

Resolution Life Australasia Limited

*Directors' report
and Financial
report for the year
ended 31 December
2021*

ABN 84 079 300 379

Resolution Life Australasia Limited

Directors' Report

For the year ended 31 December 2021

The directors of Resolution Life Australasia Limited ('Resolution Life Australasia' or 'the Company'), previously known as AMP Life Limited, present their report on the company for the financial year ended 31 December 2021.

Resolution Life Australasia Limited is a company limited by shares and is incorporated and domiciled in Australia. Resolution Life Financial Services Holdings Limited is the Company's parent entity and Resolution Life NOHC Pty Ltd ("RLNOHC") is the ultimate parent entity in Australia as at 31 December 2021.

The Registered Office of the Company is at Level 20, 400 George Street, Sydney, NSW 2000.

Directors

The directors of the Company during the year and up to the date of this report are shown below. Directors were in office for this entire period.

David Clarke	Chairman, Non-executive Director
Megan Beer	Chief Executive Officer
Rosheen Garnon	Non-executive Director
John Hele	Non-executive Director
Trevor Matthews	Non-executive Director
Jonathan Moss	Non-executive Director
Keith Taylor	Non-executive Director

Principal activities

Resolution Life Australasia's business consists of Superannuation and Investment ("S&I") and Wealth Protection ("WP"). The S&I portfolio comprises conventional insurance products (participating and non-participating), participating investment account products, investment linked products and annuities. WP comprises retail and group wealth protection products across life insurance, total and permanent disability, trauma, and income protection. Resolution Life Australasia's WP and S&I businesses are largely closed to new business. There have been no significant changes in the nature of these activities during the year.

Review of operations and results.

The operating result for the year ended 31 December 2021 was a profit after tax of \$222m (2020: \$234m).

Dividends and distribution.

Details of the dividends paid and dividends recommended or declared for payment but not paid are disclosed in Note 1.5 of the Financial Report.

Significant changes in the state of affairs and likely developments

Tax consolidation

During 2021, Resolution Life Australasia Limited (the Company) became part of a tax-consolidated group, with Resolution NOHC being the head entity, effective retrospectively from 30 June 2020. The Head Entity has entered into a tax funding deed between the Company and the controlled entities in the tax-consolidated group.

RLGHA ceasing to be the ultimate parent

On 31 July 2021, Resolution Life Group Holding (Australia) Pty Ltd ("RLGHA") ceased to be the ultimate parent in Australia and was replaced by Resolution Life NOHC Pty Ltd ("RLNOHC") from 31 July 2021.

Events occurring after reporting date

Dividend and distribution

On 11 February 2022, Resolution Life Australasia Limited declared a \$0.75 per share dividend of \$93,000,000 and a capital return of \$148,200,000 to its sole shareholder. The dividend and capital return are subject to APRA approval.

Acquisition of AIA Australia's Superannuation & Investments business

On 24 February 2022 Resolution Life Australasia announced that it has entered into agreement with AIA Australia Limited to acquire its AIA Superannuation & Investments business. The acquisition is subject to regulatory approvals and is expected to close within 12 to 18 months.

Other than the matters discussed above, as at the date of this report, the directors are not aware of any matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect:

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

Current Market Conditions

The recent Russian invasion of Ukraine is a tragic event first and foremost for the people impacted. While the economic consequences will take some time to materialise, financial markets reacted swiftly, and energy prices have started to surge. The liquidity and capital position of Resolution Life Australasia is designed to withstand shocks to financial markets. We continue to actively monitor the extent of the potential financial impact on the Company's business, results of operations, financial condition, liquidity and cash flows as well as indirect impacts on the company including supply chain, potential for increased malicious cyber-attacks and impact on staff.

Environmental regulation

Resolution Life Australasia understands it has a responsibility to manage material environmental, social and governance ("ESG") issues within its investments.

The ESG policy sets out Resolution Life Australasia's beliefs and commitments to addressing ESG factors in our investments. The following ESG Investment Beliefs form the foundation for our ESG Investment Policy and drive our ESG investing activities and commitments.

1. ESG factors can impact investment risk, returns and reputation and therefore should be integrated into our investment decision-making processes
2. Climate change presents a systemic risk to our investments, both through inadequate management of the transition to a low-carbon economy, and the physical damages exacerbated by climate change.
3. Active ownership, through proxy voting and engagement, can help to create and preserve value in companies we invest in. In addition, being an active owner means taking active investment decisions to improve our portfolio's contribution to a sustainable future.
4. Where some products or services are inconsistent with our purpose or values, or if they could or do present meaningful legal or reputational risk, these should, as appropriate, either be excluded from our investment portfolios or made a priority for engagement.
5. Companies that provide solutions to sustainability challenges present investment opportunities and contribute to a sustainable economy and society.

As an investor, Resolution Life Australasia believes that the engagement with companies on environmental issues is an effective way to influence management practices for the benefit of customers and the environment.

In the normal course of its business operations, Resolution Life Australasia is subject to a range of environmental regulations, of which there have been no material breaches during the year.

Duty of the directors under the *Life Insurance Act 1995*

The directors have complied with their duty, as prescribed by the *Life Insurance Act 1995*, to take reasonable care, and use due diligence, to see that in the investment, administration and management of the assets of the Resolution Life Australasia statutory funds, the Company considers the interests of the policyholders before interests of the shareholder.

Indemnification and insurance of directors and officers

Under its constitution, the Company indemnifies, to the extent permitted by law, all current and former officers of the Company (including the directors) against any liability (including the reasonable costs and expenses of defending proceedings for an actual or alleged liability) incurred in their capacity as officers of the Company. This indemnity is not extended to current or former employees of Resolution Life against liability incurred in their capacity as an employee, unless approved by or on behalf of the Resolution Life NOHC Board.

During the year Resolution Life NOHC Pty Limited maintained, and paid the premiums for, directors' and officers' and company reimbursement insurance for the benefit of all of the officers of Resolution Life (including each director, secretary and senior manager of the Company) against certain liabilities (including legal costs) as permitted by the *Corporations Act 2001*.

The Resolution Life NOHC Limited insurance policies prohibit disclosure of the nature of the liabilities covered, the amount of the premium payable and the limit of liability.

Auditor's independence

The directors have obtained an independence declaration from the Company's auditor, a copy of which is attached to this report and forms part of the Directors' Report for the year ended 31 December 2021.

Rounding

In accordance with the ASIC Corporations Instrument 2016/191, amounts in this Directors' Report and the accompanying Financial Report have been rounded off to the nearest million Australian dollars, unless stated otherwise.

Signed in accordance with a resolution of the directors.



David Clarke
Chairman
Sydney, 22 March 2022



Megan Beer
Chief Executive Officer
Sydney, 22 March 2022

The Board of Directors
Resolution Life Australasia Limited
Level 20, 400 George Street
Sydney, NSW 2000

22 March 2022

Dear Directors

Auditor's Independence Declaration to Resolution Life Australasia Limited

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

As lead audit partner for the audit of the financial statements of Resolution Life Australasia Limited for the financial year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Stuart Alexander
Partner
Chartered Accountant

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Statement of Comprehensive Income

for the year ended 31 December 2021

	Note	2021 \$m	2020 \$m
Income and expenses of the shareholder and policyholders¹			
Life insurance contract related revenue	4.2(a)	1,950	2,009
Life insurance claims recovered from reinsurers	4.2(b)	534	556
Fee revenue	1.1	86	342
Other revenue		5	47
Interest income, dividends and distributions and net gains/(losses) on financial assets and liabilities at fair value through profit or loss	1.2	1,367	(5,080)
Life insurance contract claims expense	4.2(b)	(1,824)	(2,075)
Life insurance contract premiums ceded to reinsurers	4.2(a)	(957)	(989)
Fees and commission expenses	1.3	(187)	(307)
Other operating expenses	1.3	(330)	(483)
Finance costs		(14)	(11)
Change in policyholder liabilities			
- life insurance contracts	4.2(e)	323	356
- investment contracts		(514)	5,631
Income tax (expense)/benefit	1.4(a)	(217)	238
Profit for the year		222	234
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges reserve on disposal of foreign associate recycled to profit or loss		-	(21)
Foreign currency losses on disposal of foreign associate recycled to profit or loss		-	(9)
Exchange gains/(losses) on translation of foreign operations		7	(21)
Other comprehensive income/(loss) for the year		7	(51)
Total comprehensive income for the year		229	183

1. Income and expenses include amounts attributable to the shareholder's interests and policyholders' interests in the life statutory funds. Amounts included in respect of the life statutory funds have a substantial impact on most of the Statement of Comprehensive Income lines, especially investment gains and losses and taxes. In general, policyholders' interests in the transactions for the period are attributed to them in the line Change in policyholder liabilities.

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

Statement of Financial Position
as at 31 December 2021

	Note	2021 \$m	2020 \$m
Assets			
Cash and cash equivalents		191	158
Receivables and prepayments	2.3	992	891
Intercompany tax receivable		79	-
Current tax assets		21	63
Investments in financial assets	2.1	28,266	30,051
Deferred tax assets	1.4(c)	337	444
Reinsurance asset - ceded life insurance contracts	4.2(d)	1,437	1,448
Intangibles - goodwill	2.2	65	65
Total assets of policyholders and the shareholder		31,388	33,120
Liabilities			
Payables	2.4	706	789
Current tax liabilities		-	75
Provisions		70	86
Other financial liabilities	2.1	71	63
Interest-bearing liabilities	3.2	303	345
Deferred tax liabilities	1.4(c)	906	1,008
Life insurance contract liabilities	4.2(d)	21,127	22,530
Investment contract liabilities		4,586	4,476
Reinsurance liability - ceded life insurance contracts	4.2 (d)	1,390	1,546
Total liabilities of policyholders and the shareholder		29,159	30,918
Net assets of the shareholder		2,229	2,202
Equity			
Contributed equity	3.1	1,632	1,632
Reserves		(57)	(64)
Retained earnings		654	634
Total equity of the shareholder		2,229	2,202

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

Statement of Changes in Equity
for the year ended 31 December 2021

	Note	Contributed equity \$m	Cash flow hedge reserve \$m	Foreign currency translation reserve \$m	Retained earnings \$m	Total equity \$m
31 December 2021						
Balance at the beginning of the year		1,632	-	(64)	634	2,202
Profit for the year		-	-	-	222	222
Amounts recycled to Profit and Loss		-	-	-	-	-
Other comprehensive gain		-	-	7	-	7
Total comprehensive income		-	-	7	222	229
Dividends paid - ordinary shares	1.5	-	-	-	(200)	(200)
Redemption of capital notes		-	-	-	-	-
Distributions paid - capital notes	1.5	-	-	-	(2)	(2)
Issue of share capital		-	-	-	-	-
Balance at the end of the year		1,632	-	(57)	654	2,229
31 December 2020						
Balance at the beginning of the year		1,473	21	(34)	879	2,339
Profit for the year		-	-	-	234	234
Amounts recycled to Profit and Loss		-	(21)	(9)	-	(30)
Other comprehensive loss		-	-	(21)	-	(21)
Total comprehensive income		-	(21)	(30)	234	183
Dividends paid - ordinary shares	1.5	-	-	-	(464)	(464)
Redemption of capital notes	3.1	(305)	-	-	-	(305)
Distributions paid - capital notes	1.5	-	-	-	(15)	(15)
Issue of share capital	3.1	464	-	-	-	464
Balance at the end of the year		1,632	-	(64)	634	2,202

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

Statement of Cash Flows
for the year ended 31 December 2021

	Note	2021 \$m	2020 \$m
Cash flows from operating activities			
Cash receipts in the course of operations		3,134	5,640
Interest and other items of a similar nature received		86	159
Dividends and distributions received		280	232
Cash payments in the course of operations		(5,651)	(12,352)
Finance costs		(14)	(11)
Income tax paid		(322)	(705)
Cash flows used in operating activities	6.2	(2,487)	(7,037)
Cash flows from investing activities			
Net proceeds from sales of financial assets		2,604	5,768
Advance proceed for sale of associate entity		-	-
Cash flows from investing activities		2,604	5,768
Cash flows from financing activities			
Redemption of capital notes		-	(305)
Issuance of subordinated debt		-	295
Redemption of subordinated debts with AMP Limited		-	(250)
Dividends and distributions paid ²	1.5	(202)	(15)
Cash flows used in financing activities		(202)	(275)
Net decrease in cash and cash equivalents		(85)	(1,544)
Cash and cash equivalents at beginning of the year		372	1,918
Effect of exchange rate changes on cash and cash equivalents		-	(2)
Cash and cash equivalents at the end of the period¹		287	372

1. Cash equivalents for the purpose of the statement of cash flows includes short-term bills and notes.

2. The total dividends and distributions paid for the year is \$202m.

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

About this report

(a) Understanding Resolution Life Australasia financial report

Resolution Life Australasia Limited ('Resolution Life Australasia' or 'the Company'), a company limited by shares, is incorporated and domiciled in Australia. This financial report includes financial statements for Resolution Life Australasia as a standalone entity only.

The business of Resolution Life Australasia is conducted through statutory funds and relates to the provision of life insurance and life investment products to investors, referred to as policyholders. A large proportion of the investment assets of the statutory funds is held on behalf of policyholders. The corresponding liabilities to policyholders are classified as either life insurance or life investment contract liabilities.

Consolidated information has not been prepared to show the financial position and operations of Resolution Life Australasia and its controlled entities as at, or during the year ended 31 December 2021, in accordance with exemptions available under Australian Accounting Standards. Consolidated information is prepared and made available for the holding company in Australia, Resolution Life NOHC Pty Ltd and its controlled entities.

Where permitted under Australian Accounting Standards, the assets and liabilities associated with life insurance and investment contracts are generally measured on a fair value basis and other assets and liabilities are generally measured on a historical cost basis.

The financial report:

- is a general purpose financial report;
- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (AAS) including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board;
- is presented in Australian dollars with all values rounded to the nearest million dollars (\$m), unless otherwise stated,
- has been prepared on a going concern basis using an historical cost basis except for the following items in the Statement of Financial Position which are generally measured on a fair value basis:
 - assets and liabilities associated with life insurance contracts
 - assets and liabilities associated with investment contracts
- presents assets and liabilities on the face of the Statement of Financial Position in decreasing order of liquidity and does not distinguish between current and non-current items,
- presents reclassified comparative information where required for consistency with the current year's presentation. Comparatives are inclusive of the Company's balances before and after the sale from AMP Limited which occurred on 30 June 2020.

