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ING LIFE (NZ) Limited

Annual Report 2009

Table of Contents

Annual Report

For the year ended 31 December 2009

The Board of Directors present their Annual Report including the financial statements of the Company and Group for the year ended 31 December 2009 and the Auditor's Report thereon.

The shareholders of the Company have exercised their right under section 211(3) of the Companies Act 1993 and unanimously agreed that this Annual Report need not comply with any of paragraphs (a), and (e) to (j) of section 211(1) of the Act.

For and on behalf of the Board:

Helen Troup, Director
26 March 2010

Paul Butler, Director
26 March 2010

ERNST & YOUNG

Chartered Accountants

Auditor's Report

To the Shareholders of ING Life (NZ) Limited

We have audited the financial statements on pages 5 to 49. The financial statements provide information about the past financial performance of the company and group and their financial position as at 31 December 2009. This information is stated in accordance with the accounting policies set out on pages 9 to 18 .

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 31 December 2009 and of their financial performance and cash flows 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 assurance services and taxation advice to the company and its subsidiaries.

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 49:
  - comply with generally accepted accounting practice in New Zealand; and
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the financial position of the company and group as at 31 December 2009 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 26 March 2010 and our unqualified opinion is expressed as at that date.

Ernst + Young

Auckland

Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Premium revenue	5a(i)	88,766,885	39,565,167	54,365,845	39,565,167
Less: outward reinsurance expense	5b(i)	(21,400,596)	(18,399,399)	(17,456,982)	(18,399,399)
Net premium revenue		67,366,289	21,165,768	36,908,863	21,165,768
reinsurance commission received	5a(iii)	-	2,718,288	-	2,718,288
Other revenue	6	6,818,115	599,489	790,564	605,434
		6,818,115	3,317,777	790,564	3,323,722
Claims, surrenders and maturities expense	7	(28,581,280)	(12,705,017)	(16,788,416)	(12,705,017)
Less: reinsurance recoveries revenue	5a(iii)	9,651,399	7,447,416	6,960,264	7,447,416
Net claims expense		(18,929,881)	(5,257,601)	(9,828,152)	(5,257,601)
Decrease in net policy liabilities		52,230,391	54,539,882	40,152,159	54,539,882
Commissions and operating expenses	8 & 10	(87,352,787)	(57,688,162)	(69,706,969)	(57,694,107)
Profit before income tax benefit		**20,132,127**	**16,077,664**	**(1,683,535)**	**16,077,664**
Income tax benefit	11	(1,423,590)	(14,089,943)	(7,868,507)	(14,089,943)
Profit after income tax benefit		**21,555,717**	**30,167,607**	**6,184,972**	**30,167,607**
Other comprehensive income					
Net fair value gains/(losses) on assets for sale and financial assets		333,245	82,457	(25,740)	82,457
Income tax relating to components of other comprehensive income		(99,974)	(24,737)	7,722	(24,737)
Other comprehensive income for the year, net of tax		233,271	57,720	(18,018)	57,720
Total comprehensive income for the year, net of tax		**21,788,988**	**30,225,327**	**6,166,954**	**30,225,327**
Attributable to:					
Equity holders of the parent		21,788,988	30,225,327	6,166,954	30,225,327
		21,788,988	30,225,327	6,166,954	30,225,327

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

Statement of Financial Position

As at 31 December 2009

	Note	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Assets					
Cash and cash equivalents	12	40,281,299	13,098,886	11,615,044	13,098,736
Trade and other receivables	13	11,984,723	5,519,369	8,842,526	5,914,382
Income tax receivable	14	25,301	-		-
Investments	15	86,854,028	1,930,769	153,693,553	1,535,906
Property, plant and equipment	16	507,808	704,267	507,808	704,267
Deferred acquisition costs	17	346,879	-	-	-
Intangible assets	18	154,657,589	1,181,870	1,342,956	1,181,870
Deferred taxation benefits	11	7,623,952	17,721,641	25,597,870	17,721,641
Total Assets		302,281,579	40,156,802	201,599,757	40,156,802
Liabilities					
Trade and other payables	19	62,700,081	10,186,716	11,023,131	10,186,716
Other liabilities	20	152,078,730	-	177,078,730	-
Insurance contract liabilities - reinsurance	21	40,918,121	42,475,867	44,859,753	42,475,867
Insurance contract liabilities/(assets)	21	(172,775,217)	(151,467,313)	(194,116,215)	(151,467,313)
Investment contract liabilities	21	43,108,252	2,198,908	2,124,780	2,198,908
Total Liabilities		126,029,967	(96,605,822)	40,970,179	(96,605,822)
Net Assets		**176,251,612**	**136,762,624**	**160,629,578**	**136,762,624**
Equity					
Share capital	25	116,700,738	99,000,738	116,700,738	99,000,738
Retained earnings	26(a)	59,285,378	37,729,661	43,914,633	37,729,661
Reserves	26(b)	265,496	32,225	14,207	32,225
Total Equity		**176,251,612**	**136,762,624**	**160,629,578**	**136,762,624**

For and on behalf of the Board who authorised the issue of this report on 26 March 2010.

Helen Troup, Director

Paul Butler, Director

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

Statement of Changes in Equity

For the year ended 31 December 2009

Group	Note	Ordinary shares Group 2009 $	Available for sale reserves Group 2009 $	Retained Earnings Group 2009 $	Total Group 2009 $
At 1 January 2009		99,000,738	32,225	37,729,661	136,762,624
Profit for the period		-	-	21,555,717	21,555,717
Other comprehensive income		-	233,271	-	233,271
Total comprehensive income for the year		-	233,271	21,555,717	21,788,988
Transactions with owners in their capacity as owners					
Shares issued		17,700,000	-	-	17,700,000
At 31 December 2009	25 & 26	116,700,738	265,496	59,285,378	176,251,612

Group	Note	Ordinary shares Group 2008 $	Available for sale reserves Group 2008 $	Retained Earnings Group 2008 $	Total Group 2008 $
At 1 January 2008		59,400,738	(25,495)	7,562,054	66,937,297
Profit for the period		-	-	30,167,607	30,167,607
Other comprehensive income		-	57,720	-	57,720
Total comprehensive income for the year		-	57,720	30,167,607	30,225,327
Transactions with owners in their capacity as owners					
Shares issued		39,600,000	-	-	39,600,000
At 31 December 2008	25 & 26	99,000,738	32,225	37,729,661	136,762,624

Company	Note	Ordinary shares Company 2009 $	Available for sale reserves Company 2009 $	Retained Earnings Company 2009 $	Total Company 2009 $
At 1 January 2009		99,000,738	32,225	37,729,661	136,762,624
Profit for the period		-	-	6,184,972	6,184,972
Other comprehensive income		-	(18,018)	-	(18,018)
Total comprehensive income for the year		-	(18,018)	6,184,972	6,166,954
Transactions with owners in their capacity as owners					
Shares issued		17,700,000	-	-	17,700,000
At 31 December 2009	25 & 26	116,700,738	14,207	43,914,633	160,629,578

Company	Note	Ordinary shares Company 2008 $	Available for sale reserves Company 2008 $	Retained Earnings Company 2008 $	Total Company 2008 $
At 1 January 2008		59,400,738	(25,495)	7,562,054	66,937,297
Profit for the period		-	-	30,167,607	30,167,607
Other comprehensive income		-	57,720	-	57,720
Total comprehensive income for the year		-	57,720	30,167,607	30,225,327
Transactions with owners in their capacity as owners					
Shares issued		39,600,000	-	-	39,600,000
At 31 December 2008	25 & 26	99,000,738	32,225	37,729,661	136,762,624

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

Statement of Cash Flows

For the year ended 31 December 2009

	Note	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Cash flows from operating activities					
Cash was provided from:					
Premium receipts		90,342,586	40,244,054	55,036,181	40,244,054
Reinsurance receipts		5,075,475	5,191,423	2,515,549	5,191,423
Commission receipts		1,347,962	-	-	-
Interest receipts		3,827,447	607,274	543,214	607,274
Dividend receipts		76,591	2,411	-	2,411
Taxation		38,393	-	-	-
		100,708,454	46,045,162	58,094,944	46,045,162
Cash was disbursed to:					
Reinsurance payments		21,256,968	12,315,141	17,690,862	12,315,141
Claim, surrender and maturity payments		35,305,335	14,205,406	17,226,644	14,205,406
Commission payments		53,806,897	32,718,217	40,963,213	32,725,338
Payments to suppliers and employees		29,831,149	25,715,343	25,176,546	25,715,242
Goods and sevices tax		(156,241)	-	-	-
		140,044,108	84,954,107	101,057,265	84,961,127
Net cash flows from operating activities	27	(39,335,654)	(38,908,945)	(42,962,321)	(38,915,965)
Cash flows from investing activities					
Cash was provided from:					
Proceeds from sale of financial assets		70,693,100	1,081,605	25,003	1,081,605
Repayment of advance to subsidiary		-	-	-	18,000
		70,693,100	1,081,605	25,003	1,099,605
Cash was disbursed to:					
Purchase of financial assets		41,068,992	844,000	-	844,000
Purchase of fixed assets		358,921	254,197	358,921	254,197
Purchase of computer software		1,850,541	1,013,619	887,453	1,013,619
		43,278,454	2,111,816	1,246,374	2,111,816
Net cash flows from investing activities		27,414,646	(1,030,211)	(1,221,371)	(1,012,211)
Cash flows from financing activities					
Cash was provided from:					
Issue of shares	25	17,700,000	39,600,000	17,700,000	39,600,000
Drawdown of subordinated loans		-	-	25,000,000	-
Cash flows from financing activities		17,700,000	39,600,000	42,700,000	39,600,000
Net increase/(decrease) in cash and cash equivalents		5,778,992	(339,156)	(1,483,692)	(328,176)
Cash at the beginning of the year		13,098,886	13,438,042	13,098,736	13,426,912
Cash acquired on acquisition of ING Insurance Services (NZ) Ltd		21,403,421	-	-	-
Cash and cash equivalents at the end of the year	12	40,281,299	13,098,886	11,615,044	13,098,736

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

Notes to the Financial Statements

For the year ended 31 December 2009

1. Summary of Significant Accounting Policies

Reporting Entity

ING Life (NZ) Limited is a company incorporated in New Zealand. Financial statements for ING Life (NZ) Limited (the "Company") and consolidated financial statements ("Consolidated") are presented. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). The financial statements have been prepared under the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

The financial report was authorised for issue by the directors on 26 March 2010.

The Group operates in the life insurance industry in New Zealand.

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with New Zealand generally accepted accounting practice, the Companies Act 1993, the Financial Reporting Act 1993, and other applicable Financial reporting Standards as appropriate for profit-oriented entities. These financial statements comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and with International Financial Reporting Standards ("IFRS").

New accounting standards and interpretations

Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 31 December 2009. These are outlined in the tables below.

Reference	Title	Summary	Application date of standard*	Impact on Group financial statements	Application date for Group*
Improvements to NZ Equivalents to IFRS	Amendments to New Zealand Accounting Standards arising from the Annual Improvements Project	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes (some of which are summarised below), while *some amendments* that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The amendment to NZ IFRIC 16 allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in NZ IAS 39 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment. The amendment to NZ IAS 17 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined. The amendment to NZ IAS 1 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The amendment to NZ IAS 7 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.	1 July 2009 for amendments to NZ IFRS 2, NZ IAS 38 and NZ IFRIC 9 and 16. 1 January 2010 for all other amendments.	Management will assess the impact of the changes as these standards are adopted.	1 January 2010
NZ IFRS 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into, to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	Management will assess the impact of the changes as these standards are adopted.	1 January 2010

* designates the beginning of the applicable annual reporting period unless otherwise stated.

Notes to the Financial Statements

For the year ended 31 December 2009

1. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial statements	Application date for Group*
Omnibus Amendments (2009-1)	Omnibus amendments	The amendments aim to correct and clarify a number of matters concerning the New Zealand specific paragraphs included in the standards. The main additional disclosure requirement is NZ IFRS 4 Insurance Contracts, Appendix C Life Insurance Entities which now requires disclosure of whether the amount of solvency reserves disclosed has been determined in accordance with the standards and guidelines of the New Zealand Society of Actuaries (Inc.).	1 July 2009	Management will assess the impact of the changes as these standards are adopted	1 January 2010
NZ IAS 24	Related Party Disclosures (Revised 2009)	This Standard makes amendments to New Zealand Accounting Standard NZ IAS 24 *Related Party Disclosures.* The amendments simplify the definition of a related party and provide a partial exemption from the disclosure requirements for government-related entities.	1 January 2011	Management will assess the impact of the changes as these standards are adopted	1 January 2011
NZ IFRS 9	Financial Instruments	This standard is part of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement.* The standard applies to financial assets, their classification and measurement. All financial assets are required to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs and subsequently measured at amortised cost or fair value.	1 January 2013	Management will assess the impact of the changes as these standards are adopted	1 January 2013

*Designates the beginning of the applicable annual reporting period unless otherwise stated.

Notes to the Financial Statements

For the year ended 31 December 2009

1. Summary of Significant Accounting Policies (continued)

Basis of Preparation

The financial statements are prepared on a historical cost basis, except for financial instruments, which have been measured at fair value, with changes in fair value recognised in the Statement of Comprehensive Income, with the exception of available for sale financial assets as set out below.

The Group is required to hold statutory deposits, which are held in New Zealand Government stock - under NZ IAS 39 the Group has classified these as available for sale financial assets and any unrealised gains or losses are required to be held in an investment revaluation reserve.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar ($) unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

Specific Accounting Policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of ING Life (NZ) Limited and its subsidiaries (the Group) as at 31 December each year.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries 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 profits and losses resulting from intra-group transactions have been eliminated in full.

Dividends received from subsidiaries are eliminated at a consolidation level.

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

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

a) Foreign Currency

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

(ii) Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the exchange rates ruling at the dates the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

b) Business Units

A business unit is a distinguishable component of the Group that is engaged in providing products or services which are subject to risks and rewards that are different from those of other business units.

c) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

d) Trade and Other Receivables

Trade receivables, which generally have a 30 - 90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Accounts receivable have been valued at estimated realisable value. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

1. Summary of Significant Accounting Policies (continued)

e) Investments and Other Financial Assets

Financial assets in the scope of NZ IAS 39 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available-for-sale financial assets. When financial assets are recognised initially they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period generally by regulation or convention in the market place.

