

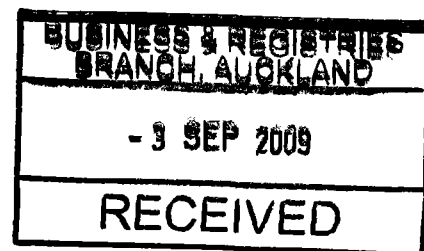


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**LUMLEY GENERAL INSURANCE (N.Z.) LIMITED
AND CONTROLLED ENTITIES**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009**

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LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

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LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Directors' report

Your directors submit their annual financial report for the year ended 30 June 2009.

Directors

The names of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

F J Cameron QSO
J A Lyon
S M McConnell (resigned 18 June 2009)
R G Scott
D G Thom
A N Gianotti (appointed 18 June 2009)

Dividends

\$000's

Dividends paid in the year:

On ordinary shares (16.98 cents per share)

5,007

Supplementary dividend

853

5,860

No final dividends have been proposed.

Nature of operations and principal activities

The Company and Group's principal activities are general insurance underwriting and related investment and finance activities.

Operating and financial review

The net profit from ordinary activities after income tax for the year was \$10,566,020 (2008: loss of \$9,582,000).

Significant changes in the state of affairs

There has been no significant change in the state of affairs of the Company or Group during the year.

Disclosures

Pursuant to Section 211 (3) of the Companies Act 1993, the shareholders have agreed that the annual report of the Company need not comply with Sections 211 (1) (e), (f), (g), (h) and (j) of the Companies Act 1993.

Auditor

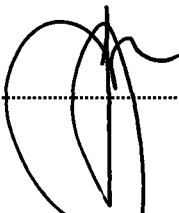
Ernst & Young was appointed to undertake the audit of the financial statements for the year ended 30 June 2009.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Directors' report (continued)

For and on behalf of the Board of Directors

.....
J A LYON
Director



.....
R G SCOTT
Director



17 August 2009

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Income statement for the year ended 30 June

	<i>Notes</i>	<i>Consolidated</i>		<i>Parent</i>	
		<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
		<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Gross earned premium revenue	4	322,171	313,878	320,610	312,210
Outward reinsurance premium expense	4	(67,416)	(73,761)	(67,416)	(73,761)
Net premium revenue	4	254,755	240,117	253,194	238,449
Claims expense	5	(191,264)	(246,870)	(191,161)	(246,782)
Reinsurance and other recoveries revenue	5	32,497	61,384	32,497	61,384
Net claims incurred	5	(158,767)	(185,486)	(158,664)	(185,398)
Net movement in unexpired risk liability	6	4,670	(3,136)	4,670	(3,136)
Acquisition costs	7	(79,132)	(56,390)	(77,634)	(55,320)
Other underwriting expenses including claims management expenses	7	(20,482)	(31,209)	(20,284)	(31,017)
Underwriting expenses		(99,614)	(87,599)	(97,918)	(86,337)
Underwriting result		1,044	(36,104)	1,282	(36,422)
Investment income	4	10,104	9,387	12,316	12,310
Dividend income	4	-	3	1,465	487
Other income	4	2,426	1,854	1,909	1,775
Income from premium funding activities	4	6,017	5,090	-	-
Other operating expenses	7	(7,157)	(5,943)	(5,210)	(4,433)
		11,390	10,391	10,480	10,139
Profit (loss) before tax		12,434	(25,713)	11,762	(26,283)
Income tax (expense)/credit	8	(1,923)	7,986	(1,663)	7,827
Movement in tax reserves	8	58	87	-	-
Net profit/(loss) from ordinary activities after income tax for the year attributable to equity holders of the parent		10,569	(17,640)	10,099	(18,456)
Net profit/(loss) from ordinary activities after income tax for the year attributable to equity holders of the parent as previously reported		10,569	(9,582)	10,099	(10,398)
Correction of Error	36	-	(8,058)	-	(8,058)
Restated Net profit/(loss) from ordinary activities after income tax for the year attributable to equity holders of the parent		10,569	(17,640)	10,099	(18,456)

The above income statement should be read in conjunction with the accompanying notes.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Balance sheet as at 30 June

	Notes	Consolidated		Parent	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Current assets					
Cash and cash equivalents	10	14,209	5,124	11,024	3,088
Trade and other receivables	11	92,888	106,759	131,102	140,571
Financial assets – loans and receivables	12	46,054	41,646	-	-
Financial assets – funds held with related party	12	148,417	111,061	148,417	111,061
Financial assets at Fair Value through Profit or Loss	12	497	-	-	-
Reinsurance and other recoveries receivable	13	31,338	17,616	31,338	17,616
Prepaid reinsurance premiums	14	16,635	23,121	16,635	23,121
Deferred acquisition costs	15	23,231	18,037	23,413	18,270
		373,269	323,364	361,929	313,727
Non-current assets					
Financial assets at Fair Value through Profit or Loss	12	108	602	109	109
Investment in Subsidiaries	16	-	#REF!	1,050	1,050
Deferred tax assets	8	5,062	3,112	5,018	3,080
Reinsurance and other recoveries receivable	13	20,892	12,242	20,892	12,242
Property, plant and equipment	17	5,697	6,559	5,692	6,551
Deferred acquisition costs	15	807	630	807	630
Intangible assets	18	6,038	2,887	5,858	2,880
		38,604	#REF!	39,426	26,542
Total assets		411,873	#REF!	401,355	340,269
LIABILITIES					
Current liabilities					
Trade and other payables	19	43,779	42,283	34,470	33,566
Unearned premium liabilities	21	121,417	123,566	121,417	123,566
Unearned exchange commission	22	3,125	5,223	3,125	5,223
Outstanding claims liabilities	23	83,883	73,546	83,883	73,525
Taxation payable		1,048	698	-	-
Provisions	24	140	168	133	166
		253,392	245,484	243,028	236,046
Non-current liabilities					
Provisions	24	44	47	43	44
Unearned premium liabilities	21	4,187	4,261	4,187	4,261
Policy liability - life	35	587	599	-	-
Outstanding claims liabilities	23	58,291	51,093	58,291	51,093
Financial guarantee contracts	25	2,189	-	2,189	-
Deferred tax liabilities	8	6,255	7,547	6,328	7,628
		71,553	63,547	71,038	63,026
Total liabilities		324,946	309,031	314,066	299,072
Net assets		86,927	#REF!	87,289	41,197
Capital and reserves attributable to the group's equity holders					
Contributed equity	26	70,009	29,009	70,009	29,009
Retained earnings		16,918	11,356	17,280	12,188
Total equity		86,927	40,365	87,289	41,197

For and on behalf of the Board, we authorise these financial statements for issue on 12 August 2009.

J LYON
Director

R G SCOTT
Director

The above balance sheet should be read in conjunction with the accompanying notes.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Statement of changes in equity for the year ended 30 June

<i>Consolidated</i>	<i>Notes</i>	<i>Issued Capital \$'000</i>	<i>Retained Earnings \$'000</i>	<i>Total \$'000</i>
At 1 July 2007		25,009	32,047	57,056
Net loss as previously reported			(9,582)	(9,582)
Correction of error		-	(8,058)	(8,058)
Total recognised profit for the year attributable to equity holders		-	(17,640)	(17,640)
Issue of ordinary shares	26	4,000	-	4,000
Dividends	9	-	(3,051)	(3,051)
At 30 June 2008		29,009	11,356	40,365
Net profit for the period		-	10,569	10,569
Total recognised loss for the year attributable to equity holders		-	10,569	10,569
Issue of ordinary shares	26	41,000	-	41,000
Dividends	9	-	(5,007)	(5,007)
At 30 June 2009		70,009	16,918	86,927

Parent				
At 1 July 2007		25,009	33,695	58,704
Net loss as previously reported			(10,398)	(10,398)
Correction of error		-	(8,058)	(8,058)
Total recognised profit for the year attributable to equity holders		-	(18,456)	(18,456)
Issue of ordinary shares	26	4,000	-	4,000
Dividends	9	-	(3,051)	(3,051)
At 30 June 2008		29,009	12,188	41,197
Net profit for the period		-	10,099	10,099
Total recognised loss for the year attributable to equity holders		-	10,099	10,099
Issue of ordinary shares	26	41,000		41,000
Dividends	9	-	(5,007)	(5,007)
At 30 June 2009		70,009	17,280	87,289

The above statement of changes in equity should be read in conjunction with the accompanying notes.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

1. Summary of significant accounting policies

a) Group and its operations

Lumley General Insurance (N.Z.) Limited ("the Parent") is a limited liability company incorporated and domiciled in New Zealand.

The registered office of the Parent is Level 21, Lumley Centre, 88 Shortland Street, Auckland, New Zealand. The consolidated financial statements for the year ended 30 June 2009 were authorised for issue in accordance with a resolution of the directors on 12 August 2009.