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

- the amount in question is significant because of its size or nature;
- is important for understanding the results of Resolution Life Australasia;
- helps explain the impact of significant changes in Resolution Life Australasia; and/or
- relates to an aspect of Resolution Life Australasia's operations that is important to its future performance.

Estimates of amounts to be recovered or settled:

(a) no more than 12 months after the reporting date ('current'); and

(b) more than 12 months after the reporting date ('non-current'), have been provided in the relevant notes.

Resolution Life Australasia Limited is a for-profit entity. The parent entity is Resolution Life Financial Services Holdings Limited, and the Company's ultimate parent entity in Australia is Resolution Life NOHC (Australia) Pty Ltd.

The financial report as at and for the year ended 31 December 2021 was authorised for issue on 22 March 2022 in accordance with a resolution of the directors.

About this report

(b) Significant accounting policies

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

Interest, dividends and distributions income

Interest income is recognised when Resolution Life Australasia obtains control of the right to receive the interest. Revenue from dividends is recognised when Resolution Life Australasia's right to receive payment is established.

Foreign currency transactions

Transactions, assets and liabilities denominated in foreign currencies are translated into Australian dollars (the functional currency) at reporting date using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities carried at fair value	Date fair value is determined

Foreign exchange gains and losses resulting from translation of foreign exchange transactions are recognised in the Statement of Comprehensive Income.

The assets, liabilities, income and expenses of foreign operations are translated into Australian dollars using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Income and expenses	Average exchange rate
Assets and liabilities	Reporting date
Equity	Historical date
Reserves	Reporting date

Foreign exchange differences resulting from translation of foreign operations are initially recognised in the foreign currency translation reserve and subsequently transferred to the Statement of Comprehensive Income on disposal of the foreign operation.

Provisions

Provisions are recognised when:

- Resolution Life Australasia has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Where Resolution Life Australasia expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. For provisions other than employee entitlements, the discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

About this report

(b) Significant accounting policies (continued)

A restructuring provision is only recognised when it is probable that future costs will be incurred in respect of a fundamental reorganisation or change in focus of the business of Resolution Life Australasia. A provision is recognised when Resolution Life Australasia is demonstrably committed to the expenditure and a reliable estimate of the costs involved can be made. The provision is measured as the best estimate of the incremental, direct expenditures to be incurred as a result of the restructure and does not include costs associated with the ongoing activities of Resolution Life Australasia.

(c) Critical judgements and estimates

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

Accounting judgements and estimates	Note	Page
Tax	Note 1.4 Taxes	17
Fair value of financial assets	Note 2.1 Investments in financial instruments	21
Goodwill	Note 2.2 Intangibles	23
Life insurance contract liabilities	Note 4.1 Accounting for life insurance contracts and investment contracts	39
Investment contract liabilities	Note 4.1 Accounting for life insurance contracts and investment contracts	39

Section 1: Results for the year

1.1 Fee revenue (revenue from contracts with customers)

	2021	2020
	\$m	\$m
Investment management and contract fees	86	318
Service fees		
- related entities	-	24
Total revenue from contracts with customers	86	342

Accounting policy – recognition and measurement

Fee revenue

Fees are charged to customers in connection with investment contracts and other financial services contracts. Fee revenue is recognised as services are provided either at inception of the contract or as services are performed over the life of the contract. For example, fees for ongoing investment management services and other services provided are charged on a regular basis, usually daily, and are recognised as the service is provided.

1.2 Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss

Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss

Refer to note 2.1 for the accounting policy on financial assets measured at fair value through profit or loss.

	2021	2020
	\$m	\$m
Interest		
- related entities	-	9
- other entities	86	148
Dividends and distributions		
- related entities	566	1,122
- associated entities	217	386
- other entities	175	89
Net realised and unrealised gains/(losses)	319	(6,850)
Other investment income	4	16
Total interest income, dividends and distributions and net gains/(losses) on financial assets and liabilities at fair value through profit or loss¹	1,367	(5,080)

1. Total is inclusive of net gains and losses on all investments held by Resolution Life Australasia Limited including shareholder and policyholders. Investment income is predominately from financial instruments backing policyholder liabilities and shareholder's investment assets. To the extent that investment gains and losses are offset by changes in investment contract liabilities and allocated to participating life insurance contract holders, they do not directly affect shareholder profit.

Section 1: Results for the year

1.3 Operating expenses

	2021	2020
	\$m	\$m
Commission expenses	(128)	(175)
Investment management expenses		
- related entities	-	(84)
- other entities	(59)	(48)
Fees and commission expenses	(187)	(307)
Service fee expenses		
- related entities	(290)	(433)
Other expenses	(40)	(50)
Other operating expenses	(330)	(483)

Section 1: Results for the year

1.4 Taxes

(a) Income tax expense

The income tax expense amount reflects the impact of both income tax attributable to shareholder as well as income tax attributable to policyholders. In respect of income tax expense attributable to shareholder, the tax rate which applies is 30% in Australia and 28% in New Zealand.

Income tax attributable to policyholders is based on investment income allocated to policyholders less expenses deductible against that investment income. The impact of the tax is charged against policyholder liabilities. A number of different tax rate regimes apply to policyholders. In Australia, certain classes of policyholder life insurance income and superannuation earnings are taxed at 15%, and certain classes of income on some annuity business are tax-exempt. The rate applicable to New Zealand life insurance business is 28%.

The following table provides a reconciliation of differences between prima facie tax calculated as 30% of the profit before income tax for the year and the income tax expense recognised in the Statement of Comprehensive Income for the year.

	2021	2020
	\$m	\$m
Profit/(Loss) for the period before income tax (expense)/benefit – per Statement of Comprehensive Income	439	(4)
Adjust for policyholder tax (expense)/benefit recognised as part of the change in policyholder liabilities in determining profit before tax	(145)	550
Profit before income tax excluding tax charged to policyholders	294	546
Tax at Australian tax rate - 30%	(88)	(164)
Shareholder impact of life insurance tax treatment	(1)	(16)
Non-deductible expenses	(2)	(3)
Non-taxable income	23	21
Impact due to exit from the AMP Limited tax consolidated group	-	(84)
Impact of Successor Fund Transfer	-	(67)
Over provided in previous years after excluding amounts attributable to policyholders	(5)	(1)
Differences in overseas tax rates	1	2
Total permanent differences	16	(148)
Income tax expenses attributable to shareholder and non-controlling interest	(72)	(312)
Income tax (expense)/benefit attributable to policyholders	(145)	550
Income tax (expense)/benefit	(217)	238

(b) Analysis of income tax (expense)/benefit

	2021	2020
	\$m	\$m
Current tax expense	(212)	(924)
Decrease in deferred tax assets	(107)	(25)
Decrease in deferred tax liabilities	102	1,187
Income tax (expense)/benefit	(217)	238

Section 1: Results for the year

1.4 Taxes (continued)

(c) Analysis of deferred tax balances

	2021	2020
	\$m	\$m
Analysis of deferred tax assets		
Expenses deductible and income recognisable in future years	276	443
Unrealised investment losses	-	1
Losses available for offset against future taxable income	61	-
Total deferred tax assets	337	444
Analysis of deferred tax liabilities		
Unrealised investment gains	708	776
Other	198	232
Total deferred tax liabilities	906	1,008

Accounting policy – recognition and measurement

Income tax expense

Income tax (expense)/benefit is the tax payable on taxable income for the current period based on the income tax rate for each jurisdiction and adjusted for changes in deferred tax assets and liabilities. These changes are attributable to:

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

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

Any tax impact on income and expenses items that are recognised directly in equity is also recognised directly in equity.

Income tax for investment contracts business and life insurance contracts business

The income tax expense recognised in the Statement of Comprehensive Income of Resolution Life Australasia, reflects tax imposed on shareholder as well as policyholders. Investment contracts liabilities and life insurance contracts liabilities are established in Australia net, and in New Zealand gross, of the policyholders' share of any current tax payable and deferred tax balances of Resolution Life Australasia. Arrangements made with some superannuation funds result in Resolution Life Australasia making payments to the Australian Taxation Office in relation to contributions tax arising in those funds. The amounts paid are recognised as a decrease in investment contract liabilities and not included in income tax expense.

Section 1: Results for the year

1.4 Taxes (continued)

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences and are measured at the tax rates which are expected to apply when the assets are recovered or liabilities are settled, based on tax rates that have been enacted or substantively enacted for each jurisdiction at the reporting date. Deferred tax assets and liabilities, including amounts in respect of investment contracts and life insurance contracts, are not discounted to their present values.

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

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Tax consolidation

Resolution Life Australasia Limited is part of a tax-consolidated group, with Resolution NOHC being the head entity. A tax funding deed and tax sharing deed has been entered into by the head entity and the controlled entities in the tax-consolidated group and requires entities to fully compensate RLNOHC for current tax liabilities and to be fully compensated by the company for any current or deferred tax assets in respect of tax losses arising from external transactions occurring after 30 June 2020, the implementation date of the tax-consolidated group.

Current tax asset and liability balances represent balances owing to the Australia Taxation Office.

Critical accounting estimates and judgements:

Resolution Life Australasia is subject to taxes in Australia and other jurisdictions where it has operations. The application of tax law to the specific circumstances and transactions of Resolution Life Australasia requires the exercise of judgement by management. The tax treatments adopted by management in preparing the financial statements may be impacted by changes in legislation and interpretations or be subject to challenge by tax authorities.

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

Section 1: Results for the year

1.5 Dividends and distributions

Dividends paid and proposed during the year are shown in the table below:

	2021	2020
	\$m	\$m
Ordinary dividend of \$0.57 (2020: \$3.73) per ordinary share	(200)	(464)
Distributions paid - capital notes ¹	(2)	(15)
Total dividends and distributions paid	(202)	(479)

Final dividend declared but not recognised

2021: \$0.75 (2020: \$0.57) per ordinary share (93)

1. The distribution paid is related to the Subordinated Notes with AMP Limited which was settled in 2021.

Section 2: Investments, intangibles and working capital

2.1 Investments in financial instruments

	2021	2020
	\$m	\$m
Financial assets measured at fair value through Statement of Comprehensive Income		
Equity securities and listed managed investment schemes	2,801	2,833
Debt securities	1,199	1,507
Investment in unlisted equity securities and managed investment schemes ¹	23,952	25,210
Derivative financial assets	314	501
Total financial assets measured at fair value through Statement of Comprehensive Income	28,266	30,051
Other financial liabilities		
Derivative financial liabilities	71	63
Total other financial liabilities	71	63

1. Includes investments in controlled entities of \$138m (2020: \$134m) and controlled unit trusts of \$18,907m (2020: \$20,687m). These are held at cost less accumulated impairment losses.

Section 2: Investments, intangibles and working capital

2.1 Investments in financial instruments (continued)

Accounting policy – recognition and measurement

Financial assets measured at fair value through Statement of Comprehensive Income

Financial assets designated on initial recognition as financial assets measured at fair value through Statement of Comprehensive Income are initially recognised at fair value determined as the purchase cost of the asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in Statement of Comprehensive Income. Any realised and unrealised gains or losses arising from subsequent measurement at fair value are recognised in the Statement of Comprehensive Income in the period in which they arise.

Recognition and de-recognition of financial assets and liabilities

Financial assets and financial liabilities are recognised at the date Resolution Life Australasia becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to an unrelated third party. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled, or expires.

Impairment of financial assets

Assets measured at fair value, where changes in fair value are reflected in the Statement of Comprehensive Income, are not subject to impairment testing.

Other assets subject to impairment testing include: intangible assets including goodwill and investments in controlled entities at cost.

Critical accounting estimates and judgements:

Financial assets measured at fair value

Where available, quoted market prices for the same or similar instruments are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Management applies judgement in selecting valuation techniques and setting valuation assumptions and inputs.

Further detail on the determination of fair value of financial instruments is set out in note 2.5.

Section 2: Investments, intangibles and working capital

2.2 Intangibles – Goodwill

	2021 \$m	2020 \$m
Gross carrying amount	65	65
Less: impairment	-	-
Intangibles at written down value	65	65

Goodwill attributable to shareholders

The goodwill attributable to shareholders of \$65m (2020: \$65m) arose from a previous Life Act Part 9 transfer of life insurance business into the statutory funds of Resolution Life Australasia.

For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGUs) as follows:

	2021 \$m	2020 \$m
Australian Superannuation & Investments	65	65

Accounting policy – Recognition and measurement

Goodwill

Goodwill acquired in a business combination is recognised at cost and subsequently measured at cost less any accumulated impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets acquired and liabilities assumed.

Impairment

Goodwill is tested at least annually for impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units of CGUs). An impairment loss is recognised when the goodwill carrying amount exceeds the CGUs recoverable amount.

Impairment testing

As at the reporting date, there has been no impairment to the amount of goodwill recognised and there are no reasonably possible changes in key assumptions that could cause the carrying amount to exceed the recoverable amount.

Critical accounting estimates and judgements:

Management applies judgement in selecting valuation techniques and setting valuation assumptions to determine the:

- Allocation of goodwill to CGUs and determining the recoverable amount of goodwill.
- Assessment of whether there are any impairment indicators and, where required, in determining the recoverable amount.

Section 2: Investments, intangibles and working capital

2.3 Receivables and prepayments

	2021	2020
	\$m	\$m
Investment related receivables	115	168
Life insurance contract premiums receivable	318	316
Reinsurance receivables	353	275
Other receivables		
- related entities	5	4
- other entities	201	127
Prepayments	-	1
Total receivables and prepayments	992	891
<i>Current</i>	992	891

Accounting policy – recognition and measurement

Receivables

Receivables that back investment contract liabilities and life insurance contract liabilities are designated as financial assets measured at fair value through Statement of Comprehensive Income. Reinsurance and other recoveries are discounted to present value. Receivables that do not back investment contract and life insurance contract liabilities are initially measured at fair value less transaction costs and subsequently measured at amortised cost.

