</td>
</tr>
<tr>
<td>Reinsurance assets</td>
<td>9</td>
<td>25</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015 $'000</th>
<th>2014 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>127,618</td>
<td>133,164</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

18 FINANCIAL INSTRUMENTS (continued)

(i) Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations under the reinsurance contracts it has entered into. Ultimate responsibility for liquidity risk management rests with the Board of directors, which has implemented appropriate liquidity risk management framework for the management of the Branch’s short, medium and long-term funding and liquidity management requirements. The Branch manages liquidity risk by maintaining appropriate levels of financial assets that are readily realisable and by continuously monitoring forecast and actual cash flows in order to match the maturity profiles of assets and liabilities. The Company has developed and implemented a Risk Management Strategy. The Company's overall strategy in liquidity risk management remains unchanged from 2014.

The following tables summarise the maturity profile of the Branch’s financial liabilities. The tables have been drawn up on the basis of undiscounted cash flows of financial liabilities based on contractual obligations and estimated timing of payment of insurance contract liabilities.

<table>
<thead>
<tr>
<th></th>
<th>Weighted</th>
<th>Less than 1</th>
<th>1-5 years</th>
<th>5+ years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>2015 Financial liabilities Non-interest bearing:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>-</td>
<td>2,835</td>
<td>-</td>
<td>-</td>
<td>2,835</td>
</tr>
<tr>
<td>Outstanding claims</td>
<td>-</td>
<td>9,484</td>
<td>-</td>
<td>-</td>
<td>9,484</td>
</tr>
<tr>
<td>Life insurance contract liabilities</td>
<td>-</td>
<td>(674)</td>
<td>12,215</td>
<td>69,390</td>
<td>80,931</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11,645</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12,215</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>69,390</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>93,250</td>
</tr>
<tr>
<td>2014 Financial liabilities Non-interest bearing:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>-</td>
<td>19,534</td>
<td>-</td>
<td>-</td>
<td>19,534</td>
</tr>
<tr>
<td>Outstanding claims</td>
<td>-</td>
<td>10,027</td>
<td>-</td>
<td>-</td>
<td>10,027</td>
</tr>
<tr>
<td>Life insurance contract liabilities</td>
<td>-</td>
<td>792</td>
<td>11,694</td>
<td>66,215</td>
<td>78,701</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>30,353</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11,694</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>66,215</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>108,262</td>
</tr>
</tbody>
</table>

(j) Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange (currency risk), market interest rates (interest rate risk) and market prices (price risk). The Company has put in place policies and procedures to mitigate its exposure to market risk. There has been no change to the Company's exposure to the different elements of market risk or the manner in which it manages and measures these risks.
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

18 FINANCIAL INSTRUMENTS (continued)

Interest rate risk management

The Branch’s activities expose it to the financial risk of changes in interest rates. Fixed interest rate instruments expose the Branch to interest rate risk. The company’s Investment Manager closely monitors the Branch’s exposures to interest rate risk.

The Branch’s exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note.

### 18.1 Foreign currency risk management

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Branch’s financial assets are primarily denominated in the same currencies as its reinsurance contract liabilities, which mitigates the foreign currency exchange risk for the overseas operations in Australia and Fiji. The Branch’s overall strategy in respect of foreign currency risk management remains unchanged from 2014.

### 18.2 Interest rate risk management

The Branch's sensitivity to movements in interest rates in relation to the value of interest-bearing financial assets is shown below.

<table>
<thead>
<tr>
<th>Weighted average</th>
<th>Less than 1 year</th>
<th>1-5 years</th>
<th>5+ years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Non-interest bearing:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>-</td>
<td>585</td>
<td>-</td>
<td>585</td>
</tr>
<tr>
<td>Variable interest rate instruments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>2.06</td>
<td>9,871</td>
<td>-</td>
<td>9,871</td>
</tr>
<tr>
<td>Fixed interest rate instruments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereigns</td>
<td>2.75</td>
<td>-</td>
<td>117,137</td>
<td>117,137</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10,456</td>
<td></td>
<td>127,593</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-interest bearing:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>-</td>
<td>365</td>
<td>-</td>
<td>365</td>
</tr>
<tr>
<td>Variable interest rate instruments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>0.98</td>
<td>17,616</td>
<td>-</td>
<td>17,616</td>
</tr>
<tr>
<td>Fixed interest rate instruments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereigns</td>
<td>3.54</td>
<td>41,401</td>
<td>73,762</td>
<td>115,163</td>
</tr>
<tr>
<td></td>
<td></td>
<td>59,382</td>
<td></td>
<td>133,144</td>
</tr>
</tbody>
</table>

### Effect of 100 basis point increase or decrease on profit (+/-)

<table>
<thead>
<tr>
<th>Effect of 100 basis point increase or decrease on profit (+/-)</th>
<th>2015</th>
<th>2014</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect of 100 basis point increase or decrease on profit (+/-)</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Increase</td>
<td>(3,024)</td>
<td>(3,671)</td>
<td>298</td>
<td>(279)</td>
</tr>
</tbody>
</table>

The Branch's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note.
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

18 FINANCIAL INSTRUMENTS (continued)

Foreign currency sensitivity
There is no significant foreign currency exposure and accordingly no foreign currency sensitivities have been disclosed.

