

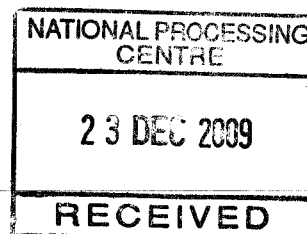


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NLG INSURANCE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

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NLG INSURANCE LIMITED

DIRECTORS' REPORT

The Directors present their annual report together with the audited Financial Statements for the year ended 31 March 2009. No disclosure has been made in respect of Section 211(1)(a) and (e) to (j) of the Companies Act 1993 following a unanimous decision by the shareholders in accordance with Section 211(3) of the Act.

RESULT: The surplus of NLG Insurance Limited for the year after tax was \$2,239,146 (2008: \$2,584,000).

DIVIDEND: Dividend of \$3,000,000 was paid in the current financial year.

AUDITORS: In terms of the Companies Act 1993, Deloitte are to continue in office as the Company's auditors.

<u>APPROPRIATIONS:</u>	Surplus after tax for the year	\$2,239,146
	Accumulated surplus brought forward	\$937,524
	Dividend paid for the year	(\$3,000,000)
	Accumulated surplus carried forward	\$176,670

ACTIVITIES: The principal activities during the year were those of insurance underwriting and investment. In the last quarter of the 2009 calendar year NLG Insurance Limited discontinued underwriting on hire purchase contracts. All revenue streams from unearned premiums will be recognised as per usual over the life of the remaining contracts.

ON BEHALF OF THE BOARD

 Director

6/8/09 Date



AUDIT REPORT

TO THE SHAREHOLDERS OF

NLG INSURANCE LIMITED

We have audited the financial statements on pages 5 to 19. The financial statements provide information about the past financial performance of NLG Insurance Limited and its financial position as at 31 March 2009. This information is stated in accordance with the accounting policies set out on page 8 to 12.

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's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the company as at 31 March 2009 and the results of operations for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board of Directors.

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 Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. 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 obtain 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.

Deloitte

Other than in our capacity as auditor, we have no relationship with or interests in NLG Insurance Limited.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by NLG Insurance Limited as far as appears from our examination of those records; and
- the financial statements on pages 5 to 19:
 - comply with generally accepted accounting practice in New Zealand;
 - give a true and fair view of the financial position of NLG Insurance Limited as at 31 March 2009 and the results of its operations for the year ended on that date.

Our audit was completed on 7 August 2009 and our unqualified opinion is expressed as at that date.



Chartered Accountants
Auckland, New Zealand

NLG INSURANCE LIMITED

BALANCE SHEET

AS AT 31 MARCH 2009

	Notes	2009	2008
In NZD			
Assets			
Current assets			
Cash and cash equivalents	5	14,103	2,898,692
Trade and other receivables	6	4,777,941	5,677,877
Deferred acquisition costs	7	1,105,451	2,367,799
		<u>5,897,495</u>	<u>10,944,368</u>
Non-current assets			
Investments	8	502,733	507,431
		<u>502,733</u>	<u>507,431</u>
Total assets		<u>6,400,228</u>	<u>11,451,799</u>
Liabilities			
Current liabilities			
Trade and other payables	9	589,185	276,375
Claims provision	11	141,000	167,000
Net unearned premium provision	10	2,713,726	4,642,001
		<u>3,443,911</u>	<u>5,085,376</u>
Non-current liabilities			
Deferred Tax		308,536	678,240
Net unearned premium provision	10	971,111	3,250,659
		<u>1,279,647</u>	<u>3,928,899</u>
Total liabilities		<u>4,723,558</u>	<u>9,014,275</u>
Equity			
Share capital	12	1,500,000	1,500,000
Retained earnings		176,670	937,524
Total equity		<u>1,676,670</u>	<u>2,437,524</u>
Total equity and liabilities		<u>6,400,228</u>	<u>11,451,799</u>

These statements should be read in conjunction with the accounting policies and notes to the financial statements on pages 8 to 19.