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

Section 2: Investments, intangibles and working capital

2.4 Payables

Accounting policy – recognition and measurement

Payables

Payables are measured at the nominal amount payable. Given the short-term nature of most payables, the nominal amount payable approximates fair value.

	2021 \$m	2020 \$m
Investment related payables	225	352
Life insurance and investment contracts in process of settlement	282	238
Other payables		
- related entities	45	64
- other entities	83	65
Reinsurance payables	71	70
Total payables	706	789
<i>Current</i>	706	789

Section 2: Investments, intangibles and working capital

2.5 Fair value information

The following table shows the carrying amount and estimated fair values of financial instruments, including their levels in the fair value hierarchy. It does not include fair value information for financial instruments not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount	Level 1	Level 2	Level 3	Total fair value
2021	\$m	\$m	\$m	\$m	\$m
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	2,801	2,729	-	72	2,801
Debt securities	1,199	-	1,199	-	1,199
Investments in unlisted managed investment schemes	23,952	-	23,892	60	23,952
Derivative financial assets	314	1	313	-	314
Total financial assets measured at fair value	28,266	2,730	25,404	132	28,266
Financial liabilities measured at fair value					
Derivative financial liabilities	71	8	63	-	71
Investment contract liabilities	4,586	-	10	4,577	4,587
Total financial liabilities measured at fair value	4,657	8	73	4,577	4,658
2020					
	Carrying amount	Level 1	Level 2	Level 3	Total fair value
2020	\$m	\$m	\$m	\$m	\$m
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	2,833	2,785	-	48	2,833
Debt securities	1,507	-	1,507	-	1,507
Investments in unlisted managed investment schemes	25,210	-	25,139	71	25,210
Derivative financial assets	501	42	459	-	501
Total financial assets measured at fair value	30,051	2,827	27,105	119	30,051
Financial liabilities measured at fair value					
Derivative financial liabilities	63	2	61	-	63
Investment contract liabilities	4,476	-	9	4,467	4,476
Total financial liabilities measured at fair value	4,539	2	70	4,467	4,539

Section 2: Investments, intangibles and working capital

2.5 Fair value information (continued)

Resolution Life Australasia's methodology and assumptions used to estimate the fair value of financial instruments are described below:

<i>Equity securities and listed managed investment schemes</i>	The fair value of listed equity securities traded in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities and listed managed investment schemes where there is no active market, fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
<i>Debt securities</i>	The fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
<i>Unlisted managed investment schemes</i>	The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.
<i>Derivative financial assets and liabilities</i>	The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) at the reporting date. The fair value of financial instruments not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments. The models use a number of inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying instruments. Some derivative contracts are significantly cash collateralised, thereby minimising both counterparty risk and Groups own non-performance risk.
<i>Investment contract liabilities</i>	Refer to note 4.1.

The financial assets and liabilities measured at fair value are categorised using the fair value hierarchy which reflects the significance of inputs into the determination of fair value as follows:

- Level 1: the fair value is valued by reference to quoted prices and active markets for identical assets
- Level 2: the fair value is estimated using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

There have been no significant transfers between Level 1 and Level 2 during the 2021 and 2020 financial years.

Section 2: Investments, intangibles and working capital

2.5 Fair value information (continued)

Level 3 fair values

For financial assets categorised within level 3 of the fair value hierarchy, the valuation processes applied in valuing such assets is governed by the Resolution Life Australasia asset valuation policy. The Resolution Life Australasia asset valuation policy was approved by the board in July 2020. This policy outlines the asset valuation methodologies and processes applied to measure non-exchange traded assets which have no regular market price, including investment property, infrastructure, private equity, alternative assets, and illiquid debt securities. All significant level 3 assets are referred to the appropriate valuation committee who meet at least every six months, or more frequently if required.

Resolution Life Australasia has engaged with external valuers for financial assets managed internally, and the discounted cash flow approach was used in measuring the Level 3 fair values.

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs
Equity securities and listed managed investment schemes	Discounted cash flow approach utilising cost of equity as the discount rate	Discount rate Terminal value growth rate Cash flow forecasts
Debt securities	Discounted cash flow approach	Discount rate Cash flow forecasts
Investments in unlisted managed investment schemes	Published redemption prices	Judgement in the determination of the redemption price
Investment contract liabilities	Valuation model based on published unit prices and the fair value of backing assets Fixed retirement income policies - discounted cash flow	Fair value of financial instruments Cash flow forecasts Credit risk

Section 2: Investments, intangibles and working capital

2.5 Fair value information (continued)

Level 3 fair values (continued)

Sensitivity analysis

The sensitivity analysis below shows the effect of reasonable possible alternative assumptions, calculated by changing one or more of significant unobservable inputs for individual assets to reasonably possible alternative assumptions. This included adjusting the discount rate by 25bps - 100bps and adjustments to credit risk by 50bps.

	2021 (+)	2021 (-)	2020 (+)	2020 (-)
Financial assets				
Equity securities and listed managed investment schemes	9	(8)	2	(2)
Investments in unlisted managed investment schemes	13	(10)	11	(9)
Financial liabilities				
Investment contract liabilities	-	-	1	(1)

Section 2: Investments, intangibles and working capital

2.5 Fair value information (continued)

Reconciliation of level 3 values

The following table shows movements in the fair values of financial instruments categorised as level 3 in the fair value hierarchy:

2021	Balance at the beginning of the year \$m	FX gains or losses ¹ \$m	Total gains/ (losses) ¹ \$m	Purchases deposits \$m	Sales/ withdrawals \$m	Balance at the end of the period \$m	Total gains and losses on assets and liabilities held at reporting date \$m
Assets classified as level 3							
Equity securities and listed managed investment schemes	48	-	(11)	35	-	72	(11)
Investments in unlisted managed investment schemes	71	-	2	6	(19)	60	2
Total financial assets measured at fair value	119	-	(9)	41	(19)	132	(9)
Financial liabilities measured at fair value							
Investment contract liabilities	4,467	3	428	131	(452)	4,577	428
Total financial liabilities measured at fair value	4,467	3	428	131	(452)	4,577	428

1. Gains and losses are classified in investment gains and losses or changes in policyholders liabilities in the Statement of Comprehensive Income.

2020	Balance at the beginning of the year \$m	FX gains or losses ¹ \$m	Total gains/ (losses) ¹ \$m	Purchases deposits \$m	Sales/ withdrawals \$m	Balance at the end of the period \$m	Total gains and losses on assets and liabilities held at reporting date \$m
Assets classified as level 3							
Equity securities and listed managed investment schemes	51	-	(3)	-	-	48	(3)
Investments in unlisted managed investment schemes	237	-	(13)	71	(224)	71	(13)
Total financial assets measured at fair value	288	-	(16)	71	(224)	119	(16)
Financial liabilities measured at fair value							
Investment contract liabilities	70,066	(8)	(5,973)	2,062	(61,680)	4,467	(5,973)
Total financial liabilities measured at fair value	70,066	(8)	(5,973)	2,062	(61,680)	4,467	(5,973)

1. Gains and losses are classified in investment gains and losses or changes in policyholders liabilities in the Statement of Comprehensive Income.

Section 3: Capital structure and financial risk management

3.1 Contributed equity

	2021 \$m	2020 \$m
Issued Capital		
124,459,254 (2020: 124,459,254) ordinary shares fully paid ¹	1,632	1,632
Total contributed equity	1,632	1,632

Issued Capital		
Balance at the beginning of the year	1,632	1,168
Issues of Capital	-	464
Balance at the end of the year	1,632	1,632

Capital notes		
Balance at the beginning of the year	-	305
Redemption of capital notes	-	(305)
Balance at the end of the year	-	-
Total contributed equity at the end of the year	1,632	1,632

1. Holders of ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares have no par value.

Accounting policy – recognition and measurement

Issued capital

Issued capital in respect of ordinary shares is recognised as the fair value of consideration received by the Company. Incremental costs directly attributable to the issue of certain new shares are recognised in equity as a deduction, net of tax, from the proceeds.

Section 3: Capital structure and financial risk management

3.2 Interest-bearing liabilities

(a) Interest-bearing liabilities

	31 December 2021			31 December 2020		
	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
Deposits	10	-	10	50	-	50
Subordinated Notes (optional quarterly redemptions)	-	-	-	-	-	-
Subordinated Notes ¹	-	293	293	-	295	295
Total interest-bearing liabilities	10	293	303	50	295	345

1. The Subordinated Notes held by external holders were issued on 9 December 2020. The carrying value of the subordinated debt at balance date is at amortised cost of \$300m net of directly attributable transaction costs of \$7m. The transaction costs increased by \$2m (2020:\$5m).

(b) Changes in liabilities arising from financing activities

	2021 \$m	2020 \$m
Subordinated Notes		
Balance at the beginning of the year	295	250
Interest accrued	11	4
Interest paid ¹	(11)	(4)
Redemption of subordinated debts with AMP Limited	-	(250)
Additional capitalised cost ²	(2)	295
Balance at the end of the year	293	295

1. Interest paid is included as Cash flows from operating activities in the Statement of cash flow.

2. The Subordinated Notes held by external holders were issued on 9 December 2020. The carrying value of the subordinated debt at balance date is at unamortised cost of \$300m net of directly attributable transaction costs of \$7m (FY20:\$5m).

Accounting policy – recognition and measurement

Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

Finance costs

Finance costs include interest on interest-bearing liabilities. Borrowing costs are recognised as expenses when incurred and are presented as finance costs in the Statement of Comprehensive Income.

Section 3: Capital structure and financial risk management

3.3 Financial risk management

The Resolution Life Australasia Limited Board has overall responsibility for the risk management framework including the approval of Resolution Life Australasia's business plan, risk management strategy and risk appetite (among other core elements). The Board and Board Risk Committee provide the necessary governance of financial risks across Resolution Life Australasia.

The Asset Liability and Investment Committee (ALICO) assists the CEO in exercising their delegated authority from the Board to manage financial risks. ALICO's oversight of financial risk exposures across Resolution Life Australasia aims to ensure that financial risks are managed in accordance with the Board approved risk appetite and ICAAP (Internal Capital Adequacy Assessment Process). The ultimate objective of the ICAAP is to ensure that residual risk exposures are commensurate with aggregate capital.

Financial risks arise from the past issuance of life insurance policies and the holding of financial instruments. This note discloses financial risk in accordance with the categories in AASB 7 *Financial Instruments* ("AASB 7"):

- Market risk
- Liquidity and refinancing risk
- Credit concentration risk

This note does not include market, liquidity or credit risk for the life insurance contracts issued by Resolution Life Australasia as they are outside the scope of AASB 7.

(a) Market risk

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

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(a) Market risk (continued)

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

Market risk	Exposures	Management of exposures and use of derivatives
Interest rate risk		
The risk of an impact on Resolution Life Australasia's profit after tax and equity arising from fluctuations of the fair value or future cash flows of financial instruments due to changes in market interest rates.	Resolution Life Australasia's long-term subordinated debt.	Derivatives are used to manage interest rate risk exposures, including bond futures, interest rate swaps and swaptions. Resolution Life Australasia manages interest rate and other market risks to reduce impacts on capital arising from asset and liability mismatches. ALICO provides support to the CEO in the execution of strategies to reduce the impact of interest rates on Resolution Life Australasia's capital position.
	Interest bearing investment assets of the shareholder and statutory funds.	
Currency risk		
The risk of an impact on Resolution Life Australasia's profit after tax and equity arising from fluctuations of the fair value of a financial asset, liability or commitment due to changes in foreign exchange rates.	Foreign currency denominated assets and liabilities.	Resolution Life Australasia uses swaps to economically hedge the interest rate risk and foreign currency risk on foreign currency denominated borrowings but does not economically hedge the capital invested in overseas operations.
	Capital invested in overseas operations.	
	Foreign exchange rate movements on specific cash flow transactions.	Resolution Life Australasia economically hedges material foreign currency risk originated by receipts and payments once the value and timing of the expected cash flow is known.
		Foreign currency denominated assets supporting policy liabilities are currency hedged except the international equities portfolio attributable to shareholders within Resolution Life Australasia Statutory Fund No.1.
Equity price risk		
The risk of an impact on Resolution Life Australasia's profit after tax and equity arising from fluctuations of the fair value or future cash flows of a financial instrument due to changes in equity prices.	Exposure for shareholder includes listed and unlisted shares and participation in equity unit trusts.	Resolution Life Australasia uses equity futures and call options to economically hedge equity exposures, with the overall purpose of reducing impacts on capital arising from asset and liability mismatches. ALICO provides support to the CEO in the execution of strategies to reduce the impact of equity prices on Resolution Life Australasia's capital position.

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity analysis

The table below includes sensitivity analysis showing how the profit after tax and equity would have been impacted by changes in market risk variables. The analysis:

- Shows the direct impact of a reasonably possible change in market rate and is not intended to illustrate a remote, worst case stress test scenario;
- Assumes that all underlying exposures and related hedges are included and the change in variable occurs at the reporting date; and
- Does not include the impact of any mitigating management actions over the period to the subsequent reporting date.

		2021		2020	
		Impact on profit after tax	Impact on equity	Impact on profit after tax	Impact on equity
		Increase (decrease)	Increase (decrease)	Increase (decrease)	Increase (decrease)
Change in variables		\$m	\$m	\$m	\$m
Interest rate risk					
Impact of a 100 basis points (bp) change in Australian and international interest rates.	+ 100 bp	(36)	(36)	2	2
	- 100 bp	24	24	44	44
Currency risk					
Impact of a 10% movement of exchange rate against the Australian dollar on currency sensitive monetary assets and liabilities.	10% depreciation of AUD	8	83	4	79
	10% appreciation of AUD	(8)	(70)	(4)	(65)
Equity price risk					
Impact of a 10% movement in Australian and international equities. Any potential impact on fees from Resolution Life Australasia's investments linked business is not included.	10% increase in: - Australian equities	11	11	7	7
	- International equities	11	11	7	7
	10% decrease in: - Australian equities	(11)	(11)	(7)	(7)
	- International equities	(11)	(11)	(7)	(7)

The categories of risk faced and methods used for deriving sensitivity information did not change from previous periods.