The holding company of Lumley General Insurance (N.Z.) Limited is Lumley Insurance Group Limited and the ultimate controlling entity is Wesfarmers Limited. Both companies are incorporated in Western Australia.

b) Basis of Preparation

This annual financial report covers both Lumley General Insurance (N.Z.) Limited as an individual entity and the consolidated group comprising Lumley General Insurance (N.Z.) Limited and its controlled entities ("the Group") and has been prepared in accordance with generally accepted accounting practice in New Zealand and with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The Group's functional and presentation currency is NZD (\$) and amounts are presented rounded to the nearest \$'000 (apart from where stated).

The Parent and the Group are non-exempt under the Financial Reporting Act 1993.

The Parent and Group are qualifying entities within the Framework for Differential Reporting. The Parent and Group qualify on the basis that they are not publicly accountable and all owners are represented on the Board of Directors. The Company has taken advantage of all differential reporting concessions available to it with the exception of the following:

- (i) NZ IAS 1 - Presentation of Financial Statements, paragraph 52
- (ii) NZ IAS 12 - Income Taxes, paragraphs 81(g) and 82, NZ IAS 1 paragraph 68(n)
- (iii) NZ IAS 16 - Property, Plant and Equipment, paragraphs 51, 61, 73(e) and 74(b)
- (iv) NZ IAS 18 - Revenue, paragraph 35(b)
- (v) NZ IAS 38 - Intangible Assets, paragraph 118(e).

This financial report is prepared on the historic cost basis of accounting with certain exceptions as described in accounting policies (j), (k), (o), (v) and (w) below.

c) Statement of Compliance

The financial statements have been prepared in accordance with NZ GAAP. They comply with Applicable Financial Reporting Standards, applying the Framework for Differential Reporting for entities adopting the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and its interpretations as appropriate to profit-oriented entities that qualify for and apply differential reporting concessions.



LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

1. Summary of significant accounting policies

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Lumley General Insurance (N.Z) Limited and its controlled entities as at 30 June each year.

The financial statements of the controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date in which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

e) Revenue

Premium revenue comprises amounts charged to policyholders, excluding taxes and levies collected on behalf of third parties. The earned portion of premium received and receivable, including unclosed business, is recognised as revenue. Premium on unclosed business is brought to account using estimates based on the prior years' actual unclosed business with due allowance made for any changes in the pattern of new business and renewals.

Interest revenue from premium funding activities is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

f) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

g) Unearned premium

Unearned premium is calculated based on the term of the risk which closely approximates the pattern of risks underwritten.

At each balance date, the adequacy of the unearned premium liability is assessed on a net of reinsurance basis against the present value of the expected future cash flows relating to potential future claims in respect of the relevant insurance contracts, plus an additional risk margin to reflect the inherent uncertainty of the central estimate. If the unearned premium liability, less related intangible assets and deferred acquisition costs, is deficient, then the resulting deficiency is recognised in the income statement of the Group and Parent.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

1. Summary of significant accounting policies

h) Outward reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outward reinsurance premium is treated as a prepayment at the balance date.

i) Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of expected future claims payments plus a risk margin. The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not reported ("IBNR"), claims incurred but not enough reported ("IBNER"), and estimated claims handling costs.

The expected future payments are discounted to present value using a risk free rate.

A risk margin is applied to the central estimate, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate. This risk margin increases the probability that the net liability is adequate to a minimum of 85 per cent.

j) Reinsurance and other recoveries

Reinsurance and other recoveries on paid claims, reported claims not yet paid, IBNR and IBNER are recognised as revenue.

Amounts recoverable are assessed in a manner similar to the assessment of outstanding claims. Recoveries are initially measured as the present value of the expected future receipts, calculated on the same basis as the provision for outstanding claims, and subsequently measured at amortised cost.

k) Deferred acquisition costs

A portion of acquisition costs relating to unearned premium is deferred in recognition that it represents a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount. Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate.

l) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

when the taxable temporary difference is associated with investments in subsidiaries and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

1. Summary of significant accounting policies

1) Income tax and other taxes (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.



LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

1. Summary of significant accounting policies

m) Trade and other receivables

Amounts due from policyholders and intermediaries are initially recognised at fair value, being the amounts due. They are subsequently measured at amortised cost which is approximated by taking the initially recognised amount and reducing it for impairment as appropriate.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. The impairment charge is recognised in the Income Statement.

n) Assets backing general insurance liabilities

As part of its investment strategy the Group and Parent actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities.

The Group has determined that all cash and short term deposits are held to back against general insurance liabilities therefore these assets have been valued at fair value through the Income Statement.

Financial assets

Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant fair value gains or losses recognised in the Income Statement.

o) Financial assets – loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

p) Impairment of financial assets

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group and Parent first assess whether objective evidence exists for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment for impairment.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

1. Summary of significant accounting policies

p) Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

q) Commission expense

Commissions paid in respect of premium funding activities are amortised over the expected life of the loan using the effective interest rate method.

Commissions paid in respect of general insurance activities are capitalised as deferred acquisition costs and are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate.

r) Definition of an Insurance Contract

NZ IFRS 4 'Insurance' includes a definition of an insurance contract. General insurance products that meet the definition will continue to be accounted for in accordance with existing accounting policies. General insurance products that fall outside the definition will be treated as investment contracts or service contracts and accounted for as financial instruments or revenue contracts respectively.

s) Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its recoverable amount. An impairment loss is recognised as the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped in cash generating units which are the lowest levels for which there are separately identifiable cash flows.

t) Provisions

Provisions are recognised when the Group and Parent 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.

When the Group and Parent expect 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

1. Summary of significant accounting policies

u) Employee entitlements

The employee benefit costs associated with services rendered during the reporting period are recognised in the income statement. An associated liability is recognised to the extent that any amount of employee benefit remains unpaid at the balance sheet date.

(i) Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date are recognised and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value to be made in respect of services provided by employees up to the reporting date. Consideration is given to salary levels and periods of service.

v) Property, Plant and Equipment

Property, plant and equipment is stated at cost less any accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Depreciation is calculated on a straight-line basis at rates estimated to reduce the assets to their residual value by the end of their useful lives as follows:

Furniture & Fittings	10 years
Office Equipment	5 years
EDP Hardware & Software	3 years
Motor Vehicles	4 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

The carrying values of plant and equipment are reviewed for impairment at each financial year end, with recoverable amount being estimated when events or changes in circumstances indicate that carrying value may be impaired. Impairment losses are recognised in the income statement.

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

1. Summary of significant accounting policies

w) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding development costs, are not capitalised.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate and thus accounted for on a prospective basis.

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

1. Summary of significant accounting policies

x) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

y) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

z) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

aa) Life Insurance

Refer to Note 35 for Life Insurance specific accounting policies.

ab) Financial guarantee liabilities

Financial guarantees issued by the Group are those contracts that require payment to be made to reimburse the holder for a loss it incurs because the specific debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially at fair value, adjusted for transaction costs that are directly attributable to the issue of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the balance sheet and the amount initially recognised.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

2. Actuarial assumptions and methods

a) Methods

Significant estimates and judgements are made by the company to arrive at certain key liability amounts disclosed in the financial statements. These estimates are determined by qualified and experienced practitioners with reference to historical data and reasoned expectations of future events. The key areas in which critical estimates and judgements are applied are described below.

The actuarial reports for the current period were prepared by Neil Christie, principal in the firm of Melville Jessup Weaver, Consulting Actuaries. Neil Christie is a Fellow of the New Zealand Society of Actuaries. The Actuary has stated that Policy Liabilities have been calculated in accordance with New Zealand Society of Actuaries Professional Standard No 4: Insurance Contracts. After making appropriate checks, the Actuary was satisfied as to the accuracy of the data from which the amount of the policy liabilities has been determined.

Central estimate outstanding claims liabilities

The estimation of outstanding claims liabilities is based largely on the assumption that past developments are an appropriate predictor of the future and involves a variety of actuarial techniques that analyse experience, trends and other relevant factors. The process commences with the actuarial projection of the future claim payments for claims incurred up to the reporting date. Each class of business is examined separately and some or all of the following will be considered for each class in projecting future claim payments:

- i) Historical trends in the incidence and development of the number of claims reported, claim payments and reported incurred costs.
- ii) Exposure details, including earned premiums and policy limits.
- iii) Claim frequencies and average claim sizes.
- iv) The legislative framework, legal and court environments and social and economic factors that may impact upon each class of business.
- v) Historical and likely future trends in standard inflationary pressures relating to commodity prices and wages.
- vi) Historical and likely future trends on inflationary pressures in addition to price or wage inflation, termed superimposed inflation.
- vii) Historical and likely future trends of expenses associated with managing claims to finalisation.
- viii) Reinsurance recoveries available under contracts entered into by the insurer.
- ix) Historical and likely future trends of recoveries from sources such as subrogation and third party actions.
- x) Insurer specific, relevant industry data and more general economic data utilised in the estimation process.