NLG INSURANCE LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009	2008
In NZD			
Insurance premium revenue		1,190,477	7,594,492
Provision for unearned premiums	10	3,995,468	(1,892,878)
Net insurance premium revenue		<u>5,185,945</u>	<u>5,701,614</u>
Claims expense		(719,895)	(674,142)
Commission	7	(1,619,485)	(1,701,783)
Other operating expenses	13	(425,544)	(333,001)
		<u>(2,764,924)</u>	<u>(2,708,926)</u>
Underwriting profit		2,421,021	2,992,688
Finance revenue	14	<u>777,759</u>	<u>772,795</u>
Profit before taxation		3,198,780	3,765,483
Income tax expense	15	<u>(959,634)</u>	<u>(1,181,483)</u>
Profit for the year attributable to shareholders		<u><u>2,239,146</u></u>	<u><u>2,584,000</u></u>

These statements should be read in conjunction with the accounting policies and notes to the financial statements on pages 8 to 19.

NLG INSURANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2009

In NZD	<u>Note</u>	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
For the year ended 31 March 2009				
Opening balance		1,500,000	937,524	2,437,524
Profit for the year		-	2,239,146	2,239,146
Total recognised revenues and expenses			<u>2,239,146</u>	<u>2,239,146</u>
Dividend paid			- (3,000,000)	(3,000,000)
		<u>1,500,000</u>	<u>176,670</u>	<u>1,676,670</u>
For the year ended 31 March 2008				
Opening balance		1,500,000	353,524	1,853,524
Profit for the year		-	2,584,000	2,584,000
Total recognised revenues and expenses			<u>2,584,000</u>	<u>2,584,000</u>
Dividend paid			- (2,000,000)	(2,000,000)
		<u>1,500,000</u>	<u>937,524</u>	<u>2,437,524</u>

These statements should be read in conjunction with the accounting policies and notes to the financial statements on pages 8 to 19.

NLG INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

1. GENERAL INFORMATION

NLG Insurance Limited (the Company) is a profit orientated company incorporated and domiciled in New Zealand. The address of its registered office is 1 Nelson St Auckland.

The principal activities of the Company are insurance underwriting on hire purchase contracts and investment. In the last quarter of the 2009 calendar year NLG Insurance Limited discontinued underwriting on hire purchase contracts.

The financial statements have been authorised for issue by the Board of Directors on 31 July 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

Statement of compliance

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities that qualify for and apply differential reporting concessions.

Basis for preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

The financial statements have been prepared on the historical cost basis. The financial statements are presented in New Zealand dollars, which is the company's functional currency.

Differential reporting

The company qualifies for differential reporting exemptions as it does not have public accountability, and its parent company, which is its sole shareholder, has appointed all of the directors. Accordingly, it has taken advantage of all differential reporting concessions available to it with the exception of:

- the exemption available in NZ IAS 18 *Revenue* that permits qualifying entities to recognise revenue and expenses on a GST inclusive basis.
- the exemption available in NZ IAS 12 *Income Taxes* that permits qualifying entities to recognise Income Tax on the taxes payable method.

NLG INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand; cash in bank deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Financial assets

The company classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at fair value through income or available for sale. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

b) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Company's management has the positive intention and ability to hold to maturity. These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debt securities held to maturity is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms.

c) Financial assets at fair value through profit or loss and available-for-sale investments

The Company does not hold financial assets in these categories.

All regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risk and rewards of ownership.

NLG INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

d) Impairment of assets

The carrying amounts of the Company assets are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

Estimated recoverable amount of investments and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at their original effective interest rate. Receivables with a short duration are not discounted.

Estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing the value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market rates and risk specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses (other than for goodwill) are reversed when there is a change in the estimates used to determine the recoverable amount.

e) Financial assets at amortised cost

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the assets (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable date that comes to the attention of the Company about the following events:

NLG INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Deferred acquisition expenses

Deferred acquisition expenses, principally comprising commissions and brokerage expenses incurred on Consumer Credit Insurance Contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will be recognised in subsequent reporting periods.

Deferred acquisition costs are amortised systematically over the period in which the related premiums are earned.

Trade and other payables

Trade payables and other payables classified as 'other financial liabilities' are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Insurance liabilities

Unearned premium provision

The Company's insurance contracts are principally short-term contracts that compensate the Company's customers for damage suffered to their properties or for the value of property lost. For all these contracts, premiums are recognised as revenue proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims provision

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input off assessments for individual cases report to the Company and statistical analyses for the claims incurred but not reported.