(i) Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held to maturity such as bonds are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables
Loans and receivables including loan notes and loans to key management personnel 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 method. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value, with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; and discounted cash flow analysis.

(v) Investments in debt and equity securities
Debt and equity securities are financial assets and are initially recognised at fair value. Initial fair value is determined as the purchase cost of the asset. For securities backing policyholder liabilities, designated as fair value through profit and loss, realised and unrealised gains or losses arising from the subsequent change in the fair value are recognised in the Statement of Comprehensive Income in the period in which they arise. For securities not backing policyholder liabilities, classified as available for sale unrealised gains or losses arising from a subsequent change in the fair value are recorded in equity, whilst realised gains or losses are recognised in the Statement of Comprehensive Income in the period the disposal is recorded.

(vi) Unit Trusts
Units held in unit trusts are stated at net market value based on the last sale price quoted by the fund manager.
Securities held to back insurance and investment contract liabilities are determined as all policyholder assets, being those assets held within the statutory funds of the consolidated Group. These policyholder assets are designated as fair value in the profit and loss.

The fair value of the debt securities reflects the bid price at the balance date. Where interest bearing deposits are not frequently traded the fair value is determined using various techniques including discounted cash flow analysis and reference to the expected recoverable amount.

Notes to the Financial Statements

For the year ended 31 December 2009

1. Summary of Significant Accounting Policies (continued)

f) Property, Plant and Equipment

Plant and equipment is recognised at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided for using either a diminishing value or straight-line basis reflecting the expected pattern of consumption of economic benefits.

	Diminishing Value	Straight Line
• Computer equipment	20% - 60%	33%
• Office furniture	9% - 60%	20%
• Office equipment	9% - 60%	20%

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

g) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Company as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

h) Impairment of Non-Financial Assets Other Than Goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels from which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may be reversed.

i) Borrowing Costs

Borrowing costs are recognised as an expense as incurred.

j) Goodwill and Intangibles

(i) Goodwill
Goodwill acquired in a business combination is intially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following intial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. This is irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the goodwill relates. When the recoverable amount of the cash generating unit (group of cash generating units) is less than the carrying amount, an impairment loss is recognised.

(ii) Intangibles

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 capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are 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 prospectively 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 consistent with the function of the intangible asset.

Management rights are amortised to the Statement of Comprehensive Income on a straight-line basis over the period which benefits are expected to be derived over a period of 10 to 20 years.

Computer software is amortised to the Income Statement on an amortisation rate of 33% per annum over the period which benefits are expected to be derived over a period of 3 to 5 years.

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 an accounting estimate and is accounted for on a prospective basis.

Notes to the Financial Statements

For the year ended 31 December 2009

1. Summary of Significant Accounting Policies (continued)

k) Trade and Other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group 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.

l) Employee Entitlements

A liability is recognised for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages, salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by the employees up to reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

m) Share Capital

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.

n) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement 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 substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The value reported in the balance sheet represents the net position of the Company. The following temporary differences are not accounted for:

- When the deferred income tax liability arises from the initial recognition 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.

- When the taxable temporary difference is associated with investments in subsidiaries, associates 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 foerseeable future.

The amount of the deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at balance date.

A deferred tax asset is included in deferred tax only to the extent that is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(i) 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.

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

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

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

(ii) Taxation for life insurers
Life insurers are subject to a special tax regime. 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 in the form of claim, surrender and maturity payments and increments in the value of policies. The life insurer pays tax on the higher of the two bases at the company rate of 30%. As the life insurer is taxed as a proxy for the policyholder, returns to the policyholders are tax exempt.

The comprehensive basis of tax effect accounting is applied. Future income tax benefits are only recognised when their realisation is probable.

The value of current tax payable or current income tax benefit is shown separately within receivables or other liabilities. The present value of the future tax benefit or provision for deferred tax is calculated at the applicable future tax rate enacted at balance date. Surplus for the period is initially calculated at the post tax level. Surplus is then grossed up for presentation purposes using the company tax rate.

The Taxation (International, Life Insurance and Remedial Matters) Act 2009 passed into legislation on 6 October 2009, changing the basis of taxation for life insurance business. In order to achieve the accounting policy set out in note 1(n) a gross of tax model to determine certain life insurance contract liabilities has been adopted (2008: net of tax).The resulting life insurance contract liabilities has deferred tax liabilities are not materially different from those calculated previously using a net of tax model. This is considered a change in accounting estimate.

1. Summary of Significant Accounting Policies (continued)

o) Cash Flows

For the purpose of the Statement of Cash Flows, cash includes cash on hand, which is used as part of day-to-day cash management.

The following are definitions of the terms used in the Statement of Cash Flows:

1) Operating activities include all transactions and other events that are not investing or financing activities. Cash flows from claims, surrenders and maturities paid include the interest element of term deposit bond payments.

2) Investing activities are those activities relating to the acquisition and disposal of fixed assets and investments.

3) Financing activities are those activities that result in changes in the size and composition of the capital structure, including debt not falling within the definition of cash; and

4) Cash is considered to be cash on hand, call deposits and current accounts with banks, net of bank overdrafts, if any.

p) Life Insurance Business

(i) Principles underlying conduct of Life Insurance business

The life insurance operations consist of investment contract and insurance contract business.

Insurance contract business relates to a transfer of significant insurance risks from the policyholder to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The compensation, referred to as insured benefits, are payable on death, or on the occurrence of a contingency dependent on the termination or continuance of human life, or on the occurrence of injury or disability caused by accident or illness. The financial risk of the occurrence of the event which crystallises the payment of the insured benefit is borne by the Group.

Investment contract business is business in which the Group issues a contract where the benefit amount is typically linked to the market value of the investments held in the particular investment contract fund. Whilst the underlying assets are registered in the name of the Group and the investment contract policy owner has no direct access to the specific assets, the contractual arrangements are such that the investment contract policy owner typically bears the risks and rewards of the fund's investment performance. The Group derives fee income from the administration of the investment contract funds.

(ii) Life insurance revenue and expenses

Recognition of Income

Premium income
Premiums are separated into risk and savings components. Premiums earned by providing services and bearing risks are treated as revenue. Other premium amounts, net of initial fee income, which are akin to deposits, are recognised as an increase in investment contract liabilities. For insurance contract business, all premiums are recognised as revenues. For investment contract business, premiums are recognised as an increase in the policy liability in the Statement of Financial Position.

Premiums with a regular due date are recognised when the premium becomes due and payable, usually on a monthly basis. The unearned portion of regular premiums payable six-monthly or annually is deferred. Premiums with no due date are recognised on a cash basis.

Investment income
Interest income is recognised in the income statement as it accrues. Distributions from unit trusts are recognised in the Statement of Comprehensive Income when declared and are recorded net of imputation credits.

Investment income also includes realised and unrealised changes in the net market value of investments designated fair value though the Statement of Comprehensive Income. Investment income from unit trusts is shown net of the external fund manager's costs.

Expenses

Claims, surrenders and maturities
Claims, surrenders and maturities are separated into risk and savings components. Claims incurred that relate to the provision of services and bearing risks are treated as expenses and are recognised in the Statement of Comprehensive Income.

Claims in respect of investment contract business represent investment withdrawals and are recognised as a reduction in the policy liability in the Statement of Financial Position.

Death and all other claims are recognised when the liability to the policyholder under the policy contract has been established. Term deposit bond maturities are recognised on the policy maturity date. Surrenders are recognised when requested by the policyholder.

An outstanding claims reserve is held within policy liabilities to provide for the estimated costs of all claims notified, but not settled at balance date, together with the estimated cost of claims incurred but not reported until after balance date.

Notes to the Financial Statements

For the year ended 31 December 2009

1. Summary of Significant Accounting Policies (continued)

p) Life Insurance Business (continued)

Commission and management expenses

Commission and management expenses incorporate all other expenditure involved in running of the life insurance companies business, including costs of issuing new business, salaries and related costs and other management expenses which include, for example, office accommodation costs.

For the purposes of determining policy liabilities, life insurance expenses are categorised into acquisition, maintenance or investment management expenses based on a detailed functional analysis of activities carried out by the life insurance companies.

Acquisition expenses are the fixed and variable expenses of acquiring new business including commissions and similar distribution expenses, and expenses related to accepting, issuing and initially recording policies. They do not include general growth and development costs incurred by the life insurance companies.

Under MoS (Margin on Services), where overall product profitability of new business written during the period is expected to support the recovery of acquisition expenses incurred in that period, these expenses are effectively deferred as an element of policy liabilities and amortised over the life of the policies written. Unamortised acquisition expenses are a component of the MoS policy liability. Acquisition expenses are recognised in the income statement as a component of "movement in policy liability" at the same time as profit margins are released.

Acquisition expenses are allowed for when determining expected profit margins by setting standard expense allowances based on each policy type issued. Actual acquisition expenses in any one period may vary from standard for a number of reasons including new business volume, product mix, distribution mix, cost efficiency and new strategic initiatives.

As a result of these variances, acquisition expenses may, in total, be less or more than standard expense allowances. In both cases the acquisition expense component of the policy liability is determined as the actual expenses incurred in the period so that neither a profit nor a loss arises on acquisition, subject to only the overriding constraint that the present value of future profit margins on new business written in the period is not negative.

Investment management expenses are the fixed and variable expenses of managing investment funds. As the life insurance companies contracts this function out to external fund managers it does not incur any investment management expenses.

Maintenance expenses are the fixed and variable expenses of administering policies subsequent to sale and the fixed and variable operating and management expenses of maintaining the life insurance companies operations such that they are sufficient to service in force policies. These include general growth and development expenses. Maintenance expenses include all operating expenses other than acquisition and investment management expenses.

Investment management and maintenance expenses are recognised in the Statement of Comprehensive Income in the period to which they relate.

Reinsurance

As the reinsurance agreements provide for indemnification of the Group against loss or liability, reinsurance income and expenses are recognised separately in the Statement of Comprehensive Income when they become due and payable in accordance with the reinsurance agreements.

Reinsurance recoveries on claims are recognised in the income statement as part of reinsurance income. Reinsurance premiums payable are recognised in the Statement of Comprehensive Income as part of reinsurance expenses.

The present value of future reinsurance repayments payable by the Group is recognised separately from policy liabilities in the Statement of Financial Position.

(iii) Life policy liability measurement

Determination of policy liabilities

The amount of policy liabilities has been determined in accordance with methods and assumptions disclosed in this financial report and the requirements of the New Zealand Life Insurance Act 1908.

Policy liabilities of ING Life (NZ) Limited and ING Insurance Services Limited are calculated using the Margin on Services ("MoS") methodology in accordance with New Zealand Society of Actuaries Professional Standard 3: Determination of Life Insurance Policy Liabilities of the New Zealand Society of Actuaries, issued in December 1998 and revised in January 2007.

MoS is designed to recognise profits on life insurance as services are provided to policyholders and income is received. Profits are deferred and amortised over the life of policies, whereas losses are recognised immediately as they arise. Services used to determine profit recognition include premiums expected to be received from policyholders, the cost of expected claims, maintaining policies and investment management.

Policy liabilities are generally determined as the present value of all future expected payments, expenses, taxes and profit margins reduced by the present value of all future expected premiums, except in the case of some investment business where policy liabilities are determined as the accumulated benefits to policyholders.

Notes to the Financial Statements

For the year ended 31 December 2009

1. Summary of Significant Accounting Policies (continued)

p) Life Insurance Business (continued)

Profits emerging under the MoS methodology can be categorised as follows:

1) 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 expected future payments and premiums. Where actual experience replicates best estimate assumptions, the expected profit margins will be released to profit over the life of the policy.

2) The difference between actual and assumed experience

Experience profits or losses are realised where actual experience differs from best estimate assumptions. Instances giving rise to experience profits or losses include variations in claims, expenses, mortality, discontinuance and investment returns. For example, an experience profit will emerge when the expenses of maintaining all in-force business in a period are lower than the best estimate assumption in respect of those expenses.

3) Changes to underlying assumptions

Assumptions used for measuring policy liabilities are reviewed each period. Where the review leads to a change in assumptions the change is deemed to have occurred from the end of the financial period and the impact of the assumption change is absorbed within the future value of profit margins, provided sufficient profit margins exist.

The calculation of policy liaiblities includes the use of published investment market yields (e.g. govenrment bond yields). The changes in these yields are not treated the same as other actuarial assumption changes as changes in investment yields impact both the life policy liabilities and the asset values in the balance sheet and any change in relative value between the two is recognised during the reporting period.

The financial effect of changes to the assumptions underlying the measurement of policy liabilities made during the reporting period are recognised in the income statement over the future reporting periods during which services are provided to policyholders. However if, based on best estimate assumptions, written business for a group of related products is expected to be unprofitable, the whole expected loss for that related product group is recognised in the income statement immediately. When loss making business becomes profitable, it is necessary to reverse previously recognised losses.

4) 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 MoS will vary from period to period.

5) Terms and other liabilities

Term and other liabilities are recognised in the balance sheet at the present value of future cash outflows to be incurred as a result of the life insurance company's obligations at balance date.

Notes to the Financial Statements
For the year ended 31 December 2009

1. Summary of Significant Accounting Policies (continued)

q) Changes in accounting policies and disclosures

The Group has adopted the following new and amended New Zealand Equivalents to International Financial Reporting Standards and interpretations as of 1 January 2009. The accounting policies adopted are consistent with those used in the previous year except as follows

IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IAS 27R will affect future transactions with minority interest.

IAS 27 and NZ IFRS 1 The main amendments of relevance to New Zealand entities are those made to NZ IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.

NZ IAS 27 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.

NZ IAS 1 (Revised) Presentation of Financial Statements and consequential amendments to other New Zealand Accounting Standards introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.

Amendments to IFRS 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy:
- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Notes to the Financial Statements

For the year ended 31 December 2009

2. Critical Accounting Judgements, Estimates and Assumptions

The preparation of a financial report in conformity with New Zealand Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the adjustments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may vary from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where critical accounting judgements and estimates are applied are noted below.

(a) Intangibles

The assessment of impairment of intangibles is an inherently uncertain process, involving assumptions about factors such as inflation and investment returns, and where the entities involved operate in the life insurance business, assumptions concerning discontinuance, mortality and morbidity trends. This is largely due to uncertainty surrounding continuance of existing and generation of new business. Refer to note j in the Summary of Significant Accounting Policies for further details.

