OnePath Life (NZ) Limited and Subsidiaries

(Previously known as ING Life (NZ) Limited)

Annual Report 2010

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Annual Report

For the nine months ended 30 September 2010

The Board of Directors present their Annual Report including the financial statements of the Company and Group for the nine months ended 30 September 2010 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:

Director
Dated:

Director
Dated:

KPMG

Independent Auditor's Report

To the Shareholder of OnePath Life (NZ) Limited

Report on the Company and Group Financial Statements

We have audited the accompanying financial statements of OnePath Life (NZ) Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 6 to 51. The financial statements comprise the statement of financial position of the company and the consolidated statement of financial position of the group as at 30 September 2010, the statements of comprehensive income, changes in equity and cash flows of the company and the consolidated statements of comprehensive income, changes in equity and cash flows of the group for the 9 month period then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Company and Group Financial Statements

The Directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards and that give a true and fair view of the matters to which they relate, and for such internal control as the Directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

KPMG

Our firm has also provided other services to the company and group in relation to taxation and audit-related services. Subject to certain restrictions, partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company and group.

Opinion

In our opinion the financial statements of OnePath Life (NZ) Limited and its subsidiaries ("the company and group") on pages 6 to 51:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the consolidated financial position of the group as at 30 September 2010 and of the financial performance and cash flows of the company and the consolidated financial performance and consolidated cash flows of the group for the 9 month period ended on that date.

Other Matter

The financial statements of OnePath Life (NZ) Limited and the group, for the year ended 31 December 2009, were audited by another auditor who expressed an unmodified opinion on those statements on 26 March 2010.

As part of our audit of the 30 September 2010 financial statements, we also audited the adjustments described in Note 1(q) that were applied to amend the 31 December 2009 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 31 December 2009 financial statements of the company and group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 31 December 2009 financial statements taken as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of section 16(1)(d) and section 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by OnePath Life (NZ) Limited and its subsidiaries as far as appears from our examination of those records.

KPMG

KPMG Auckland
18 March 2011

Statement of Comprehensive Income

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

	Note	Group 2010 9 months $	Group 2009 Restated* 12 months $	Company 2010 9 months $	Company 2009 Restated* 12 months $
Premium revenue	5a(ii)	102,439,495	88,766,885	51,018,475	54,365,845
Less: Outward reinsurance expense	5b(i)	(20,704,718)	(21,400,596)	(15,060,183)	(17,456,982)
Net premium revenue		81,734,777	67,366,289	35,958,292	36,908,863
Other revenue	6	8,371,299	7,151,360	25,398,536	764,824
		8,371,299	7,151,360	25,398,536	764,824
Claims, surrenders and maturities	7	(36,086,391)	(28,581,280)	(17,170,119)	(16,788,416)
Less: Reinsurance recoveries revenue	5a(iii)	12,184,089	9,651,399	6,146,146	6,960,264
Net claims expense		(23,902,302)	(18,929,881)	(11,023,973)	(9,828,152)
Decrease in net policy liabilities		53,862,141	47,992,879	46,480,180	40,152,159
Commissions and operating expenses	8,9 & 10	(93,565,093)	(92,136,787)	(58,726,852)	(69,706,969)
Profit/(loss) before income tax		**26,500,822**	**11,443,860**	**38,086,183**	**(1,709,275)**
Income tax (benefit)/expense	11	(5,454,858)	(5,302,363)	(1,827,883)	(3,068,852)
Profit after income tax	12	**31,955,680**	**16,746,223**	**39,914,066**	**1,359,577**
Total comprehensive income for the year, net of tax		**31,955,680**	**16,746,223**	**39,914,066**	**1,359,577**
Attributable to:					
Equity holders of the parent		31,955,680	16,746,223	39,914,066	1,359,577
		31,955,680	16,746,223	39,914,066	1,359,577

* Refer note 1(q)

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

Statement of Financial Position

As at 30 September 2010

	Note	Group 30 Sep 2010 $	Group 31 Dec 2009 Restated* $	Company 30 Sep 2010 $	Company 31 Dec 2009 Restated* $	Company 1 Jan 2009 Restated* $
Assets						
Cash and cash equivalents	13	42,565,883	44,456,038	15,954,601	11,615,044	13,098,736
Trade and other receivables	14	12,819,289	11,984,723	8,776,194	8,842,526	5,914,382
Income tax receivable	15	483,190	25,301	-	-	-
Investments	16	68,606,986	82,679,289	153,739,843	153,693,553	1,535,906
Property, plant and equipment	17	450,742	507,808	450,742	507,808	704,267
Deferred acquisition costs	18	275,659	346,879	-	-	-
Intangible assets	19	180,075,791	189,197,725	927,174	1,342,956	1,181,870
Total Assets		305,277,540	329,197,763	179,848,554	176,001,887	22,435,161
Liabilities						
Trade and other payables	20	65,083,268	62,700,081	13,325,933	11,023,131	10,186,716
Other financial liabilities	21	152,078,730	152,078,730	177,078,730	177,078,730	-
Deferred tax liabilities	11	48,586,607	53,558,275	13,108,768	14,936,651	18,005,503
Insurance contract liabilities - reinsurance	22	50,328,710	42,409,664	54,515,885	44,859,753	42,475,867
Insurance contract liabilities/(assets)	22	(222,796,629)	(160,138,942)	(250,305,885)	(194,116,215)	(151,467,313)
Investment contract liabilities	22	34,559,471	43,108,252	2,116,000	2,124,780	2,198,908
Total Liabilities		127,840,157	193,716,060	9,839,431	55,906,830	(78,600,319)
Net Assets		177,437,383	135,481,703	170,009,123	120,095,057	101,035,480
Equity						
Share capital	26	126,700,738	116,700,738	126,700,738	116,700,738	99,000,738
Retained earnings	27(a)	50,736,645	18,780,965	43,308,385	3,394,319	2,034,742
Reserves	27(b)	-	-	-	-	-
Total Equity		177,437,383	135,481,703	170,009,123	120,095,057	101,035,480

* Refer note 1(q)

For and on behalf of the Board who authorised the issue of this report on 27 February 2011

Director

Director

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

Statement of Changes in Equity

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

Group	Note	Ordinary shares 30 Sep 2010 $	Available for sale reserves 30 Sep 2010 $	Retained Earnings 30 Sep 2010 $	Total 30 Sep 2010 $
At 1 January 2010		**116,700,738**	**-**	**18,780,965**	**135,481,703**
Profit for the period		-	-	31,955,680	31,955,680
Total comprehensive income for the year		-	-	31,955,680	31,955,680
Transactions with owners in their capacity as owners					
Shares issued		10,000,000	-	-	10,000,000
At 30 September 2010	26 & 27	**126,700,738**	**-**	**50,736,645**	**177,437,383**

	Note	Ordinary shares 31 Dec 2009 Restated* $	Available for sale reserves 31 Dec 2009 Restated* $	Retained Earnings 31 Dec 2009 Restated* $	Total 31 Dec 2009 Restated* $
At 1 January 2009 (previously reported)		99,000,738	32,225	37,729,661	136,762,624
Impact of changes in accounting policies	1(q)	-	(32,225)	32,225	0
Impact of prior period corrections	1(q)	-		(35,727,144)	(35,727,144)
At 1 January 2009 (restated)		99,000,738	-	2,034,742	101,035,480
Profit for the period (restated)		-	-	16,746,223	16,746,223
Total comprehensive income for the year		-	-	16,746,223	16,746,223
Transactions with owners in their capacity as owners					
Shares issued		17,700,000	-	-	17,700,000
At 31 December 2009 (restated)	26 & 27	**116,700,738**	**-**	**18,780,965**	**135,481,703**

* Refer note 1(q)

Statement of Changes in Equity

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

Company

	Note	Ordinary shares 30 Sep 2010 $	Available for sale reserves 30 Sep 2010 $	Retained Earnings 30 Sep 2010 $	Total 30 Sep 2010 $
At 1 January 2010		116,700,738	-	3,394,319	120,095,057
Profit for the period		-	-	39,914,066	39,914,066
Total comprehensive income for the year		-	-	39,914,066	39,914,066
Transactions with owners in their capacity as owners					
Shares issued		10,000,000	-	-	10,000,000
At 30 September 2010	26 & 27	126,700,738	-	43,308,385	170,009,123