Fair value of financial instruments
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Fair value measurements assume the asset or liability is exchanged in an orderly manner; that the exchange is in the principal market for that asset or liability (or in the most advantageous market when no principal market exists); and the market participants are independent, knowledgeable, able and willing to transact an exchange. Non-performance risk (credit risk) is considered in valuing liabilities. The carrying value of the Branch’s cash and cash equivalents, receivables, other assets, all insurance related balances and accounts payable, accruals and other liabilities are deemed to be reasonable estimates of their fair value.

Investments
The estimated fair values for fixed maturity securities were generally based on quoted market prices or estimated from independent pricing services. Where quoted market prices are not available, fair values are estimated using present value or valuation techniques. Considerable judgment may be required in interpreting market data used to develop the estimates for fair value. As a result the estimated fair values presented may not be representative of the actual amount that could be realized in a current market transaction. The use of different market assumptions and models may have a material effect on the estimated fair values. The fair value of investments on the Statement of Financial Position was determined by reviewing available financial information of the investee and by performing other financial analyses in consultation with external advisors.

A framework exists for measuring fair values using a hierarchy for observable independent market inputs and unobservable market assumptions. The hierarchy consists of three levels, ranging from the category deemed to be most reliable to a category where fair value is measured using significant unobservable inputs because of the lack of observable market prices for the instrument, or Levels 1 through 3, respectively. A description of the inputs used in the valuation of assets and liabilities under the three levels follows:

- Level 1 – Inputs represent unadjusted quoted prices for identical assets or liabilities exchanged in active markets.

- Level 2 – Inputs include directly or indirectly observable inputs other than Level 1 inputs such as quoted prices for similar assets prices for similar assets or liabilities exchanged in active or inactive markets; quoted prices for identical assets or liabilities exchanged in inactive markets; other inputs that are considered in fair value determinations of the assets or liabilities, such as interest rates and yield curves that are observable at commonly quoted intervals; volatilities, prepayment speeds, loss severities, credit risks and default rates and inputs that are derived principally from or corroborated by observable market data by correlation or other means. Fair values for the company’s investments in fixed maturity securities are primarily based on market prices and market data available for instruments with similar characteristics since active markets are not common for many instruments. Pricing evaluations are based on yield curves for instruments with similar characteristics such as credit rating, estimated duration and yields for other instruments of the issuer or entities in the same industry sector.

- Level 3 – Inputs include significant unobservable inputs used in the measurement of assets and liabilities. Management is required to use its own assumptions regarding unobservable inputs because there is little, if any, market activity in the assets or liabilities or related observable inputs that can be corroborated at the measurement date. Measurements of non-exchange traded derivative contracts and certain other investments carried at fair value are based primarily on valuation models, discounted cash flow models or other valuation techniques that are believed to be used by market participants. Unobservable inputs require management to make certain projections and assumptions about the information that would be used by market participants in pricing assets or liabilities.

There is no significant foreign currency exposure and accordingly no foreign currency sensitivities have been disclosed.
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

18 FINANCIAL INSTRUMENTS (continued)

Financial assets and liabilities
Financial assets and liabilities measured at fair value in the financial statements as at 31 December 2015 and 2014 and are summarized in the following table by the type of inputs applicable to the level of the fair value measurement.

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed maturity bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligations of the New Zealand</td>
<td>117,137</td>
<td>-</td>
<td>-</td>
<td>117,137</td>
</tr>
<tr>
<td>Government</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed maturity bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligations of the New Zealand</td>
<td>115,163</td>
<td>-</td>
<td>-</td>
<td>115,163</td>
</tr>
<tr>
<td>Government</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

There were no transfers between Level 1 and Level 2 during the period.

There were no gains or losses in earnings attributable to the change in unrealised losses related to assets still held at 31 December 2015.

19 ADDITIONAL COMPANY INFORMATION

Principal Place of Business and Registered Office
Level 10 Phillips Fox Tower
National Bank Centre
205 Queen St
Auckland 1010
New Zealand

Type of Company
The company operates as a for profit unlisted public company in Australia.

20 EVENTS SUBSEQUENT TO BALANCE DATE

There were no events subsequent to balance date which impact the financial information disclosed herein.
Report on the Financial Statements

We have audited the accompanying financial statements of General Reinsurance Life Australia Ltd – New Zealand branch, which comprise the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information as set out on pages 7 to 34.

The Directors Responsibility for the Financial Statements

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

Auditor’s Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, General Reinsurance Life Australia Ltd – New Zealand branch.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of General Reinsurance Australia Ltd – New Zealand branch as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Section 205(1) of the Companies Act 1993 and generally accepted accounting practice in New Zealand.

Member of Deloitte Touche Tohmatsu Limited
Emphasis of Matter

The New Zealand branch is part of General Reinsurance Life Australia Ltd. As described in Note 1, the assets of the branch are legally available for the satisfaction of debts of the entire company, not solely those appearing on the accompanying balance sheet and its debts may result in claims against assets not appearing thereon. Our opinion is not qualified in respect of this matter.

DELOITTE TOUCHE TOHMATSU

Stuart Alexander
Partner
Chartered Accountants
Sydney, 15 March 2016