(b) Life Insurance Business

(i) Insurance contract liabilities

Policy liabilities for life insurance contracts are computed using statistical or mathematical methods, expected to give approximately the same results as if an individual liability was calculated for each contract. The computations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles and standards. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written. Deferred policy acquisition costs are connected with the measurement basis of life insurance liabilities and are equally sensitive to the factors that are considered in the liability measurement.

The key factors that affect the estimation of these liabilities and related assets are:

- the cost of providing the benefits and administering these insurance contracts;
- mortality and morbidity experience, which affects the life insurance companies ability to recover the cost of acquiring new business over the lives of the contracts; and
- discontinuance rates, which affect the life insurance companies ability to recover the cost of acquiring new business over the lives of the contracts; and
- the amounts credited to policyholders' accounts compared to the returns on invested assets through asset-liability management and strategic and tactical asset allocation.

In addition, factors such as regulation, competition, interest rates, taxes, security market conditions and general economic conditions affect the level of these liabilities. In some contracts, the life insurance companies' shares experience on mortality, morbidity, persistency and investment results with its customers, which can offset the impact of these factors on profitability from those products. Details of specific actuarial policies are set out in Note 3.

(ii) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the same methods as for insurance contract liabilities. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the life insurance companies may not receive amounts due to them and these amounts can be reliably measured.

(iii) Reinsurance contracts

The Company has entered into reinsurance agreements in respect of all regular premium policies containing risk benefits.

The reinsurance agreements provide for indemnification of the Group by the reinsurers against loss and liability.

The Directors have satisfied themselves, on the basis of actuarial advice, that sufficient policy liabilities have been set up to meet any future cash strains arising from these arrangements.

The reinsurance is structured on a modified risk premium co-insurance basis. The Group previously received a commission from the reinsurers as policies containing risk benefits were issued. Risk premiums are paid in relation to benefits reinsured. Profits arising to the reinsurers on this business are shared with the Group.

3. Summary of Significant Actuarial Assumptions and Risk Management Policies

The actuarial reports on policy liabilities and solvency reserves for the current reporting year were prepared as at 31 December 2009.

The actuary who prepared the reports for the Company and Group was Eric Judd, BSc, FIAA, FNZSA, who is a Fellow of the Institute of Actuaries of Australia and a Fellow of the New Zealand Society of Actuaries.

The amount of policy liabilities has been determined in accordance with Professional Standard 3: Determination of Life Insurance Policy Liabilities of the New Zealand Society of Actuaries. After making appropriate checks, the actuary was satisfied as to the accuracy of the data from which the amount of the policy liabilities had been determined.

The Group comprises two life companies, ING Life (NZ) Limited and ING Insurance Services Limited, the key assumptions used in determining the policy liabilities for each of these life companies are as follows:

ING Life (NZ) Limited

Profit carriers
For policies containing risk benefits, premiums have been used as the profit carrier. For savings contracts, including term deposit bonds, no profit carrier is used. For these policies, policy liabilities are valued on an accumulation basis.

Discount rates
The discount rates used to determine policy liabilities were determined from the inter-bank swap rate curve. These rates are then adjusted to remove the inherent credit risk margin and get back to a risk free rate. A credit risk margin of 0.03% (2008: 0.03%) has been used. The risk free rate (before tax) varied by duration between 2.90% and 6.45% (2008: 4.33% and 5.46%).

Inflation
The inflation assumption was determined on a basis consistent with the medium to long term RBNZ inflation target of between 1% -3%. The rate assumed is 2.50% pa (2008: 2.50% pa).

Investment and maintenance expenses
The maintenance expense allowance assumed was $120.07 (2008: $106.41) per annum, per life insured. Maintenance expenses are assumed to increase at 2% per annum (2008: 2%). The company does not incur any investment management expenses.

Inflation and automatic indexation of benefits
Policies with automatic inflation linked indexation of premiums and benefits are assumed to have premium and benefit increases of 2% per annum (2008: 2%).

Asset mix
The assumptions regarding asset mix are based on the target mix of assets.

Asymmetric risks
An asymmetric risk is characterised by a movement (of the same magnitude) that can occur in either direction (eg up or down), but results in an absolute impact that is a lot bigger one way than it is the other. Given the nature of the business no additional reserve is required for asymmetric risks.

Rates of taxation
The rates and bases of taxation assumed are those applicable to the relevant type of product under current legislation. For periods commencing 1 January 2009 this is 30%.

Mortality and morbidity
Both mortality and morbidity claims have been projected based on the experience of the Company's reassurers. The loadings were revised for December 2009 - Selection loading factors for the first two years have been introduced into the mortality rates and trauma assumption used has been changed from 80% of the reassurers' table to 90% of that.

Rates of discontinuance
Projected rates of discontinuance are based on company experience. Discontinuance assumptions were revised for December 2009 after an analysis of the company's experience was undertaken during the period. Seperate rates of discontinuance are used for yearly renewable contracts (YRT), level term contracts (LT) and 5 Year renewable contract (5 Years). The assumptions used are as follows:

Year	1	2	3	4	5	6	7+
YRT - 2009	9.5%	12.0%	15.5%	12.0%	11.5%	11.5%	11.5%
YRT - 2008	9.5%	10.5%	14.0%	11.0%	11.0%	11.0%	11.0%
LT- 2009	9.5%	9.5%	12.0%	11.0%	10.0%	9.0%	9.0%
LT- 2008	9.5%	10.5%	14.0%	11.0%	11.0%	11.0%	11.0%
5 Years - 2009	9.5%	12.0%	15.5%	13.0%	13.0%	25.0%	15.0%
5 Years - 2008	9.5%	10.5%	15.0%	13.0%	13.0%	20.0%	15.0%

Surrender values
Surrender values are calculated on an accumulation basis.

Rates of growth in unit prices
Not applicable as surrender values are values on an accumulation basis.

Participating business
The company does not issue participating business.

Solvency requirement
Solvency reserves are amounts required to meet the prudential standards specified by the Life Insurance Act 1908, to provide protection to policyholders against the impact of fluctuations and unexpected adverse experience in the Company's business.

The method and bases used for determining the solvency requirements are in accordance with the New Zealand Society of Actuaries Professional Standard No. 5: Solvency Reserving for Life Insurance.

3. Summary of Significant Actuarial Assumptions and Risk Management Policies (continued)

ING Insurance Services (NZ) Limited

Profit carriers
Risk business has been valued using the projection method. The profit carrier used for the risk business to achieve the systematic release of planned margins is the gross cost of expected claims.

Discount rates
The discount rates used to determine policy liabilities were determined from the inter-bank swap rate curve. These rates are then adjusted to remove the inherent credit risk margin and get back to a risk free rate. A credit risk margin of 0.03% (2008: 0.03%) has been used. The risk free rate (before tax) varied by duration between 2.90% and 6.45% (2008: 4.33% and 5.46%).

Inflation
The inflation assumption was determined on a basis consistent with the medium to long term RBNZ inflation target of between 1% - 3%. The rate assumed is 2.50% pa (2008: 2.50% pa).

Future expenses and indexation
Future maintenance and investment expense assumptions were derived from an analysis of planned expenses for the coming year. The rates vary by premium payment type and are experessed as a unit cost per policy. Expense assumptions are assumed to increase each year by the inflation rate set out above. The maintenance expenses used are as follows:

	2009	2008
Single Premium	$44.73	$25.65
Regular Premium	$46.87	$34.44

Asset mix
The assumptions regarding asset mix are based on the target mix of assets.

Asymmetric risks
An asymmetric risk is characterised by a movement (of the same magnitude) that can occur in either direction (eg up or down), but results in an absolute impact that is a lot bigger one way than it is the other. Given the nature of the business no additional reserve is required for asymmetric risks.

Rates of taxation
The rates and bases of taxation assumed are those applicable to the relevant type of product under current legislation. For periods commencing 1 January 2009 this is 30%.

Mortality and morbidity
Mortality was assumed to be the following percentages of the tables of assured lives mortality published by the New Zealand Society of Actuaries. Most are unchanged since 31 December 2008 with details of changes given below:

YRT (NBNZ CTW)	100% of NZ97 ultimate with smoker loading factors
Mastercare	100% of NZ97 ultimate
Home Loan/Term Life	70% of NZ97 (5) select with smoker loading factors
Loan Protection	Female 30%, Male 50% of NZ97 ultimate
Lifestyle Protection	70% of NZ97 (5) select with smoker loadings
Mortgage Protection	100% of NZ97 ultimate

For the 31 December 2008 valuation smoker loading factors did not apply, Mastercare was at 80% of NZ97 ultimate and Loan Protection Males were at 30% of NZ97 ultimate.

Assumptions for trauma, disability and redundancy benefits were based on reinsurance risk premiums and investigations of the Company's experience.

Rates of discontinuance
Future rates of discontinuance were based on the experience of the Company, varying depending on the product and the duration in force and range from 1% to 40%. (2008: 1% to 45%).

Solvency requirement
Solvency reserves are amounts required to meet the prudential standards specified by the Life Insurance Act 1908, to provide protection to policyholders against the impact of fluctuations and unexpected adverse experience of the company's business.

The methods and bases used for determining the solvency requirements were in accordance with the New Zealand Society of Actuaries Professional Standard No. 5: Solvency Reserving for Life Insurance Business.

Surrender value
Surrender values are based on the provisions specified in the policy contracts and include a recovery of policy establishment and maintenance costs. It is assumed that the current surrender value bases will be maintained.

Notes to the Financial Statements

For the year ended 31 December 2009

4. Risk Management Policies and Procedures for Insurance Contracts

The financial condition and operating results of the Group are affected by a number of key financial and non-financial risks. Financial risks include interest rate risk, currency risk, credit risk, market risk, insurance risk and liquidity risk. The non-financial risks are insurance risk, compliance risk and operational risk. The Group's objectives and policies in respect of managing these risks are set out in the remainder of this section.

(a) Risk management objectives and polices for mitigating financial risk and insurance risk

The Group's objective is to satisfactorily manage risks in line with ANZ National Bank Limited's Risk Management Standards. Various procedures are put in place to control and mitigate the risks faced by the Group depending on the nature of the risk. The Group's exposure to all financial and insurance risks is monitored regularly.

Financial risks are generally monitored and controlled by selecting appropriate assets to back liabilities. The assets are regularly monitored by the Asset Liability Committee (ALCO) to ensure that there is no material asset and liability mismatching issues and other risks such as liquidity risk and credit risk are maintained within acceptable limits. For those life insurance contracts where the benefits paid are directly impacted by the value of the underlying assets, the Group is exposed to the risk of future decreased asset management fees as a result of a decline in assets under management.

Insurance risks are controlled through the use of underwriting procedures and reinsurance arrangements, all of which are approved by the Chief Insurance Risk Officer. Controls are also maintained over claims management practices to assist in the correct and timely payment of insurance claims.

(b) Strategy for managing insurance risk

Portfolio of Risks

The performance of the Group and its continuing ability to write business depends on its ability to pre-empt and control risks. The Group has a risk strategy which summarises the Group's approach to risk and risk management.

Risk Strategy

A strategy is in place to ensure that the risks underwritten satisfy policyholders' risk and reward objectives whilst not adversely affecting the Group's ability to pay benefits and claims when due. The strategy involves the identification of risks by type, impact and likelihood, the implementation of processes and controls to mitigate the risks, and continuous monitoring and improvement of the procedures in place to minimise the chance of an adverse compliance or operational risk event occurring. Included in this strategy is the process for underwriting and product pricing to ensure products are appropriately priced. Capital management is also a key aspect of the Group's risk management strategy. Capital requirements are measured using a risk based capital model and any regulatory reporting requirements to which the Group is subject.

Allocation of Capital

Capital is allocated by the Group to portfolios of contracts with similar risks or is held in a central reserve based on management's assessment of the risks to which each line of business is exposed and its view of the profitability of the products that are sold.

Solvency margin requirements are in place to reinforce safeguards for policyholders' interest, which are primarily the ability to meet future claims payments in respect of existing policies. The solvency margin measures the excess of the value of the insurers' assets over the value of its liabilities, each element being determined in accordance with the applicable valuation rules. These solvency requirements also take into account specific risks faced by the Group. Where the outcome of specific adverse scenario differs from expectations, this has also been identified.

(c) Methods to monitor and assess insurance risk exposures

Exposure to risk

In an effort to protect and enhance shareholder value, the Group actively manages its exposure to risks so that it can react in a timely manner to changes in financial markets, insurance cycles, and economic and political environments. Risk exposures are managed using various analysis and valuation techniques, such as asset-liability matching analysis to calculate the economic capital required to support adverse risk scenarios, along with other cash flow analysis, and prudent and diversified underwriting and investing.

Capital Adequacy requirements

The Group's insurance operations are subject to capital requirements which prescribe the amount of capital to be held depending on the type, quality and concentration of investments held.

Management reporting

The Group reports monthly financial and operational results, and exposure for each portfolio of contracts (gross and net of reinsurance) to the Management Committee. This information is combined with the detail of the Group's reinsurance programme to provide a central view of the Group's performance and its gross and net exposure.

Notes to the Financial Statements

For the year ended 31 December 2009

4. Risk Management Policies and Procedures for Insurance Contracts (continued)

(d) Methods to limit or transfer insurance risk exposures

Reinsurance

All reinsurance treaties are analysed using a number of analytical modelling tools to assess the impact of the Group's exposure to risk with the objective of achieving the optimal choice of type of reinsurance and retention levels. These tools produce financial projections based on a number of possible scenarios providing a detailed analysis of the potential exposures.

Underwriting procedures

Strategic underwriting decisions are put into effect using the underwriting procedures detailed in the Group's underwriting manual. Such procedures include limits to delegated authorities and signing powers. The underwriting process is monitored by the Group's internal auditors to ensure adequate controls are in place over the underwriting process and that the controls are effective.

Claims management

Strict claims management procedures are in place to assist in the timely and correct payment of claims in accordance with policy conditions.

Asset and liability management techniques

Assets are allocated to different classes of business using a risk based approach. Duration analysis is primarily used for interest-sensitive products and policies with long-term fixed payout patterns.