	Note	Ordinary shares 31 Dec 2009 Restated* $	Available for sale reserves 31 Dec 2009 Restated* $	Retained Earnings 31 Dec 2009 Restated* $	Total 31 Dec 2009 Restated* $
At 1 January 2009 (previously reported)		99,000,738	32,225	37,729,661	136,762,624
Impact of changes in accounting policies	1(q)	-	(32,225)	32,225	0
Impact of prior period corrections	1(q)	-		(35,727,144)	(35,727,144)
At 1 January 2009 (restated)		99,000,738	-	2,034,742	101,035,480
Profit for the period		-	-	1,359,577	1,359,577
Total comprehensive income for the year		-	-	1,359,577	1,359,577
Transactions with owners in their capacity as owners					
Shares issued		17,700,000	-	-	17,700,000
At 31 December 2009	26 & 27	116,700,738	-	3,394,319	120,095,057

	Note	Ordinary shares 1 Jan 2009 Restated* $	Available for sale reserves 1 Jan 2009 Restated* $	Retained Earnings 1 Jan 2009 Restated* $	Total 1 Jan 2009 Restated* $
At 1 January 2008 (previously reported)		59,400,738	(25,495)	7,562,054	66,937,297
Profit/(loss) for the period		-	-	30,225,327	30,225,327
Impact of changes in accounting policies		-	25,495	(25,495)	-
Impact of prior period corrections	1 (q)	-	-	(35,727,144)	(35,727,144)
Total comprehensive income for the year		-	25,495	(5,527,312)	(5,501,817)
Transactions with owners in their capacity as owners					
Shares issued		39,600,000	-	-	39,600,000
At 1 January 2009 (restated)	26 & 27	99,000,738	0	2,034,742	101,035,480

* Refer note 1(q)

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

Statement of Cash Flows

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

	Note	Group 2010 9 months $	Group 2009 12 months $	Company 2010 9 months $	Company 2009 12 months $
Cash flows from operating activities					
Cash was provided from:					
Premium receipts		102,989,858	90,342,586	51,645,936	55,036,181
Reinsurance receipts		8,957,072	5,532,774	3,649,118	2,515,549
Commission receipts		3,615,885	1,347,962	-	-
Interest receipts		3,426,260	3,827,447	406,544	543,214
Dividend receipts		150,000	76,592	-	-
Taxation		25,301	38,392	-	-
		119,164,376	101,165,753	55,701,598	58,094,944
Cash was disbursed to:					
Reinsurance payments		17,609,640	21,714,267	12,004,911	17,690,862
Claim, surrender and maturity payments		45,216,681	35,305,335	17,320,018	17,226,644
Commission payments		48,134,777	53,806,897	31,626,852	40,963,213
Payments to suppliers and employees		35,161,328	29,674,908	25,070,840	25,176,546
		146,122,426	140,501,407	86,022,621	101,057,265
Net cash flows from operating activities	28	(26,958,050)	(39,335,654)	(30,321,023)	(42,962,321)
Cash flows from investing activities					
Cash was provided from:					
Proceeds from sale of financial assets		41,645,202	70,693,100	-	25,003
Repayment of advance to subsidiary		-	-	8,900	-
		41,645,202	70,693,100	8,900	25,003
Cash was disbursed to:					
Purchase of financial assets		26,228,987	36,894,253	-	-
Purchase of fixed assets		161,603	358,921	161,603	358,921
Purchase of computer software		186,717	1,850,541	186,717	887,453
		26,577,307	39,103,715	348,320	1,246,374
Net cash flows from investing activities		15,067,895	31,589,385	(339,420)	(1,221,371)
Cash flows from financing activities					
Cash was provided from:					
Issue of shares	26	10,000,000	17,700,000	10,000,000	17,700,000
Distributions received from subsidiary	6	-	-	25,000,000	-
Drawdown of subordinated loans		-	-	-	25,000,000
Net cash flows from financing activities		10,000,000	17,700,000	35,000,000	42,700,000
Net increase/(decrease) in cash and cash equivalents		(1,890,155)	9,953,731	4,339,557	(1,483,692)
Cash at the beginning of the year		44,456,038	13,098,886	11,615,044	13,098,736
Cash acquired on acquisition of OnePath Insurance Services (NZ) Limited		-	21,403,421	-	-
Cash and cash equivalents at the end of the year	13	42,565,883	44,456,038	15,954,601	11,615,044

Investing cash flows arising from the receipt and reinvestment of term deposits have been netted off in the Statement of Cash Flows. The directors believe that knowledge of the gross receipts is not essential to understanding the investing activities.

Distributions from subsidiary companies have been classified as financing activities in the Statement of Cash Flows. The directors believe this is an appropriate treatment as the receipt of these distributions enabled the Company to maintain the solvency requirements of Professional Standard No. 5.01 of the New Zealand Society of Actuaries.

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

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

1. Summary of Significant Accounting Policies

Reporting Entity

OnePath Life (NZ) Limited (the "Company") is a company incorporated and domiciled in New Zealand. The financial statements have been prepared under the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The Company was previously known as ING Life (NZ) Limited and changed its name to OnePath Life (NZ) Limited on 8 November 2010.

OnePath Life (NZ) Limited operates in the life insurance industry in New Zealand.

The financial report was authorised for issue by the Directors on 28 February 2011.

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group").

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").

Change in balance date

The Group has changed its balance date from 31 December to 30 September with the change applicable for the period ended 30 September 2010. The change in balance date is to align with the balance date of the ultimate parent company, who acquired full ownership of the Group on 30 November 2009. As a result of the change in balance date, the current period is for 9 months ended 30 September 2010 while the prior period is for 12 months ended 31 December 2009.

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 reporting period ended 30 September 2010. These are outlined in the table below.

Standard, Amendment or Interpretation	Summary of Requirements	Effective date - periods beginning on or after
Improvements to NZ IFRSs 2010 – NZ IFRS 7 *Financial Instruments: Disclosures*	The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.	1-Jan-11
Improvements to NZ IFRSs 2010 – NZ IAS 1 *Presentation of Financial Statements*	The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the Statement of Changes in Equity or in the notes.	1-Jan-11
NZ IAS 24 *Related Party Disclosures* (revised 2009)	The revised NZ IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.	1-Jan-11
NZ IFRS 9 *Financial Instruments*	NZ IFRS 9 is the first standard issued as part of a wider project to replace NZ IAS 39. NZ IFRS 9 retained but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in NZ IAS 39 on impairment of financial assets and hedge accounting continues to apply. Prior periods need not be restated if an entity adopts the standards for reporting periods beginning before 1 January 2012.	1-Jan-13

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months 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 f or certain assets and liabilities are which are stated at their fair value, including Cash and Cash Equivalents, Investment Assets and Investment Contract Liabilities, and other assets and liabilities associated with the insurance business which are stated at actuarially assessed values, refer note 1p).

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, except as noted in 1q) Changes in Accounting Policies and disclosures.

Specific Accounting Policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of OnePath Life (NZ) Limited and its subsidiaries as at *30 September 2010 and 31 December* 2009 (the "Group"). Certain figures have been re-stated at 1 January 2009 and for the year ended 31 December 2009 as set out in Note 1q).

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 profit and losses resulting from intra-group transactions have been eliminated in full.

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.

After acquisition, investments in subsidiaries are recorded at cost. Where in there is a permanent diminuition in value of the subsidiary the value of the investment in that subsidiary is written down to the net realisable value of that subsidiary, as measured by it's net tangible assets.

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 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.

Cash and cash equivalents are financial instruments designated at fair value through the profit and loss.

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Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

1. Summary of Significant Accounting Policies (continued)

d) Trade and Other Receivables

Amounts due from policyholders, reinsurers and other receivables are classified as Trade and Other Receivables in the Statement of Financial Position and are initially recognised at fair value, being the amounts receivable.

Subsequent measurement is based on amortised cost and reduced for impairment as appropriate. Any impairment charge is recognised in the Statement of Comprehensive Income.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts receivable according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. Expected future receivables are discounted using interest rates on government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash inflows.

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

(iii) Available-for-sale investments
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale as these are not classified as any of the two preceding categories nor as held to maturity instruments. 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. Refer to 1q) Changes in Accounting Policies and disclosures, which details the Group's change in accounting policy for investments previously treated as available for sale investments.

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 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; as set out in note 23.