Projected future claim payments and associated claim handling costs are discounted to a present value as required using appropriate risk free discount rates. A projection of future claims payments, both gross and net of reinsurance and other recoveries is undertaken.

This projection is typically made without bias toward over or under estimate. As such, the resulting estimate is considered to be a net central estimate of outstanding claims liabilities that has an approximately equal chance of proving adequate as not.

In selecting valuation methodologies, multiple actuarial methods were applied to project future claim payments. This assists in providing a greater understanding of the trends inherent in the past data. The projections obtained from various methods also assist in setting the range of possible outcomes. The most appropriate method, or even a blend of methods, is selected taking into account the characteristics of the class of business and the extent of the development of each past accident period.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

2. Actuarial assumptions and methods (continued)

Risk margins

As an estimate of future outcomes, the net central estimate of outstanding claims liability is subject to uncertainty. Uncertainty is examined for each class of business and expressed as the volatility of the net central estimate. The volatility for each class of business was derived after consideration of stochastic modelling and benchmarking to industry analysis.

The degree of volatility of the net central estimate is a function of both the size of the portfolio and the class of business. Fewer claims leads to greater relative volatility all else being equal. The long tail Liability class tends to have inherently higher volatility, partly because the longer average time to settle provides a greater opportunity for sources of uncertainty to emerge. Short tail classes such as Motor, Home and Contents and Property have lower levels of volatility. As the volatility for each class of business is partially correlated with other classes, when combined across the entire company, the overall volatility will be less than the sum of the individual classes. With an estimate of the overall volatility for general insurance business, a range of risk margins associated with a probability of the total net provision for outstanding claims liabilities proving adequate may be produced.

b) Assumptions

The following assumptions have been made in determining net outstanding claims liabilities:

	2009	2008
Discount rate (average weighted by term)	4.00%	7.08%
Weighted average term to settlement (years)	0.92	0.74
Discounted mean term (years)	0.87	0.63
Assumed net loss ratio	15% to 300% (varies by class and loss period)	50% to 95% (varies by class and loss period)
Risk margin (overall diversified)	8.60%	8.90%
Claim handling expense ratio	4.01%	3.71%

Processes used to determine assumptions

The valuations included in the reported results are calculated using assumptions including:

i) Discount rate

Outstanding claims liabilities for long tail claims were discounted to present value using a risk free rate based on gross yields to maturity of NZ Government Securities of appropriate terms at 30 June 2009.

ii) Future settlement patterns and weighted average term to settlement

The weighted average term to settlement is an aggregate figure for all classes of business based on expected claims development patterns which are in turn derived from an analysis of historical claims patterns.

iii) Inflation

Insurance costs are subject to inflationary pressures over time. For the motor and property classes, claim costs are generally related to the inflationary pressures of the materials and goods insured as well as labour costs to effect repairs. It is therefore expected that these costs will increase at a level between appropriate Consumer Price Index (CPI) indices and wage inflation. The motor and property classes use an actuarial method in which the inflation assumption is implicit and incorporated in the historical level of claim development.

The liability classes in New Zealand do not cover weekly and permanent impairment benefits (that are typically indexed). Payments are related to losses suffered by claimants, although legal costs are subject to increases in the wages and disbursements of professionals in that field. The liability class uses an actuarial method in which the inflation assumption is implicit and incorporated in the historical level of claim development.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

2. Actuarial assumptions and methods (continued)

iv) Assumed loss ratios

Assumed loss ratios were determined from a consideration of observed loss ratios for historical loss quarters and recent loss ratios in the ICNZ quarterly report for the relevant classes.

v) Risk margin

The overall risk margin is determined allowing for diversification between classes of business and the relative uncertainty of the outstanding claims estimates for each class. The assumptions regarding uncertainty for each class are applied to the net central estimates and the results are aggregated, allowing for diversification, in order to arrive at an overall net provision that is intended to provide a probability of sufficiency of 85 per cent.

vi) Expense allowance

An estimate of outstanding claims liabilities will typically incorporate an allowance for the future cost of administering the claims. This allowance was based on a company analysis of claim related expenses.

c) Sensitivity

The table below sets out the impact on the value of net outstanding claims liabilities of variation in key assumptions. This illustrates exposure to the risk of changes in the underlying assumptions and experience.

Variable	Movement in Variable	Net outstanding claims liabilities Increase/ (decrease)
Recognised amounts per the financial statements		\$ 000's
Discount rate	+2%	(1,734)
Discount rate	+1%	(883)
Discount rate	-1%	918
Discount rate	-2%	1,871
Assumed net loss ratio	+10 percentage points	2,605
Assumed net loss ratio	+10 percentage points	(2,606)
Claims handling expense ratio	+1%	796

d) Ultimate loss ratio

This is the ratio of incurred losses to earned premium (both net of reinsurance) inherent in the actual experience to date plus outstanding payments. The overall ultimate loss ratios for the most recent years (to 30 June in each case) are :

2009	62.67%
2008	73.50%
2007	61.60%
2006	60.90%
2005	61.50%

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

3. Insurance contracts - risk management policies and procedures

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

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

The Group has an objective to control insurance risk thus reducing the volatility of operating profits. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, profits from insurance business are affected by market factors, particularly competition and movements in asset values. Short term variability is, to some extent, a feature of insurance business.

In accordance with Prudential Standards GPS 220 *Risk Management for General Insurers* and GPS 230 *Reinsurance Arrangements for General Insurers* issued by the Australian Prudential Regulation Authority (APRA), the Board and senior management of the Group have developed, implemented and maintain a sound and prudent Risk Management Strategy (RMS) and a Reinsurance Management Strategy (REMS), although there is no legislative necessity for the Group to adopt those standards.

The RMS and REMS identify the Group's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Group.

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

- i) The maintenance and use of sophisticated management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- ii) The use of actuarial models based on historical data to calculate premiums and monitor claims patterns.
- iii) The setting and adherence to underwriting guidelines that determine policies and procedures for acceptance of risk.
- iv) The monitoring of natural disasters such as earthquakes, floods, storms and other catastrophes. Exposure to such risks is monitored using catastrophe models.
- v) The use of reinsurance to limit the Group's exposure to large single claims and accumulation of claims that arise from the same event.
- vi) The monitoring of a reinsurers' credit risk policy to control exposure to reinsurance counterparty default.
- vii) The management of assets and liabilities is closely monitored to attempt to match the expected pattern of claims payments with the maturity dates of assets.
- viii) The reduction in variability in loss experience through diversification over classes of insurance business and geographical segments.

b) Terms and conditions of insurance business

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the Group. The majority of direct insurance contracts written are entered into on a standard form. There are no special terms and conditions in any non standard contracts that have a material impact on the financial statements.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

3. Insurance contracts - risk management policies and procedures (continued)

c) Concentration of insurance risk

The Group's exposure is diversified across classes of business with risk spread across New Zealand. Specific processes for monitoring identified concentrations are set below:

Risk	Source of concentration	Risk management measures
An accumulation of risks arising from a natural peril	Insured property concentrations	Accumulation risk modelling, reinsurance protection
A large property loss	Fire or collapse affecting one building or a group of adjacent buildings	Maximum acceptance limits, property risk grading, reinsurance protection
Inclusion of multiple classes of casualty business in the one event	Response by a multitude of the Group's policies to the one event, for example a construction liability and professional indemnity policy	Purchase of reinsurance clash cover

d) Financial Risk

i. Interest rate risk

The Group is exposed to interest rate risk arising on interest bearing assets. The Group manages some of its exposure to this risk by holding the majority of such assets on short term maturities.

ii. Credit risk

The credit risk on financial assets of the Group is generally the carrying amount, net of any provisions for doubtful debts. Credit risk exposures are calculated regularly and compared to authorised credit limits before further transactions are undertaken with each counterparty. The Group does not expect any counterparties to fail to meet their obligations. In some instances collateral is required to support credit risk exposures.

iii. Market risk

The Group is exposed to market risk including fair value, interest risk and price risk. Market risks arise from open positions in interest rate products which are exposed to general and specific market movements. The market risks that the Group primarily faces are interest rate risk, due to the nature of its investments and liabilities.

iv. Liquidity risk

The Group is exposed to daily calls on its available cash resources from policy claims. Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. The Group manages this risk by holding its investment portfolio in short term, interest bearing securities, which can be liquidated at short notice.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

3. Insurance contracts - risk management policies and procedures (continued)

e) Reinsurance Counterparty Risk

The company reinsures a portion of risks underwritten to control exposure to insurance losses, reduce volatility and protect capital. The company's strategy in respect of the selection, approval and monitoring of reinsurance arrangements is addressed by the following protocols:

- Treaty or facultative reinsurance is placed in accordance with the requirements of the company's reinsurance management strategy.
- Reinsurance arrangements are regularly reassessed to determine their effectiveness based on current exposures, historical losses and potential future losses based on the company's Maximum Event Retention (MER).
- Exposure to reinsurance counterparties and the credit quality of those counterparties is actively monitored.