Liability adequacy test

At each balance sheet date, liability adequacy test are performed to ensure the adequacy of contract liabilities net of deferred acquisition expenses. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities are used. Any deficiency is immediately charged to profit or loss initially by writing off deferred acquisition expenses and by subsequently establishing a provision for losses arising from liability adequacy tests.

NLG INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Revenue recognition

Revenue comprises the fair value for services, net of goods and services tax and is recognised as follows:

Premium revenue

Premium revenue for Consumer Credit Insurance comprises amounts charged to policyholders. The earned portion of premium received and receivable, including unclosed business, is recognised as revenue. The pattern of recognition of income over the policy or indemnity periods is based on time, which closely approximates the pattern of risks underwritten. Unearned premium is determined by apportioning the premiums written over the period of risk from the date of attachment of risk.

Investment income

Investment income comprises interest received and is recognised as it accrues using the effective interest rate method.

Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is not recognised for the following temporary differences; the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they probably will not be reversed in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to that extent that it is no longer probable that the related tax benefit will be realised.

Goods and Services Tax (GST)

All amounts are stated exclusive of GST, with the exception of receivables and payables, which are stated inclusive of GST.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimation of liabilities arising from claims made under insurance contracts is the company's most critical accounting estimate. Key assumptions and methodology used in valuing these claims are disclosed under note 20.

NLG INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

Insurance risk

NLG Insurance sold consumer credit insurance on hire purchase contracts. The two types of insurance contracts sold are good insurance and debt insurance.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principle risk the Company faces is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur if the frequency and amount of claims are greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the level established using statistical techniques.

The Company outsources the management of its insurance claims to a third party.

In addition the Company receives a credit rating from "Fitch" ratings (note 21).

Financial risk

The company is exposed to a range of financial risks through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk is that the long-term investments proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk. The risk that the Company primarily faces due to the nature of its investments and liabilities is credit risk.

Insurance contracts

The company funds its insurance liabilities with a portfolio of debt securities which expose it to market risk.

IN NZD	<u>2009</u>	<u>2008</u>
Financial assets		
Government bonds- fixed rates	502,733	507,432
Cash and cash equivalents	14,103	2,898,692
Loans and receivables	4,777,941	5,516,604
Total	<u>5,294,777</u>	<u>8,922,728</u>
Short-term insurance liabilities	(130,000)	(154,000)
Unearned premium provision	(3,684,837)	(7,892,660)
Risk margin	(11,000)	(13,000)
	<u>1,468,940</u>	<u>863,068</u>

NLG INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. CASH AND CASH EQUIVALENTS

IN NZD	<u>2009</u>	<u>2008</u>
Cash at bank and in hand	14,103	2,898,692
Deposits on call	-	-
	<u>14,103</u>	<u>2,898,692</u>

6. TRADE AND OTHER RECEIVABLES

IN NZD	<u>2009</u>	<u>2008</u>
Related party receivable (note 16)	4,746,741	5,485,404
Trade receivables	31,200	31,200
Taxation receivables	0	161,273
	<u>4,777,941</u>	<u>5,677,877</u>

The effective interest rate on the loan to related party was 10.0% (2008: 10.0%)

7. DEFERRED ACQUISITION COSTS

IN NZD	<u>2009</u>	<u>2008</u>
Opening balance	2,367,799	1,799,931
Acquisition costs deferred during the year	357,137	2,269,651
Current year amortisation (note 16)	(1,619,485)	(1,701,783)
	<u>1,105,451</u>	<u>2,367,799</u>

8. INVESTMENTS

IN NZD	<u>2009</u>	<u>2008</u>
Held-to-maturity investments		
Government bonds	502,733	507,432
	<u>502,733</u>	<u>507,432</u>

The Company has a fixed interest face-value investment in government bonds of \$500,000 (2008: \$500,000). The interest rate is 7% (2008: 7%) maturing on July 15 2009. The premium on acquisition is being amortised on a straight-line basis to maturity.

The fair value at 31 March 2009 is \$ 512,823 (2008: \$506,900).