(iv) 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, which are designated at fair value through profit and loss to avoid an accounting mismatch as the policyholder liabilities are at fair value, 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. Refer also note 1q) as the Group and Company have changed their accounting policy for these instruments.

(v) Unit Trusts and other securities held to back insurance and investment contract liabilities
Units held in unit trusts are stated at fair value based on the last sale price quoted by the fund manager. 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.

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 Company and Group. These policyholder assets are designated as fair value in the profit and loss.

The fair value of the these 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 nine months ended 30 September 2010 and for the twelve months 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%

Leasehold improvements are capitalised and amortised according to the term of the lease.

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) Group 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 Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense 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 and Intangibles

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 initially 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 initial 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. 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:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with NZ IAS 14 Segment Reporting.

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 the 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 the Statement of Comprehensive Income in the expense category consistent with the function of the intangible asset.

Computer software is amortised to the Statement of Comprehensive Income over the period which benefits are expected to be derived which is assessed to be 3 to 5 years. It is recognised at cost less accumulated depreciation and any accumulated impairment losses. It's useful life is finite and and the amortisation rate is 33% per year.

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.

Value of Business Acquired ("VOBA") is the value attributed to the in-force book acquired on the 30 June 2009 acquisition of OnePath Insurance Services (NZ) Limited (formerly ING Insurance Services (NZ) Limited). VOBA is 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 reducing scale over a period of 20 years. The amortisation is recognised in the Statement of Comprehensive Income under 'other expenses'. When 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.

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

1. Summary of Significant Accounting Policies (continued)

Management Rights
Management Rights represent the contractual rights of the Group to have the first right of refusal in providing insurance products for ANZ National Bank Limited. As part of acquiring these rights, the Group 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 Statement of Comprehensive Income 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 5 - 13 years.

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 Benefits

(i) Short term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid for salaries, holiday pay or short-term cash bonus schemes if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Long term employee benefits
A liability is recognised for Long Service Leave and Loyalty Bonuses based on discounted cash flow projections allowing for the probability of employees remaining in service and annual salary increase rate assumptions. The liability is accrued evenly over time from the commencement of service to the date of vesting.

The discount rates used were derived from consideration of the forward rates on New Zealand government bonds (that have maturity dates approximating the terms of the Group's obligations. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

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) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of 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 Statement of Financial Position represents the net position of the Group. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities 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.

- temporary difference related to investments in subsidiaries and jointly controlled entities to the extent it is probable that the temporary difference will not reverse in the foreseeable future.

- Taxable temporary differences arising on the initial recognition of goodwill.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be utilised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A change in the company tax rate from 30% to 28% was enacted on the 27 May 2010 with application from the 2011/2012 income year. For the Group and Company, this means that the income tax rate will change to 28% for the financial year beginning on the 1 October 2011. As a result of the rate change, all deferred tax balances expected to crystallise after 1 October 2011 have been calculated based on a tax rate of 28%.

(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 included.

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

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.

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

1. Summary of Significant Accounting Policies (continued)

n) Income tax (continued)

(ii) Taxation of life insurers
New legislation came into effect on 1 July 2010 that changed the tax treatment for Life insurance policies. Under the new rules, income and expenditure on Life insurance policies (eg premiums, reinsurance premiums, claims and reinsurance recoveries) now forms part of the assessable income of the Group.

The new regime is applicable for all Life insurance policies, irrespective of when they were issued. However, the new regime offers a concessional tax treatment (known as a Transition Adjustment) for Life insurance policies that were in force prior to the 1 July 2010. The impact of the Transitional Adjustment is that it effectively treats designated policies (know as Grandfathered policies) as having income tax levied on a basis equivalent to the old tax regime.

In general, the Grandfathered status of policies issued prior to the 1 July 2010 lasts for 5 years. However, for certain policy types, namely Level Term policies, the Grandfathered status is for the duration of the policy.

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 on temporary differences arising in policy liabilities are calculated at applicable future tax rate enacted at balance date.

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, and 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

<u>Recognition of Income</u>

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 Statement of Comprehensive Income as it accrues. Distributions from unit trusts and dividends from equities 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 at fair value though the Statement of Comprehensive Income. Investment income from unit trusts is shown net of the external fund manager's costs.

Commission Income
Commission income is recognised as revenue in the Statement of Comprehensive Income when earned. This is usually on the completion of a significant event, being the issuance of an insurance policy.

<u>Expenses</u>

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.

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

1. Summary of Significant Accounting Policies (continued)

p) Life Insurance Business (continued)

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.

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 Statement of Comprehensive Income 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 lesser or greater 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 contract this function out to external fund managers they do not directly incur any investment management expenses. However, the Group does incur an investment management fee for this service.

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 Statement of Comprehensive Income as part of reinsurance income. Reinsurance premiums payable are recognised in the Statement of Comprehensive Income as part of reinsurance expenses, net of reinsurance commissions refunded.

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

Reinsurance recoveries are recognised in the Statement of Comprehensive Income at the time the claim event is notified to the Group if the corresponding policy is reinsured. The amount recognised is the present value of the recoverable amount based on the claim event date.

Outstanding reinsurance recoverable is recognised under Trade and Other Receivables in the Statement of Financial Position.

Reinsurance premium expense is recognised in the Statement of Comprehensive Income when they become due and payable in accordance with the terms and conditions of the reinsurance arrangements.

Outstanding reinsurance payable is recognised under Trade and Other Payables in the Statement of Financial Position.

(ii) 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 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.

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.

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

1. Summary of Significant Accounting Policies (continued)

p) Life Insurance Business (continued)

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 liabilities includes the use of published investment market yields (e.g. government 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 Statement of Financial Position 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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 Statement of Financial Position at the present value of future cash outflows to be incurred as a result of the life insurance company's obligations at balance date.

q) Prior period adjustments

i) Change in accounting policy

Change in accounting policy for available for sale investments

The Group's policy in relation to investments backing risk policyholder liabilities and New Zealand Government Stock investments has changed from accounting for these investments as available for sale "AFS" instruments to financial assets at fair value through profit and loss. The impact of the change in accounting policy has resulted in the AFS reserve being released to retained earnings at 1 January 2009, and amounts recognised in Other Comprehensive Income for the year ended 31 December 2009 have been recognised in the profit and loss in the Statement of Comprehensive Income. The impact of these adjustments to the Statement of Financial Position, Statement of Comprehensive Income and other comprehensive income at 1 January 2009 and 31 December 2009 is presented in the table on the following page. The change in accounting policy for these investments to fair value through profit and loss ensures compliance with NZIFRS 4 Insurance Contracts which requires investments which back life insurance liabilities and investment contract liabilities to be designated at fair value through profit and loss account. The change in accounting policy achieves greater comparability of information on the basis that accounting for investments at fair value through profit and loss aligns with the recognition of the movements in policyholder liabilities via the Statement of Comprehensive Income.

ii) Prior period corrections

Prior period adjustment to policyholder liabilities and deferred tax on taxable temporary differences within policy liabilities

An in-depth review of the Group's actuarial methodology and models completed by the Group's actuarial team in conjunction with independent advice has identified that the gross policyholder liability amounts (including the reinsurance component) and its related deferred tax was misstated at 1 January 2009 and 31 December 2009 within OnePath Insurance Services (NZ) Limited. Further, OnePath Life (NZ) Limited was not recognising deferred tax on taxable temporary differences within policy liabilities. These errors in the main were on account of historical inaccuracies in the calculation of deferred acquisition costs used to approximate the deferred tax liability. The impact of the recognition of these deferred tax liabilities on the Statement of Financial Position and Statement of Comprehensive Income at 1 January 2009 and 31 December 2009 is presented in the table on the following page.

Prior period adjustment for deferred tax recognised in relation to recognition of tax losses

A review of the overall tax position of OnePath NZ Holdings Limited and its subsidiaries which included a review of the ability to utilise tax losses across companies forming part of the tax group (OnePath Insurance (NZ) Consolidated Group) identified that certain tax losses which were previously unrecognised in the 2009 financial year had actually met the criteria for recognition under IAS 12 Income Taxes as at 31 December 2009. Accordingly the Group's deferred tax in relation to tax losses as at 31 December 2009 was understated. The impact of this adjustment to the Statement of Financial Position and Statement of Comprehensive Income is presented in the table on the following page.