Strict controls are maintained over reinsurance counterparty exposures. Reinsurance is placed with counterparties that have a strong credit rating. Credit risk exposures are calculated regularly and ratings are reviewed by management on a regular basis.



LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

4. Revenue

		<i>Consolidated</i>		<i>Parent</i>	
		<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
		<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>Life Insurance Activities</i>					
Gross written premium					
Direct		1,549	1,569	-	-
Unearned premium movement		12	100	-	-
Gross earned premium revenue	(a)	1,561	1,669	-	-
Outward reinsurance premium expense	(c)	-	-	-	-
Net earned premium revenue		1,561	1,669	-	-
<i>General Insurance Activities</i>					
Gross written premium					
Direct		318,802	320,721	318,802	320,721
Unearned premium movement		1,808	(8,511)	1,808	(8,511)
Gross earned premium revenue	(b)	320,610	312,210	320,610	312,210
Outward reinsurance premium expense	(d)	(67,416)	(73,761)	(67,416)	(73,761)
Net earned premium revenue		253,194	238,449	253,194	238,449
Total gross earned premium revenue	(a), (b)	322,171	313,878	320,610	312,210
Total Outward reinsurance premium expense	(c), (d)	(67,416)	(73,761)	(67,416)	(73,761)
Total net premium revenue		254,755	240,117	253,194	238,449
Gross earned premium revenue		320,610	312,210	320,610	312,210
Investment income		10,104	9,387	12,316	12,310
Dividend income		-	3	1,465	487
Other income		2,426	1,854	1,909	1,775
Income from premium funding activities		6,017	5,090	-	-
Total gross revenue		339,157	328,544	336,300	326,782

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

5. Net claims incurred

<i>Consolidated</i>	<i>2009</i>			<i>2008</i>		
	<i>Current Year</i>	<i>Prior Year</i>	<i>Total</i>	<i>Current Year</i>	<i>Prior Year</i>	<i>Total</i>
	<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>
Gross claims expense						
Direct	178,398	12,866	191,264	238,157	9,888	248,045
Inwards reinsurance				-	-	-
Gross claims incurred – undiscounted	178,398	12,866	191,264	238,157	9,888	248,045
Discount movement				(1,175)	-	(1,175)
	178,398	12,866	191,264	236,982	9,888	246,870
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries revenue - undiscounted	(32,009)	(488)	(32,497)	(61,392)	8	(61,384)
Net claims incurred	146,389	12,378	158,767	175,590	9,896	185,486

<i>Parent</i>	<i>2009</i>			<i>2008</i>		
	<i>Current Year</i>	<i>Prior Year</i>	<i>Total</i>	<i>Current Year</i>	<i>Prior Year</i>	<i>Total</i>
	<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>
Gross claims expense						
Direct	178,295	12,866	191,161	238,069	9,888	247,957
Inwards reinsurance		-	-	-	-	-
Gross claims incurred – undiscounted	178,295	12,866	191,161	238,069	9,888	247,956
Discount movement	-	-	-	(1,175)	-	(1,175)
	178,295	12,866	191,161	236,894	9,888	246,782
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries revenue - undiscounted	(32,009)	(488)	(32,497)	(61,392)	8	(61,384)
Net claims incurred	146,286	12,378	158,664	175,502	9,896	185,398

Current year amounts relate to risks borne in the current financial year. Prior period amounts relate to a reassessment of the risks borne in all previous financial years.

Consolidated figures include the above parent figures and life policy gross claims expense of \$Nil (2008: \$88,000). All life policy claims expense are current year and there are no reinsurance recoveries.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

6. Unexpired risk liability

The Liability Adequacy Test ("LAT") has resulted in a write back of previously written down deferred acquisition costs of \$4,669,683 and a write down for 2008: \$3,136,000.

The basis of estimation for the unexpired risk liability has changed from the previous year. In 2009 liabilities have been grouped together to assess the unexpired risk liability. In 2008 liabilities were assessed at an individual portfolio level.

The process of determining the overall risk margin, including the way in which diversification of risk has been allowed for, is discussed in Note 3. The overall risk margin is intended to achieve a 75% probability of adequacy compared to an 85% probability of adequacy for the prior year.

7. Underwriting and other operating expenses

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Expenses by function				
Acquisition costs	79,132	56,390	77,634	55,320
Other underwriting expenses including claims management expenses	20,482	31,209	20,284	31,017
Other operating expenses	7,158	5,943	5,210	4,433
Total expenses	106,772	93,542	103,128	90,770
Expenses by nature				
Depreciation & amortisation	3,071	3,241	3,063	3,226
Impairment losses	-	108	-	431
Wages, salaries & other employee entitlements	33,437	30,182	32,792	29,564
Bad and doubtful debts	3,619	136	3,619	104
Operating lease rental	5,128	5,229	4,969	5,098
Net commission	44,822	38,620	41,200	37,550
Advertising costs	1,073	1,048	1,059	1,039
Share based payments	966	601	966	601
Other expenses	14,656	14,377	15,460	13,157
Total expenses	106,772	93,542	103,128	90,770

Total expenses include claims handling costs of \$12,233,000 (2008: \$10,982,000).



LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

8. Income tax

The major components of income tax expense are:

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Income Statement				
<i>Current income tax</i>				
Current income tax credit/ (charge)	(5,299)	6,536	(4,901)	6,386
Adjustments in respect of current income tax of previous years	-	9	-	-
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	3,376	1,441	3,238	1,441
Income tax credit/ (expense) reported in the income statement	(1,923)	7,986	(1,663)	7,827
Movement in tax reserves reported in the income statement	(58)	(87)	0	0

The movement in tax reserves reported in the income statement relates to the Life Insurance portfolio.

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the company's applicable tax rate is as follows:

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Accounting (loss)/ profit before tax	12,434	(25,713)	11,762	(26,283)
Tax credit/ (charge) at the standard tax rate of 30% (2008: 33%)	(3,730)	8,485	(3,529)	8,673
Tax effect of non-deductible expenses	1,423	(1,009)	1,426	(1,006)
Adjustments in respect of Life Insurance portfolio	379	500	-	-
Adjustment for permanent differences	-	-	440	160
Adjustments in respect of current income tax of previous years	4	9	-	-
Income tax (credit)/ expense	(1,924)	7,985	(1,663)	7,827

A reconciliation between the average effective tax rate and the applicable tax rate is as follows:

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

8. Income tax (continued)

Deferred income tax

Deferred income tax at 30 June relates to the following:

<i>Consolidated</i>	<i>Balance Sheet</i>		<i>Income Statement</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>Deferred tax assets</i>				
Employee benefits	1,491	669	855	(186)
Claims handling costs on outstanding claims	2,443	2,443	-	979
Provision for impairment and accruals	1,128	-	1,085	-
	<u>5,062</u>	<u>3,112</u>	<u>1,940</u>	<u>793</u>
<i>Deferred tax liabilities</i>				
Deferred acquisition costs	5,803	7,066	1,268	(149)
Temporary differences between depreciation for tax and accounting purposes	452	481	30	(60)
IBNR discount	-	-	-	857
	<u>6,255</u>	<u>7,547</u>	<u>1,298</u>	<u>648</u>
Net Deferred Tax Liability	<u>(1,193)</u>	<u>(4,435)</u>	<u>3,238</u>	<u>1,441</u>

<i>Parent</i>	<i>Balance Sheet</i>		<i>Income Statement</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>Deferred tax assets</i>				
Employee benefits	1,491	637	855	(204)
Claims handling costs on outstanding claims	2,443	2,443	-	979
Accruals not currently deductible	1,084	-	1,085	-
	<u>5,018</u>	<u>3,080</u>	<u>1,940</u>	<u>775</u>
<i>Deferred tax liabilities</i>				
Deferred acquisition costs	5,876	7,143	1,268	(128)
IBNR discount	-	-	-	857
Temporary differences between depreciation for tax and accounting purposes	452	485	30	(63)
	<u>6,328</u>	<u>7,628</u>	<u>1,298</u>	<u>666</u>
Net Deferred Tax Liability	<u>(1,310)</u>	<u>(4,548)</u>	<u>3,238</u>	<u>1,441</u>



LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

9. Dividends paid and proposed

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
a) Declared and paid during the year				
Dividends on ordinary shares	5,007	3,051	5,007	3,051
Supplementary dividends paid	853	537	853	537
Foreign investor tax credits received	(853)	(537)	(853)	(537)
Total imputed dividend	<u>5,007</u>	<u>3,051</u>	<u>5,007</u>	<u>3,051</u>
Cents per share	<u>5.89</u>	<u>6.10</u>	<u>5.89</u>	<u>6.10</u>

b) Imputation credit account (Parent only)

Balance brought forward	-	-
Imputation credits attached to dividends received during the year	-	1
Imputation credits attached to dividends paid during the year	(1,263)	(966)
Income tax payments during the year	1,359	950
Refund of tax payments during the year	-	(4,745)
Transfers (to)/from Trans-Tasman Imputation Group	(96)	4,760
Balance carried forward	<u>-</u>	<u>-</u>

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

10. Cash and cash equivalents

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Cash on hand and at bank	14,209	5,124	11,024	3,088

Cash held earns interest at rates based on 90 day bank deposit rates.