Management of market risk is generally less critical for short-term insurance products, as the amounts and timing of claims do not vary significantly with interest rates or other market changes that affect the underlying investments. The premiums received and the investment returns (net investment income and realised gains and losses) provide substantial liquidity to meet claims payments and associated expenses as they arise. Consequently, there is greater flexibility in investment strategies while managing investments to ensure sufficient liquidity to meet the claims as they become due, based on actuarial assessments.

(e) Concentration of insurance risk

Insurance risks associated with human life events:

The Company aims to maintain a stable age profile and mix of the sexes within its portfolio of policyholders. This policy maintains a balance between the current and future profitability of the life business, a stable base of assets under management and exposure to the significant external events such as those described above.

Despite the inevitable growth in policyholders at the age of retirement, the age profile and mix of sexes within the population of policyholders is sufficiently spread so that the Company's risk concentration in relation to any particular age group is minimal.

(f) Terms and conditions of insurance contracts

The nature of the terms of insurance contracts written is such that certain external variables can be identified on which related cash flows for claim payments depend. The tables below provide an overview of the key variables upon which the amount of related cash flows are dependent.

Type of Contract	**Detail of Contract Workings**	**Nature of Compensation for Claims**	**Key Variables that affect the timing and uncertainty of future cash flows**
Non-participating life insurance contracts with fixed and guaranteed terms (Term Life and Disability)	Guaranteed benefits paid on death or disability that are fixed and guaranteed and not at the discretion of the issuer	Benefits, defined by the insurance contract, are determined by the contract and are not directly affected by the performance of underlying assets or the performance of the contracts as a whole	Market interest rates Expenses Mortality Morbidity Discontinuance rates

Notes to the Financial Statements

For the year ended 31 December 2009

5. Revenue

a(i) Gross Operating Revenue

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Premium income	88,766,885	39,565,167	54,365,845	39,565,167
reinsurance income	9,651,399	10,165,704	6,960,264	10,165,704
	98,418,284	49,730,871	61,326,109	49,730,871

a(ii) Life Insurance Premium Income

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Single premiums	*6,201,745*	*206*	*1,529*	*206*
Regular premiums	82,944,882	40,062,026	54,744,058	40,062,026
Gross premium income	89,146,627	40,062,232	54,745,587	40,062,232
Less: savings component transferred to policy liabilities	(379,742)	(497,065)	(379,742)	(497,065)
Net premium income	88,766,885	39,565,167	54,365,845	39,565,167

a(iii) reinsurance income

	Group 2009 $	Group 2008 $	Company 2009	Company 2008
Initial commission received	-	2,718,288	-	2,718,288
reinsurance recoveries on claims	9,651,399	7,447,416	6,960,264	7,447,416
	9,651,399	10,165,704	6,960,264	10,165,704

b(i) reinsurance expenses

	Group 2009 $	Group 2008 $	Company 2009	Company 2008
Commissions refunded	8,258,870	9,474,280	8,258,870	9,474,280
Risk premiums	13,141,726	8,925,119	9,198,112	8,925,119
	21,400,596	18,399,399	17,456,982	18,399,399

6. Other Revenue

	Group 2009 $	Group 2008 $	Company 2009	Company 2008
Distributions received	-	6,713	-	6,713
Interest income	3,079,656	628,935	660,707	628,935
Dividends	76,592	-	-	-
Net realised and unrealised gains/(losses) from:				
- Debt securities	980,681	-	-	-
- Unit trusts	327,780	(36,159)	124,623	(36,159)
- Equities	355,173	-	-	-
- Subsidiary	-	-	5,234	5,945
Commission income	1,997,268	-	-	-
Other income	965	-	-	-
Total Other Revenue	6,818,115	599,489	790,564	605,434

7. Claims, Surrenders and Maturities

	Group 2009 $	Group 2008 $	Company 2009	Company 2008
Death and disability claims	25,995,237	12,684,812	16,775,813	12,684,812
Surrenders	3,100,297	727,827	526,857	727,827
Maturities	52,473	139,205	52,473	139,205
Gross claims	29,148,007	13,551,844	17,355,143	13,551,844
Less: savings component transferred from investment contract liabilities	(566,727)	(846,827)	(566,727)	(846,827)
Net claims	28,581,280	12,705,017	16,788,416	12,705,017

Notes to the Financial Statements

For the year ended 31 December 2009

8. Commissions and Operating Expenses

	Note	Group 2009 $	Group 2008 $	Company 2009	Company 2008
Acquisition costs:					
Commissions		47,073,253	31,300,636	37,373,428	31,307,757
Operating expenses		23,148,218	18,226,196	21,574,998	18,225,020
		70,221,471	49,526,832	58,948,426	49,532,777
Maintenance costs:					
Commissions		5,816,236	2,686,707	3,661,524	2,686,707
Operating expenses		10,220,073	5,474,623	7,097,019	5,474,623
		16,036,309	8,161,330	10,758,543	8,161,330
Investment management costs		77,969	-	-	-
Other Expenses	9	1,017,038	-	-	-
		87,352,787	57,688,162	69,706,969	57,694,107

9. Other Expenses

	Group 2009 $	Group 2008 $	Company 2009	Company 2008
Other expenses include the following:				
a) Amortisation of intangible assets	1,539,322	-	-	-
b) Asset deficiency/ (gain) for guaranteed products	(982,581)	-	-	-

10. Operating Expenses

Operating expenses include the following and are included in notes 8 and 9:

	Group 2009 $	Group 2008 $	Company 2009	Company 2008
(a) Depreciation expense:				
- Furniture and fittings	66,666	58,166	66,666	58,166
- Office equipment	27,432	21,568	27,432	21,568
- Leasehold improvements	200,713	85,807	200,713	85,807
- Computer equipment	89,108	71,391	89,108	71,391
Total depreciation	383,919	236,932	383,919	236,932
(b) Operating lease charges	1,070,182	685,438	913,612	685,438
(c) Amortisation of intangible assets	2,265,689	452,199	726,367	452,199
(d) Provision for doubtful adviser debts	(121,000)	55,000	(121,000)	55,000
(e) Bad adviser debts	371,347	-	371,347	-
(f) Donations	244	2,244	244	2,244
(g) Wages and salaries	14,316,844	10,201,084	14,316,844	10,201,084
(h) Auditor's remuneration:				
Ernst & Young - audit of financial statements	231,000	121,845	115,500	121,845
Ernst & Young - other services	164,241	9,644	32,551	9,644
Total auditor's remuneration	395,241	131,489	148,051	131,489
(h) Remuneration to directors	-	373,550	-	373,550

11. Income Tax

	Group 2009 $	Group 2008 $	Company 2009	Company 2008
(a) Current income tax benefit				
Current income tax				
Current income tax benefit	(15,958)	-	-	-
Income tax effect of losses generated in the current year not to be transferred to ING (NZ) limited	(8,186,096)	(14,065,206)	(8,186,096)	(14,065,206)
Origination and reversal of temporary differences	6,570,882	-	-	-
Adjustments for prior years	307,556	-	309,867	-
Amounts charged directly to equity	(99,974)	(24,737)	7,722	(24,737)
Income tax benefit reported in the Statement of Comprehensive Income	(1,423,590)	(14,089,943)	(7,868,507)	(14,089,943)
(b) Amounts charged directly to equity				
Income tax relating net fair value gains and losses on assets for sale and financial assets	99,974	24,737	7,722	24,737
(c) Numerical reconciliation between tax expense and profit before tax				
Profit before tax	20,132,127	16,077,664	(1,683,535)	16,077,664
Income tax on profit at statutory income tax rate of 30%	6,039,638	4,823,299	(505,061)	4,823,299
(Decrease) / Increase in income tax due to:				
- Non-assessable policyholder income and expenses	(8,021,356)	(2,794,949)	(3,515,030)	(2,794,949)
- Non-assessable policyholder transfer	(14,529,571)	(16,361,965)	(12,045,648)	(16,361,965)
- Deferred acquisition cost - insurance contracts	5,952,514	-	-	-
- Underwriting profit	691,078	150,000	225,000	150,000
- Other non-assessable income	(784,618)	(1,783)	(721,384)	(1,783)
- Other non-deductible expenditure	326,588	120,192	189,931	120,192
- PIE income	325,842	-	-	-
- Tax credits	(37,200)	-	-	-
- Unrecognised tax losses	106,823	-	-	-
- Movement in asset revaluation reserve	42,980	-	-	-
- Under/(Over) provided in prior period	377,570	-	309,867	-
Amounts charged directly to equity	(99,974)	(24,737)	7,722	(24,737)
	(9,609,686)	(14,089,943)	(16,054,603)	(14,089,943)
Income tax effect of tax losses not recognised	8,186,096	-	8,186,096	-
Income tax benefit reported in the Statement of Comprehensive Income	(1,423,590)	(14,089,943)	(7,868,507)	(14,089,943)
(c) Net deferred tax (liabilities)/benefits				
Balance at beginning of the year	17,721,641	3,656,435	17,721,641	3,656,435
Acquired on purchase of ING Insurance Services (NZ) Ltd	(11,403,036)	-	-	-
Deferred tax benefit charged to income	1,423,590	14,089,943	7,868,507	14,089,943
Deferred tax (charge)/benefit charged to equity	(99,974)	(24,737)	7,722	(24,737)
Prior period adjustment	(18,269)	-	-	-
Balance at end of the year	7,623,952	17,721,641	25,597,870	17,721,641

The balance of Deferred tax benefits comprises:

c(i) Deferred tax benefits	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Staff provisions	243,886	152,065	196,863	152,065
Income tax effect of losses generated not utilised	30,352,916	17,262,870	25,448,966	17,262,870
Insurance contract liabilities - non-life	835,653	-	-	-
Unexpired premium reserve	(4,999,479)	-	-	-
Deferred acquisition costs - insurance contracts	(18,502,514)	-	-	-
Deferred acquisition costs - investment contracts	(104,064)	-	-	-
Other	(202,446)	306,706	(47,959)	306,706
Deferred tax benefits	7,623,952	17,721,641	25,597,870	17,721,641

Deferred tax on Insurance Contract Liabilities - ING Insurance Services (NZ) Limited

Life insurance contract liabilities represent the net present value of estimated future cash flows and planned profit margins. Using the margin on services methodology, planned after tax profit margins are recognised in the income statement over the period services are provided to policyholders. A deferred tax liability of $18,502,247 (2008: $12,550,000) has been separately disclosed and included in the deferred tax liabilities balance of ING Insurance Services Limited, representing taxable temporary differences which are implicitly embedded within insurance contract liabilities.

Notes to the Financial Statements

For the year ended 31 December 2009

11. Income Tax (continued)

(d) Imputation credits

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Balance at beginning of the year	-	11,700	-	11,700
Acquired on purchase of ING Insurance Services (NZ) Ltd	12,273,644			
Transfer to policyholder credit account	(12,273,644)	-	-	-
Income tax refunded	-	(11,700)	-	(11,700)
Balance at end of the year	-	-	-	-

(e) Policyholder Credit Account

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Balance at beginning of the year	-	-	-	-
Transfer from imputation credit account	12,273,644	-	-	-
Transfer from ING InsuranceServices (NZ) Ltd dividend withholding payment account	237,855	-	-	-
Transfer from ING Insurance Services (NZ) Ltd imputation credit account	535,393	-	-	-
Balance at end of the year	13,046,892	-	-	-

(f) Policyholder Tax Base

Under the Policyholder Tax Base, the Company and Group have tax losses to carry forward as follows:

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Policyholder Base Tax Losses	464,168,489	35,735,945	52,578,684	35,735,945

(g) Deferred tax on policy liabilities

With the adoption of NZ IFRS a New Zealand life insurance industry issue has arisen as to whether or not any taxable temporary differences are implicitly embedded within life insurance policy liabilities and should be disclosed separately. NZ IAS 12 Income Taxes requires separate disclosure of material deferred tax liabilities and deferred tax assets as separate line items in the balance sheet. Within the life insurance sector there has been considerable discussion and debate surrounding this issue which has revealed that there are wide ranging views as to the exact amount of deferred tax implicit in policyholder liabilities.

Insurance liabilities for the consolidated Group are calculated on a gross of tax basis. For this reason the Directors are of the view that there is no element of deferred tax within these liabilities.

(h) Profit after income tax

The profit after income tax (MoS) profit can be analysed into the following categories:

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 expected future payments and premiums. Where actual experience replicates best estimate assumptions, the expected profit margins will be released to profit over the life of the policy.

The difference between actual and assumed experience
Experience profits or losses are realised where actual experience differs from best estimate assumptions. Instances giving rise to experience profits or losses include variations in claims, expenses, mortality, discontinuance and investment returns.

Changes to underlying assumptions
Assumptions used for measuring policy liabilities are reviewed each period (refer Note 3). Where the review leads to a change in assumptions the change is deemed to have occurred from the end of the financial period and the impact of the assumption change is absorbed within the future value of profit margins, provided sufficient profit margins exist.

The calculation of policy liaiblities includes the use of published investment market yields (e.g. govenrment bond yields). The changes in these yields are not treated the same as other actuarial assumption changes as changes in investment yields impact both the life policy liabilities and the asset values in the balance sheet and any change in relative value between the two is recognised during the reporting period.

Loss recognition on groups of related products
Based on best estimate assumptions, if the business written for a group of related products is expected to be unprofitable, the whole expected loss for that related product group is recognised in the Income Statement immediately. When loss making business becomes profitable, it is necessary to reverse previously recognised losses.

Investment earnings on assets in excess of policy liabilities
Profits are generated from investment assets, that are in excess of those required to meet policy liabilities. Investment earnings are directly influenced by market conditions and as such this component of MoS profit will vary from year to year.