Prior period adjustments in relation to deferred tax on management rights

Deferred tax arises on intangible assets with a definite life as no future deductibility for taxation purposes is expected unless the intangible is specifically exempted under IAS 12 Income Taxes. The deferred tax liability reduces over time as the intangible asset is amortised or impaired, and reverses through the Statement of Comprehensive Income if the intangible is sold. Management have identified that deferred tax on OnePath Insurance Services (NZ) Limited's management rights should have been recognised in prior periods. The Group's deferred tax in relation to management rights was understated at 1 January 2009 and 31 December 2009. The impact of the adjustments to the Statement of Financial Position and Statement of Comprehensive Income are presented in the table on the following page.

Restatement of acquisition accounting for OnePath Insurance Services (NZ) Limited (formerly ING Insurance Services (NZ) Limited)

The impact of these changes in accounting policy and prior period adjustments in the books of OnePath Insurance Services (NZ) Limited prior to 30 June 2009 (the date of acquisition by OnePath Life (NZ) Limited) are restatements to the recognition of intangibles on the acquisition and consolidation of OnePath Insurance Services (NZ) Limited into the Group financial statements as presented in the table on the following page.

The impact of these changes in accounting policy and prior period adjustments in OnePath Insurance Services (NZ) Limited post 30 June 2009 are restatements to the Group Statement of Comprehensive Income for the year ended 31 December 2009, as presented in the tables on the following pages.

The excess of the purchase price over the net tangible assets of OnePath Insurance Services (NZ) Limited at 30 June 2009 was originally classified as Goodwill arising on acquisition in the Group financial statements. Embedded within this Goodwill figure is the separately identifiable value attributed to the in-force business of OnePath Insurance Services (NZ) Limited at 30 June 2009. This value has now been reclassified as Value of Business Acquired ("VOBA"). VOBA will be amortised on a reducing scale over a period of 20 years. A deferred tax liability in respect of this VOBA has also been separately recognised. This deferred tax liability will reduce over time as the VOBA is amortised.

As the acquisition of OnePath Insurance Services (NZ) Limited occurred on 30 June 2009 there were no consolidated financial statements prepared at 1 January 2009. Accordingly the impact of prior year adjustments at 1 January 2009 is that of the Company only.

Changes in comparatives

Comparatives have been reclassified in certain cases to ensure consistency with the current year's presentation.

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

1. Summary of Significant Accounting Policies (continued)

q) Changes in accounting policies and prior period adjustments (continued)

Group

The effect on the consolidated Statement of Financial Position was as follows:

	Asset / (Liability)						
	Deferred Tax Assets / (Liabilities)	**Insurance Contract Liabilities Gross**	**Insurance Contract Liabilities Reinsurance**	**Goodwill**	**Value of Business Acquired**	**Asset Revaluation Reserve**	**Retained Earnings**
Balance as reported at 1 January 2009	17,721,641	151,467,313	(42,475,867)	-	-	(32,225)	(37,729,661)
Effect of changes at 1 January 2009 from:							
- reclassification of investment assets to fair value through profit and loss	-	-	-	-	-	32,225	(32,225)
- recognition of deferred taxation on taxable temporary differences within policy liabilities	(35,727,144)	-	-	-	-	-	35,727,144
Restated balance at 1 January 2009	**(18,005,503)**	**151,467,313**	**(42,475,867)**	**-**	**-**	**-**	**(2,034,742)**
Balance as reported at 31 December 2009	7,623,952	172,775,217	(40,918,121)	129,402,238	-	(265,496)	(59,285,378)
Effect of changes at 1 January 2009	(35,727,144)	-	-	-	-	32,225	35,694,919
- reclassification of investment assets to fair value through profit and loss	-	-	-	-	-	(18,018)	18,018
- recognition of deferred taxation on taxable temporary differences within policy liabilities	(12,807,376)	-	-	-	-	-	12,807,376
- recognition of deferred tax on additional tax losses	8,000,000	-	-	-	-	-	(8,000,000)
Effect of pior year restatements on balances in OnePath Insurance Services (NZ) Limited as at the date it was acquired	(1,533,830)	(7,422,522)	(2,467,784)	11,424,136		-	-
Reclassification of VOBA element of Goodwill	-	-	-	(93,000,000)	93,000,000	-	-
First time recognition of deferred tax on VOBA	(27,900,000)	-	-	27,900,000	-	-	-
Effect of changes in OnePath Insurance Services (NZ) Limited post acquisition on 1 July 2009 from:							
- amortisation of VOBA	1,435,200	-	-	-	(4,784,000)	-	3,348,800
- change in calculation basis of insurance contract liabilities	-	(5,213,753)	976,241	-	-	-	4,237,512
- change in calculation basis of deferred tax on insurance contract liabilities	6,365,772	-	-	-	-	-	(6,365,772)
- recognition of deferred tax on management rights	427,525	-	-	-	-	-	(427,525)
- recognition of deferred tax on additional tax losses	557,626	-	-	-	-	-	(557,626)
- reclassification of investment assets to fair value through profit and loss	-	-	-	-	-	251,289	(251,289)
Restated balance at 31 December 2009	**(53,558,275)**	**160,138,942**	**(42,409,664)**	**75,726,374**	**88,216,000**	**-**	**(18,780,965)**

The effect on the Statement of Comprehensive Income was as follows:

	2010 9 months	2009 Restated 12 months
Other revenue	714,115	333,245
Decrease in net policy liabilities	-	(4,237,512)
Commissions and operating expenses	-	(4,784,000)
Profit before income tax	714,115	(8,688,267)
Income tax (benefit)/expense	-	(3,878,773)
Profit after income tax	**714,115**	**(4,809,494)**
Total comprehensive income net of tax	**-**	**(5,042,765)**

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

1. Summary of Significant Accounting Policies (continued)

q) Changes in accounting policies and prior period adjustments (continued)

Company

The effect on the Statement of Financial Position was as follows:

	Asset / (Liability)		
	Deferred Tax Assets / (Liabilities)	**Retained Earnings**	**Asset Revaluation Reserve**
Balance as reported at 1 January 2009	17,721,641	(37,729,661)	(32,225)
Effect of change in accounting policy for available for sale investments	-	(32,225)	32,225
Effect of recognition of deferred taxation on taxable temporary differences within policy liabilities	(35,727,144)	35,727,144	-
Restated balance at 1 January 2009	(18,005,503)	(2,034,742)	-
Balance as reported at 31 December 2009	25,597,869	(43,914,632)	(14,207)
Effect of restatements on 1 January 2009	(35,727,144)	35,694,919	32,225
Effect of change in accounting policy for available for sale investments	-	18,018	(18,018)
Effect of recognition of deferred taxation on taxable temporary differences within policy liabilities	(12,807,376)	12,807,376	-
Effect of recognition of deferred tax on additional tax losses	8,000,000	(8,000,000)	-
Restated balance at 31 December 2009	(14,936,651)	(3,394,319)	-

The effect on the Statement of Comprehensive Income was as follows:	**2010 9 months**	2009 Restated 12 months
Other revenue	(2,659)	(32,225)
Income tax benefit	-	(4,799,654)
Effect on profit after income tax benefit	(2,659)	(4,831,879)
Effect on total comprehensive income for the year, net of tax	-	(4,807,377)

r) Offsetting of assets and liabilities

Assets and liabilities are offset and the net amount reported in the Statement of Financial Position only where there is:

- a current enforceable legal right to offset the asset and liability; and
- an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

s) Dividends

Dividends are recognised when the dividend is determined and declared by the directors on or before the end of the reporting period.

Where a dividend is declared post reporting date, but prior to the date of issue of the financial statements, disclosure of the declaration is made in the notes to the financial statements but no liability is recognised in the Statement of Financial Position.

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

2. Critical Accounting Judgements, Estimates and Assumptions

The preparation of a financial report in conformity with New Zealand Accounting Standards (NZIFRS) 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 discount rates, revenue growth rates, 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' share 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/liabilities arising from reinsurance contracts
Assets/liabilities 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.

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. Reinsurance premiums are paid in relation to benefits reinsured and recognised in the Statement of Comprehensive Income when incurred. 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 due to the reinsurers on this business are shared with the Group.

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

3. Summary of Significant Actuarial Assumptions and Risk Management Policies

The actuarial reports on policy liabilities and solvency reserves for the current reporting period were prepared as at 30 September 2010.