9. TRADE AND OTHER PAYABLES

IN NZD	<u>2009</u>	<u>2008</u>
Sundry accruals	152,662	101,158
Taxation payable	436,523	175,217
	<u>589,185</u>	<u>276,375</u>

NLG INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. PROVISION FOR UNEARNED PREMIUMS

IN NZD	<u>2009</u>	<u>2008</u>
Opening balance	7,892,660	6,127,096
Increase during the year	1,190,447	7,549,492
Released during the year	<u>(5,398,270)</u>	<u>(5,783,928)</u>
	<u>3,684,837</u>	<u>7,892,660</u>
Current	2,713,726	4,642,001
Long-term	<u>971,111</u>	<u>3,250,659</u>
	<u>3,684,837</u>	<u>7,892,660</u>

11. PROVISION FOR OUTSTANDING INSURANCE CLAIMS

IN NZD	<u>2009</u>	<u>2008</u>
Opening balance	167,000	159,000
Increase during the year	719,894	946,285
Released during the year	<u>(745,894)</u>	<u>(938,285)</u>
	<u>141,000</u>	<u>167,000</u>
Current	141,000	167,000
Long-term	-	-
	<u>141,000</u>	<u>167,000</u>

The claims provision consists of provision for reported outstanding claims \$64,000; IBNR/IBNER/Reopened claims \$66,000 and risk margin \$11,000. The percentage risk margin adopted in determining the outstanding claims liability is 8.4%, and at 75% probability of adequacy.

The risk margin was calculated by Melville Jessup Weaver for the portfolio as a whole so it was not necessary to calculate the risk margins on a diversified and undiversified basis.

The risk margin was determined using a stochastic resampling technique on a collective basis. This technique involved generating for each future development quarter the cumulative incurred claims by applying a randomly chosen development factor (from an appropriate subset of historical development factors).

12. SHARE CAPITAL

	<u>2009</u>	<u>2008</u>
	\$	\$
Issued and paid in capital 100 ordinary shares	<u>1,500,000</u>	<u>1,500,000</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 meeting of the company, and rank equally with regard to the Company's residual assets. The shares have no par value.

NLG INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. OPERATING EXPENSES

Operating expenses include the following:

IN NZD	<u>2009</u>	<u>2008</u>
Rating review	25,867	25,311
Actuary	35,000	20,000
Computing consultants	31,200	30,000
Consultants management fees	304,351	245,619
Other expenses	6,626	1,176
Inter-company management fee (note 16)	7,500	8,632
Audit fee	15,000	2,263
	<u>425,544</u>	<u>333,001</u>

14. FINANCE REVENUE

IN NZD	<u>2009</u>	<u>2008</u>
Interest on related party receivable (note 16)	632,367	542,464
Interest on on-call deposits	115,090	200,029
Interest on government bonds	30,302	30,302
	<u>777,759</u>	<u>772,795</u>

15. INCOME TAX EXPENSE

a) Income Tax

IN NZD	<u>2009</u>	<u>2008</u>
Profit before tax	3,198,780	3,765,483
Income tax using the Company tax rate (30%) (2008: 33%)	959,634	1,242,609
Non-deductible (Income) / expense	369,704	(173,086)
Adjustments to prior year tax	-	4,598
Deferred tax related to origination and reversal of temporary differences	(369,704)	107,362
	<u>959,634</u>	<u>1,181,483</u>
Tax expense	<u>959,634</u>	<u>1,181,483</u>
Current tax	1,329,338	1,074,121
Deferred tax	(369,704)	107,362
	<u>959,634</u>	<u>1,181,483</u>

NLG INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Deferred Taxation

IN NZD	<u>Provisions</u>	<u>Commission reserve</u>	<u>Total</u>
Balance at 1 April 2008	32,100	(710,340)	(678,240)
Charged/credited to income statement	(9,000)	378,704	369,704
Balance at 31 March 2009	<u>23,100</u>	<u>(331,636)</u>	<u>(308,536)</u>
IN NZD	<u>Provisions</u>	<u>Commission reserve</u>	<u>Total</u>
Balance at 1 April 2007	-	-	-
Charged/credited to income statement	32,100	(710,340)	(678,240)
Balance at 31 March 2008	<u>32,100</u>	<u>(710,340)</u>	<u>(678,240)</u>

c) Imputation credit account balances

IN NZD	<u>2009</u>	<u>2008</u>
Opening Balance	1,148,169	1,146,989
Tax Paid during the year	445,000	831,777
Net Transfers	175,157	(830,596)
Closing Balance	<u>1,768,326</u>	<u>1,148,169</u>