11. Trade and other receivables

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
General insurance				
Premium due from policyholders and intermediaries	76,807	87,462	76,807	87,449
Amounts due from reinsurers	8,309	9,200	8,309	9,200
	85,116	96,662	85,116	96,649
Other receivables				
Related party receivables	-	189	39,224	34,871
Accrued interest	30	96	14	7
Taxation recoverable	2,910	7,498	2,436	7,255
Other	4,832	2,314	4,312	1,789
	7,772	10,097	45,986	43,922
Total Current Trade and Other Receivables	92,888	106,759	131,102	140,571

Trade receivables are non-interest bearing and are generally on 30-90 day terms. An allowance for doubtful debts is made when there is evidence that a trade receivable is impaired.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

12. Financial assets

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
a) Financial assets				
i) Financial assets - loans and receivables				
Debt securities	46,054	41,646	-	-
Total current financial assets – loans and receivables	46,054	41,646	-	-
ii) Financial assets - funds held with related party				
Cash deposits with related party	148,417	111,061	148,417	111,061
Total current financial assets – funds held with related party	148,417	111,061	148,417	111,061
iii) Financial assets - at fair value through profit or loss				
Government stock	605	603	109	109
Total financial assets – at fair value through profit or loss	605	603	109	109
Current	497	0	0	0
Non-current	108	602	109	109
Total	605	602	109	109

b) Interest rate risk

The Group and Parent's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table:

Consolidated & Parent

	<i>< 1 year</i>	<i>Total</i>	<i>Weighted Average</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>Interest Rate</i>
			<i>%</i>
2009			
Fixed rate			
Cash deposits with related party	148,417	148,417	6.0%
<i>Weighted average effective interest rate</i>	6.0%		
2008			
Fixed rate			
Cash deposits with related party	111,061	111,061	8.6%
<i>Weighted average effective interest rate</i>	8.6%		

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

13. Reinsurance and other recoveries

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Other recoveries	13,979	-	13,979	-
Expected undiscounted outstanding reinsurance and other recoveries	38,251	29,858	38,251	29,858
Total outstanding reinsurance and other recoveries	52,230	29,858	52,230	29,858
Current	31,338	17,616	31,338	17,616
Non-current:	20,892	12,242	20,892	12,242
Total outstanding reinsurance and other recoveries	52,230	29,858	52,230	29,858

14. Prepaid reinsurance premiums

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Prepaid reinsurance premium asset as at 1 July	23,121	25,866	23,121	25,866
Deferral of reinsurance premiums on contracts entered into in the period	16,635	23,121	16,635	23,121
Earning of reinsurance premiums on contracts entered into in previous periods	(23,121)	(25,866)	(23,121)	(25,866)
Prepaid reinsurance premium asset as at 30 June	16,635	23,121	16,635	23,121

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

15. Deferred acquisition costs

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Prepaid acquisitions costs as at 1 July	18,667	19,572	18,900	19,870
Acquisition costs deferred	19,368	21,803	19,550	22,036
Amortisation charged to income	(18,667)	(19,572)	(18,900)	(19,870)
Write back/(off) for premium deficiency (Note 6)	4,670	(3,136)	4,670	(3,136)
Deferred acquisitions costs as at 30 June	24,038	18,667	24,220	18,900
Current	23,231	18,037	23,413	18,270
Non-current	807	630	807	630
Total	24,038	18,667	24,220	18,900

16. Investments in subsidiaries

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Investments in controlled entities (note 31) - at cost	-	#REF!	1,050	1,050

Lumley General Insurance (N.Z.) Limited has elected to recognise its investments in its subsidiaries at cost.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

17. Property, plant and equipment

	<i>EDP Hardware</i>	<i>Office Equipment</i>	<i>Furniture & Fittings</i>	<i>Motor Vehicles</i>	<i>Total</i>
<i>Consolidated</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Year ended 30 June 2009					
At 1 July 2008 net of accumulated depreciation	782	171	5,202	404	6,559
Additions	553	34	118	561	1,266
Disposals	(7)	-	(5)	(612)	(624)
Reclassifications	-	453	(453)	-	-
Depreciation charge for the year	(636)	(55)	(823)	10	(1,504)
At 30 June 2009 net of accumulated depreciation	692	603	4,039	363	5,697
At 1 July 2008					
Cost	4,874	385	7,458	586	13,303
Accumulated depreciation	(4,092)	(214)	(2,256)	(182)	(6,744)
Net carrying amount	782	171	5,202	404	6,559
At 30 June 2009					
Cost	5,419	1,363	6,628	484	13,894
Accumulated depreciation	(4,727)	(760)	(2,589)	(121)	(8,197)
Net carrying amount	692	603	4,039	363	5,697
Year ended 30 June 2008					
At 1 July 2007 net of accumulated depreciation	1,290	189	5,888	613	7,980
Additions	293	24	180	626	1,123
Disposals	(123)	(2)	(29)	(698)	(852)
Depreciation charge for the year	(678)	(40)	(837)	(137)	(1,692)
At 30 June 2008 net of accumulated depreciation	782	171	5,202	404	6,559
At 1 July 2007					
Cost	4,708	363	7,329	867	13,267
Accumulated depreciation	(3,418)	(174)	(1,441)	(254)	(5,287)
Net carrying amount	1,290	189	5,888	613	7,980
At 30 June 2008					
Cost	4,874	385	7,458	586	13,303
Accumulated depreciation	(4,092)	(214)	(2,256)	(182)	(6,744)
Net carrying amount	782	171	5,202	404	6,559

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June 2009

17. Property, plant and equipment (continued)

<i>Parent</i>	<i>EDP Hardware \$'000</i>	<i>Office Equipment \$'000</i>	<i>Furniture & Fittings \$'000</i>	<i>Motor Vehicles \$'000</i>	<i>Total \$'000</i>
Year ended 30 June 2009					
At 1 July 2008 net of accumulated depreciation	776	171	5,201	403	6,551
Additions	551	34	119	560	1,264
Disposals	(7)	-	(5)	(612)	(624)
Reclassifications	-	453	(453)	-	-
Depreciation charge for the year	(633)	(55)	(823)	12	(1,499)
At 30 June 2009 net of accumulated depreciation	687	603	4,039	363	5,692
At 1 July 2008					
Cost	4,823	382	7,457	537	13,199
Accumulated depreciation	(4,047)	(211)	(2,256)	(134)	(6,648)
Net carrying amount	776	171	5,201	403	6,551
At 30 June 2009					
Cost	5,367	1,360	6,628	484	13,839
Accumulated depreciation	(4,680)	(757)	(2,589)	(121)	(8,147)
Net carrying amount	687	603	4,039	363	5,692
Year ended 30 June 2008					
At 1 July 2007 net of accumulated depreciation	1,286	189	5,862	584	7,921
Additions	290	24	180	626	1,120
Disposals	(124)	(2)	(4)	(673)	(803)
Depreciation charge for the year	(676)	(40)	(837)	(134)	(1,687)
At 30 June 2008 net of accumulated depreciation	776	171	5,201	403	6,551
At 1 July 2007					
Cost	4,657	360	7,295	779	13,091
Accumulated depreciation	(3,371)	(171)	(1,433)	(195)	(5,170)
Net carrying amount	1,286	189	5,862	584	7,921
At 30 June 2008					
Cost	4,823	382	7,457	537	13,199
Accumulated depreciation	(4,047)	(211)	(2,256)	(134)	(6,648)
Net carrying amount	776	171	5,201	403	6,551

Property, plant and equipment have not been pledged as security over any liabilities of the Group and have not been designated as assets backing insurance liabilities.