The actuary who prepared the reports for the Company and Group was Anton Gardiner, BSc., FIA, FNZSA. Anton is a Fellow of the Institute of Actuaries 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, OnePath Life (NZ) Limited and OnePath Insurance Services (NZ) Limited. The key assumptions used in determining the policy liabilities of the company are as follows:

OnePath Life (NZ) Limited

Profit carriers
Risk business has been valued using the projection method. The profit carrier for the risk business to achieve systematic release of planned margins is premiums. For investment contracts, including term deposit bonds, no profit carrier is used. For these policies, 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 between -0.26% to 0.20% depending on the duration (2009: 0.03%) has been used. The risk free rate (before tax) varied by duration between 3.19% and 6.17% (2009: 2.90% and 6.45%).

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 (31 December 2009: 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.

Investment and maintenance expenses
The maintenance expense allowance assumed was $124.65 (31 December 2009: $120.07) per annum, per life insured. Maintenance expenses are assumed to increase at 2% per annum (31 December 2009: 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 (31 December 2009: 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.

Mortality and morbidity
Both mortality and morbidity claims have been projected based on the experience of the Company's reassurers. The mortality assumption for 2010 has been revised downwards from 80% of the reassurers table to 70% of the reassurers table.

Rates of discontinuance
Projected rates of discontinuance are based on company experience. Discontinuance assumptions were revised for September 2010 after an analysis of the Company's experience was undertaken during the period. Separate 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	0	1	2	3	4	5	6	7+
YRT - 2010	10.0%	12.5%	16.0%	12.5%	12.0%	12.0%	12.0%	11.5%
YRT - 2009	9.5%	12.0%	15.5%	12.0%	11.5%	11.5%	11.5%	11.5%
LT- 2010	10.0%	10.0%	12.5%	11.5%	10.5%	9.5%	9.5%	9.0%
LT- 2009	9.5%	9.5%	12.0%	11.0%	10.0%	9.0%	9.0%	9.0%
5 Years - 2010	10.0%	12.5%	16.0%	13.5%	13.5%	25.5%	15.5%	15.0%
5 Years - 2009	9.5%	12.0%	15.5%	13.0%	13.0%	25.0%	15.0%	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 provide protection to policyholders against the impact of fluctuations in 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. 5.01: *Solvency Reserving for Life Insurance Business* effective from 31 March 2009.

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

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

OnePath 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. For investment contracts no profit carrier is used. For these policies, liabilities are valued on the 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. The credit risk margin ranged from -0.26% to +0.20% depending on duration (2009: 0.33%). The risk free rate (before tax) varied by duration between 3.19% and 6.17% (31 December 2009: 2.90% and 6.45%).

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 (31 December 2009: 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 expressed 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:

	2010	*2009*
Single Premium	$54.81	$44.73
Regular Premium	$53.39	$46.87

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.

Mortality
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 2009 with details of changes given below:

NBNZ Home Loan/Term Life/Lifestyle and Level Protection	65% of NZ97 (5) Select for Male (2009: 70% of NZ97 (5) Select for Male)
ANZ Lifestyle Protection	65% of NZ97 (5) Select for Male (2009: 70% of NZ97 (5) Select for Male)

Morbidity
Assumptions for trauma, disability and redundancy benefits were based on reinsurance risk premiums and investigations of OnePath Insurance Services (NZ) Limited's experience. Most are unchanged since 31 December 2009 with details of changes given below:
NBNZ and ANZ Loan Protection redundancy – Change the annual inception rate from 1.42% to 0.84%
ANZ LPP disability and redundancy benefits – Change the loss ratio from 50% to 35%

Rates of discontinuance
Future rates of discontinuance were based on the experience of OnePath Insurance Services (NZ) Limited, varying depending on the product and the duration in force and range from 1% to 35% (31 December 2009: 1% to 40%).

Participating business
The company does not issue participating business.

Solvency requirement
Solvency reserves are amounts required to provide protection to policyholders against the impact of fluctuations in and unexpected adverse experience of the OnePath Insurance Services (NZ) Limited'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. 5.01: *Solvency Reserving for Life Insurance Business* effective from 31 March 2009.

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.

Unit prices
Unit prices are assumed to grow at the assumed investment earnings rate for the relevant asset pool, less tax and applicable management charges.

Impact of changes in assumptions

Changes in actuarial assumptions are recognised by adjusting the value of future profit margins in life insurance contract liabilities. Future profit margins are released over future periods. Changes in actuarial assumptions do not include market related changes in discount rates such as changes in benchmark market yields caused by changes in investment markets and economic conditions. These are reflected in both life insurance contract liabilities and asset values at the balance date. The impact on future profit margins of changes in actuarial assumptions from 31 December 2009 to 30 September 2010 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at balance date is as shown in the table below.

	Group			Company		
	Change in future profit margins $m	Change in life insurance contract liabilities $m	Change in shareholders' profit & equity $m	Change in future profit margins $m	Change in life insurance contract liabilities $m	Change in shareholders' profit & equity $m
Assumption Change						
Non-market related changes to discount rates	-	-	-	-	-	-
Mortality and morbidity	7	-	-	2	-	-
Discontinuance rates	(6)	-	-	(4)	-	-
Maintanence expenses	(5)	-	-	(2)	-	-
Other assumptions	47	-	-	29	-	-

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months 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 Global 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 minimize 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 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 and Company'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. Based on actuarial advice the Directors make an assessment of how much equity is required for solvency purposes, refer to note 26 for more information.

The Group also manages its capital to ensure it maximises share holder value, refer to note 24h) for more information.

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 nine months ended 30 September 2010 and for the twelve months 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 realized 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 Group 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 Group'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 nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

5. Revenue

a(i) Gross revenue	Group 2010 9 months $	Group 2009 12 months $	Company 2010 9 months $	Company 2009 12 months $
Life insurance premium income	102,439,495	88,766,885	51,018,475	54,365,845
Reinsurance income	12,184,089	9,651,399	6,146,146	6,960,264
	114,623,584	98,418,284	57,164,621	61,326,109

a(ii) Life insurance premium income	Group 2010 9 months $	Group 2009 12 months $	Company 2010 9 months $	Company 2009 12 months $
Single premiums	6,698,599	6,201,745	93,891	1,529
Regular premiums	96,055,174	83,056,805	51,213,301	54,744,058
Total premium income	102,753,773	89,258,550	51,307,192	54,745,587
Less: savings component transferred to policy liabilities	(314,278)	(491,665)	(288,717)	(379,742)
Total risk premium income	102,439,495	88,766,885	51,018,475	54,365,845

a(iii) Reinsurance income	Group 2010 9 months $	Group 2009 12 months $	Company 2010 9 months $	Company 2009 12 months $
Reinsurance recoveries on claims	12,184,089	9,651,399	6,146,146	6,960,264
	12,184,089	9,651,399	6,146,146	6,960,264

b(i) Reinsurance expenses	Group 2010 9 months $	Group 2009 12 months $	Company 2010 9 months $	Company 2009 12 months $
Commissions refunded	5,564,905	8,258,870	5,564,905	8,258,870
Reinsurance premium expense	15,139,813	13,141,726	9,495,278	9,198,112
	20,704,718	21,400,596	15,060,183	17,456,982

6. Other Revenue

	Group 2010 9 months $	Group 2009 Restated 12 months $	Company 2010 9 months $	Company 2009 Restated 12 months $
Dividend received from subsidiary	-	-	25,000,000	-
Interest income	3,432,232	3,079,656	367,119	660,707
Dividends	150,000	76,592	-	-
Financial assets at fair value through profit and loss:				
- Debt securities	469,436	1,313,926	(2,659)	(25,740)
- Unit trusts	622,922	327,780	30,165	124,623
- Equities	194,213	355,173	-	-
- Subsidiary	-	-	3,911	5,234
Commission income	3,502,247	1,997,268	-	-
Other income	249	965	-	-
Total Other Revenue	8,371,299	7,151,360	25,398,536	764,824

7. Claims, Surrenders and Maturities

	Group 2010 9 months $	Group 2009 12 months $	Company 2010 9 months $	Company 2009 12 months $
Death and disability claims	33,273,148	25,995,237	17,170,119	16,775,813
Surrenders	12,399,625	10,122,030	350,855	526,857
Maturities	-	52,473	-	52,473
Gross claims	45,672,773	36,169,740	17,520,974	17,355,143
Less: Savings component transferred from investment contract liabilities	(9,586,382)	(7,588,460)	(350,855)	(566,727)
Net claims	36,086,391	28,581,280	17,170,119	16,788,416