Notes to the Financial Statements

For the year ended 31 December 2009

(g) Profit after income tax (continued)

Sources of Profit after Income tax	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Movements in Policy Liabilities:				
Planned margins of revenues over expenses	27,780,579	1,588,086	6,030,958	1,588,086
The difference between actual and assumed experience	(1,094,192)	13,953,311	360,000	13,953,311
Changes to underlying assumptions	(5,855,042)	-	(8,740,621)	-
Investment earnings on assets in excess of policy liabilities	828,536	536,267	666,128	536,267
Other Movements:		-		
Business valued on accumulation basis	643,461	-	-	-
Inwards commission	(746,132)	-	-	-
Amortisation of management rights	(1,425,083)	-	-	-
Income tax benefit	1,423,590	14,089,943	7,868,507	14,089,943
Profit After Income Tax	21,555,717	30,167,607	6,184,972	30,167,607

12. Cash and Cash Equivalents

	Group 2009 $	Group 2008 $	Company 2009	Company 2008
Cash at bank	6,539,630	13,098,886	4,615,044	13,098,736
Short term deposits	33,741,669	-	7,000,000	-
Total cash and cash equivalents	40,281,299	13,098,886	11,615,044	13,098,736
Reconciliation to Statement of Cash Flows				
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December :				
Cash at bank and in hand	40,281,299	13,098,886	11,615,044	13,098,736
Total cash and cash equivalents	40,281,299	13,098,886	11,615,044	13,098,736

13. Trade and Other Receivables

	Group 2009 $	Group 2008 $	Company 2009	Company 2008
Sundry debtors and prepayments	743,257	398,612	282,017	398,612
Investment income receivable	91,713	-	87,890	-
Amounts due from group companies	-	-	395,013	395,013
Trade receivables	11,149,753	5,120,757	8,077,606	5,120,757
Total trade and other receivables	11,984,723	5,519,369	8,842,526	5,914,382

Life Insurance Trade Receivables	Group 2009 $	Group 2008 $	Company 2009	Company 2008
Amount due from advisers	859,784	687,558	859,784	687,558
Outstanding premiums	1,487,376	796,002	1,039,053	796,002
Amounts due from reassurers	8,802,593	3,637,197	6,178,769	3,637,197
	11,149,753	5,120,757	8,077,606	5,120,757

14. Income Tax Receivable

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Balance at beginning of period	-	-	-	-
Acquired on purchase of ING Insurance Services (NZ) Ltd	61,381			
Tax paid/(received) during the period	(38,392)	-	-	-
Prior period adjustment	2,312	-	-	-
Balance at end of period	25,301	-	-	-

15. Investments

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Shares in subsidiaries	-	-	151,689,101	(394,863)
Units in unit trusts	12,224,541	841,591	966,214	841,591
New Zealand Government Stock	21,783,187	1,057,720	1,038,238	1,057,720
Debt security investments	47,707,758	31,458	-	31,458
Equity investments	5,138,542	-	-	-
Total Investments	86,854,028	1,930,769	153,693,553	1,535,906

Investments held in Life funds

Investments held in Life funds can only be used within the restrictions imposed under the New Zealand Life Insurance Act 1908. The main restrictions are that the assets in a Fund can only be used to meet the liabilities and expenses of that Fund, to acquire investments to further the business of the Fund or as distributions where solvency and capital adequacy standards are met. Shareholders can only receive a distribution when the higher level of capital adequacy standards are met.

Shares in subsidiaries

The Company owns 100% of ING Insurance Services (NZ) Limited, a company which provides life insurance and related products. ING Insurance Services (NZ) Limited has a balance date of 31 December.

The Company's investment in ING Insurance Services (NZ) Limited is recorded at cost.

The Company owns 100% of Silver Fern Life Brokers Limited, a company which sells life insurance and related products and trains advisers in the selling of life insurance and related products. Silver Fern Life Brokers Limited has a balance date of 31 December.

The Company's investment in Silver Fern Life Brokers Limited is recorded at net market value, being the net tangible assets of Silver Fern Life Brokers Limited.

Debt securities

The weighted average yield and maturity profile of the Group's debt securities is set out in Note 23.

New Zealand Government Stock

The New Zealand government stock is held on the Group's behalf by the Public Trustee as authorised deposits under the Life Insurance Act 1908 and the Insurance Companies' Deposits Act 1953. The interest rate on the New Zealand government stock is fixed to maturity.

Notes to the Financial Statements

For the year ended 31 December 2009

16. Property, Plant and Equipment

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Computer equipment at cost	719,792	624,573	719,792	624,573
Accumulated depreciation	(597,854)	(508,746)	(597,854)	(508,746)
Book value	121,938	115,827	121,938	115,827
Office furniture at cost	518,912	478,991	518,912	478,991
Accumulated depreciation	(363,178)	(296,512)	(363,178)	(296,512)
Book value	155,734	182,479	155,734	182,479
Office equipment at cost	189,227	155,920	189,227	155,920
Accumulated depreciation	(116,547)	(89,115)	(116,547)	(89,115)
Book value	72,680	66,805	72,680	66,805
Leasehold improvements at cost	584,155	565,142	584,155	565,142
Accumulated depreciation	(426,699)	(225,986)	(426,699)	(225,986)
Book value	157,456	339,156	157,456	339,156
Total property, plant and equipment	507,808	704,267	507,808	704,267

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Computer equipment				
Opening net book value at 1 January	115,827	87,894	115,827	87,894
Additions	95,219	99,324	95,219	99,324
Depreciation charge for the year	(89,108)	(71,391)	(89,108)	(71,391)
Closing net book value at 31 December	121,938	115,827	121,938	115,827
Office furniture				
Opening net book value at 1 January	182,479	136,056	182,479	136,056
Additions	39,921	104,589	39,921	104,589
Depreciation charge for the year	(66,666)	(58,166)	(66,666)	(58,166)
Closing net book value at 31 December	155,734	182,479	155,734	182,479
Office equipment				
Opening net book value at 1 January	66,805	51,132	66,805	51,132
Additions	33,307	37,241	33,307	37,241
Depreciation charge for the year	(27,432)	(21,568)	(27,432)	(21,568)
Closing net book value at 31 December	72,680	66,805	72,680	66,805
Leasehold improvements				
Opening net book value at 1 January	339,156	230,466	339,156	230,466
Additions	19,013	194,497	19,013	194,497
Depreciation charge for the year	(200,713)	(85,807)	(200,713)	(85,807)
Closing net book value at 31 December	157,456	339,156	157,456	339,156
Total property, plant and equipment	507,808	704,267	507,808	704,267

Notes to the Financial Statements
For the year ended 31 December 2009

17. Deferred Acquisition Costs

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Balance at beginning of period	-	-	-	-
Acquired on purchase of ING Insurance Services (NZ) Ltd	435,504	-	-	-
Amortisation	(88,625)	-	-	-
Balance at end of period	346,879	-	-	-
Cost	679,537	-	-	-
Accumulated Amortisation	(332,658)	-	-	-
Balance at end of period	346,879	-	-	-

Amortisation of Deferred Acquisition Costs (DAC) are included in Commission Expense in the Income Statement.

18. Intangible Assets

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Computer Software				
Balance at beginning of year	1,181,870	620,450	1,181,870	620,450
Acquired on purchase of ING Insurance Services (NZ) Ltd	369,081	-	-	-
Additions	1,850,541	1,013,619	887,453	1,013,619
Amortisation	(931,082)	(452,199)	(726,367)	(452,199)
Balance at end of year	2,470,410	1,181,870	1,342,956	1,181,870
Cost	7,512,869	5,196,013	6,083,466	5,196,013
Accumulated amortisation	(5,042,459)	(4,014,143)	(4,740,510)	(4,014,143)
Balance at end of year	2,470,410	1,181,870	1,342,956	1,181,870
Goodwill				
Balance at beginning of year	-	-	-	-
On purchase of ING Insurance Services (NZ) Ltd	129,402,238	-	-	-
Balance at end of year	129,402,238	-	-	-
Management Rights				
Balance at beginning of year	-	-	-	-
Acquired on purchase of ING Insurance Services (NZ) Ltd	25,571,103	-	-	-
Amortisation	(2,850,166)	-	-	-
Balance at end of year	22,720,937	-	-	-
Cost	30,558,893	-	-	-
Accumulated amortisation	(7,837,956)	-	-	-
Balance at end of year	22,720,937	-	-	-
Capital Work in Progress - Software				
Balance at beginning of period	-	-	-	-
Acquired on purchase of ING Insurance Services (NZ) Ltd	67,486	-	-	-
Additions	64,004	-	-	-
Disposals	(29,735)	-	-	-
Capitalisations	(37,751)	-	-	-
Balance at end of year	64,004	-	-	-
Total Intangible Assets	154,657,589	1,181,870	1,342,956	1,181,870

Computer software
Computer software is recognised at cost less accumulated depreciation and any accumulated impairment losses. Its useful life is finite and the amortisation rate is 33% per year.

Goodwill
After initial recognition, goodwill acquired in a business combination or as the result of an intra-company amalgamation is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Impairment tests for goodwill
The recoverable amount of goodwill acquired on the purchase of ING Insurance Services (NZ) Ltd is determined on a value in use calculation using cash flow projections as at 31 December 2009, based on budgets approved by Senior Management covering a three year period and the future expected lifetime of existing business together with 20 years of expected future new business.

The pre-tax discount rate applied to cash flow projections is 11% (2008: 11%) and new business is extrapolated using a 3% growth. The values assigned to each key assumption were determined based on past experience and are consistent with internal best estimate assumptions and external sources of information.

Notes to the Financial Statements

For the year ended 31 December 2009

18. Intangibles (continued)

Management Rights

Management Rights represent the contractual rights of the Group to have the first right of refusal in providing insurance products for the ANZ National Bank. As part of acquiring these rights, the Company also earns a portion of commission income received from third party insurance providers. Management rights are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised on a straight-line basis over a period of 12 - 20 years. The amortisation is recognised in the Income Statement in the line item 'Other Expenses'. If an indication of impairment arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. The remaining amortisation period is between 4 - 12 years.

Key assumptions used in the calculations for the life insurance unit for 31 December 2009 and 31 December 2008
- discount rate,
- mortality & morbidity,
- lapse rates,
- expenses, and
- new business sales

Discount rate: The discount rate reflect managment's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. The discount rate for the life insurance unit refelcts the weighted average cost of capital for the Company and the business risk specific to the operation.
The discount rate used is 10.5%, (2008: 10.5%).

Mortality & morbidity: The mortality and morbidity assumptions are consistent with current experience and expectations on future developments.

Lapse rates: The lapse rate assumptions (policyholder behaviour) are consistent with current experience and expectations on future developments.

Expenses: Expenses are based on the current expenses as per policy and % of premium.

New business sales: The expected future new business sales (up to 20 years) are consistent with current experience and market growth expectations.
Sensitivity testing has been performed on the assumptions. The analysis indicates that the discount rate and new business sales are key assumptions.

19. Trade and Other Payables

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Expense creditors and accruals	4,762,135	4,015,550	4,246,847	4,015,550
Trade creditors	12,307,448	4,991,912	3,509,137	4,991,912
Amounts due to related parties	42,818,852	337,601	455,501	337,601
Employee entitlements	2,811,646	841,653	2,811,646	841,653
	62,700,081	10,186,716	11,023,131	10,186,716

Trade creditors comprise:	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Amounts due to advisers	171,758	100,243	171,758	100,243
Deposits held for unissued policies	460,047	276,279	435,885	276,279
Policyholder premiums paid in advance	1,896,168	1,493,664	1,896,168	1,493,664
Outstanding claims	8,045,823	-	-	-
Amounts due to reinsurers	1,733,652	3,121,726	1,005,326	3,121,726
	12,307,448	4,991,912	3,509,137	4,991,912

20. Other Liabilities

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Subordinated loan from ING Insurance Holdings Limited	152,078,730	-	152,078,730	-
Subordinated loans from ING Insurance Services (NZ) Limited	-	-	25,000,000	-
	152,078,730	-	177,078,730	-

Subordinated loan from ING Insurance Holdings Limited

On 30 June 2009 ING Insurance Holdings Limited, a related party provided the Group with a $152,078,730 subordinated loan facility. This loan was used to purchase all of the shares in ING Insurance Services (NZ) Limited from ING Insurance Holdings Limited.

This loan is subordinated to the interests of the Group's policyholders and is non-interest bearing.

Subordinated loans from ING Insurance Services (NZ) Limited

On 30 June 2009 ING Insurance Services Limited, a related party provided the Company with a $15m subordinated loan facility, with a further $10m subordinated loan facility provided by ING Insurance Services Limited on 30 September 2009.

These loans are subordinated to the interests of the Company's policyholders and are non-interest bearing.

21. Policy Liabilities

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
a) Movement in Insurance Contract Liabilities - Gross				
Insurance contract liabilities - gross at beginning of period	(151,467,313)	(87,253,409)	(151,467,313)	(87,253,409)
Acquired on purchase of ING Insurance Services (NZ) Ltd	36,374,702	-	-	-
Decrease recognised in Statement of Comprehensive Income	(57,682,606)	(64,213,904)	(42,648,902)	(64,213,904)
Insurance contract liabilities - gross at end of period	(172,775,217)	(151,467,313)	(194,116,215)	(151,467,313)
b) Movement in Insurance Contract Liabilities - Reinsurance				
Insurance contract liabilities - reinsurance at beginning of period	42,475,867	32,895,374	42,475,867	32,895,374
Acquired on purchase of ING Insurance Services (NZ) Ltd	(5,595,000)	-	-	-
Increase recognised in Statement of Comprehensive Income	4,037,254	9,580,493	2,383,886	9,580,493
Insurance contract liabilities - reinsurance at end of period	40,918,121	42,475,867	44,859,753	42,475,867
c) Movement in Investment Contract Liabilities - Gross				
Investment contract liabilities at beginning of period	2,198,908	2,455,141	2,198,908	2,455,141
Acquired on purchase of ING Insurance Services (NZ) Ltd	47,573,758	-	-	-
Increase recognised in Statement of Comprehensive Income	1,414,961	93,529	112,857	93,529
Savings component of premiums transferred to investment contract liabilities	491,665	497,065	379,742	497,065
Savings component of claims transferred from investment contract liabilities	(7,588,460)	(846,827)	(566,727)	(846,827)
Decrease in asset deficiency	(982,580)	-	-	-
Investment contract liabilities at end of period	43,108,252	2,198,908	2,124,780	2,198,908
Summary of Policy liabilities				
Investment contract liabilities - gross	43,108,252	2,198,908	2,124,780	2,198,908
Insurance contract liabilities - gross	(172,775,217)	(151,467,313)	(194,116,215)	(151,467,313)
Gross policy liabilities	(129,666,965)	(149,268,405)	(191,991,435)	(149,268,405)
Reinsurance assets	40,918,121	42,475,867	44,859,753	42,475,867
Net policy liabilities	(88,748,844)	(106,792,538)	(147,131,682)	(106,792,538)