Assets within the Office Equipment and Furniture & Fittings asset categories were reclassified for the year ended 30 June 2009.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

18. Intangible assets

	<i>Consolidated Work In</i>			<i>Parent Work in</i>		
	<i>Software \$'000</i>	<i>Progress \$'000</i>	<i>Total \$'000</i>	<i>Software \$'000</i>	<i>Progress \$'000</i>	<i>Total \$'000</i>
Year ended 30 June 2009						
Cost (gross carrying amount)						
At 1 July 2008 net of accumulated amortisation	2,298	588	2,886	2,292	588	2,880
Additions – internal development	118	4,601	4,719	118	4,424	4,542
Transfers from WIP	3,504	(3,504)	-	3,504	(3,504)	-
Amortisation charge for the year	(1,567)	-	(1,567)	(1,564)	-	(1,564)
At 30 June 2009 net of accumulated amortisation	4,353	1,685	6,038	4,350	1,508	5,858
At 1 July 2008						
Cost (gross carrying amount)	10,201	588	10,789	10,070	588	10,658
Accumulated amortisation	(7,902)	-	(7,902)	(7,778)	-	(7,778)
Net carrying amount	2,299	588	2,887	2,292	588	2,880
At 30 June 2009						
Cost (gross carrying amount)	13,823	1,684	15,507	13,693	1,508	15,201
Accumulated amortisation	(9,469)	-	(9,469)	(9,343)	-	(9,343)
Net carrying amount	4,354	1,684	6,038	4,350	1,508	5,858
Year ended 30 June 2008						
Cost (gross carrying amount)						
At 1 July 2007 net of accumulated amortisation	2,370	322	2,692	2,355	322	2,677
Additions – internal development	1,500	589	2,089	1,496	589	2,085
Disposals	(175)	(3,782)	(3,957)	(174)	(3,782)	(3,956)
Amortisation charge for the year	(1,289)	3,782	2,493	(1,277)	3,782	2,505
Impairment losses	(108)	(323)	(431)	(108)	(323)	(431)
At 30 June 2008 net of accumulated amortisation	2,298	588	2,886	2,292	588	2,880
At 1 July 2007						
Cost (gross carrying amount)	8,874	3,782	12,656	8,748	3,782	12,530
Accumulated amortisation	(6,505)	(3,460)	(9,965)	(6,393)	(3,460)	(9,853)
Net carrying amount	2,369	322	2,691	2,355	322	2,677
At 30 June 2008						
Cost (gross carrying amount)	10,201	588	10,789	10,070	588	10,658
Accumulated amortisation	(7,902)	-	(7,902)	(7,778)	-	(7,778)
Net carrying amount	2,299	588	2,887	2,292	588	2,880

After review of the carrying amount of Koukia software work in progress, the asset was fully written off in June 2008. The amounts above carry no further value relating to Koukia.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

19. Trade and other payables

	<i>Note</i>	<i>Consolidated</i>		<i>Parent</i>	
		<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
		<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Trade creditors	(i)	12,534	13,739	6,262	8,011
Amounts due to reinsurers		12,721	12,769	12,720	12,769
Unearned interest income		2,186	1,950	-	-
Other payables		15,718	12,376	14,868	11,337
		43,159	40,834	33,850	32,117
Related party payables	(ii)	620	1,449	620	1,449
Total Trade and other payables		43,779	42,283	34,470	33,566

Notes:

- (i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.
- (ii) Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.



LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

20. Interest bearing loans and borrowings

At the reporting date, the following financing facilities had been negotiated and were available:

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Total facilities:				
- bank overdrafts	100	100	100	100
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Facilities unused at reporting date				
- bank overdrafts	100	100	100	100
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total facilities				
- facilities unused at reporting date	100	100	100	100
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

21. Unearned premium liabilities

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Unearned premium liabilities as at 1 July	127,827	120,015	127,827	119,316
Deferral of premium on contracts written during the year	121,417	127,827	121,417	127,827
Earning of premiums deferred in prior years	(123,640)	(120,015)	(123,640)	(119,316)
Unearned premium liabilities as at 30 June	<u>125,604</u>	<u>127,827</u>	<u>125,604</u>	<u>127,827</u>
Current	121,417	123,566	121,417	123,566
Non-Current	4,187	4,261	4,187	4,261
Total	<u>125,604</u>	<u>127,827</u>	<u>125,604</u>	<u>127,827</u>

22. Unearned exchange commission

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Unearned exchange commission as at 1 July	5,223	6,630	5,223	6,630
Deferral of exchange commission on contracts written during	3,125	5,223	3,125	5,223
Earning of exchange commission deferred in prior years	(5,223)	(6,630)	(5,223)	(6,630)
Unearned exchange commission as at 30 June	<u>3,125</u>	<u>5,223</u>	<u>3,125</u>	<u>5,223</u>

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

23. Outstanding claims liability

a) Gross outstanding claims liabilities

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Gross central estimate of outstanding claims liabilities	135,359	118,414	135,359	118,393
Discount to present value	(3,568)	(4,634)	(3,568)	(4,634)
Claim handling expenses	3,194	3,194	3,194	3,194
Risk margin	7,189	7,665	7,189	7,665
Total current outstanding claims liabilities	142,174	124,639	142,174	124,618
Current	83,883	73,546	83,883	73,525
Non Current	58,291	51,093	58,291	51,093
Total	142,174	124,639	142,174	124,618

As a result of the prior period error (note 36) the comparative numbers for June 2008 are shown net of third party non-reinsurance recoveries and are therefore not directly comparable.

b) Risk margin

The process used to determine the risk margin is explained in note 2 (a). The probability of adequacy at 30 June 2009 is approximately 85% (2008: 85%).

The risk margin included in net outstanding claims is 8.6% of the central estimate (2008: 8.9%).

c) Reconciliation of movement in discounted outstanding claims provision

	<i>Gross</i>	<i>Reinsurance</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>Net</i>	<i>Net</i>
<i>Consolidated</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
At 1 July	124,639	(29,858)	94,781	66,475
Increase in net claims incurred in current accident year	178,398	(32,009)	146,389	205,094
Movement in prior year claims provision	12,866	(488)	12,378	(31,635)
Included claims recognised in the income statement	191,264	(32,497)	158,767	173,459
Net claim payments	(173,729)	10,125	(163,604)	(145,153)
At 30 June	142,174	(52,230)	89,944	94,781
<i>Parent</i>	<i>Gross</i>	<i>Reinsurance</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>Net</i>	<i>Net</i>
<i>Parent</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
At 1 July	124,618	(29,858)	94,760	66,419
Increase in net claims incurred in current accident year	178,295	(32,009)	146,286	205,006
Movement in prior year claims provision	12,866	(488)	12,378	(31,635)
Included claims recognised in the income statement	191,161	(32,497)	158,664	173,371
Net claim payments	(173,605)	10,125	(163,480)	(145,030)
At 30 June	142,174	(52,230)	89,944	94,760

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

23. Outstanding claims liability (continued)

d) Claims development table

The following table shows the development of net undiscounted outstanding claims relative to the current estimate of ultimate claims costs for the six most recent accident years for the Portfolio's claims.

<i>Ultimate claims cost estimate</i>	<i>Prior \$'000</i>	<i>2004 \$'000</i>	<i>2005 \$'000</i>	<i>Accident Year</i>		<i>2008 \$'000</i>	<i>2009 \$'000</i>	<i>Total \$'000</i>
				<i>2006 \$'000</i>	<i>2007 \$'000</i>			
At end of loss year	n.a.	n.a.	n.a.	n.a.	n.a.	21,452	17,362	17,362
One year later	n.a.	n.a.	n.a.	n.a.	17,707	19,118		19,118
Two years later	n.a.	n.a.	n.a.	11,020	17,369			17,369
Three years later	n.a.	n.a.	9,472	13,559				13,559
Four years later	n.a.	4,817	10,600					10,600
Five years later	n.a.	5,530						5,530
Current estimate of ultimate claims cost	n.a.	5,530	10,600	13,559	17,369	19,118	17,362	83,538
Payments to 30 June 2009		(4,177)	(8,199)	(7,865)	(7,278)	(5,967)	(1,993)	(35,479)
Net Central Estimate - Undiscounted (excluding CHE)	1,283	1,353	2,401	5,694	10,091	13,151	15,369	49,342
Discount to present value	(13)	(27)	(94)	(304)	(672)	(1,062)	(1,396)	(3,568)
Net Central Estimate - Discounted (excluding CHE)	1,270	1,326	2,307	5,390	9,419	12,089	13,973	45,774
Claims Handling Expenses	6	6	11	25	44	57	65	214
Risk margin to 85% probability of adequacy	132	138	239	559	977	1,254	1,450	4,749
Net 85% Provision - Discounted (including CHE)	1,408	1,470	2,557	5,974	10,440	13,400	15,488	50,737