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(b) Liquidity and refinancing risk

Liquidity risk

The risk that Resolution Life Australasia Limited is not able to meet its obligations as they fall due because of an inability to liquidate assets or obtain adequate funding when required.

Refinancing risk

The risk that Resolution Life Australasia Limited is not able to refinance the full quantum of the ongoing debt funding amount it utilises on appropriate terms and pricing.

Maturity analysis

Below is a summary of the maturity profiles of Resolution Life Australasia Limited's undiscounted financial liabilities and off-balance sheet items at the reporting date, based on its contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

	Up to 1 Year or no term	1 to 5 Years	More than 5 Years	No specific maturity	Total
2021	\$m	\$m	\$m	\$m	\$m
Non-derivative financial liabilities					
Payables	706	-	-	-	706
Interest-bearing liabilities ¹	26	80	128	-	234
Investment contract liabilities ²	32	91	123	4,256	4,502
Total undiscounted financial liabilities	764	171	251	4,256	5,442

	Up to 1 Year or no term	1 to 5 Years	More than 5 Years	No specific maturity	Total
2020	\$m	\$m	\$m	\$m	\$m
Non-derivative financial liabilities					
Payables	789	-	-	-	789
Interest-bearing liabilities ¹	60	50	390	-	500
Investment contract liabilities ²	40	110	143	4,140	4,433
Total undiscounted financial liabilities	889	160	533	4,140	5,722

1. Resolution life Australasia has a call option to early redeem the subordinated notes when specific conditions are met and subject to prior written approval from APRA. The holders of the subordinated notes cannot require Resolution life Australasia to redeem the subordinated notes prior to the maturity date. Since the holder has no option to claim early redemption, there are no circumstances as at 31 December 2021 that would indicate that the notes will be redeemed prior to maturity.

2. Investment contract liabilities are liabilities to policyholders for investment linked business linked to the performance and value of assets that back those liabilities. If all these policyholders claimed their funds, there may be some delays in settling the liability as assets are liquidated, but the shareholder has no direct exposure to any liquidity risk.

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(c) Credit risk

Market risk	Exposures	Management of exposures and use of derivatives
Credit risk		
Credit default risk is the risk of financial loss due to a counterparty failing to meet their contractual commitments in full and on time.	Wholesale credit risk on the invested fixed income portfolios in Resolution Life Australasia statutory funds.	The Chief Investment Officer manages credit risk exposure for Resolution Life Australasia and ALICO provides additional oversight to ensure credit risks are managed within risk appetite.

Collateral and master netting or similar agreements

Resolution Life Australasia obtains collateral and utilises netting agreements to mitigate credit risk exposures from certain counterparties.

Derivative financial assets and liabilities

The management of credit risk from derivatives includes the use of Credit Support Annexes to derivative agreements which facilitate the bi-lateral posting of collateral.

Certain derivative assets and liabilities are subject to legally enforceable master netting arrangements, such as an International Swaps and Derivatives Association (ISDA) master netting agreement. In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

An ISDA agreement does not automatically meet the criteria for accounting set off in the Statement of Financial Position. This is because the Resolution Life Australasia, in most cases, does not have any immediate legally enforceable right to offset recognised amounts.

If these netting arrangements were applied to the derivative portfolio, the derivative assets of \$314m would be reduced by \$21m to the net amount of \$293m and derivative liabilities of \$71m would be reduced by \$21m to the net amount of \$50m (2020: derivative assets of \$501m would be reduced by \$46m to the net amount of \$455m and derivative liabilities of \$63m would be reduced by \$46m to the net amount of \$17m).

Section 3: Capital structure and financial risk management

3.4 Other derivative information

Accounting policy – recognition and measurement

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value exclusive of any transaction costs on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. All derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from the change in fair value of derivatives, except those that qualify as effective cash flow hedges, are immediately recognised in the Statement of Comprehensive Income.

3.5 Capital management

Resolution Life Australasia Limited holds capital to protect its customers, creditors, shareholders and policyholders against unexpected losses to a level that is consistent with Resolution Life Australasia group's risk appetite, as approved by the board.

Resolution Life Australasia Limited aims to optimise the mix of capital resources in order to minimise the cost of capital and maximise shareholder value. The Minimum Regulatory Capital Requirement (MRR) is the amount of shareholder capital required to be held by Resolution Life Australasia Limited to meet its regulatory capital requirements as specified under the Life Act and APRA Life Insurance Prudential Standards. These requirements apply to the company as a whole, and each statutory fund of the company.

Resolution Life Australasia Limited maintains a combination of a board approved minimum capital target above its MRR, plus additional capital targets held above this minimum amount. The capital target above the board minimum has been set so there is less than a 10% probability of capital resources falling below the board minimum over a 12-month period. In addition, the participating business of the life insurance company is managed to target a very high level of confidence that the business is self-supporting and that there are sufficient assets to support its policyholder liabilities.

At all times during the current and prior financial year, Resolution Life Australasia Limited complied with the applicable regulatory capital requirements.

Section 4: Accounting for life insurance contracts

4.1 Accounting for life insurance contracts and investment contracts

The two major contract classifications are investment contracts and life insurance contracts.

For the purposes of this financial report, holders of investment contracts or life insurance contracts are collectively and individually referred to as *policyholders*.

Investment contracts

The investment contracts of Resolution Life Australasia Limited relate to products such as savings, investment-linked and retirement income policies. The nature of this business is that Resolution Life Australasia Limited receive amounts to be invested from policyholders and those funds are invested on behalf of the policyholders. Fees and other charges are passed to the shareholder and reported as revenue.

The liability to policyholders, other than for fixed retirement income policies, is linked to the performance and value of the assets that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets. For fixed retirement income policies, the liability is linked to the fair value of the fixed retirement income payments and associated management services element.

The fair value of the fixed retirement income payments is calculated as their net present value using a fair value discount rate. The fair value of the associated management services element is the net present value, using a fair value discount rate, of all expenses associated with the provision of services and any profit margins thereon.

Life insurance contracts

Resolution Life Australasia Limited issues contracts that transfer significant insurance risk from the policyholder, covering death, disability or longevity of the insured. In addition, there are some policies known as discretionary participating contracts that are similar to investment contracts, but the timing of the vesting of the profit attributable to the policyholders is at the discretion of Resolution Life Australasia Limited. Such contracts are defined as life insurance contracts and accounted for using the Margin on Services (MoS) liability valuation method.

Under MoS, the excess of the expected value of the premiums received over the expected value of the claims and expenses (the margin) is recognised over the life of the contract in a manner that reflects the pattern of risk accepted from the policyholder (the service). The planned release of this margin is included in the movement in life insurance contract liabilities recognised in the Statement of Comprehensive Income.

Life insurance contract liabilities are usually determined using a projection method, whereby estimates of policy cash flows (premiums, benefits, expenses and profit margins to be released in future periods) are projected using best-estimate assumptions about the future. The liability is calculated as the net present value of these projected cash flows. When the benefits under a life insurance contract are linked to the assets backing it, the discount rate applied is based on the expected future investment earnings rate of those assets. Where the benefits are not linked to the performance of the backing assets, a risk-free discount rate is used. The risk-free discount rate is based on zero coupon government bond rates plus a liquidity margin, which reflect the nature, structure and terms of the contract liabilities.

An accumulation method may be used if it produces results that are not materially different from those produced by a projection method. A modified accumulation method is used for some discretionary participating business, where the life insurance liability is the accumulation of amounts invested by policyholders, less fees specified in the policy, plus investment earnings and vested benefits, adjusted to allow for the fact that crediting rates are determined by reference to investment income over a period of greater than one year. The accumulation method may be adjusted to the extent that acquisition expenses are to be recovered from future margins between fees and expenses.

Section 4: Accounting for life insurance contracts

4.1 Accounting for life insurance contracts and investment contracts (continued)

Allocation of operating profit and invested policyholder benefits

The operating profit arising from discretionary participating contracts is allocated between shareholders and participating policyholders by applying the MoS principles in accordance with the Life Insurance Act 1995 (Cth) (Life Act) and as additionally set out in the board's documented Participating Business Management Framework.

Once profit is allocated to participating policyholders it can only be distributed to these policyholders.

Profit allocated to participating policyholders is recognised in the Statement of Comprehensive Income as an increase in policy liabilities. The policy liabilities include profit that has not yet been allocated to specific policyholders (ie unvested) and that which has been allocated to specific policyholders by way of bonus distributions (ie vested).

Bonus distributions to participating policyholders do not alter the amount of profit attributable to shareholders. They merely change the nature of the liability from unvested to vested.

The principles of allocation of the profit arising from discretionary participating business are as follows:

- (i) Investment income (net of tax and investment expenses) on retained earnings in respect of discretionary participating business is allocated between policyholders and shareholders in proportion to the balances of policyholders' and shareholders' retained earnings. This proportion is, mostly, 80% to policyholders and 20% to shareholders.
- (ii) Other MoS profits arising from discretionary participating business are allocated 80% to policyholders and 20% to shareholders, with the following exceptions:
 - the profit arising from New Zealand corporate superannuation business is apportioned such that shareholders are allocated 15% of the profit allocated to policyholders
 - the profit arising in respect of preservation superannuation account business is allocated 92.5% to policyholders and 7.5% to shareholders
 - the profits arising from discretionary participating investment account business where 100% of investment profit is allocated to policyholders and 100% of any other profit or loss is allocated to shareholders, with the over-riding provision being that at least 80% of any profit and not more than 80% of any loss be allocated to policyholders' retained profits of the relevant statutory fund
 - the underwriting profit arising in respect of participating Business Super risk business is allocated 90% to policyholders and 10% to shareholders.

Allocation of expenses within the statutory funds

All operating expenses relating to the life insurance contract and investment contract activities are apportioned between acquisition, maintenance and investment management expenses. Expenses are allocated directly to a product line based on the fees incurred under the service agreements between Resolution Life Australasia Limited and the service companies in the Resolution Life NOHC (Australia) Pty Ltd group.

The fees within the service agreements are determined according to detailed expense analysis, with due regard to the activities to which that expense relates. Where expenses are not directly attributable, they are appropriately apportioned using business drivers and statistics such as policy counts, annual premiums and funds under management. The apportionment basis has been made in accordance with Actuarial Standards and on an equitable basis to the different classes of business in accordance with the Life Act.

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

Section 4: Accounting for life insurance contracts

4.1 Accounting for life insurance contracts and investment contracts (continued)

Reinsurance

Life insurance contract premium ceded to reinsurers is recognised as an expense and Life insurance contract claims recovered from reinsurers is recognised as revenue.

Upfront commission received on quota share reinsurance contracts is recognised as commission revenue and a corresponding reinsurance liability is recognised representing the obligation to pay future premiums to the reinsurer. The establishment of the reinsurance liability is reflected in Change in policyholder liabilities. The liability will be released in line with the release of the profit margin on the underlying insurance contracts.

The present value of Resolution Life Australasia Limited's net contractual rights and obligations under reinsurance contracts is presented as a reinsurance asset or a reinsurance liability.

Changes in the reinsurance asset and the reinsurance liability during the period are recognised as Changes in policyholder liabilities. On-going commission from reinsurers is recognised as revenue at the time the commission is received or receivable.

Critical accounting judgments and estimates

Life insurance contract liabilities

The measurement of insurance contract liabilities is determined using the MoS methodology. The determination of the liability amounts involves judgement in selecting the valuation methods, profit carriers and valuation assumptions for each type of business. The determination of the assumptions can involve subjectivity and relatively small changes in assumptions may have a significant impact on the reported profit. The board of Resolution Life Australasia Limited is responsible for these judgements and assumptions, after taking advice from the Appointed Actuary.

Investment contract liabilities

Investment contract liabilities are measured at fair value. For the majority of contracts, the fair value is determined based on published unit prices and the fair value of backing assets, and does not generally require the exercise of judgement. For fixed income products, fair value is determined using valuation models. Judgement is applied in selecting the valuation model and setting the valuation assumptions.

Section 4: Accounting for life insurance contracts

4.2 Life insurance contracts – premiums, claims, expenses and liabilities

	2021	2020
	\$m	\$m
(a) Analysis of life insurance contract related revenue - net of reinsurance¹		
Life insurance contract premiums received and receivable	2,324	2,094
Less: component recognised as a change in life insurance contract liabilities	(573)	(308)
Life insurance contract premium revenue	1,751	1,786
Commission received from reinsurers	199	223
Life insurance contract related revenue	1,950	2,009
Life insurance contract premiums ceded to reinsurers	(957)	(989)
Life insurance contract related revenue - net of reinsurance	993	1,020
(b) Analysis of life insurance contract claims expenses - net of reinsurance		
Total life insurance contract claims paid and payable	(3,663)	(3,062)
Less: component recognised as a change in life insurance contract liabilities	1,839	987
Life insurance contract claims expense	(1,824)	(2,075)
Life insurance claims recovered from reinsurers	534	556
Life insurance contract claims expense - net of reinsurance	(1,290)	(1,519)
(c) Analysis of life insurance contract operating expenses		
Life insurance contract acquisition expenses		
- Commission	(8)	(12)
- Other expenses	(13)	(32)
Total Life insurance contract acquisition expenses	(21)	(44)
Life insurance contract maintenance expenses		
- Commission	(121)	(132)
- Other expenses	(291)	(292)
Total Life insurance contract acquisition expenses	(412)	(424)
Investment management expenses	(37)	(48)

1. Life insurance contract premium revenue consists entirely of direct insurance premiums; there is no inward reinsurance component.