Notes to the Financial Statements

For the year ended 31 December 2009

21. Policy Liabilities (continued)

	2009 $ Investment Linked Group	2009 $ Non-Investment Linked Group	2009 $ Total Group
Policy liabilities contain the following components:			
Future policy benefits	2,124,780	257,614,685	259,739,465
Future expenses	-	157,956,735	157,956,735
Future planned margins of revenues over expenses	-	176,044,537	176,044,537
Future premiums	-	(723,473,053)	(723,473,053)
Policy liabilities for business not projected	40,983,472	-	40,983,472
Closing policy liabilities	43,108,252	(131,857,096)	(88,748,844)

	2008 $ Investment Linked Group	2008 $ Non-Investment Linked Group	2008 $ Total Group
Policy liabilities contain the following components:			
Future policy benefits	2,198,908	110,106,395	112,305,303
Future expenses	-	248,835,400	248,835,400
Future planned margins of revenues over expenses	-	56,089,768	56,089,768
Future premiums	-	(524,023,009)	(524,023,009)
Closing policy liabilities	2,198,908	(108,991,446)	(106,792,538)

	2009 $ Investment Linked Company	2009 $ Non-Investment Linked Company	2009 $ Total Company
Policy liabilities contain the following components:			
Future policy benefits	2,124,780	148,724,388	150,849,168
Future expenses	-	112,578,827	112,578,827
Future planned margins of revenues over expenses	-	52,310,497	52,310,497
Future premiums	-	(462,870,174)	(462,870,174)
Closing policy liabilities	2,124,780	(149,256,462)	(147,131,682)

	2008 $ Investment Linked *Company*	2008 $ Non-Investment Linked *Company*	2008 $ Total Company
Policy liabilities contain the following components:			
Future policy benefits	2,198,908	110,106,395	112,305,303
Future expenses	-	248,835,400	248,835,400
Future planned margins of revenues over expenses	-	56,089,768	56,089,768
Future premiums	-	(524,023,009)	(524,023,009)
Closing policy liabilities	2,198,908	(108,991,446)	(106,792,538)

Investment linked liabilities include the following amounts that contain guaranteed returns to policyholders arising from the Company's and Group's lump sum bond portfolio:

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Lump sum bond portfolio	40,726,740	811,406	769,320	811,406

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Estimated Discounted Cash Flows from Insurance Contract Liabilities - Gross				
< 1 Year	(25,696,910)	(15,510,004)	(23,207,732)	(15,510,004)
1 - 5 Years	(70,618,407)	(41,143,336)	(69,700,713)	(41,143,336)
5 + Years	(80,153,439)	(94,813,973)	(101,207,770)	(94,813,973)
Total insurance contract liabilities - Gross	(176,468,756)	(151,467,313)	(194,116,215)	(151,467,313)
Estimated Discounted Cash Flows from Insurance Contract Liabilities - reinsurance				
< 1 Year	8,213,813	13,956,973	8,284,730	13,956,973
1 - 5 Years	13,983,744	18,629,164	14,080,789	18,629,164
5 + Years	22,414,103	9,889,730	22,494,234	9,889,730
Total insurance contract liabilities - reinsurance	44,611,660	42,475,867	44,859,753	42,475,867

Notes to the Financial Statements

For the year ended 31 December 2009

22. Financial Assets - Determination of fair value and fair value hierarchy

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 - Included in this category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occuring market transactions on an arm's length basis. Main asset classes included in this category are financial assets for which the fair value is obtained via pricing vendors or binding broker quotes and assets for which the fair value is determined by reference to indices.

Level 2 - Included in this category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument or based on available market data. Main assets classes included in this category are financial assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in hedge funds, private equity funds with fair values obtained via fund managers and assets that are valued using own models whereby the majority of assumptions are market observable.

Level 3 - Not based upon market observable input means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data . Main asset classes in this category are hedge funds, private equity funds and limited partnerships.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below

Financial Assets	Level 1 Amount 2009 Group	Level 2 Amount 2009 Group	Level 3 Amount 2009 Group	Total fair value Amount 2009 Group
Available for sale				
Units in unit trusts	-	11,240,748	-	11,240,748
NZ government stock	21,783,187	-	-	21,783,187
Debt security investments	15,976,582	-	-	15,976,582
Fair value through profit and loss				
Debt security investments	31,731,176	-	-	31,731,176
Equity investments	5,138,542	-	-	5,138,542
Units in unit trusts	-	983,793	-	983,793
	74,629,487	12,224,541	-	86,854,028

Financial Assets	Level 1 Amount 2009 Company	Level 2 Amount 2009 Company	Level 3 Amount 2009 Company	Total fair value Amount 2009 Company
Available for sale				
NZ government stock	1,038,238	-	-	1,038,238
Fair value through profit and loss				
Units in unit trusts	-	966,214	-	966,214
	1,038,238	966,214	-	2,004,452

Notes to the Financial Statements

For the year ended 31 December 2009

23. Financial Risk Management and Objectives

The Group's principal financial position and operating results are affected by a number of key financial and non-financial risks. Financial risks include interest rate risk, currency risk, credit risk, market risk, and liquidity risk. The non-financial risks are insurance risk, compliance risk and operational risk. The Group's objectives and policies in respect of managing these risks are set out below.

Risk Management

Risks arising from holding financial instruments are inherent in the Group's activities, and are managed through a process of ongoing identification, measurement and monitoring. The Company is exposed to interest rate risk, currency risk, credit risk, market risk, and liquidity risk.

Financial instruments of the Group comprise investments in financial assets for the purpose of generating a return on its investments, cash and cash equivalents, net assets and other financial instruments such as trade debtors and creditors, which arise directly from its operations.

The Group is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using methods that reflect the expected impact on the results and net assets attributable to the Group from reasonably possible changes in the relevant risk variables. These methods include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investments mandate limits, is also monitored by the Group. These mandate limits reflect the investment strategy and market environment of the Company, as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries.

This information is prepared and reported to relevant parties within the Group on a regular basis as deemed appropriate, key management personnel and ultimately the Board of Directors of the Company's Parent.

a) Market risk

The risk that the value of a financial instrument will fluctuate as a result of changes in the market.

The market risk of the Group is primarily related to interest rate risk.

Market risk is effectively managed through the Group investing surplus assets over and above the statutory deposits the Group is required to hold in New Zealand Government stock and unit trusts, fixed interest securities and cash deposits held to match investment contract liabilities in cash and short-term deposits with registered trading banks.

The Group's exposure to commodity and equity securities price rises is minimal.

Equity securities price risk arises from investments in equity securities. To limit this risk the Group diversifies its portfolio in accordance with limits set by the Board of Directors. The majority of the equity investments are of a high quality. The price risk for both listed and unlisted securities is immaterial in terms of a possible impact on profit and loss or total equity and as such a sensitivity analysis has not been completed.

The Group's principal financial position and operating results are not affected by any key financial and non-financial risks.

b) Interest rate risk

The Group has exposure to interest rate risk to the extent that it borrows or invests for a fixed term at fixed rates. Debt securities, subordinated loans and cash deposits are subject to market risk in the event of changes in interest rates. As these securities are carried at net market value, the effective interest rate is reflected in the market price. Details of subordinated loans provided to the Group are disclosed in Note 20.

The Group has established limits on investments in interest bearing assets, which are monitored on a daily basis. The Group may use derivatives to hedge against unexpected fluctuations in interest rates.

Through scenario analyses, the Group measures the potential changes in earnings of the insurance operations from an instantaneous increase/decrease in interest rates of 100 basis points.

The interest rate sensitivity of the Income Statement is the effect of the assumed changes in interest rates on:
- the interest income for one year, based on floating rate financial assets
- changes in fair value of investments for the year, based on revaluing the fixed rate financial assets at 31 December
- changes in insurance contract liabilities

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax.

As at 31 December 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

Judgements of reasonably possible movements:	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
+1% (100 basis points)	(5,099,000)	(2,671,780)	(7,821,000)	(5,100,000)
-1% (100 basis points)	6,164,000	3,049,257	9,155,000	5,800,000

The movements in profit are due to higher/lower interest costs from variable rate debt.

For 2008, the above movements have been calculated excluding the impact of distressed assets within ING Insurance Services (NZ) Limited, as their change in market value was not directly correlated to changes in interest rates, but was caused by a material decline in the securities underlying value.

23. Financial Risk Management and Objectives (continued)

The weighted average effective interest rates by class of financial asset are as follows:

Group	2009 $	2009 %	2008 $	2008 %
Financial Assets				
Maturing within 12 months				
Cash	6,534,246	2.46	13,098,736	5.00
Trade and other receivables	11,984,723	n/a	5,914,382	n/a
Income tax receivable	25,301	n/a	-	n/a
On-call bank deposits	33,741,669	2.80	-	n/a
NZ government stock	-	n/a	-	n/a
Debt security investments	4,654,023	3.28	-	n/a
Units in unit trusts	12,224,541	n/a	841,591	n/a
Equity investments	5,138,542	n/a	-	n/a
Insurance contract liabilities - Gross	25,696,910	n/a	15,510,004	n/a
Total 0 – 12 months	99,999,955		35,364,713	
Maturing within 1 – 2 years				
NZ government stock	19,415,053	5.73	-	n/a
Debt security investments	12,350,131	5.45	-	n/a
Insurance contract liabilities - gross	17,654,602	n/a	10,285,834	n/a
Total 1 – 2 years	49,419,786		10,285,834	
Maturing within 2 – 5 years				
NZ government stock	2,004,751	4.94	1,057,720	5.42
Debt security investments	13,637,492	5.66	-	n/a
Insurance contract liabilities - gross	52,963,805	n/a	30,857,502	n/a
Total 2 – 5 years	68,606,048		31,915,222	
Maturing greater than 5 years				
NZ government stock	363,383	5.80	-	
Debt security investments	17,066,112	3.96	31,458	8.63
Insurance contract liabilities - gross	80,153,439	n/a	94,813,973	n/a
Total greater than 5 years	97,582,934		94,845,431	
Total financial assets	315,608,723		172,411,200	
Financial Liabilities				
Maturing within 12 months				
Trade and other payables	19,881,228	n/a	9,849,115	n/a
Related party balance	3,181,326	n/a	-	n/a
Insurance contract liabilities - reinsurance	8,213,813	n/a	13,956,973	n/a
Investment contract liabilities	43,108,252	n/a	2,198,908	n/a
Total 0 – 12 months	74,384,619		26,004,996	
Maturing within 1 – 2 years				
Insurance contract liabilities - reinsurance	3,495,936	n/a	4,657,291	n/a
Total 1 – 2 years	3,495,936		4,657,291	
Maturing within 2 – 5 years				
Insurance contract liabilities - reinsurance	10,487,808	n/a	13,971,873	n/a
Total 2 – 5 years	10,487,808		13,971,873	
Maturing greater than 5 years				
Related party balance	39,637,526	n/a	-	n/a
Insurance contract liabilities - reinsurance	22,414,103	n/a	9,889,730	n/a
Total greater than 5 years	62,051,629		9,889,730	
Total financial liabilities	150,419,992		54,523,890	

Notes to the Financial Statements

For the year ended 31 December 2009

23. Financial Risk Management and Objectives (continued)

Company	2009		2008	
	$	%	$	%
Financial Assets				
Maturing within 12 months				
Cash	4,615,044	2.45	13,098,736	4.93
Trade and other receivables	8,842,526	n/a	5,914,382	n/a
On-call bank deposits	7,000,000	4.00	-	n/a
Units in unit trusts	966,214	n/a	841,591	n/a
Insurance contract liabilities - gross	23,207,732	n/a	15,510,004	n/a
Total 0 – 12 months	44,631,516		35,364,713	
Maturing within 1 – 2 years				
Insurance contract liabilities - gross	17,425,178	n/a	10,285,834	n/a
Total 1 – 2 years	17,425,178		10,285,834	
Maturing within 2 – 5 years				
NZ government stock	1,038,238	3.86	1,057,720	5.42
Insurance contract liabilities - gross	52,275,535	n/a	30,857,502	n/a
Total 2 – 5 years	53,313,773		31,915,222	
Maturing greater than 5 years				
Company debentures	-	n/a	31,458	8.63
Insurance contract liabilities - gross	101,207,770	n/a	94,813,973	n/a
Total greater than 5 years	101,207,770		94,845,431	
Total financial assets	216,578,237		172,411,200	
Financial Liabilities				
Maturing within 12 months				
Trade and other payables	10,567,630	n/a	9,849,115	n/a
Related party balance	455,501	n/a	337,601	n/a
Insurance contract liabilities - reinsurance	8,284,730	n/a	13,956,973	n/a
Investment contract liabilities	2,124,780	n/a	2,198,908	n/a
Total 0 – 12 months	21,432,641		26,342,597	
Maturing within 1 – 2 years				
Insurance contract liabilities - reinsurance	3,520,197	n/a	4,657,291	n/a
Total 1 – 2 years	3,520,197		4,657,291	
Maturing within 2 – 5 years				
Insurance contract liabilities - reinsurance	10,560,592	n/a	13,971,873	n/a
Total 2 – 5 years	10,560,592		13,971,873	
Maturing greater than 5 years				
Insurance contract liabilities - reinsurance	22,494,234	n/a	9,889,730	n/a
Total greater than 5 years	22,494,234		9,889,730	
Total financial liabilities	58,007,664		54,861,491	

(1) Investments in unit trusts and receivables do not carry any market yield and are all realisable in less than 12 months.

c) Foreign currency risk

Currency risk is the risk of loss to the Group arising from changes in exchange rates. Foreign currency exposures and risks arise as the Group invests offshore; the investments being denominated in foreign currencies. The market value of these investments is therefore affected by movements in the New Zealand dollar relative to the currency in which the investments are denominated.

The Group holds no investments which are denominated in foreign currencies at 31 December 2009 or 31 December 2008. The Group has no foreign currency liabilities.

d) Credit risk

To the extent the Group has a receivable from another party, there is a credit risk in the event of non-performance by that counterparty. Financial instruments which potentially subject the Group to credit risk principally consist of bank deposits, receivables, loans, investments in non-government discounted securities, investments in unlisted unit trusts and investments in unlisted companies.

The Group manages its exposure to credit risk by placing its cash and investments with high credit quality financial institutions and sovereign bodies. The Group continuously monitors the credit quality of all institutions that are counterparties to its financial instruments, and does not anticipate non-performance by the counterparties. The Group further minimises its credit exposure by limiting the amount of funds placed in or invested with any one institution at any one time.