As a result of the changes in valuation methodologies driven by the move towards compliance with *Professional Standard 300 Valuation of General Insurance Claims* of the Institute of Actuaries of Australia, the table above now incorporates the experience of all product lines in the Liability group. The comparable table in the notes to last year's accounts was based on only part of the Liability group. Further, the shift to the new valuation methodologies means that historical comparative figures are no longer available - hence the "n.a." entries shown above.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

24. Provisions

<i>Consolidated</i>	<i>Long service leave \$'000</i>
Current 2009	140
Non-current 2009	44
	<u>184</u>
Current 2008	168
Non-current 2008	47
	<u>215</u>
<i>Parent</i>	<i>Long service leave \$'000</i>
Current 2009	133
Non-current 2009	43
	<u>176</u>
Current 2008	166
Non-current 2008	44
	<u>210</u>

25. Financial Guarantee Contracts

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Home bonds	2,189	-	2,189	-
Balance at end of year	<u>2,189</u>	<u>-</u>	<u>2,189</u>	<u>-</u>

Following a review of our financial guarantees the liability for guarantees provided under the home bond scheme has been fair valued. The liability under the guarantee carries a reinsurance component. There is an asset of \$1,011 pertaining to Home Bonds receivable included in trade and other receivables for the reinsurance component of the liability noted above. In the prior year the amount for Home Bonds was immaterial for disclosure purposes.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

26. Contributed equity

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Balance at beginning of year				
50,018,544 Ordinary shares- issued and fully paid	29,009	25,009	29,009	25,009
4,000,000 Ordinary shares- issued and fully paid 16 May 2008	-	4,000	-	4,000
31,000,000 Ordinary shares- issued and fully paid 26 August 2008	31,000	-	31,000	-
10,000,000 Ordinary shares- issued and fully paid 25 June 2009	10,000	-	10,000	-
Balance at end of year	<u>70,009</u>	<u>29,009</u>	<u>70,009</u>	<u>29,009</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company, and rank equally with regard to the company's residual assets.

27. Credit rating

Ratings agency Standard and Poor's (Australia) Pty Limited reaffirmed the parent company a credit rating of A- on 7 November 2008. Wesfarmers Insurance Division has ring fenced the credit rating of its insurance underwriting operations in order to maintain an A- rating.

28. Auditor remuneration

The Group and Parent auditor is Ernst & Young.

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Amounts received or due and receivable by Ernst & Young for:				
i Audit of the financial statements	138	142	95	98
ii Other services :				
- Assurance related to regulatory requirements	8	5	8	5
- Taxation advisory	-	(14)	-	(1)
	<u>146</u>	<u>133</u>	<u>103</u>	<u>102</u>

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

29. Events after balance sheet date

There has been no events subsequent to balance date.

30. Commitments and contingencies

Operating lease commitments – Group as lessee

The Group and Parent has entered into operating leases of commercial premises. These leases have a life of between 1 and 9 years with no renewal options included in the contracts.

There are no restrictions placed on the lessee by entering into these leases. There are no contingent rents payable.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Within one year	5,025	4,689	4,969	4,626
After one year but not more than five years	16,035	14,166	16,025	14,154
More than five years	1,071	4,375	1,071	4,375
	<u>22,131</u>	<u>23,230</u>	<u>22,065</u>	<u>23,155</u>

Capital Commitments

At 30 June 2009, the Parent has commitments of \$Nil (2008: \$Nil)

Guarantees

The Group and Parent have no guarantees in place (2008: Nil).

Contingent Liabilities

There are no contingent liabilities at 30 June 2009 (2008: \$Nil).

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

31. Related parties

(a) The directors of Lumley General Insurance (N.Z.) Limited during the year were as follows. Directors were in office for this entire period unless otherwise stated.

F J Cameron QSO
J A Lyon
S M McConnell (Resigned 18 June 2009)
R G Scott
D G Thom
A N Gianotti (Appointed 18 June 2009)

(b) Insurance of directors and officers

During or since the end of the financial year, the parent of the Group (Wesfarmers Limited) has paid or agreed to pay a premium in respect of a contract insuring all the directors and officers of the Group against a liability incurred in that capacity.

Disclosure of the nature of the liability covered by the insurance and premium paid is subject to confidentiality requirements under the contract of insurance.

(c) The consolidated financial statements include the financial statements of Lumley General Insurance (N.Z.) Limited and the following subsidiaries:

<i>Name</i>	<i>Country of incorporation</i>	<i>% equity interest</i>		<i>Investment</i>	
		<i>2009</i>	<i>2008</i>	<i>\$'000</i>	<i>2008</i>
Lumley Finance (N.Z.) Limited	New Zealand	100	100	250	250
Lumley Services (N.Z.) Limited	New Zealand	100	100	250	250
Lumley Life (N.Z.) Limited	New Zealand	100	100	550	550

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

31. Related parties (continued)

(d) Related party transactions and balances during the year were:

Related Party

	2009 \$'000	2008 \$'000
Consolidated		
Revenue from Services Rendered and Financing Activities:		
- Ultimate Parent Company	-	-
- Other Related Parties	9,692	8,993
Expenses from Services Rendered and Financing Activities:		
- Ultimate Parent Company	(334)	(453)
- Other Related Parties	(4,328)	(5,071)
Amounts owing from/(to):		
- Ultimate Parent Company	(335)	(316)
- Other Related Parties	155,522	117,813
Parent		
Revenue from Services Rendered and Financing Activities:		
- Ultimate Parent Company	-	-
- Subsidiaries of Lumley General Insurance (N.Z.) Limited	3,824	3,161
- Other Related Parties	9,692	8,993
Expenses from Services Rendered and Financing Activities:		
- Ultimate Parent Company	(334)	(453)
- Subsidiaries of Lumley General Insurance (N.Z.) Limited	-	-
- Other Related Parties	(4,321)	(5,061)
Amounts owing from/(to):		
- Ultimate Parent Company	(335)	(316)
- Subsidiaries of Lumley General Insurance (N.Z.) Limited	39,224	34,682
- Other Related Parties	155,453	117,940

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions and are made only if such terms can be substantiated.



LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

32. Average interest bearing financial assets and liabilities and related interest

The average balances of interest bearing financial assets and liabilities during the financial year are as follows:

<i>Consolidated</i>	<i>Average Balance \$'000</i>	<i>Interest income / (expense) \$'000</i>	<i>Average interest rate %</i>
2009			
Interest-bearing assets			
Cash assets	112,923	6,806	6.0%
Loans and receivables	38,893	2,362	6.2%
2008			
Interest-bearing assets			
Cash assets	103,615	8,888	8.6%
Loans and receivables	40,724	6,947	17.1%
Parent			
2009			
Interest-bearing assets			
Cash assets	112,923	6,806	6.0%
2008			
Interest-bearing assets			
Cash assets	103,615	8,888	8.6%



LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

33. Maturity analysis of selected financial assets

The following table details the maturity distribution of related party cash deposits.

<i>Consolidated</i>	<i>At Call</i> \$'000	<i>3 months or less</i> \$'000	<i>3 months to 12 months</i> \$'000	<i>No Maturity Specified</i> \$'000	<i>Total</i> \$'000
2009					
Assets					
Cash deposits with related parties	55,000	93,417	-	-	148,417
2008					
Assets					
Cash deposits with related parties	55,000	56,061	-	-	111,061
Parent					
2009					
Assets					
Cash deposits with related parties	55,000	93,417	-	-	148,417
2008					
Assets					
Cash deposits with related parties	55,000	56,061	-	-	111,061

34. Impaired financial assets - loans and receivables

Financial assets – loans and receivables include no impaired assets (2008: Nil).

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

35. Life Insurance disclosures

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
a) Life insurance premium and related revenue				
Gross earned premium revenue	1,561	1,669	-	-
Investment revenue	147	208	-	-
Total Gross earned premium and related revenue	1,708	1,877	-	-
b) Life insurance operating expenses				
Claims expense	(103)	(88)	-	-
Commissions paid	(1,223)	(1,081)	-	-
Actuarial fees	(7)	(19)	-	-
Other	(192)	(173)	-	-
Total operating expenses	(1,525)	(1,361)	-	-
c) Analysis of life insurance results after tax				
Planned margins of revenue over expenses	591	702	-	-
Difference between actual and assumed	(21)	136	-	-
Changes to underlying assumptions/methods	(18)		-	-
Investment earnings on assets in excess of policy	65	79	-	-
Net surplus for the year	617	917	-	-

35. Life Insurance - specific accounting policies

(a) Life Premium Revenue

All premiums are recognised as revenues in the Income Statement. There is no deposit component.

(b) Investment Revenue

Investment and other income are recognised in the Income Statement on an accruals basis. Investment income includes realised and unrealised changes in the net market value of investments.

(c) Claims Expense and Liabilities

Provision has been made for estimated liabilities in respect of claims notified but not admitted and settled at balance date. No allowance has been made for incurred but not reported claims. All claims are recognised as expenses in the Income Statement. There is no deposit component.



LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

35. Life Insurance - specific accounting policies (continued)

(d) Investments

Investments integral to the life insurance's activities are measured at market values as at the Balance Sheet date and changes in the market values are recognised in the Income Statement.

(e) Taxation

Life insurance business is subject to the special tax regime that applies to life insurers. Two tax bases are maintained; the life office base which is subject to tax on investment income less expenses plus underwriting income, and the policyholder base which seeks to tax benefits as they accrue to policyholders under the policies.

(f) Actuarial Policies and Methods

The actuarial reports for the current period were prepared by Linda Caradus, principal in the firm of Melville Jessup Weaver, Consulting Actuaries. Linda Caradus is a Fellow of the New Zealand Society of Actuaries. The Actuary has stated that Policy Liabilities have been calculated in accordance with New Zealand Society of Actuaries Professional Standard No 3: Determination of Life Insurance Policy Liabilities. After making appropriate checks, the Actuary was satisfied as to the accuracy of the data from which the amount of the policy liabilities has been determined.

The key assumptions used were as follows:

(i) Policy Type

All business relates to the death risk covering loan indebtedness. There is no Unit Linked or Participating Business. The profit carrier for all of the life insurance's business is payment of claims.

(ii) Interest/ Discount Rate

2.755%, being the current return on risk-free assets of the appropriate mean term (being 2-year government bonds), net of tax at 30%. (2008: 5%).

(iii) Mortality

72.6% of the NZ population table NZLT 2000-2002, being a basic mortality rate of 66% of NZLT 00-02 plus 10% as a loading for dual/ triple life policies. The 10% loading was derived from a review of the data for business written in the first 3 months of 2005.

(iv) Cancellations

An annual rate of 20% was assumed.

(v) Expenses

Based on \$1.09 per policy per month in the 12 months following the valuation, increasing by 5% in each subsequent year. (2008: \$1.04)

(vi) Taxation

The current regime for the taxation of Life Insurance business will continue to apply, at a future tax rate of 30% (2008: 30%).

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

35. Life Insurance - specific accounting policies (continued)

(g) Measurement of Policy Liabilities

Policy liabilities in the Balance Sheet have been calculated using the Margin on Services (MoS) methodology.

MoS is designed to recognise profits on life insurance as services are provided to policyholders. Profits are recognised over the life of policies, whereas losses are recognised as they arise. Policy liabilities are determined as the present value of all expected future claims, expenses, taxes and profit margins reduced by the present value of future income.

MoS profit comprises the following components:

(i) Planned margins of revenues over expenses

At the time of writing a policy and at each balance date, best estimate assumptions are used to determine all future payments and income. Where actual experience replicates best estimate assumptions, the expected profit margin will be released to profit over the life of the policy.

(ii) The difference between actual and assumed experience

Experience profits or losses arise when actual experience differs from the best estimate assumptions. Instances giving rise to such profits or losses include variances in claims, expenses, cancellations and investment returns.

(iii) Changes to underlying assumptions

Assumptions for measuring the policy liabilities are reviewed each year. Where the review leads to a change in assumptions, the change is deemed to have occurred from the end of the year. The financial effect of a change in discount rates is in certain circumstances recognised in the year that the change is made. Otherwise the effect is recognised over future reporting periods during which services are provided to policyholders.

(iv) Loss recognition on groups of related products

If based on best estimate assumptions, business for a group of related products is expected to make a loss, the total expected loss for that product group is recognised in the Income Statement immediately. When loss-making business becomes profitable, previously recognised losses are reversed.

(v) Investment earnings on assets in excess of Policy Liabilities

Profits are generated from investment assets which are in excess of those required to meet Policy Liabilities. Investment earnings are directly influenced by market conditions and as such this component of profit will vary from year to year.

LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

35. Life Insurance - specific accounting policies (continued)

The Policy Liabilities contain the following components:

	2009		2008	
	Total	Excluding Tax	Total	Excluding Tax
	\$'000	\$'000	\$'000	\$'000
Present Value of benefits	463	534	475	469
Present Value of expenses	(19)	(36)	(20)	(41)
Present Value of margins	511	89	674	171
Total	955	587	1,129	599

(h) Solvency Reserves

The Actuary has advised the Directors that \$3,579,000 (2008: \$2,414,000) is required to cover Prudential Reserves in accordance with the New Zealand Society of Actuaries Professional Standard No. 5 "Life Insurance Company Prudential Reserving", compared with actual assets of \$3,095,000 (2008: \$3,142,000). The solvency shortfall has been addressed on 23 July 2009 by the diversification of bank deposits as recommended by the Actuary.

36. Prior period error

An error occurred in the prior year accounts whereby the third party non reinsurance debtors balance was overstated. This error was a result of the change in methodology in the actuarial valuation that occurred in September 2007. The valuation was changed to the Bornhuetter-Fergusson method which relies on the analysis of historical claims development patterns. The risk margins were estimated using stochastic methods based on net incurred claims. Prior to September 2007 the actuarial valuation was based on gross claims and therefore third party non reinsurance debtors were held separately on the balance sheet. Under the new method the valuation is calculated on net claims and therefore takes into account the third party non reinsurance debtors and therefore the balance held in this debtor account at 30 June 2008 of \$12.027m should have been released when the new method was adopted.

The impact of this error had the effect of reducing third party non reinsurance debtors by \$12.027m, increasing the provision for taxation recoverable by \$3.969m and reducing retained earnings by \$8.058m.

37. Share Based Payments

(a) Wesfarmers Employee Share Ownership Plan

In 2005 the Wesfarmers Board approved and introduced the Wesfarmers Employee Share Ownership Plan (WESOP). The plan allows an eligible employee to receive Wesfarmers Limited ordinary shares up to \$NZ 1,000, tax free to participants, with an employee payment of \$NZ 1.00.

The following are the key terms and conditions of the WESOP:

- Shares are restricted from being traded for three years from the date of issue or until the employee terminates by reason of death, accident, sickness, redundancy or retirement (whichever is earliest); and
- If the employee terminates (other than for reasons above) before the end of the restricting period, the shares will be sold at market price and the proceeds are paid to the employee, subject to PAYE tax.

Eligible employees meet all the following conditions at the share allotment date:

- Employment contract provides for permanent conditions of employment;
- Six months continuous employment with Wesfarmers or its subsidiaries;
- 18 years or older and;
- Are not a director of a company in the Wesfarmers Limited Group.

The plan allocation date was on the 1st December 2008; the cost of the WESOP was expensed in the year (refer note 7). 308 employees sought to participate in the WESOP. Shares were issued at a share market price of \$AUD 41.21 per share.



LUMLEY GENERAL INSURANCE (N.Z.) LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the financial statements for the year ended 30 June

37. Share Based Payments

(b) Wesfarmers Long Term Incentive Plan

In 2005 Wesfarmers Board approved and introduced the Wesfarmers Long Term Incentive Plan (WLTIP). The Plan allows the award of Wesfarmers Limited ordinary shares, subject to PAYE tax, the net amount is used to purchase shares.

The following are the key terms and conditions of the WLTIP:

- Gross award share value determined on executive seniority and company achieving performance hurdle
- Shares are restricted from being traded for three years from the date of issue or until the employee terminates by reason of death, accident, sickness, redundancy or retirement (whichever is earliest); and
- Shares are subject to forfeiture if the employee acts fraudulently or dishonestly or employment is terminated due to misconduct.

Eligible employees meet all the following conditions at the share allotment date:

- Employment contract provides for permanent conditions of employment;
- Six months continuous employment with Wesfarmers or its subsidiaries;
- 18 years or older and;
- In an executive role (ie at or above 450 hay points)

The plan allocation date was on the 1st of December 2008; the cost of the WLTIP was expensed in the year (refer note 7). 38 employees sought to participate in the WESOP. Shares were issued at a share market price of \$AUD 41.21 per share.

Auditor's Report

To the Shareholders of Lumley General Insurance (N.Z.) Limited

We have audited the financial statements on pages 5 to 51. The financial statements provide information about the past financial performance of the company and group and their financial position as at 30 June 2009. This information is stated in accordance with the accounting policies set out on pages 8 to 16.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibilities

The directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the company and group as at 30 June 2009 and of their financial performance for the year ended on that date.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the circumstances of the company and group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Ernst & Young provides taxation advice and other assurance related services to the company and group.

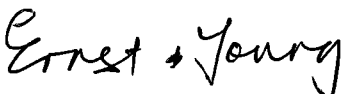
Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 5 to 51
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the financial position of the company and group as at 30 June 2009 and their financial performance for the year ended on that date.

Our audit was completed on 12 August 2009 and our unqualified opinion is expressed as at that date.



Auckland