Section 4: Accounting for life insurance contracts

4.2 Life insurance contracts – premiums, claims, expenses and liabilities (continued)

	2021	2020
	\$m	\$m
(d) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
<i>Best estimate liability</i>		
- value of future life insurance contract benefits	12,487	14,252
- value of future expenses	3,031	3,433
- value of future premiums	(7,557)	(8,636)
<i>Value of future profits</i>		
- life insurance contract holder bonuses	3,784	3,143
- shareholders profit margins	1,511	1,467
Total life insurance contract liabilities determined using the projection method	13,256	13,659
Life insurance contract liabilities determined using the accumulation method		
<i>Best estimate liability</i>		
- value of future life insurance contract benefits	5,176	6,384
- value of future acquisition expenses	(26)	(29)
- value of future premiums ²	(8)	(8)
Total life insurance contract liabilities determined using the accumulation method	5,142	6,347
Value of declared bonus	203	191
Unvested policyholder benefits liabilities ¹	2,479	2,431
Total life insurance contract liabilities net of reinsurance	21,080	22,628
Reinsurance liability - ceded life insurance contracts ³	(1,390)	(1,546)
Reinsurance asset - ceded life insurance contracts ⁴	1,437	1,448
Total life insurance contract liabilities gross of reinsurance	21,127	22,530

1. For participating business in the statutory funds, part of the assets in excess of the life insurance contract and other liabilities calculated under MoS are attributed to policyholders. Under the Life Act, this is referred to as policyholder retained profits. For the purpose of reporting under accounting standards, this amount is referred to as unvested life policyholder benefits liabilities and is included within life insurance contract liabilities even though it is yet to be vested as specific policyholder entitlements.

2. At 1 July 2020, Resolution Life Australasia Limited NZ Branch entered an arrangement with RLNZ where a single reinsurance premium of NZD \$9m was paid for a reinsurance cover. A reinsurance asset was set up in Resolution Life Australasia Limited NZ Branch where the balance is amortised monthly over time.

3. Reinsurance liability - ceded life insurance contracts reflects the present value of the net obligation to transfer cashflows under the 60% quota share reinsurance arrangement with Gen Re, Munich Re and Swiss Re, in return for upfront commission received. It also reflects the reinsurance position of the surplus reinsurance arrangement with Gen Re and Swiss Re.

4. Reinsurance assets - this represents the present value of reinsurance recoveries on claims that have already been incurred, as well as the reinsurance component of unearned premiums.

	2021	2020
	\$m	\$m
(e) Reconciliation of changes in net life insurance contract liabilities		
Total life insurance contract liabilities at the beginning of the year	22,530	23,494
Change in life insurance contract liabilities recognised in the Statement of Comprehensive Income	(323)	(356)
Premiums recognised as an increase in life insurance contract liabilities	573	308
Claims recognised as a decrease in life insurance contract liabilities	(1,839)	(987)
Change in reinsurance asset - ceded life insurance contracts	(11)	226
Change in reinsurance liability - ceded life insurance contracts	156	(31)
Foreign exchange adjustment	41	(124)
Total net life insurance contract liabilities at the end of the year	21,127	22,530

Section 4: Accounting for life insurance contracts

4.3 Life insurance contracts – assumptions and valuation methodology

Life insurance contract liabilities, and hence the net profit from life insurance contracts, are calculated by applying the MoS principles described in section 4.1. The key assumptions and methods used in the calculation of life insurance contract liabilities are outlined below.

The methods and profit carriers used to calculate life insurance contract liabilities for particular policy types are as follows:

Business type	Method¹	Profit carriers (for business valued using projection method)
Conventional	Projection	Bonuses
Investment account	Modified accumulation	n/a
Retail risk (lump sum)	Projection	Expected premiums
Retail risk (income protection)	Projection	Expected premiums
Group risk (lump sum)	Accumulation	n/a
Group risk (income benefits)	Accumulation	n/a
Participating allocated annuities	Modified accumulation	n/a
Life annuities	Projection	Annuity payments

(a) Risk-free discount rates

Except where benefits are contractually linked to the performance of the assets held, a risk-free discount rate based on current observable, objective rates that relate to the nature, structure and term of the future obligations is used. The rates are determined as shown in the following table:

Business type	Basis¹	31 December 2021		31 December 2020	
		Australia %	New Zealand %	Australia %	New Zealand %
Retail risk (other than income benefit open claims) ¹	Zero coupon government bond yield curve	0.3 - 2.6	1.5 - 3.0	0.0 - 2.1	0.3 - 2.4
Retail risk and group risk (income benefit open claims) ¹	Zero coupon government bond yield curve (including liquidity premium)	0.5 - 2.7	1.7 - 3.2	0.2 - 2.2	0.4 - 2.5
Life annuities	Non-CPI Zero coupon government bond yield curve (including liquidity premium)	0.6 - 2.8	1.8 - 3.2	0.2 - 2.3	0.4 - 2.5
Life annuities	CPI Commonwealth indexed bond yield curve (including liquidity premium)	-1.9 - 0.4	-0.3 - 1.0	-1.5 - 0.1	-0.6 - 0.6

¹ The discount rates vary by duration in the range shown above.

(b) Future maintenance and investment expenses

Unit maintenance costs are based on budgeted expenses in the year following the reporting date (including GST, as appropriate, and excluding one-off expenses). For future years, these are increased for inflation as described in (c) below. These expenses include fees charged to the life statutory funds by service companies in the Resolution Life NOHC (Australia) Pty Ltd group. Unit costs vary by product line and class of business based on an apportionment that is supported by expense analyses.

Future investment expenses are based on the fees currently charged by the asset managers.

Section 4: Accounting for life insurance contracts

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

(c) Inflation and indexation

Benefits and premiums of many regular premium policies are automatically indexed by the published consumer price index (CPI). Assumed future take-up of these indexation options is based on Resolution Life Australasia's own experience. The annual future CPI rates are largely derived from the difference between long-term government bonds and indexed government bonds.

The expense inflation assumptions have been set based on the inflation rates, recent expense performance, Resolution Life Australasia Limited's current plans, expected policy run off and the terms of the relevant service company agreement, as appropriate. The assumed future expense inflation is derived from the difference between long-term government bonds and indexed government bonds.

The assumed CPI and expense inflation rates at the valuation date are:

	Australia %		New Zealand %	
	CPI	Expense Inflation	CPI	Expense Inflation
31 December 2021	2.3	2.3	2.1	2.1
31 December 2020	1.8	1.6 - 3.0	1.6	2.0

(d) Bases of taxation

The bases of taxation (including deductibility of expenses) are assumed to continue in accordance with legislation current at the valuation date.

(e) Voluntary discontinuance

Assumptions for the incidence of withdrawals (surrender), paid up policies, premium dormancy and policy lapse due to premium non-payment are primarily based on investigations of Resolution Life Australasia Limited's own historical experience. These rates are based upon the assessed global rate for each of the individual products (or product groups) and then, where appropriate, further adjusted for factors such as duration, premium structure, smoker status, age attained or short-term market and business effects etc. Given the variety of influences affecting discontinuance for different product groups, the range of voluntary discontinuance rates across Resolution Life Australasia Limited is extremely diverse.

The assumptions for future rates of discontinuance have been reviewed for the conventional portfolio. Discontinuance assumptions were changed from 31 December 2020 for the Australian and New Zealand conventional portfolio. Discontinuance assumptions were unchanged for all other life insurance contracts.

Note that the wealth protection discontinuance rate ranges are calculated based on current business mix and various assumption rating factors. Discontinuance rate ranges for conventional products (Australia and New Zealand) are calculated based on average expected lapse rates for the next five years.

Business type	31 December 2021		31 December 2020	
	Australia %	New Zealand %	Australia %	New Zealand %
Conventional	2.0 - 6.7	1.0 - 2.1	2.1 - 7.4	1.1 - 2.2
Retail risk (lump sum)	9.7 - 19.7	4.7 - 17.0	6.9 - 19.4	4.7 - 16.5
Retail risk (income benefit)	5.2 - 14.9	8.8 - 15.0	5.0 - 14.5	8.8 - 15.4
Flexible Lifetime Super (FLS) risk business	14.3 - 23.7	n/a	15.0 - 22.5	n/a

Section 4: Accounting for life insurance contracts

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

(f) Surrender values

The surrender bases assumed for calculating surrender values are those current at the reporting date. There have been no changes to the bases during the year (or the prior year) that would materially affect the valuation results.

(g) Mortality and morbidity

Standard mortality and morbidity tables, based on national or industry wide data, are used.

Key assumptions are reviewed regularly throughout the year. Certain assumptions have been updated to reflect recent experience. This includes:

- COVID-19: Continued allowances for short deterioration for morbidity claims were made for the potential impact of COVID-19 on income protection and TPD claims experience across both Australian and New Zealand wealth protection products.
- Australian retail income protection: Changes to incidence rates and termination rates;
- Australian group income protection: a refit was performed on the new industry table ADI 14-18 resulting in changes to termination rates;
- Australian retail lump sum: a refit was performed on the new industry table ALS 14-18 resulting in changes to incidence rates;
- Australian and New Zealand Annuity and Conventional: Changes to mortality incidence rates to reflect recent experience.

The assumptions are summarised in the following table.

Conventional	Conventional - % of IA95-97	
	Male	Female
31 December 2021		
Australia	54.7	54.7
New Zealand	65.7	65.7
31 December 2020		
Australia	60.8	60.8
New Zealand	73.0	73.0

Risk Products	Retail Lump Sum - % of table	
	Male	Female
31 December 2021		
Australia ¹	117-168	117-168
New Zealand ²	104 - 120	85 - 98
31 December 2020		
Australia ¹	90-134	90-134
New Zealand ²	104 - 120	85 - 98

1. Base ALS1418 Death tables with overall product specific adjustment factors (estimated methodology used).

2. Base IA04-08 Death Without Riders table modified based on aggregated experience but with overall product specific adjustment factors (estimated methodology used).

Section 4: Accounting for life insurance contracts

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

(g) Mortality and morbidity (continued)

	Male - % of IML00*	Female - % of IFL00*
31 December 2021		
Australia and New Zealand ¹	85.0	80.0
31 December 2020		
Australia and New Zealand ¹	95.0	80.0

1. Annuities tables modified for future mortality improvements.

Typical morbidity assumptions, in aggregate, are as follows:

	Incidence rates % of ADI 14-18	Termination rates (ultimate) % of ADI 14-18	Incidence rates % of ADI 07-11	Termination rates (ultimate) % of ADI 07-11
Income protection				
31 December 2021				
Australia	28-130	50-117	N/A	N/A
New Zealand	N/A	N/A	72 - 179	69 - 144
31 December 2020				
Australia	28 - 158	68 - 117	N/A	N/A
New Zealand	N/A	N/A	72 - 179	69 - 144
Retail Lump Sum			Male % of table	Female % of table
31 December 2021				
Australia TPD ¹			150-193	150-193
Australia Trauma ²			96-103	96-103
New Zealand TPD ³			120	120
New Zealand Trauma ⁴			110 - 114	110 - 114
31 December 2020				
Australia TPD ³			165-351	165-351
Australia Trauma ⁴			92 - 174	92 - 174
New Zealand TPD ¹			120	120
New Zealand Trauma ²			110 - 114	110 - 114

1. Base ALS1418 TPD table modified based on our aggregated experience but with overall product specific adjustment factors (estimated methodology used).
2. Base ALS1418 Trauma table modified based on our aggregated experience but with overall product specific adjustment factors (estimated methodology used).
3. Base IA04-08 TPD table modified based on our aggregated experience but with overall product specific adjustment factors (estimated methodology used).
4. Base IA04-08 Trauma table modified based on our aggregated experience but with overall product specific adjustment factors (estimated methodology used).

Section 4: Accounting for life insurance contracts

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

(g) Mortality and morbidity (continued)

The actuarial tables used were as follows:

IA95-97	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995–1997. The table has been modified to allow for future mortality improvement.
IML00*/IFL00*	IML00 and IFL00 are mortality tables developed by the Institute and Faculty of Actuaries based on United Kingdom annuitant lives experience from 1999-2002. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of the investigation. IML00* and IFL00* are these published tables amended for some specific Resolution Life Australasia Limited experience.
IA04-08 DTH	This was published by the Institute of Actuaries of Australia under the name A graduation of the 2004-2008 Lump Sum Investigation Data. The table has been modified based on aggregated experience with overall product specific adjustment factors.
IA04-08 TPD	This is the TPD graduation published in the same paper as above.
IA04-08 Trauma	This is the Trauma graduation published in the same paper as above.
ADI 07-11	A disability table developed by KPMG at the request of the Financial Services Council (FSC) based on Australian disability income experience for the period 2007-2011. This table has been adjusted for Resolution Life Australasia Limited with overall product specific adjustment factors.
ADI 14-18	A disability table developed by KPMG at the request of the Financial Services Council (FSC) based on Australian disability income experience for the period 2014-2018. This table has been adjusted for Resolution Life Australasia Limited with overall product specific adjustment factors.
ALS 14-18	A mortality/morbidity table developed by KPMG at the request of the Financial Services Council (FSC) based on Australian retail lump sum experience for the period 2014-2018. This table has been adjusted for Resolution Life Australasia Limited with overall product specific adjustment factors.

Section 4: Accounting for life insurance contracts

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

(h) Other participating business assumptions

Where benefits are contractually linked to the performance of the assets held, as is the case for participating business, a discount rate based on the expected market return on backing assets is used. The assumed earning rates for backing assets for participating business are largely driven by long-term (e.g.10-year) government bond yields. The 10-year government bond yields used at the relevant valuation dates are as shown in the following table.

Assumed earning rates for each asset sector are determined by adding to the bond yield various risk premiums which reflect the relative differences in expected future earning rates for different asset sectors. For products backed by a mix of portfolio assets, the assumption varies with the proportion of each asset sector backing the product. The risk premiums applicable at the valuation date are shown in the table below.

	Risk premiums					
	10 year government bond yields	Local equities	International equities	Property & Infrastructure	Fixed interest	Cash
	%	%	%	%	%	%
31 December 2021						
Australia	1.7	4.5	3.5	2.5	0.6	(0.5)
New Zealand	2.4	4.5	3.5	2.5	0.6	(0.5)
31 December 2020						
Australia	1.0	4.5	3.5	2.5	0.4	(0.5)
New Zealand	1.0	4.5	3.5	2.5	0.3	(0.5)

The risk premiums for local equities include allowance for imputation credits. The risk premiums for fixed interest reflect credit ratings of the portfolio held.

The averages of the asset mixes assumed for the purpose of setting future investment assumptions for participating business at the valuation date are as shown in the table below for each life company. These asset mixes are not necessarily the same as the actual asset mix at the valuation date as they reflect long-term assumptions.