16. RELATED PARTY TRANSACTIONS

NLG Insurance Limited is a wholly owned subsidiary of Noel Leeming Holdings Limited. All members of the Group are considered to be related parties to NLG.). The ultimate holding company of Noel Leeming Holdings Limited is various associates, related bodies corporate and funds of Gresham Private Equity Limited.

Intercompany transactions included in the income statement are as follows:

IN NZD	<u>2009</u>	<u>2008</u>
Income/(expense)		
Management fee paid to Noel Leeming Holdings Limited (note 13)	(7,500)	(8,632)
Commission paid to fellow subsidiary Noel Leeming Group Limited (note 7)	(1,619,485)	(1,701,783)
Interest received from fellow subsidiary Noel Leeming Group Limited (note 14)	632,367	542,464

Noel Leeming Holdings Limited provides management services to the Company.

The Company pays commission to Noel Leeming Group Limited for the sale of Consumer Credit Insurance on its behalf.

The Company has a short-term advance to Noel Leeming Group Limited for which it receives interest at a rate of 10%.

Intercompany balances included in the balance sheet are as follows:

IN NZD	<u>2009</u>	<u>2008</u>
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NLG INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. CAPITAL COMMITMENTS

As at 31 March 2009, there were no capital commitments (2008:\$Nil).

18. CONTINGENT LIABILITIES

As at 31 March 2009, there were no contingent liabilities (2008:\$Nil).

19. SUBSEQUENT EVENTS

Up until the date of this report, there have been no significant events occurring after balance date which would give rise to a material impact on the state of affairs or the results for the period ended 31 March 2009.

20. ACTUARIAL INFORMATION

Melville Jessup Weaver are the Consulting Actuaries for NLG Insurance Limited. They are members of the Fellow of NZ Society of Actuaries.

Melville Jessup Weaver has prepared a report on the Valuation of Outstanding Claims and Premium Liabilities for the year ending 31 March 2009. The outstanding claims liabilities have been determined in accordance with Professional Standard No.4 of the New Zealand Society of Actuaries.

Melville Jessup Weaver are satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability.

The calculation of the provision for outstanding claims and unexpired risk complies with NZ IFRS 4 "Insurance Contracts" and Professional Standard No. 4 of the New Zealand Society of Actuaries.

The methodology used by the Actuary in determining the value of the outstanding claims liability was analysing the claims development patterns for reported incurred claims, assessing the development patterns for consistency and predictive value and then projecting the claims patterns into the future.

Key assumptions were:

A discount rate of 3.7% was applied

The unearned premium provision has been calculated as the projected premium deficiency for current-in-force business until the next policy billing date on or after 1 April 2009.

Key assumptions were:

Expenses based on the business plan for 2009/2010 including allowance for amortisation of deferred acquisition costs.

Amounts for both outstanding claims and unearned premium provision were not discounted due to their short-term nature.

NLG INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. INSURER CREDIT RATING

Fitch Ratings have issued the company with a B ("B") credit rating. (2008: "BB minus")

22. EQUITY RETAINED FOR THE PURPOSES OF FINANCIAL SOUNDNESS

The company retains a level of share capital and retained reserves that enable it to maintain adequate solvency margin for ongoing ability to pay clients.

23. CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets consist of Loan and Receivables and held to maturity assets.

Loans and receivables total \$4,792,044 (2008: \$8,415,296), and consists of cash and cash equivalents \$14,103 (2008: \$2,898,692), and trade and other receivables \$4,777,941 (2008: \$5,516,604). Held to maturity assets consists of government bonds \$502,733 (2008: \$507,432).

Financial liabilities consist of financial liabilities at amortised cost and includes trade and other payables \$152,662 (2008: \$101,158).