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

8. Commissions and Operating Expenses

	Note	Group 2010 9 months $	Group 2009 Restated 12 months $	Company 2010 9 months $	Company 2009 12 months $
Acquisition costs:					
Commissions		40,813,287	47,073,253	27,918,506	37,373,428
Operating expenses		23,386,042	23,148,218	20,253,449	21,574,998
		64,199,329	70,221,471	48,171,955	58,948,426
Maintenance costs:					
Commissions		6,783,635	5,816,236	3,604,376	3,661,524
Operating expenses		22,462,266	16,021,111	6,950,521	7,097,019
		29,245,901	21,837,347	10,554,897	10,758,543
Investment management costs		119,863	77,969	-	-
		93,565,093	92,136,787	58,726,852	69,706,969

9. Operating Expenses

	Group 2010 9 months $	Group 2009 Restated 12 months $	Company 2010 9 months $	Company 2009 12 months $
Depreciation and amortisation	9,463,316	7,524,084	821,168	1,110,286
Asset deficiency for guaranteed products	(153,177)	(982,581)	-	-
Wages and salaries	13,733,590	16,831,285	11,066,691	15,187,676
Operating lease charges	991,281	1,070,182	759,110	913,612
Provision for doubtful adviser debts	535,000	250,347	535,000	250,347
Donations	6,820	244	6,820	244
Auditors' remuneration	327,389	395,747	197,519	148,557
Remuneration of Directors	-	-	-	-
Head office recharges	10,292,994	5,434,992	6,529,995	3,760,992
Travel & accommodation	2,462,250	3,096,305	2,423,476	3,069,925
Medical & claims handling costs	1,885,767	1,641,492	1,413,755	1,272,608
IT expenses (excluding depreciation & amortisation)	1,014,901	601,311	841,079	395,750
Other operating expenses	5,288,177	3,305,921	2,609,357	2,562,020
Total operating expenses	45,848,308	39,169,329	27,203,970	28,672,017

10. Depreciation, Amortisation and Auditors' Remuneration

	Group 2010 9 months $	Group 2009 Restated 12 months $	Company 2010 9 months $	Company 2009 12 months $
Depreciation expense:				
Furniture and Fittings	50,204	66,666	50,204	66,666
Office Equipment	21,057	27,432	21,057	27,432
Leasehold improvements	99,197	200,713	99,197	200,713
Computer equipment	48,211	89,108	48,211	89,108
Total depreciation	218,669	383,919	218,669	383,919
Amortisation of Value of Business Acquired	6,154,000	4,784,000	-	-
Amortisation of intangible assets	3,090,647	2,356,165	602,499	726,367
Total depreciation and amortisation	9,463,316	7,524,084	821,168	1,110,286
Auditors' remuneration:				
KPMG – audit of financial statements	245,772	-	118,971	-
KPMG – other services	7,644	506	-	506
	253,416	506	118,971	506
Previous Auditors				
Ernst & Young - audit of financial statements	-	231,000	-	115,500
Ernst & Young - other services	73,973	164,241	78,548	32,551
	73,973	395,241	78,548	148,051
Total auditors' remuneration	327,389	395,747	197,519	148,557

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

11. Income Tax

	Group 2010 9 months $	Group 2009 Restated 12 months $	Company 2010 9 months $	Company 2009 Restated 12 months $
(a) Income tax (benefit) / expense				
Current income tax				
Current income tax benefit	(483,190)	-	-	-
Deferred income tax				
Income tax effect of losses generated in the current year not to be transferred to Onepath (NZ) Limited	(13,934,566)	(16,044,384)	(14,417,756)	(16,186,096)
Income tax effect of taxable temporary differences within policy liabilities	17,168,096	12,199,241	14,178,886	12,807,376
Tax effect of amortisation of VOBA	(1,846,200)	(1,435,200)	-	-
Origination and reversal of temporary differences	(2,071,038)	(313,618)	184,815	-
Adjustments for prior years	211,354	291,598	211,354	309,868
Change in tax rate (from 30% to 28%)	(4,519,314)	-	(1,985,182)	-
Income tax benefit reported in the Statement of Comprehensive Income	(5,454,858)	(5,302,363)	(1,827,883)	(3,068,852)
(b) Amounts charged directly to equity				
Profit before tax	26,500,822	11,443,860	38,086,183	(1,709,275)
Income tax on profit at statutory income tax rate of 30%	7,950,247	3,433,158	11,425,855	(512,783)
(Decrease) / Increase in income tax due to:				
Non-assessable Policyholder Income and Expenses	(6,736,340)	(8,021,356)	(2,384,328)	(3,515,030)
Non-assessable Policyholder Transfer	(650,546)	(864,199)	(695,168)	761,728
Non-assessable distribution from subsidiary	-	-	(7,500,000)	-
Unexpired Premium Revenue	877,219	-	-	-
Underwriting profit	462,487	691,078	31,378	225,000
Other non-assessable income	(188,050)	(784,618)	(10,223)	(713,661)
Other non-deductible expenses	46,135	(100,937)	90,020	189,930
PIE Income	170,722	325,842	-	-
Tax Credits	(46,684)	(37,200)	-	-
Tax adjustment for new life tax regime	(3,032,088)	-	(1,011,589)	-
Under/(Over) provided in prior period	211,354	320,576	211,354	309,868
Change in tax rate (from 30% to 28%)	(4,519,314)	-	(1,985,182)	0
	(5,454,858)	(5,037,656)	(1,827,883)	(3,254,948)
Income tax effect of tax losses not recognised	-	(264,707)	-	186,096
Income tax benefit reported in the Statement of Comprehensive Income	(5,454,858)	(5,302,363)	(1,827,883)	(3,068,852)
(c) Net deferred tax liability				
Balance at beginning of the year	53,558,275	18,005,503	14,936,651	18,005,503
Acquired on purchase of OnePath Insurance Services (NZ) Limited	-	12,936,866	-	-
Arising on recognition of VOBA	-	27,900,000	-	-
Deferred tax benefit charged to income	(4,971,668)	(5,302,363)	(1,827,883)	(3,068,852)
Prior period adjustment	-	18,269	-	-
Balance at end of the year	48,586,607	53,558,275	13,108,768	14,936,651

The balance of the net deferred tax liability comprises:

c(i) Net deferred tax liability	Group 2010 9 months $	Group 2009 Restated 12 months $	Company 2010 $	Company 2009 Restated 12 months $
Staff provisions	(538,766)	(243,886)	(383,685)	(196,863)
Other provisions	(2,164,551)	-	(1,464,551)	-
Income tax effect of losses generated not utilised	(48,436,315)	(38,910,541)	(43,338,844)	(33,448,965)
Income tax effect of taxable temporary differences within insurance contract liabilities	71,225,660	59,125,111	58,532,511	48,534,519
Income tax effect of taxable temporary differences within investment contract liabilities	77,185	104,064	-	-
Arising on recognition of VOBA	22,977,360	26,464,800	-	-
Management Rights	5,763,328	6,816,281	-	-
Other	(317,294)	202,446	(236,663)	47,960
Deferred tax liabilities	48,586,607	53,558,275	13,108,768	14,936,651

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

11. Income Tax (continued)

(d) Imputation credits	**Group 2010 9 months $**	**Group 2009 Restated 12 months $**	**Company 2010 9 months $**	**Company 2009 Restated 12 months $**
Balance at beginning of the year	-	-	-	-
Imputation credits acquired	-	-	-	-
Imputation credits attached to dividends received	-	-	-	-
Income tax paid	-	-	-	-
Income tax refunded	-	-	-	-
Balance at end of the year	-	-	-	-

The Company and Group are members of the OnePath Insurance (NZ) Consolidated Group and a member of ANZ Transtasman Imputation Group and imputation credits are held in these Groups.

(e) Policyholder Tax Base

Under the new life insurance tax regime, refer Note 1(n(ii), the Policyholder Tax Base no longer exists and any Policyholder Base Tax Losses calculated under that base are forfeited as they are not able to be carried forward into the new regime. As at 30 June 2010 (the last date of the old life insurance tax regime), the Company and Group had Policyholder Base Tax Losses as follows:

	Group 30 Sep 2010	**Group 31 Dec 2009**	**Company 30 Sep 2010**	**Company 31 Dec 2009**
Policyholder Base Tax Losses	503,263,416	464,168,489	59,805,957	52,578,684

(f) Deferred tax on policy liabilities

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 Statement of Comprehensive Income over the period services are provided to *policyholders. The* following deferred tax liabilities have been separately disclosed and included in the deferred tax liabilities balance representing taxable temporary differences which are implicitly embedded within insurance contract liabilities.