Average asset mix ¹	Equities	Property & Infrastructure	Fixed Interest	Cash
	%	%	%	%
31 December 2021				
Australia	31	15	41	13
New Zealand	36	18	39	7
31 December 2020				
Australia	29	14	39	18
New Zealand	35	17	39	9

1. The asset mix in the table above includes both conventional and investment account business for Resolution Life Australasia Limited. As described in note 4.1, 100% of investment profits on discretionary participating investment account business are allocated to policyholders.

Section 4: Accounting for life insurance contracts

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

(h) Other participating business assumptions (continued)

Where an assumption used is net of tax, the tax on investment income is allowed for at rates appropriate to the class of business and asset sector, including any allowance for imputation credits on equity income. For this purpose, the total return for each asset sector is split between income and capital gains. The actual split has varied at each valuation date as the total return has varied.

For participating business, the total value of future bonuses (and the associated shareholders' profit margins) included in life insurance contract liabilities is the amount supported by the value of the supporting assets, after allowing for the assumed future experience. The pattern of bonuses and shareholders' profit margins assumed to emerge in each future year depends on the assumed relationship between reversionary bonuses (or interest credits) and terminal bonuses. This relationship is set to reflect the philosophy underlying actual bonus declarations.

Actual bonus declarations are determined to reflect, over time, the investment returns of the particular fund and other factors in the emerging experience and management of the business. These factors include:

- allowance for an appropriate degree of benefit smoothing
- reasonable expectations of policyholders
- equity between generations of policyholders applied across different classes and types of business
- ongoing capital adequacy.

Given the many factors involved, the range of bonus structures and rates for participating business is extremely diverse.

Typical supportable bonus rates on major product lines are as follows for Resolution Life Australasia (31 December 2020 in parentheses).

Reversionary bonus	Bonus on sum insured	Bonus on existing bonuses
	%	%
Australia	0.5 - 1.5 (0.5 - 1.5)	0.7 - 2.2 (0.7 - 2.2)
New Zealand	0.5 - 1.4 (0.5 - 1.4)	0.5 - 1.4 (0.5 - 1.4)

Terminal bonus

The terminal bonus scales are complex and vary by duration, product line, class of business and country for Resolution Life Australasia Limited.

Crediting rates (investment account)

Australia	1.4 - 4.2 (0.3 - 2.9)
New Zealand	2.4 - 2.8 (1.6 - 1.9)

Section 4: Accounting for life insurance contracts

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

(i) Impact of changes in assumptions

Under MoS, for life insurance contracts valuations using the projection method, changes in assumptions are recognised by adjusting the value of future profit margins in life insurance contract liabilities. Future profit margins are released over future periods.

Changes in assumptions do not include market related changes in discount rates such as changes in benchmark market yields caused by changes in investment markets and economic conditions. These are reflected in both life insurance contract liabilities and asset values at the reporting date.

The impact on future profit margins of actual changes in assumptions from 31 December 2020 to 31 December 2021 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at reporting date) is as shown in the table below.

Assumption change	Change in future profit margins \$m	Change in life insurance contract liabilities ² \$m	Change in shareholder's profit and equity ³ \$m
Non-market related changes to discount rates	1	6	(4)
Mortality and morbidity	(11)	28	(20)
Discontinuance rates	-	-	-
Maintenance expenses	(13)	7	(5)
Premium rates	(21)	(57)	40
Other assumptions ¹	-	(1)	1

1. Other assumption changes include the impact of modelling, reinsurance, and product changes.
2. Change in life insurance contract liabilities is net of reinsurance, gross of tax.
3. Change in shareholders' profit and equity is net of reinsurance, net of tax.

In most cases, the overall amount of life insurance contract liabilities and the current period profit are not affected by changes in assumptions. However, where in the case of a particular non-participating related product group, the changes in assumptions at the end of a period eliminate any future profit margins for the related product group, and results in negative future profit margins, this negative balance for all forecasted future periods is recognised as a loss in the current period. If the changes in assumptions in a period are favourable for a product group currently in loss recognition, then the previously recognised losses are reversed in the period.

Section 4: Accounting for life insurance contracts

4.4 Life insurance contracts – risk

(a) Life insurance risk

Resolution Life Australasia issues contracts that transfer significant insurance risk from the policyholder, covering death, disability or longevity of the insured, often in conjunction with the provision of wealth management products.

The products carrying insurance risk are designed to ensure that policy wording and promotional materials are clear, unambiguous and do not leave Resolution Life Australasia open to claims from causes that were not anticipated. The variability inherent in insurance risk, including concentration risk, is managed by having a large geographically diverse portfolio of individual risks, underwriting and the use of reinsurance.

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. Individual policies carrying insurance risk are generally underwritten individually on their merits. Individual policies which are transferred from a group scheme are generally issued without underwriting. Group risk insurance policies meeting certain criteria are underwritten on the merits of the employee group as a whole.

Claims are managed through a dedicated claims management team, with formal claims acceptance limits and appropriate training and development of staff with an objective to ensure payment of all genuine claims. Claims experience is assessed regularly and appropriate actuarial reserves are established to reflect up-to-date experience and any anticipated future events. This includes reserves for claims incurred but not yet reported.

Resolution Life Australasia reinsures (cedes) to reinsurance companies a proportion of its portfolio or certain types of insurance risk, including catastrophe. This serves primarily to:

- reduce the net liability on large individual risks
- obtain greater diversification of insurance risks;
- provide protection against large losses;
- reduce overall exposure to risk; and
- reduce the amount of capital required to support the business.

The reinsurance companies are regulated by the Australian Prudential Regulation Authority (APRA); or industry regulators in other jurisdictions and have strong credit ratings from A+ to AA+.

Section 4: Accounting for life insurance contracts

4.4 Life insurance contracts – risk (continued)

(b) Key terms and conditions of life insurance contracts

The nature of the terms of the life insurance contracts written by Resolution Life Australasia is such that certain external variables can be identified on which related cash flows for claim payments depend. The following table provides an overview of the key variables upon which the timing and uncertainty of future cash flows of the various life insurance contracts issued by Resolution Life Australasia depend.

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables affecting future cash flows
<i>Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability)</i>	These policies provide guaranteed benefits, which are paid on death or ill-health, that are fixed and not at the discretion of the Life Companies. Premium rates for yearly renewable business are not guaranteed and may be changed at the discretion of the Life Companies for the portfolio as a whole.	Benefits are defined by the insurance contract and are not directly affected by the investment performance of any underlying assets.	Mortality, morbidity, lapses, expenses and investment market earning rates on assets backing the liabilities.
<i>Life annuity contracts</i>	These policies provide a guaranteed regular income for the life of the insured in exchange for an initial single premium.	The amount of the guaranteed regular income is set at inception of the policy allowing for any indexation.	Longevity, expenses, inflation and investment market earning rates on assets backing the liabilities.
<i>Conventional life insurance contracts with discretionary participating benefits (endowment and whole of life)</i>	The policyholder pays a regular premium and receives the specified sum insured plus any accruing bonuses on death or maturity. The sum insured is specified at inception and guaranteed. Bonuses are added annually, which once added are guaranteed. A further bonus may be added on surrender, death or maturity.	Benefits arising from the discretionary bonuses are based on the performance of a specified pool of contracts and the assets supporting these contracts.	Investment market earning rates on assets backing the liabilities, lapses, expenses and mortality.
<i>Investment account contracts with discretionary participating features</i>	The gross value of premiums received is invested in the investment account with fees and premiums for any associated insurance cover being deducted from the account balance when due. Interest is credited regularly.	Payment of the account balance is generally guaranteed, although it may be subject to certain penalties on early surrender or limited adjustment in adverse investment markets. Operating profit arising from these contracts is allocated between the policyholders and shareholders with not less than 80% allocated to policyholders. Distribution of policyholder profit is through an interest rate mechanism.	Fees, lapses, expenses and investment market earning rates on the assets backing the liabilities.

Section 4: Accounting for life insurance contracts

4.4 Life insurance contracts – risk (continued)

(c) Insurance risk sensitivity analysis – life insurance contracts

For life insurance contracts that are accounted for under MoS, amounts of liabilities, income or expense recognised in the period are unlikely to be sensitive to changes in variables even if those changes may have an impact on future profit margins, unless the product is in or close to loss recognition.

This table shows information about the sensitivity of life insurance contract liabilities and current period shareholder profit after income tax and equity, to a number of possible changes in assumptions relating to insurance risk.

Variable	Change in variable	Change in the			
		Change in life insurance contract liabilities	Net of reinsurance	shareholder's profit after income tax and equity	Net of reinsurance
		Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
		\$m	\$m	\$m	\$m
Mortality	10% increase in mortality rates	17	16	(12)	(11)
Annuitant mortality	50% increase in the rate of mortality improvement	32	32	(23)	(23)
Morbidity - lump sum disablement	20% increase in lump sum disablement rates	8	8	(5)	(5)
Morbidity - disability income	10% increase in incidence rates	154	66	(108)	(46)
Morbidity - disability income	10% decrease in termination rates	264	122	(185)	(85)
Discontinuance rates	10% increase in discontinuance rates	76	42	(54)	(30)
Maintenance expenses	10% increase in maintenance expenses	30	30	(21)	(21)

(d) Liquidity risk and future net cash outflows

The following table shows the estimated timing of future net cash outflows resulting from insurance contract liabilities. This includes estimated future surrenders, death/disability claims and maturity benefits, offset by expected future premiums or contributions and reinsurance recoveries. All values are discounted to the reporting date using the assumed future investment earning rate for each product.

	Up to 1 year	1 to 5 years	Over 5 years	Total
	\$m	\$m	\$m	\$m
2021	1,080	2,942	10,171	14,193
2020	1,343	3,469	9,648	14,460

Section 4: Accounting for life insurance contracts

4.5 Other disclosure – life insurance contracts and investment contracts

(a) Analysis of life insurance and investment contract profit

	2021 \$m	2020 \$m
Components of profit related to life insurance and investment contract liabilities:		
- Planned margins of revenues over expenses released	180	193
- Profits (losses) arising from difference between actual and assumed experience	75	140
- Losses arising from changes in assumptions	(1)	(95)
- Capitalised reversals (losses)	7	25
Profit related to life insurance and investment contract liabilities	261	263
Attributable to:		
- Life insurance contracts	195	211
- Investment contracts	66	52
Profit related to life insurance and investment contract liabilities	261	263
Investment earnings on assets in excess of life insurance and investment contract liabilities	(31)	15

(b) Restrictions on assets in statutory funds

Resolution Life Australasia conducts investment-linked and non-investment linked business. For investment-linked business, amounts to be invested are received from policyholders, the funds are invested on behalf of the policyholders and the resulting liability to policyholders is linked to the performance and value of the assets that back those liabilities.

Resolution Life Australasia has three statutory funds as set out below:

No. 1 fund	Australia	All non-investment linked business (whole of life, endowment, investment account, retail and group risk and immediate annuities) and North longevity guarantee.
	New Zealand	All business (whole of life, endowment, investment account, retail and group risk, investment-linked and immediate annuities).
No. 2 fund	Australia	Investment-linked superannuation business (retail and group investment-linked and deferred annuities).
No. 3 fund	Australia	Investment-linked ordinary business.

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

Further details about solvency and capital adequacy are provided in note 4.5(d).

Section 4: Accounting for life insurance contracts

4.5 Other disclosure – life insurance contracts and investment contracts (continued)

(c) Capital guarantees

	2021 \$m	2020 \$m
Life insurance contracts with a discretionary participating feature		
- Amount of the liabilities that relate to guarantees	10,823	12,921
Investment linked contracts		
- Amount of the liabilities subject to investment performance guarantees	82	84
Other life insurance and investment contracts with a guaranteed termination value		
- Current termination value	59	64

(d) Capital requirements

Registered life insurance entities are required to hold prudential reserves, over and above their life insurance contract and investment contract liabilities, as a buffer against adverse experience and poor investment returns. These reserving requirements are specified by the APRA prudential capital standards. The standards are intended to take account of the full range of risks to which a regulated institution is exposed and specifies the prescribed capital amount (PCA) requirement. The PCA is the minimum level of capital that the regulator deems must be held to meet policyholder obligations.

In addition to the regulatory capital requirements, the company maintains a target surplus providing an additional capital buffer against adverse events. Resolution Life Australasia uses internal capital models to determine the target surplus amount to hold above regulatory requirements, with the models reflecting the risks of the business, principally the risk of adverse asset movements relative to the liabilities and of worse than expected claims costs.

The excess of the company's capital base over the PCA as at 31 December 2021 was \$1,743m (2020: \$1,502m)

The Appointed Actuary of Resolution Life Australasia has confirmed that the capital base of each life statutory fund and shareholders' fund have exceeded PCA at all times during 2021 and 2020.

Section 4: Accounting for life insurance contracts

4.5 Other disclosure – life insurance contracts and investment contracts (continued)

(d) Capital requirements (continued)

		No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Total
2021		\$m	\$m	\$m	\$m	\$m
Capital Base						
Net assets as per Life Insurance Act	A	1,785	15	6	423	2,229
- Common equity Tier 1 Capital		1,785	15	6	423	2,229
- Additional Tier 1 Capital		n/a	n/a	n/a	-	-
Total regulatory adjustments to net assets	B	245	(2)	-	(73)	170
- Total regulatory adjustments to Common equity Tier 1 Capital		245	(2)	-	(73)	170
- Total regulatory adjustments to Additional Tier 1 Capital		n/a	n/a	n/a	-	-
Tier 2 Capital	C	300	-	-	-	300
Total regulatory adjustments to Tier 2 Capital	D	-	-	-	-	-
Total capital base	E(A+B+C+D)	2,330	13	6	350	2,699
Prescribed capital						
Insurance risk charge		341	-	-	-	341
Asset risk charge		583	1	1	3	588
Asset concentration risk charge		-	-	-	-	-
Operational risk charge		112	9	2	-	123
Less aggregation benefit		(192)	-	-	-	(192)
Combined stress scenario adjustment		95	-	-	1	96
Total Prescribed capital Amount (PCA)	F	939	10	3	4	956
Capital adequacy multiple	E/F	248%	130%	200%	8750%	282%

Section 4: Accounting for life insurance contracts

4.5 Other disclosure – life insurance contracts and investment contracts (continued)

(d) Capital requirements (continued)

		No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Total
2020		\$m	\$m	\$m	\$m	\$m
Capital Base						
Net assets as per Life Insurance Act	A	1,908	12	6	276	2,202
- Common equity Tier 1 Capital		1,908	12	6	276	2,202
- Additional Tier 1 Capital		n/a	n/a	n/a	-	-
Total regulatory adjustments to net assets	B	168	-	-	(72)	96
- Total regulatory adjustments to Common equity Tier 1 Capital		168	-	-	(72)	96
- Total regulatory adjustments to Additional Tier 1 Capital		n/a	n/a	n/a	-	-
Tier 2 Capital	C	300	-	-	-	300
Total regulatory adjustments to Tier 2 Capital	D	-	-	-	-	-
Total capital base	E(A+B+C+D)	2,376	12	6	204	2,598
Prescribed capital						
Insurance risk charge		419	-	-	-	419
Asset risk charge		602	1	1	3	607
Asset concentration risk charge		-	-	-	-	-
Operational risk charge		120	8	2	-	130
Less aggregation benefit		(221)	-	-	-	(221)
Combined stress scenario adjustment		160	-	-	1	161
Total Prescribed capital Amount (PCA)	F	1,080	9	3	4	1,096
Capital adequacy multiple	E/F	220%	133%	200%	5100%	237%

Section 4: Accounting for life insurance contracts

4.5 Other disclosure – life insurance contracts and investment contracts (continued)

(e) Actuarial information

Mr Greg Martin, the Appointed Actuary of Resolution Life Australasia, is satisfied as to the accuracy of the data used in the valuations in the financial report and in the tables in this note and notes 4.2- 4.5.