The risk that a counter party to a transaction will fail to perform according to the terms and conditions of the contract. In the normal course of business the Group incurs credit risk from debtors and financial institutions.

Financial instruments which potentially subject the Group to financial risk consist principally of cash and short term deposits, unit trusts, convertible notes, fixed interest securities (issued by banks, corporations, government and semi-government bodies, debentures, floating rate notes and discounted securities) and receivables.

No collateral exists for any of the investments held by the Group. The maximum exposure to credit risk at balance date to each class of recognised financial assets is the carrying amount of those assets as indicated on the Statement of Financial Position. However, as a large proportion of investments are made in governments, local authorities, corporate and financial institutions, losses from credit risk are not expected to occur. The Group seeks to ensure that its counterparties, and investments, are with reputable financial institutions and other entities.

Notes to the Financial Statements

For the year ended 31 December 2009

23. Financial Risk Management and Objectives (continued)

d) Credit risk (continued)

Maximum exposures to credit risk at balance date are shown in the table below.

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Cash	6,539,630	13,098,736	4,615,044	13,098,736
Trade and other receivables	11,984,723	5,914,382	8,842,526	5,914,382
On-call bank deposits	33,741,669	0	7,000,000	0
NZ government stock	21,783,187	1,057,720	1,038,238	1,057,720
Units in unit trusts	12,224,541	841,591	966,214	841,591
Debt security investments	47,707,758	31,458	0	31,458
Equity investments	5,138,542	0	0	0
	139,120,050	20,943,887	22,462,022	20,943,887

Concentrations of Credit Risk

Significant concentrations of credit risk as a percentage of the total exposure are as follows:

Institution	Standard and Poor's Credit rating	Group 2009 %	Group 2008 %	Company 2009 %	Company 2008 %
NZ government stock	AAA	15.66	5.05	4.62	5.05
ANZ National Bank Limited	AA	14.69	60.04	20.13	60.04
ASB Bank	AA	8.67	0.00	0.00	0.00
ING (NZ) Limited	AA	8.77	4.02	4.30	4.02
Westpac Banking Corporation	AA	6.56	0.00	0.00	0.00
Kiwibank Limited	AA-	5.03	0.00	31.16	0.00
Bank of New Zealand	AA	0.07	2.51	0.41	2.51

e) Liquidity risk

The Group's investments are disclosed in Note 15. The Group manages its exposure to liquidity risk by investing in predominantly short dated deposits and securities. All of the Group's investments are highly liquid.

Demands for funds can usually be met through ongoing normal operations, premiums received and the injection of new capital from the Group's parent in line with capital projections prepared by the Group's actuary in order that the Group continue to meet its solvency requirements.

The tables below summaries the maturity profile of the Company's and Group's financial liabilities based on contractual undiscounted payments.

Group

	On demand 2009 $	Less than 3 months 2009 $	3 to 12 months 2009 $	1 to 5 years 2009 $
Trade and other payables	-	61,277,955	1,422,126	-
Related party balance		2,725,825		14,637,526
Subordinated loans	152,078,730			
Insurance contract liabilities - reinsurance	-	-	8,213,813	36,397,847
Insurance contract liabilities/(assets) - gross	-		(25,696,910)	(150,771,846)
Investment contract liabilities	43,108,252	-	-	-

	On demand 2008 $	Less than 3 months 2008 $	3 to 12 months 2008 $	1 to 5 years 2008 $
Trade and other payables	-	10,186,716	-	-
Related party balance		12,218,171		30,558,893
Insurance contract liabilities - reinsurance	-	-	13,956,973	28,518,894
Insurance contract liabilities/(assets) - gross	-	-	(15,510,004)	(135,957,309)
Investment contract liabilities	2,198,908	-	-	-

Company

	On demand 2009 $	Less than 3 months 2009 $	3 to 12 months 2009 $	1 to 5 years 2009 $
Trade and other payables	-	9,601,005	1,422,126	-
Subordinated loans	177,078,730			
Insurance contract liabilities - reinsurance	-	-	8,284,730	36,575,023
Insurance contract liabilities/(assets) - gross	-		(23,207,732)	(170,908,483)
Investment contract liabilities	2,124,780	-	-	-

	On demand 2008 $	Less than 3 months 2008 $	3 to 12 months 2008 $	1 to 5 years 2008 $
Trade and other payables	-	10,186,716	-	-
Insurance contract liabilities - reinsurance	-	-	13,956,973	28,518,894
Insurance contract liabilities/(assets) - gross	-	-	(15,510,004)	(135,957,309)
Investment contract liabilities	2,198,908	-	-	-

Notes to the Financial Statements

For the year ended 31 December 2009

23. Financial Risk Management and Objectives (continued)

f) Sensitivity to Insurance Risk

Life insurance and investment contracts are affected by the same subset of variables (mainly arising from financial risks and risks associated with events in human life death or disease) and as a result are presented together in this note.

The tables below illustrates the sensitivity of reported profit and loss to changes in assumptions that have a material effect on them:

	Change	2009 31 December 2009 Profit/(Loss)		2009 31 December 2009 Profit/(Loss)	
		Gross of Reinsurance Group $	Net of Reinsurance Group $	Gross of Reinsurance Company $	Net of Reinsurance Company $
Change in mortality and morbidity	+ 10%	(3,208,097)	(1,611,121)	(1,555,068)	(781,682)
	- 10%	3,208,444	1,611,360	1,555,258	781,783
Change in lapse rate	+ 10%	(2,609,562)	(1,914,383)	(2,698,881)	(2,003,702)
	- 10%	2,622,676	1,922,268	2,718,609	2,018,201
Change in expense assumption	+ 10%	(208,729)	(208,729)	163,557	163,557
	- 10%	208,729	208,729	(163,557)	(163,557)

	Change	2008 31 December 2008 Profit/(Loss)		2008 31 December 2008 Profit/(Loss)	
		Gross of Reinsurance Group $	Net of Reinsurance Group $	Gross of Reinsurance Company $	Net of Reinsurance Company $
Change in mortality and morbidity	+ 10%	(2,947,504)	(1,429,144)	(1,268,481)	(523,740)
	- 10%	2,947,504	1,429,144	1,268,481	523,740
Change in lapse rate	+ 10%	(868,200)	(868,200)	(687,479)	(687,479)
	- 10%	868,200	868,200	687,479	687,479
Change in expense assumption	+ 10%	(204,441)	(204,441)	77,848	77,848
	- 10%	204,441	204,441	(77,848)	(77,848)

g) Concentration of Insurance Risk

Concentration of risk based on individual lives are managed through the use of surplus reinsurance arrangements whereby the life insurance companies maximum exposure to any individual life is capped.

The tables below illustrate the concentration of risk based on 5 bands of benefits assured for each life assured:

Sum Assured ($000)	As at 31 December 2009 Before Reinsurance Group %	After Reinsurance Group %	As at 31 December 2009 Before Reinsurance Company %	After Reinsurance Company %
0 - 50	4.14	6.46	0.97	1.44
50 - 150	20.14	22.72	7.67	10.35
150 - 250	19.94	23.88	13.57	19.95
250 - 500	33.53	35.06	39.55	46.67
More than 500	22.25	11.88	38.24	21.59
	100.00	100.00	100.00	100.00

Sum Assured ($000)	*As at 31 December 2008* Before Reinsurance Group %	After Reinsurance Group %	*As at 31 December 2008* Before Reinsurance Company %	After Reinsurance Company %
0 - 50	1.00	1.30	1.00	1.30
50 - 150	12.00	15.20	12.00	15.20
150 - 250	13.70	17.50	13.70	17.50
250 - 500	42.10	45.70	42.10	45.70
More than 500	31.20	20.30	31.20	20.30
	100.00	100.00	100.00	100.00

Notes to the Financial Statements

For the year ended 31 December 2009

23. Financial Risk Management and Objectives (continued)

h) Capital management

The primary objective of the Group in the management of capital is to ensure that it maintains strong and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing liabilities, trade and other payables, less cash and cash equivalents. Subordinated Loans are excluded from net debt as they are non-interest bearing and subordinated to the interests of policyholders. Capital includes equity attributable to the equity holders.

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Insurance contract liabilities - reinsurance	40,918,121	42,475,867	44,859,753	42,475,867
Investment contract liabilities	43,108,252	2,198,908	2,124,780	2,198,908
Interest bearing liabilities	-	-	-	-
Trade and other payables	62,700,081	10,186,716	11,023,131	10,186,716
Related party balance	17,363,351	-	-	-
Less cash and cash equivalents	(40,281,299)	(13,098,886)	(11,615,044)	(13,098,736)
Net debt	123,808,506	41,762,605	46,392,620	41,762,755
Total Equity	176,251,612	136,762,624	160,629,578	136,762,624
Capital and net debt	**300,060,118**	**178,525,229**	**207,022,198**	**178,525,379**
Gearing ratio	**41%**	**23%**	**22%**	**23%**

The Group does not maintain a target gearing ratio, rather capital is managed to ensure the Group meets at all times the solvency requirements of Professional Standard No. 5.01 of the New Zealand Society of Actuaries.

24. Financial Instruments

Designation and fair values

The following table sets out a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are recognised in the financial statements.

Group	Carrying Amount 2009 $	Fair Value 2009 $	Carrying Amount 2008 $	Fair Value 2008 $
Financial Assets				
Available for sale				
New Zealand Government Stock	21,783,187	21,783,187	1,057,720	1,057,720
Debt security investments	15,976,582	15,976,582	31,458	31,458
Units in unit trusts	11,240,748	11,240,748	-	-
Fair value through profit and loss				
Debt security investments	31,731,176	31,731,176	-	-
Equity investments	5,138,542	5,138,542	-	-
Units in unit trusts	983,793	983,793	841,591	841,591
	86,854,028	86,854,028	1,930,769	1,930,769

Notes to the Financial Statements

For the year ended 31 December 2009

24. Financial Instruments (continued)

Company	Carrying Amount 2009	Fair Value 2009	Carrying Amount 2008	Fair Value 2008
Financial Assets	$	$	$	$
Available for sale				
New Zealand Government Stock	1,038,238	1,038,238	1,057,720	1,057,720
Debt security investments	-	-	31,458	31,458
Fair value through profit and loss				
Units in unit trusts	966,214	966,214	841,591	841,591
	2,004,452	2,004,452	1,930,769	1,930,769

The specific valuation methods adopted for significant asset categories are as follows:

(i) Assets generally are stated at net market value.
(ii) Gains and losses arising from the revaluation of fair value through profit and loss assets are included as part of investment income in the Statement of Comprehensive Income.
(iii) Net market values are determined as follows:

1) Unit Trusts
Units held in unit trusts are stated at net market value based on the last bid price quoted by the fund manager at balance date.

Notes to the Financial Statements

For the year ended 31 December 2009

25. Share Capital

	2009	2009
	Group and Company	
	Number	$
Authorised, issued and fully paid up		
Ordinary shares	81,049,611	116,700,738

During the year ended 31 December 2009 the Company issued 11,745,189 shares at $1.507.

	2008	2008
	Group and Company	
	Number	$
Authorised, issued and fully paid up		
Ordinary shares	69,304,422	99,000,738

During the year ended 31 December 2008 the Company issued 18,466,667 shares at $1.50 and 7,896,483 shares at $1.507.

All shares have equal voting rights and share equally in dividends and surplus on winding up.

Equity of Life Insurance business

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Equity retained for solvency purposes				
Equity of shareholder	176,251,612	136,762,624	160,629,578	136,762,624
Less: Equity retained for solvency purposes	(162,688,451)	(133,519,248)	(151,646,022)	(133,519,248)
Equity available for distribution	13,563,161	3,243,376	8,983,556	3,243,376

Group:
Based on actuarial advice the Directors have determined that $162,688,451 (2008: $133,519,248) of equity is a contribution to solvency and is therefore not distributable.

Company:
Based on actuarial advice the Directors have determined that $151,646,022 (2008: $133,519,248) of equity is a contribution to solvency and is therefore not distributable.

Equity retained for solvency reserves has been calculated in accordance with Professional Standard No. 5.01 of the New Zealand Society of Actuaries.

The basis for determining the solvency reserves was as follows:

For each related product group, a prudential liability was determined in the same manner as the best estimate policy liability, but with margins for adverse deviations from expected experience. The discount rates used were the risk free rates determined from the inter-bank swap rate curve (see Note 3) and the future expense inflation rate was 3.00% (2008: 3.00%). The margins on other assumptions were as follows (all positive):

	Group 2009 %	Group 2008 %	Company 2009 %	Company 2008 %
Mortality	10	10	10	10
Total and permanent disability	20	20	20	20
Trauma	30	30	30	30
Major medical	30	30	30	30
Disability income future claims	50	50	50	50
Redundancy	10	10	n/a	n/a
Maintenance expenses	2.5	2.5	2.5	2.5
Voluntary discontinuance	25	25	25	25

26. Retained Earnings and Available for Sale Reserves

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
(a) Retained earnings				
Balance 1 January	37,729,661	7,562,054	37,729,661	7,562,054
Net profit for the period	21,555,717	30,167,607	6,184,972	30,167,607
Balance 31 December	59,285,378	37,729,661	43,914,633	37,729,661
(b) Available for Sale Reserve				
Balance 1 January	32,225	(25,495)	32,225	(25,495)
Increase/(decrease) in available for sale reserves	233,271	57,720	(18,018)	57,720
Balance 31 December	265,496	32,225	14,207	32,225

The available for sale reserve records the movements in the fair value of available for sale financial assets.