	Group 30 Sep 2010	**Group 31 Dec 2009 Restated**	**Company 30 Sep 2010**	**Company 31 Dec 2009 Restated**
Income tax effect of taxable temporary differences within insurance contract liabilities	71,225,660	59,125,111	58,532,511	48,534,519

12. 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 liabilities includes the use of published investment market yields (e.g. government 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 Statement of Financial Position 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 Statement of Comprehensive Income 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, 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 profit will vary from year to year.

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

12. Profit after Income Tax (continued)

	Group 2010 9 months $	Group 2009 Restated 12 months $	Company 2010 9 months $	Company 2009 Restated 12 months $
Sources of Profit after Income tax				
Movements in Policy Liabilities:				
Planned margins of revenues over expenses	28,354,964	23,543,067	8,476,351	6,030,958
The difference between actual and assumed experience	(12,694,051)	(1,094,192)	(10,568,963)	360,000
Changes to underlying assumptions	11,461,294	(5,855,042)	14,781,662	(8,740,621)
Investment earnings on assets in excess of policy liabilities	3,490,786	1,161,781	397,133	640,388
Other Movements:				
Dividend received from subsidiary	-	-	25,000,000	-
Business valued on accumulation basis	1,346,618	643,461	-	-
Net Inwards Commission	2,191,548	(746,132)	-	-
Amortisation of VOBA	(6,154,000)	(4,784,000)	-	-
Amortisation of Management Rights	(1,496,337)	(1,425,083)	-	-
Income tax benefit	5,454,858	5,302,363	1,827,883	3,068,852
Profit After Income Tax	31,955,680	16,746,223	39,914,066	1,359,577

13. Cash and Cash Equivalents

	Group 30 Sep 2010 $	Group 31 Dec 2009 $	Company 30 Sep 2010 $	Company 31 Dec 2009 $	Company 1 Jan 2009 $
Cash at bank	12,762,610	6,539,630	10,954,601	4,615,044	13,098,736
Short term deposits	29,803,273	37,916,408	5,000,000	7,000,000	-
Total cash and cash equivalents	42,565,883	44,456,038	15,954,601	11,615,044	13,098,736

Cash and cash equivalents have a maturity of less than 3 months and are therefore all current.

14. Trade and Other Receivables

	Group 30 Sep 2010 $	Group 31 Dec 2009 $	Company 30 Sep 2010 $	Company 31 Dec 2009 $	Company 1 Jan 2009 $
Sundry debtors and prepayments	657,394	743,257	126,451	282,017	398,612
Investment income receivable	11,801	91,713	4,801	87,890	-
Amounts due from group companies	-	-	386,113	395,013	395,013
Amounts due from related parties	17,874	-	-	-	-
Trade receivables	12,132,220	11,149,753	8,258,829	8,077,606	5,120,757
Total trade and other receivables	12,819,289	11,984,723	8,776,194	8,842,526	5,914,382

Trade Receivables	Group 30 Sep 2010 $	Group 31 Dec 2009 Restated $	Company 30 Sep 2010 $	Company 31 Dec 2009 Restated $	Company 1 Jan 2009 Restated $
Amount due from advisers	1,048,318	859,784	1,048,318	859,784	687,558
Outstanding premiums	1,729,642	1,487,376	1,210,063	1,039,053	796,002
Amounts due from reinsurers	9,354,260	8,802,593	6,000,448	6,178,769	3,637,197
	12,132,220	11,149,753	8,258,829	8,077,606	5,120,757

Trade and other receivables have an expected realisation of less than 12 months and are therefore all current.

Amounts due from advisers is stated net of provisions for doubtful debts. The table below shows the movement in the provision for doubtful debts.

	Group 30 Sep 2010 $	Group 31 Dec 2009 Restated $	Company 30 Sep 2010 $	Company 31 Dec 2009 Restated $	Company 1 Jan 2009 Restated $
Opening balance	465,000	586,000	465,000	586,000	531,000
Movement in provision charged to Statement of Comprehensive Income	535,000	250,347	535,000	250,347	55,000
Bad debts written off	-	(371,347)	-	(371,347)	-
Closing balance	1,000,000	465,000	1,000,000	465,000	586,000

Outstanding premiums is stated net of premiums received in advance for OnePath Insurance Services (NZ) Limited of $970,624 (2009: $1,195,628). Premiums received in advance for the Company are shown in note 20.

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

15. Income Tax Receivable

	Group 30 Sep 2010 $	Group 31 Dec 2009 $	Company 30 Sep 2010 $	Company 31 Dec 2009 $	Company 1 Jan 2009 $
Balance at beginning of period	25,301	-	-	-	-
Acquired on purchase of Onepath Insurance Services (NZ) Limited	-	61,381	-	-	-
Current income tax benefit	483,190	-	-	-	-
Tax paid/(received) during the period	(25,301)	(38,392)	-	-	-
Prior period adjustment	-	2,312	-	-	-
Balance at end of period	483,190	25,301	-	-	-

Income tax receivable has an expected realisation of less than 12 months and is therefore a current asset

16. Investments

	Group 30 Sep 2010 $	Group 31 Dec 2009 $	Company 30 Sep 2010 $	Company 31 Dec 2009 $	Company 1 Jan 2009 $
Shares in OnePath Insurance Services (NZ) Limited	-	-	152,078,730	152,078,730	-
Shares in Silver Fern Life Brokers Limited	-	-	(385,718)	(389,629)	(394,863)
Units in unit trusts	996,379	12,224,541	996,379	966,214	841,591
New Zealand Government stock	23,128,826	21,783,187	1,050,452	1,038,238	1,057,720
Debt Security Investments	40,065,790	43,533,019	-	-	31,458
Equity Investments	4,415,991	5,138,542	-	-	-
Total investments	68,606,986	82,679,289	153,739,843	153,693,553	1,535,906
Current	15,459,625	12,224,541	996,379	966,214	841,591
Non-current	53,147,361	70,454,748	152,743,464	152,727,339	694,315
	68,606,986	82,679,289	153,739,843	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 OnePath Insurance Services (NZ) Limited (previously know as ING Insurance Services (NZ) Limited), a company which provides life insurance and related products. OnePath Insurance Services (NZ) Limited has a balance date of 30 September. The Company's investment in OnePath Insurance Services (NZ) Limited is recorded at cost.

The Company owns 100% of Silver Fern Life Brokers Limited, which has a balance date of 30 September. Silver Fern Life Brokers Limited does not carry out any new business but continues to receive renewal commission on policies issued by it previously. The investment is recorded as a liability to reflect that the negative net assets of the subsidiary and the potential liability for the Company should Silver Fern Life Brokers Limited be wound up, as the negative net assets are funded by a loan from the Company.

New Zealand Government stock

Of the total holdings in New Zealand Government stock $2,000,000 is held on the Group's behalf, and $1,000,000 on the Company's behalf by Public Trust 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 nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

17. Property, Plant and Equipment

	Group 30 Sep 2010 $	Group 31 Dec 2009 $	Company 30 Sep 2010 $	Company 31 Dec 2009 $	Company 1 Jan 2009 $
Computer equipment at cost	719,792	719,792	719,792	719,792	624,573
Accumulated depreciation	(646,065)	(597,854)	(646,065)	(597,854)	(508,746)
Book value	73,727	121,938	73,727	121,938	115,827
Office furniture at cost	592,681	518,912	592,681	518,912	478,991
Accumulated depreciation	(413,382)	(363,178)	(413,382)	(363,178)	(296,512)
Book value	179,299	155,734	179,299	155,734	182,479
Office equipment at cost	189,227	189,227	189,227	189,227	155,920
Accumulated depreciation	(137,604)	(116,547)	(137,604)	(116,547)	(89,115)
Book value	51,623	72,680	51,623	72,680	66,805
Leasehold improvements at cost	671,989	584,155	671,989	584,155	565,142
Accumulated depreciation	(525,896)	(426,699)	(525,896)	(426,699)	(225,986)
Book value	146,093	157,456	146,093	157,456	339,156
Total property, plant and equipment	450,742	507,808	450,742	507,808	704,267