The liabilities to policyholders, capital base and prescribed capital amounts have been determined at the reporting date in accordance with the Life Act.

(f) Disaggregated information

(i) Statement of Comprehensive Income by statutory fund and shareholder's fund

	No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Total
2021	\$m	\$m	\$m	\$m	\$m
Income and expenses of policyholders and the shareholder					
Life insurance contract related revenue - net of reinsurance	993	-	-	-	993
Fee revenue	20	56	10	-	86
Other revenue	2	(1)	1	3	5
Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss	740	501	127	(1)	1,367
Life insurance contract claims expense - net of reinsurance	(1,290)	-	-	-	(1,290)
Goodwill impairment	-	-	-	-	-
Operating expenses	(488)	(25)	(5)	1	(517)
Finance costs	(14)	-	-	-	(14)
Change in policyholder liabilities					
- life insurance contracts	323	-	-	-	323
- investment contracts	(43)	(378)	(93)	-	(514)
Income tax (expense)/credit	(42)	(129)	(35)	(11)	(217)
Profit (loss) for the year	201	24	5	(8)	222

	No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Total
2020	\$m	\$m	\$m	\$m	\$m
Income and expenses of policyholders and the shareholder					
Life insurance contract related revenue - net of reinsurance	1,020	-	-	-	1,020
Fee revenue	13	293	10	26	342
Other revenue	42	-	-	4	47
Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss	1,179	(6,293)	33	1	(5,080)
Life insurance contract claims expense - net of reinsurance	(1,519)	-	-	-	(1,519)
Goodwill impairment	-	-	-	-	-
Operating expenses	(536)	(236)	(5)	(13)	(790)
Finance costs	(10)	(1)	-	-	(11)
Change in policyholder liabilities					
- life insurance contracts	356	-	-	-	356
- investment contracts	(31)	5,686	(24)	-	5,631
Income tax (expense)/credit	(284)	594	(10)	(62)	238
Profit (loss) for the year	230	43	5	(44)	234

Section 4: Accounting for life insurance contracts

4.5 Other disclosure – life insurance contracts and investment contracts (continued)

(f) Disaggregated information (continued)

(ii) Statement of financial position by statutory fund and shareholder's fund

	No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Elimina- tions ²	Total
2021	\$m	\$m	\$m	\$m	\$m	\$m
Assets						
Investments in financial assets	23,817	3,260	976	213	-	28,266
Other assets	2,641	313	(15)	580	(397)	3,122
Total assets of policyholders and the shareholder	26,458	3,573	961	793	(397)	31,388
Liabilities						
Life insurance contract liabilities ¹	21,127	-	-	-	-	21,127
Investment contract liabilities ¹	330	3,406	850	-	-	4,586
Other liabilities	3,214	153	102	374	(397)	3,446
Total liabilities of policyholders and the shareholder	24,671	3,559	952	374	(397)	29,159
Net assets	1,787	14	9	419	-	2,229
Equity						
Contributed equity	1,253	27	8	344	-	1,632
Reserves	85	-	-	(142)	-	(57)
Retained earnings	449	(13)	1	217	-	654
Total equity of the shareholder	1,787	14	9	419	-	2,229
	No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Elimina- tions ²	Total
2020	\$m	\$m	\$m	\$m	\$m	\$m
Assets						
Investments in financial assets	25,705	3,163	890	293	-	30,051
Other assets	2,842	350	9	338	(470)	3,069
Total assets of policyholders and the shareholder	28,547	3,513	899	631	(470)	33,120
Liabilities						
Life insurance contract liabilities ¹	22,530	-	-	-	-	22,530
Investment contract liabilities ¹	336	3,347	793	-	-	4,476
Other liabilities	3,771	155	98	358	(470)	3,912
Total liabilities of policyholders and the shareholder	26,637	3,502	891	358	(470)	30,918
Net assets	1,910	11	8	273	-	2,202
Equity						
Contributed equity	1,382	27	8	215	-	1,632
Reserves	79	-	-	(143)	-	(64)
Retained earnings	449	(16)	-	201	-	634
Total equity of the shareholder	1,910	11	8	273	-	2,202

1. Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately \$2,854m (2020: \$3,000m) of policy liabilities may be settled within 12 months of the reporting date.

2. Eliminations represents inter-statfund balances.

Section 4: Accounting for life insurance contracts

4.5 Other disclosure – life insurance contracts and investment contracts (continued)

(f) Disaggregated information (continued)

(iii) Retained earnings by statutory fund and shareholders' fund

	No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Total
2021	\$m	\$m	\$m	\$m	\$m
Opening retained earnings	449	(16)	(0)	201	634
Net profit (loss)	201	24	6	(9)	222
Transfers between statutory and shareholder's funds	(201)	(21)	(5)	227	-
Dividends and distributions paid	-	-	-	(202)	(202)
Closing retained earnings	449	(13)	1	217	654

	No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Total
2020	\$m	\$m	\$m	\$m	\$m
Opening retained earnings	620	49	(2)	212	879
Net profit (loss)	230	43	5	(44)	234
Transfers between statutory and shareholder's funds	(401)	(108)	(3)	512	-
Dividends and distributions paid	-	-	-	(479)	(479)
Closing retained earnings	449	(16)	(0)	201	634

(iv) Contributed equity by statutory fund and shareholders' fund

	No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Total
2021	\$m	\$m	\$m	\$m	\$m
Opening contributed equity	1,382	27	8	215	1,632
Transfers between statutory and shareholder's funds	(129)	-	-	129	-
Issue of share capital	-	-	-	-	-
Closing contributed equity	1,253	27	8	344	1,632

	No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Total
2020	\$m	\$m	\$m	\$m	\$m
Opening contributed equity (re-stated) ¹	1,221	(52)	7	297	1,473
Redemption of capital notes	-	-	-	(305)	(305)
Issue of share capital	161	79	1	223	464
Closing contributed equity (re-stated)¹	1,382	27	8	215	1,632

Section 4: Accounting for life insurance contracts

4.5 Other disclosure – life insurance contracts and investment contracts (continued)

(f) Disaggregated information (continued)

(v) Statement of comprehensive income by non-investment linked and investment linked

	Non- Investment Linked \$m	Investment Linked \$m	Total Statutory Funds \$m	Share- holder's Fund \$m	Total \$m
2021					
Income and expenses of policyholders and the shareholder					
Life insurance contract related revenue - net of reinsurance	993	-	993	-	993
Fee revenue	20	66	86	-	86
Other revenue	2	-	2	3	5
Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss	740	628	1,368	(1)	1,367
Life insurance contract claims expense - net of reinsurance	(1,290)	-	(1,290)	-	(1,290)
Operating expenses	(488)	(30)	(518)	1	(517)
Finance costs	(14)	-	(14)	-	(14)
Change in policyholder liabilities	-	-	-	-	-
- life insurance contracts	323	-	323	-	323
- investment contracts	(43)	(471)	(514)	-	(514)
Income tax credit (expense)	(42)	(164)	(206)	(11)	(217)
Profit (loss) for the year	201	29	230	(8)	222

	Non- Investment Linked ¹ \$m	Investment Linked \$m	Total Statutory Funds \$m	Share- holder's Fund \$m	Total \$m
2020					
Income and expenses of policyholders and the shareholder					
Life insurance contract related revenue - net of reinsurance	1,020	-	1,020	-	1,020
Fee revenue	13	303	316	26	342
Other revenue	42	-	42	4	46
Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss	1,179	(6,259)	(5,080)	1	(5,079)
Share of profit of associates accounted for using the equity method	-	-	-	-	-
Life insurance contract claims expense - net of reinsurance	(1,519)	-	(1,519)	-	(1,519)
Goodwill impairment	-	-	-	-	-
Operating expenses	(536)	(241)	(777)	(13)	(790)
Finance costs	(10)	(1)	(11)	-	(11)
Change in policyholder liabilities	-	-	-	-	-
- life insurance contracts	356	-	356	-	356
- investment contracts	(31)	5,662	5,631	-	5,631
Income tax credit (expense)	(284)	-	(284)	-	(284)
Profit (loss) for the year	230	(536)	(306)	18	(288)

Section 4: Accounting for life insurance contracts

4.5 Other disclosure – life insurance contracts and investment contracts (continued)

(f) Disaggregated information (continued)

(vi) Statement of financial position by non-investment linked and investment linked

	Non- Investment Linked ¹ \$m	Investment Linked \$m	Total Statutory Funds \$m	Share- holder's Fund \$m	Eliminations ² \$m	Total \$m
2021						
Assets						
Investments in financial assets	23,817	4,236	28,053	213	-	28,266
Other assets	2,641	298	2,939	580	(397)	3,122
Total assets of policyholders and the shareholder	26,458	4,534	30,992	793	(397)	31,388
Liabilities						
Life insurance contract liabilities ¹	21,127	-	21,127	-	-	21,127
Investment contract liabilities ¹	330	4,256	4,586	-	-	4,586
Other liabilities	3,214	255	3,469	374	(397)	3,446
Total liabilities of policyholders and the shareholder	24,671	4,511	29,182	374	(397)	29,159
Net assets	1,787	23	1,810	419	-	2,229
Equity						
Contributed equity	1,253	35	1,288	344	-	1,632
Reserves	85	-	85	(142)	-	(57)
Retained earnings	449	(12)	437	217	-	654
Total equity of the shareholder	1,787	23	1,810	419	-	2,229

	Non- Investment Linked ¹ \$m	Investment Linked \$m	Total Statutory Funds \$m	Share- holder's Fund \$m	Elimina- tions ² \$m	Total \$m
2020						
Assets						
Investments in financial assets	25,705	4,053	29,758	293	-	30,051
Other assets	2,842	359	3,201	338	(470)	3,069
Total assets of policyholders and the shareholder	28,547	4,412	32,959	631	(470)	33,120
Liabilities						
Life insurance contract liabilities ¹	22,530	-	22,530	-	-	22,530
Investment contract liabilities ¹	336	4,140	4,476	-	-	4,476
Other liabilities	3,771	253	4,024	358	(470)	3,912
Total liabilities of policyholders and the shareholder	26,637	4,393	31,030	358	(470)	30,918
Net assets	1,910	19	1,929	273	-	2,202
Equity						
Contributed equity	1,382	35	1,417	215	-	1,632
Reserves	79	-	79	(143)	-	(64)
Retained earnings	449	(16)	433	201	-	634
Total equity of the shareholder	1,910	19	1,929	273	-	2,202

1. Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately \$2,854m (2020: \$11,570m) of policy liabilities may be settled within 12 months of the reporting date.

2. Eliminations represents inter-Statutory Fund balances.

Section 4: Accounting for life insurance contracts

4.5 Other disclosure – life insurance contracts and investment contracts (continued)

(f) Disaggregated information (continued)

(vii) Retained earnings by non-investment linked and investment linked

	Non- Investment Linked ¹ \$m	Investment Linked \$m	Total Statutory Funds \$m	Share- holder's Fund \$m	Total \$m
2021					
Opening retained earnings	449	(16)	433	201	634
Net profit (loss)	201	30	231	(9)	222
Transfers between statutory and shareholder's funds	(201)	(26)	(227)	227	-
Dividends and distributions paid	-	-	-	(202)	(202)
Closing retained earnings	449	(12)	437	217	654

	Non- Investment Linked ¹ \$m	Investment Linked \$m	Total Statutory Funds \$m	Share- holder's Fund \$m	Total \$m
2020					
Opening retained earnings	620	47	667	212	879
Net profit (loss)	230	48	278	-	-
Transfers between statutory and shareholder's funds	(401)	(111)	(512)	512	(0)
Dividends and distributions paid	-	-	-	-	-
Closing retained earnings	449	(16)	433	201	634

1. The "investment linked" and "non-investment linked" classifications refer to the primary business of the individual statutory funds. Some investment linked business exists within the No.1 statutory fund through consolidation of the company's New Zealand Branch.

(viii) Contributed equity by non-investment linked and investment linked

	No 1 Statutory Fund \$m	No 2 Statutory Fund \$m	No 3 Statutory Fund \$m	Share- holder's Fund \$m	Total \$m
2021					
Opening contributed equity	1,382	27	8	215	1,632
Transfers between statutory and shareholder's funds	(129)	-	-	129	-
Issue of share capital	-	-	-	-	-
Closing contributed equity	1,253	27	8	344	1,632

	Non- Investment Linked ¹ \$m	Investment Linked \$m	Total Statutory Funds \$m	Share- holder's Fund \$m	Total \$m
2020					
Opening contributed equity (re-stated) ²	1,221	(45)	1,176	297	1,473
Redemption of capital notes	-	-	-	(305)	(305)
Issue of share capital	161	80	241	223	464
Closing contributed equity (re-stated)²	1,382	35	1,417	215	1,632

1. The "investment linked" and "non-investment linked" classifications refer to the primary business of the individual statutory funds. Some investment linked business exists within the No.1 statutory fund through consolidation of the company's New Zealand Branch.