27. Cash Flow Reconciliation

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Net profit after tax	21,555,717	30,167,607	6,184,972	30,167,607
Non-cash items and non-operating items:				
Revaluation of subsidiary	-	-	(5,234)	(5,945)
Depreciation	383,919	236,932	383,919	236,932
Amortisation of computer software	840,606	452,199	726,367	452,199
Amortisation of deferred acquisition costs	41,795	-	-	-
Amortisation of management rights	1,425,083	-	-	-
Provision for doubtful adviser debts	(121,000)	55,000	(121,000)	55,000
Movement in provision for employee entitlements	1,969,993	(716,347)	1,969,993	(716,347)
Unrealised (Gain)/Loss on Investments	(798,979)	36,159	(124,623)	36,159
Non-cash dividends received	-	(4,302)	-	(4,302)
Income tax charged directly to equity	(99,974)	(24,737)	7,722	(24,737)
Movement in interest accrual on debt securities	(494)	3,986	(494)	3,986
	25,196,666	30,206,497	9,021,622	30,200,552
Movement in policy liabilities:				
Recognised in the profit after taxation	(52,230,391)	(54,539,882)	(40,152,159)	(54,539,882)
Savings component of premiums	491,665	497,065	379,742	497,065
Savings component of claims, surrenders and maturities	(7,588,460)	(846,827)	(566,727)	(846,827)
Decrease in asset deficiency	(982,580)	-		-
	(60,309,766)	(54,889,644)	(40,339,144)	(54,889,644)
Movement in working capital:				
Increase in deferred tax	(1,305,347)	(14,065,206)	(7,876,229)	(14,065,206)
Increase in trade and other receivables	(1,586,699)	(2,795,980)	(2,807,144)	(2,795,980)
Increase/(Decrease) in trade and other payables	(1,330,508)	2,635,388	(961,426)	2,634,313
	(4,222,554)	(14,225,798)	(11,644,799)	(14,226,873)
Net cash flows from operating activities	(39,335,654)	(38,908,945)	(42,962,321)	(38,915,965)

28. Business Units

The Group consists of one business unit which operates in the New Zealand life insurance market.

Notes to the Financial Statements

For the year ended 31 December 2009

29. Commitments

(a) Operating Lease Commitments

Company as a lessee

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Within one year	1,112,394	602,906	790,868	602,906
After one year but not more than five years	1,351,355	1,096,510	708,302	1,096,510
	2,463,749	1,699,416	1,499,170	1,699,416

(b) Capital Commitments (Group and Company)

The Company has commitments for the settlement of $22,465 in fixed asset purchases at 31 December 2008 (2008: $193,926). These are accrued at balance date.

30. Contingencies

Neither the Group nor Company has any contingent liabilities at 31 December 2009 (2008: nil).

31. Related Parties

(a) Ultimate Parent (Company and Group)

The Company is ultimately owned by the ANZ National Bank Limited (registered in New Zealand). During the year the Company's ultimate ownership changed from a joint venture between ING Company, ING Insurance International B.V. (registered in the Netherlands), and the ANZ National Bank Limited to being a wholly owned subsidiary of the ANZ National Bank Limited.

(b) Balances with Related Parties (Group)

Company	Counterparty	Relationship	2009 $ Receivable (Payable)	2008 $ Receivable (Payable)
ING Life (NZ) Limited	ING (NZ) Limited	A	(455,501)	(337,601)
ING Life (NZ) Limited	ING Insurance Holdings Limited	A	(152,078,730)	-
ING Life (NZ) Limited	ANZ National Bank Limited	C	4,522,647	12,573,770
ING Insurance Services (NZ) Limited	ING Insurance Holdings Limited	B	(9,078,633)	(9,078,633)
ING Insurance Services (NZ) Limited	ING (NZ) Limited	B	(32,323,075)	(31,628,561)
ING Insurance Services (NZ) Limited	ING Property Trust	B	-	(1,832)
ING Insurance Services (NZ) Limited	ANZ National Bank Limited	C	(961,643)	(2,068,038)
Total Balances			(190,374,935)	(30,540,895)

Balances with Related Parties (Company)

Company	Counterparty	Relationship	2009 $ Receivable (Payable)	2008 $ Receivable (Payable)
ING Life (NZ) Limited	ING (NZ) Limited	A	(455,501)	(337,601)
ING Life (NZ) Limited	ING Insurance Holdings Limited	A	(152,078,730)	-
ING Life (NZ) Limited	ING Insurance Services (NZ) Limited	B	(25,000,000)	-
ING Life (NZ) Limited	Silver Fern Life Brokers Limited	B	395,013	395,013
ING Life (NZ) Limited	ANZ National Bank Limited	C	4,522,647	12,573,770
Total Balances			(172,616,571)	12,631,182

Relationship

A. Parent company
B. Subsidiary
C. Banker (100% ultimate parent company)

Notes to the Financial Statements

For the year ended 31 December 2009

31. Related Parties (continued)

(c) Transactions with Related Parties (Group)

Company	Counterparty	Nature of Transactions	2009 $ Paid (Received)	2008 $ Paid (Received)
ING Life (NZ) Limited	ING (NZ) Limited	Reimbursement for expenses paid and fixed assets purchased	4,613,336	3,300,817
ING Life (NZ) Limited	ING Insurance Holdings Limited	Subordinated loan received	152,078,730	-
ING Life (NZ) Limited	ING (NZ) Limited	Expense reimbursements received	(48,001)	(46,785)
ING Life (NZ) Limited	ANZ National Bank Limited	Commissions paid	1,817,748	1,654,243
ING Life (NZ) Limited	ANZ National Bank Limited	Interest received	(169,684)	(368,730)
ING Insurance Services (NZ) Limited	ING (NZ) Limited	Management fees paid	164,300	188,395
ING Insurance Services (NZ) Limited	ING (NZ) Limited	Shared services paid	3,348,000	2,778,000
ING Insurance Services (NZ) Limited	ING Property Trust Management Limited	Rent & operating expenses paid	309,897	308,434
ING Insurance Services (NZ) Limited	ANZ National Bank Limited	Interest received	(517,050)	(1,275,978)
ING Insurance Services (NZ) Limited	ANZ National Bank Limited	Bank Charges	287,873	277,582
ING Insurance Services (NZ) Limited	ANZ National Bank Limited	Commissions paid	23,996,390	20,533,864
ING Insurance Services (NZ) Limited	ANZ National Bank Limited	Shared services paid	74,203	68,869

Transactions with Related Parties (Company)

Company	Counterparty	Nature of Transactions	2009 $ Paid (Received)	2008 $ Paid (Received)
ING Life (NZ) Limited	ING (NZ) Limited	Reimbursement for expenses paid and fixed assets purchased	4,613,336	3,300,817
ING Life (NZ) Limited	ING Insurance Holdings Limited	Subordinated loan received	152,078,730	-
ING Life (NZ) Limited	ING Insurance Services (NZ) Limited	Subordinated loan received	25,000,000	-
ING Life (NZ) Limited	ING (NZ) Limited	Expense reimbursements received	(48,001)	(46,785)
ING Life (NZ) Limited	Silver Fern Life Brokers Limited	Commissions paid	5,329	7,121
ING Life (NZ) Limited	ANZ National Bank Limited	Commissions paid	1,817,748	1,654,243
ING Life (NZ) Limited	ANZ National Bank Limited	Interest received	(169,684)	(368,730)

(d) Subsidiaries (Company only)

The subsidiaries of ING Life (NZ) Limited are as follows:

	Company's Ownership 2009 %	2008 %
ING Insurance Services (NZ) Limited	100	-
Silver Fern Life Brokers Limited	100	100

Both ING Insurance Services (NZ) Limited and Silver Fern Life Brokers Limited have a balance date of 31 December.

ING Insurance Services (NZ) Limited is a wholly owned subsidiary of ING Life (NZ) Limited. ING Insurance Services (NZ) Limited is a company which provides life insurance and related products.

Silver Fern Life Brokers Limited is a wholly owned subsidiary of ING Life (NZ) Limited. Silver Fern Life Brokers Limited is a company which sells life insurance and related products and trains advisers in the selling of life insurance and related products.

(e) Terms and Conditions of Transactions with Related Parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at the year-end are unsecured, interest free, and settlement occurs in cash.

Acquisition costs are deferred in accordance with accounting policies. The deferral is included in the Statement of Comprehensive Income as an element of the movement in the policy liability.

Intercompany loans are established on a commercial basis, interest is based on a market rate and is payable in demand.

Notes to the Financial Statements

For the year ended 31 December 2009

32. Disaggregated Information

The Group offers the following insurance contract benefits:

- Life cover
- Trauma cover
- Temporary disablement cover
- Permanent disablement cover
- Major medical cover
- Premium cover
- Consumer credit term insurance

The insurance contract benefits can be added to any policy in any combination as selected by the policyholder, subject to underwriting limits and criteria.

In addition, the Group offers unit-linked investment contract business where a policyholder may add an investment premium to their policy which purchases units in one of, or a combination of, the investment funds offered by the Group. Previously the Group offered a further investment contract policy, a Term Deposit Bond, which contained a guaranteed return to policyholders, this product is now closed to new business.

Group

	2009		
	Investment Contract Business	Insurance Contract Business	Total
	$	$	$
Investment assets	41,225,219	85,910,108	127,135,327
Other assets	1,734,633	173,411,619	175,146,252
Liabilities other than policy liabilities	(148,400)	214,927,211	214,778,811
Policy liabilities	43,108,252	(131,857,096)	(88,748,844)
Retained profits, attributable to shareholders	-	59,285,378	59,285,378
Premium revenue (inclusive of savings component)	379,742	88,766,885	89,146,627
Investment revenue	1,916,661	4,901,454	6,818,115
Claims expense (inclusive of savings component)	(566,727)	(28,581,280)	(29,148,007)
Commission and management expenses	(10,787)	(87,342,000)	(87,352,787)
Investment revenues allocated to policyholders	(124,436)	-	(124,436)
Surplus before taxation	(982,424)	21,114,551	20,132,127
Surplus after tax	11,579	21,544,138	21,555,717

	2008		
	Investment Contract Business	Insurance Contract Business	Total
	$	$	$
Investment assets	2,198,908	12,435,734	14,634,642
Other assets	-	25,522,160	25,522,160
Liabilities other than policy liabilities	-	10,186,716	10,186,716
Policy liabilities	2,455,142	(108,991,446)	(106,536,304)
Retained profits, attributable to shareholders	-	37,704,924	37,704,924
Premium revenue (inclusive of savings component)	497,065	39,565,167	40,062,232
Investment revenue	63,222	542,212	605,434
Claims expense (inclusive of savings component)	(846,827)	(12,705,017)	(13,551,844)
Commission and management expenses	-	(57,694,107)	(57,694,107)
Investment revenues allocated to policyholders	(63,222)	-	(63,222)
Surplus before taxation	(30,306)	16,107,970	16,077,664
Surplus after tax	(30,306)	30,173,176	30,142,870

Company

	2009		
	Investment Contract Business	Insurance Contract Business	Total
	$	$	$
Investment assets	2,124,780	163,183,817	165,308,597
Other assets	-	36,291,159	36,291,159
Liabilities other than policy liabilities	-	188,101,861	188,101,861
Policy liabilities	2,124,780	(149,256,462)	(147,131,682)
Retained profits, attributable to shareholders	-	43,897,617	43,897,617
Premium revenue (inclusive of savings component)	379,742	54,365,845	54,745,587
Investment revenue	124,436	666,128	790,564
Claims expense (inclusive of savings component)	(566,727)	(16,788,416)	(17,355,143)
Commission and management expenses	-	(69,706,969)	(69,706,969)
Investment revenues allocated to policyholders	(124,436)	-	(124,436)
Surplus before taxation	11,579	(1,695,114)	(1,683,535)
Surplus after tax	11,579	6,181,114	6,192,693

32. Disaggregated Information (continued)

	2008 Investment Contract Business	2008 Insurance Contract Business	2008 Total
	$	$	$
Investment assets	2,198,908	12,435,734	14,634,642
Other assets	-	25,522,160	25,522,160
Liabilities other than policy liabilities	-	10,186,716	10,186,716
Policy liabilities	2,455,142	(108,991,446)	(106,536,304)
Retained profits, attributable to shareholders	-	37,704,924	37,704,924
Premium revenue (inclusive of savings component)	497,065	39,565,167	40,062,232
Investment revenue	63,222	542,212	605,434
Claims expense (inclusive of savings component)	(846,827)	(12,705,017)	(13,551,844)
Commission and management expenses	-	(57,694,107)	(57,694,107)
Investment revenues allocated to policyholders	(63,222)	-	(63,222)
Surplus before taxation	(30,306)	16,107,970	16,077,664
Surplus after tax	(30,306)	30,173,176	30,142,870

33. Reinsurance

The Company has entered into reinsurance agreements in respect of all regular premium policies containing risk benefits.

The reassurance agreements provide for indemnification of the Company by the reinsurers against loss and liability.

The Directors have satisfied themselves, on the basis of independent actuarial advice, that sufficient policy liabilities have been set up to meet any future cash strains arising from these arrangements.

The reassurance is structured on a risk premium basis. Risk premiums are paid in relation to benefits reassured. Profits arising to the reassurers on business written prior to 1 April 2008 are shared with the Company. In addition, for business written before 1 April 2008, the Company received a commission from the reassurers as policies containing risk benefits were issued. This commission is refunded over the life of the policies.

Notes to the Financial Statements

For the year ended 31 December 2009

34. Acquisition of Subsidiary

On the 30 June 2009 the Company acquired 100% of the shares of ING Insurance Services (NZ) Limited for a purchase price of $152,078,730. As a result of this transaction the following assets and liabilities were acquired. Goodwill arising on the acquisition of ING Insurance Services(NZ) Limited amounted to $129,402,238, refer Note 18.

	As at 30 June 2009 $
Assets	
Cash and cash equivalents	21,403,421
Investments	128,415,340
Receivables	5,291,768
Fixed Assets	627,202
Deferred acquisition costs	388,674
Management rights	24,146,020
Total Assets	**180,272,425**
Liabilities	
Expense creditors and accruals	1,775,035
Trade creditors	10,085,220
Amounts due to related parties	55,979,182
Deferred tax	11,403,036
Policy liabilities	78,353,460
Total Liabilities	**157,595,933**
Equity	
Share capital	1,500,000
Retained earnings	20,337,416
Investment revaluation reserve	839,076
Total Equity	**22,676,492**
Total Liabilities and Equity	**180,272,425**

Directory

Registered Office
Level 3
205 Wairau Road
Glenfield
North shore City

Company number
1096486

Directors
Helen Troup
Paul Butler

Auditor
Ernst & Young
41 Shortland Street
Auckland

Solicitor
Bell Gully
Vero Centre
48 Shortland Street
Auckland

Bankers
ANZ National Bank Limited
Cnr Queen & Victoria Streets
Auckland

Bank of New Zealand
2a William Pickering Drive
Albany
North Shore City