2. 2020 comparatives for contributed equity between the statutory funds have been re-stated.

Section 5: Related part disclosures

5.1 Key management personal

The following table provides aggregate details of the compensation of key management personnel of the company. The remuneration is paid by a related company, Resolution Life Services Australia Pty Ltd.

	2021	2020
	\$	\$
Short term benefits	2,688,034	3,442,478
Post-employment benefits	167,852	100,030
Other long-term benefits	1,459,709	323,584
Total	4,315,595	3,866,092

Accounting policy – recognition and measurement

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

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

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

Section 5: Related part disclosures

5.2 Transactions with related parties

The company has transactions with related parties including controlled entities and associated entities.

Most of those related parties are various investment vehicles/funds and the activities with those parties are part of the normal day to day investment activities of the company.

Other related party transactions are in respect of administrative services, investment management services and financial planning services provided by fellow controlled entities in the Resolution Life group. Balances with other related parties that are material are set out in the table below.

Transactions with related parties are made at arm's length on normal commercial terms.

Revenue and expenses with related parties are:

		Distributions paid to related parties	Services fee expenses paid to related parties	Amounts owed by related parties	Amounts owed to related parties	Capital notes with related parties ¹
		\$'000	\$'000	\$'000	\$'000	\$'000
Fellow subsidiaries of Resolution Life Group						
Resolution Life (NZ) Investments Limited	2021	-	-	-	30,066	-
	2020	-	-	-	29,791	-
Resolution Life AAPH Limited	2021	-	-	2,119	-	-
	2020	-	-	2,119	-	-
RLNM Limited	2021	-	-	-	-	-
	2020	-	-	1,046	-	-
Resolution Life Group Finance (Bermuda) Ltd	2021	1,637	-	-	-	-
	2020	6,550	-	-	-	305,000
Resolution Life Services Australia Pty Ltd	2021	-	247,593	-	11,591	-
	2020	-	164,733	-	33,606	-
Resolution Life Services NZ Limited	2021	-	37,232	7,285	-	-
	2020	-	28,886	608	-	-
Resolution Ergo Mortgage and Savings	2021	-	-	-	2,506	-
	2020	-	-	395	-	-

1. AMP Limited transferred ownership of the capital notes at face values to Resolution Life Group Finance (Bermuda) Ltd in June 2020. The capital notes with Resolution Life Group Finance (Bermuda) Ltd were redeemed on December 2020.

Section 6: Significant events during the year

6.1 Significant events during the year

(a) Coronavirus (COVID-19) impact

Background

COVID-19 continued to impact the global economy and financial markets which resulted in various support actions by governments and regulators. Where applicable, the impact of COVID-19 has been incorporated into the determination of the company's results of operations and measurement of assets and liabilities at the reporting date as further explained below.

Impact of COVID 19

The COVID-19 pandemic has continued to significantly impact investment markets and economic activity globally. During COVID-19, illiquid asset valuations since March 2020 to 30 June 2021 had factored-in negative revisions to short-term and long-term cashflows and increases in company-specific and asset-specific risk premia assumptions. Valuation impacts of COVID-19 were again considered in the 31 December 2021 valuations.

With widespread vaccination programs, the past six months has generally seen an easing of government travel restrictions and greater confidence in the recovery which has allowed some valuations to recover from levels earlier in the pandemic. However, the continued economic uncertainty, including the impact of the onset of the Omicron variant, has resulted in many assets' discount rates and capitalisation rates continuing to factor-in increased company-specific and asset-specific risk premia.

Consideration of the statements of financial position and further disclosures

Key statements of financial position items and related disclosures that have been impacted by COVID-19 were as follows:

Policy liabilities

At the start of the COVID-19 pandemic, allowances were made for anticipated short-term deterioration within income protection and TPD claims experience. These allowances were captured as part of risk margins used in capital calculations and COVID-19 overlays on best estimate assumptions. As of December 2021, there continues to be some allowances, albeit in smaller magnitudes, to reflect an extended impact from COVID-19 to what was initially estimated in early 2020 and the continued uncertainty regarding future outbreaks, effectiveness of vaccine and potential government restriction measures.

Short term deterioration allowances for COVID-19 are as follows:

TPD Claims

Throughout the pandemic, the direct impacts on TPD claims from a COVID-19 infection have been limited given the relatively short recovery time. However, it is still possible that those who recover from severe cases may suffer lasting effects on their health including permanent lung damage or PTSD (posttraumatic stress disorder) from their ICU (intensive care unit) experience.

Meanwhile the indirect impacts due to recurrent lockdowns mean the impacts on various parts of the economy and on mental health are likely to extend into 2022 and this is reflected in the short-term allowances on best estimate assumptions.

Income Protection (IP)

With respect to IP claims incidence, due to waiting periods on IP products and the relatively quick recovery from COVID-19, throughout the pandemic it has generally not led to an increase in the incidence of direct claims. The potential increase continues to mainly relate to conditions where the claimant could have potentially remained in the work force or returned to work but is now less able to due to the poor economic outlook. Termination of currently open claims is also impacted similarly, as those on claim continue to have less opportunities to return. As a result, some short-term deterioration continues to be allowed for potential unfavourable experience in IP incidence and termination claim rates over 2022.

Section 6: Significant events during the year

6.1 Significant events during the year (continued)

Goodwill

Consistent with the company's accounting policies, the company has tested goodwill for indicators of impairment during the period and, where applicable, reviewed the measurement of the carrying value of such intangible assets.

The goodwill recognised for the S&I CGU is tested for impairment triggers using the recent transaction price by comparing the carrying value of goodwill to fair value determined through the purchase price. As the transaction has been recently concluded, the purchase price is considered sufficiently representative and no further analysis was deemed required.

Risk management

The company's risk management framework continues to be applied and monitored against the impact of COVID-19 on the company's risk profile. It is anticipated that new Variants of Concerns (VOC), will be identified by the World Health Organisation. Financial and non-financial risks emerging from new VOC and their impact on staff, counterparties, clients and suppliers will continue to be identified, assessed, managed and governed through timely application of the company's risk management framework.

Section 6: Significant events during the year

6.2 Notes to Statement of Cash Flows

(a) Reconciliation of cash flows from operating activities	2021	2020
	\$m	\$m
Profit / (net loss) for the year	222	234
Investment gains and losses	(337)	6,862
Dividend and distribution income reinvested	(677)	(1,381)
Increase in receivables and other assets	(143)	(218)
(Decrease) / increase in net policy liabilities	(1,449)	(10,626)
(Decrease) / increase in income tax balances	(105)	(943)
(Decrease) / increase in other payables and provisions	2	(965)
Cash flows used in operating activities	(2,487)	(7,037)

(b) Reconciliation of cash	2021	2020
	\$m	\$m
Cash and cash equivalents	191	158
Short term bills and notes (included in Debt securities)	96	214
Cash and cash equivalents for the purposes of the Statement of Cash Flows	287	372

Accounting policy – recognition and measurement

Cash and cash equivalents

Cash and cash equivalents comprise cash-on-hand that is available on demand and deposits that are held at call with financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

Section 6: Significant events during the year

6.3 Contingent liabilities

From time-to-time Resolution Life Australasia may incur obligations arising from litigation or various types of contracts entered into in the normal course of business, including guarantees issued by the parent for performance obligations to controlled entities in Resolution Life Australasia. Where it is determined that the disclosure of information in relation to a contingent liability can be expected to seriously prejudice the position of Resolution Life Australasia (or its re-insurers) in a dispute, accounting standards allow Resolution Life Australasia not to disclose such information and it is Resolution Life Australasia's policy that such information is not to be disclosed in this note.

A contingent liability is disclosed where a legal or constructive obligation is possible, but not probable, or where the obligation is probable, but the financial impact of the event is unable to be reliably estimated.

Superannuation class actions

Resolution Life Australasia is currently named as a respondent in two class actions against certain AMP entities that were lodged in the Federal Court of Australia. The first class action names both Resolution Life Australasia and RLNM Limited ("RLNM") as Respondents and relates to superannuation fees. It is a consolidation of two class action proceedings commenced in May and June 2019. The second class action (which is also a consolidation of two separate proceedings) relates to financial advice and certain Resolution Life Australasia products.

Both class actions are subject to indemnities under the share sale and purchase agreement (SPA) between (among others) AMP Holdings Limited and Resolution Life Australia Pty Ltd ("RLA") and AMP Holdings Limited has assumed conduct of the Resolution Life Australasia's and RLNM's defence in respect of these proceedings. The indemnities operate to indemnify RLA against any liability or loss suffered by Resolution Life Australasia or RLNM arising from the Superannuation Class Actions, subject to terms and conditions of the SPA.

Based on the information available, there is no basis to conclude that it is probable that there will be a material economic outflow from Resolution Life Australasia or RLNM arising from these claims and, accordingly, no provision has been recognised at 31 December 2021.

ASIC Proceedings

Resolution Life Australasia has been named as a defendant in the following civil penalty proceedings filed by ASIC in the Federal Court of Australia. In each proceeding, ASIC has also named as defendants certain AMP entities: VID280/2021 - ASIC civil penalty proceedings in relation to fees charged to deceased customers; and 420/2021 - ASIC civil penalty proceedings in relation to plan service fees. The proceedings each seek declarations and penalties based on alleged contraventions of the Corporations Act and ASIC Act.

Both proceedings are subject to indemnities under the SPA and AMP has assumed conduct of Resolution Life's defence of both proceedings. Resolution Life is also indemnified against any loss arising from the proceedings, including legal costs.

Based on information available, there is no basis to conclude it is probable that Resolution Life have an exposure arising from these claims and accordingly, no provision has been recognised at 31 December 2021.

Section 6: Significant events during the year

6.4 Auditors' remuneration

	2021	2020
	\$'000	\$'000
Audit services for Resolution Life Australasia		
Audit of subsidiary financial statements	1,429	1,240
Other audit services	-	160
Total audit service fees	1,429	1,400
Non-audit services		
Other non-audit services ¹	-	732
Total non-audit services fees	-	732
Total amounts received or due and receivable by the Auditors	1,429	2,132

1. In 2020, non-audit services were in relation to AASB17 transition support from Deloitte

Section 6: Significant events during the year

6.5 New accounting standards

New accounting standards issued but not yet effective

AASB 17 Insurance Contracts

AASB 17 Insurance Contracts (“AASB 17”) was originally released in 2017. Since that time, various implementation issues were raised by stakeholders and, in 2020, the International Accounting Standards Board introduced a number of amendments to IFRS 17. Those amendments have also been incorporated into AASB 17, including deferral of its effective date. For Resolution Life Australasia, the effective date will be the annual reporting period beginning on 1 January 2023. Previous period comparatives will be restated based on restated insurance contract liabilities at 1 January 2022.

The standard introduces significant changes to accounting for life insurance contracts. The changes impact all of Resolution Life Australasia’s business apart from certain investment linked contracts which will continue to be accounted for as financial instruments in accordance with AASB 9. AASB 17 requirements affect recognition, measurement, presentation and disclosure relating to insurance contracts. The new standard, of itself, does not change the underlying economics or cash flows of the life insurance business. However, there will be changes in the measurement of insurance contract liabilities including the amount of deferred acquisition costs and the profit emergence and loss recognition profiles from life insurance contracts.

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

Due to the complexities of the requirements, evolving interpretations and the changes to the original standard, it is not yet practicable to quantify the financial impact on Resolution Life Australasia. In some cases, the final impact of the new requirements will not be determined until interpretations and regulatory responses to the new standard are determined. Resolution Life Australasia has in place a comprehensive implementation program for the adoption of AASB 17.

6.6 Events occurring after reporting date

Dividend and distribution

On 11 February 2022, Resolution Life Australasia Limited declared a \$0.75 per share dividend of \$93,000,000 and a capital return of \$148,200,000 to its sole shareholder. The dividend and capital return are subject to APRA approval.

Acquisition of AIA Australia’s Superannuation & Investments business

On 24 February 2022 Resolution Life Australasia announced that it has entered into agreement with AIA Australia Limited to acquire its Superannuation & Investments business. The acquisition is subject to regulatory approvals and is expected to close within 12 to 18 months.

Other than the matter discussed above, as at the date of this report, the directors are not aware of any other matters or circumstances that have arisen since the reporting date that have significantly affected; or many significantly affect the entity’s operations; the results of those operations; or the entity’s state of affairs in future periods.

Current Market Conditions

The recent Russian invasion of Ukraine is a tragic event first and foremost for the people impacted. While the economic consequences will take some time to materialise, financial markets reacted swiftly, and energy prices have started to surge. The liquidity and capital position of Resolution Life Australasia is designed to withstand shocks to financial markets. We continue to actively monitor the extent of the potential financial impact on the Company’s business, results of operations, financial condition, liquidity and cash flows as well as indirect impacts on the company including supply chain, potential for increased malicious cyber-attacks and impact on staff.

In accordance with a resolution of the directors of Resolution Life Australasia Limited, for the purposes of Section 295(4) of the Corporations Act 2001, the Directors declare that:

- (a) in the opinion of directors there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the opinion of directors the financial statements and notes for the financial year ended 31 December 2021 are in accordance with the *Corporations Act 2001*, including Section 296 (compliance with accounting standards) and Section 297 (true and fair view); and
- (c) the notes to the financial statements for the financial year ended 31 December 2021 include an explicit and unreserved statement of compliance with the International Financial Reporting Standards.



David Clarke
Chairman
Sydney, 22 March 2022



Megan Beer
Chief Executive Officer
Sydney, 22 March 2022

Independent Auditor's Report to the Members of Resolution Life Australasia Limited

Opinion

We have audited the financial report of Resolution Life Australasia Limited (the "Company") which comprises the statement of financial position as at 31 December 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 31 December 2021 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2021 but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such

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disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



DELOITTE TOUCHE TOHMATSU



Stuart Alexander
Partner
Chartered Accountant
Sydney, 22 March 2022