	Group 30 Sep 2010 $	Group 31 Dec 2009 $	Company 30 Sep 2010 $	Company 31 Dec 2009 $	Company 1 Jan 2009 $
Computer equipment					
Opening net book value at 1 January	121,938	115,827	121,938	115,827	87,894
Additions	0	95,219	0	95,219	99,324
Depreciation charge for the period	(48,211)	(89,108)	(48,211)	(89,108)	(71,391)
Closing net book value at end of period	73,727	121,938	73,727	121,938	115,827
Office furniture					
Opening net book value at 1 January	155,734	182,479	155,734	182,479	136,056
Additions	73,769	39,921	73,769	39,921	104,589
Depreciation charge for the period	(50,204)	(66,666)	(50,204)	(66,666)	(58,166)
Closing net book value at end of period	179,299	155,734	179,299	155,734	182,479
Office equipment					
Opening net book value at 1 January	72,680	66,805	72,680	66,805	51,132
Additions	0	33,307	0	33,307	37,241
Depreciation charge for the period	(21,057)	(27,432)	(21,057)	(27,432)	(21,568)
Closing net book value at end of period	51,623	72,680	51,623	72,680	66,805
Leasehold improvements					
Opening net book value at 1 January	157,456	339,156	157,456	339,156	230,466
Additions	87,834	19,013	87,834	19,013	194,497
Depreciation charge for the period	(99,197)	(200,713)	(99,197)	(200,713)	(85,807)
Closing net book value at end of period	146,093	157,456	146,093	157,456	339,156
Total property, plant and equipment	450,742	507,808	450,742	507,808	704,267

18. Deferred Acquisition Costs

	Group 30 Sep 2010 $	Group 31 Dec 2009 $	Company 30 Sep 2010 $	Company 31 Dec 2009 $	Company 1 Jan 2009 $
Balance at beginning of period	346,879	-	-	-	-
Acquired on purchase of Onepath Insurance Services (NZ) Limited	-	435,504	-	-	-
Amortisation	(71,220)	(88,625)	-	-	-
Balance at end of period	275,659	346,879	-	-	-
Cost	435,504	435,504	-	-	-
Accumulated amortisation	(159,845)	(88,625)	-	-	-
Balance at end of period	275,659	346,879	-	-	-

Amortisation of Deferred Acquisition Costs is included in the Commission Expense in the Statement of Comprehensive Income

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19. Intangible Assets

	Group 30 Sep 2010	Group 31 Dec 2009 Restated	Company 30 Sep 2010	Company 31 Dec 2009 Restated	Company 1 Jan 2009 Restated
Computer Software	$	$	$	$	$
Balance at beginning of year	2,470,410	1,181,870	1,342,956	1,181,870	620,450
Acquired on purchase of OnePath Insurance Services (NZ) Limited	-	369,081	-	-	-
Additions	186,717	1,850,541	186,717	887,453	1,013,619
Amortisation	(953,023)	(931,082)	(602,499)	(726,367)	(452,199)
Balance at end of year	1,704,104	2,470,410	927,174	1,342,956	1,181,870
Cost	7,699,586	7,512,869	6,270,183	6,083,466	5,196,013
Accumulated amortisation	(5,995,482)	(5,042,459)	(5,343,009)	(4,740,510)	(4,014,143)
Balance at end of year	1,704,104	2,470,410	927,174	1,342,956	1,181,870
Goodwill					
Balance at beginning of year	75,726,374	-	-	-	-
On purchase of OnePath Insurance Services (NZ) Limited	-	75,726,374	-	-	-
Balance at end of year	75,726,374	75,726,374	-	-	-
Value of Business Acquired ("VOBA")					
Balance at beginning of year	88,216,000	-	-	-	-
On purchase of OnePath Insurance Services (NZ) Limited	-	93,000,000	-	-	-
Amortisation	(6,154,000)	(4,784,000)	-	-	-
Balance at end of year	82,062,000	88,216,000	-	-	-
Cost	93,000,000	93,000,000	-	-	-
Accumulated amortisation	(10,938,000)	(4,784,000)	-	-	-
Balance at end of year	82,062,000	88,216,000	-	-	-
Management Rights					
Balance at beginning of year	22,720,937	-	-	-	-
Acquired on purchase of OnePath Insurance Services (NZ) Limited	-	24,146,020	-	-	-
Amortisation	(2,137,624)	(1,425,083)	-	-	-
Balance at end of year	20,583,313	22,720,937	-	-	-
Cost	24,146,020	24,146,020	-	-	-
Accumulated amortisation	(3,562,707)	(1,425,083)	-	-	-
Balance at end of year	20,583,313	22,720,937	-	-	-
Capital Work In Progress - Software					
Balance at beginning of year	64,004	-	-	-	-
Acquired on purchase of OnePath Insurance Services (NZ) Limited	-	67,486	-	-	-
Additions	-	64,004			
Disposals	(64,004)	(29,735)			
Capitalisations	-	(37,751)	-	-	-
Balance at end of year	-	64,004	-	-	-
Total Intangible Assets (non-current)	180,075,791	189,197,725	927,174	1,342,956	1,181,870

20. Trade and Other Payables

	Group 30 Sep 2010 $	Group 31 Dec 2009 $	Company 30 Sep 2010 $	Company 31 Dec 2009 $	Company 1 Jan 2009 $
Expense creditors and accruals	6,009,098	4,567,393	5,555,281	4,246,847	4,015,550
Trade creditors	13,417,666	12,307,448	4,478,285	3,509,137	4,991,912
Amounts due to related parties	42,953,109	42,818,852	884,317	455,501	337,601
Employee entitlements	2,703,395	3,006,388	2,408,050	2,811,646	841,653
	65,083,268	62,700,081	13,325,933	11,023,131	10,186,716

Trade creditors comprise:	Group 30 Sep 2010 $	Group 31 Dec 2009 Restated $	Company 30 Sep 2010 $	Company 31 Dec 2009 Restated $	Company 1 Jan 2009 Restated $
Amounts due to advisers	143,302	171,758	143,302	171,758	100,243
Deposits held for unissued policies	728,630	460,047	708,789	435,885	276,279
Policyholder premiums paid in advance	2,264,128	1,896,168	2,264,128	1,896,168	1,493,664
Outstanding claims	8,289,553	8,045,823	-	-	-
Amounts due to reinsurers	1,992,053	1,733,652	1,362,066	1,005,326	3,121,726
	13,417,666	12,307,448	4,478,285	3,509,137	4,991,912

Trade and other payables have an expected settlement date of less than 12 months and are therefore all current.
Outstanding claims relates to outstanding claims for OnePath Insurance Services (NZ) Limited. The Company's outstanding claims balances of $4,133,450 (2009: $2,870,791) are included within the calculation of policy liabilities in note 22.
Policyholder premiums paid in advance for OnePath Insurance Services (NZ) Limited of $970,624 (2009: $1,195,628) have been netted off the outstanding premiums *balance in note 14.*

21. Other Financial Liabilities

	Group 30 Sep 2010 $	Group 31 Dec 2009 $	Company 30 Sep 2010 $	Company 31 Dec 2009 $	Company 1 Jan 2009 $
Subordinated loan from OnePath Insurance Holdings (NZ) Limited (previously known as ING Insurance Holdings Limited).	152,078,730	152,078,730	152,078,730	152,078,730	-
Subordinated loans from OnePath Insurance Services (NZ) Limited.	-	-	25,000,000	25,000,000	-
	152,078,730	152,078,730	177,078,730	177,078,730	-

Other liabilities have an expected settlement date of greater than 12 months and are therefore all non-current.

Subordinated loan from OnePath Insurance Holdings (NZ) Limited

On 30 June 2009 OnePath Insurance Holdings (NZ) 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 OnePath Insurance Services (NZ) Limited from OnePath Insurance Holdings (NZ) Limited.

This loan is subordinated to the interests of the Company's policyholders. Interest is payable on the loan at an applicable interest rate, only if demanded by the lender. The outstanding loan balance , plus interest (if applicable) is repayable on demand, provided it would not cause the Group to breach the solvency standard of the New Zealand Society of Actuaries Professional Standard No. 5.01: Solvency Reserving for Life Insurance Business.

Subordinated loans from OnePath Insurance Services (NZ) Limited

On 30 June 2009 OnePath Insurance Services (NZ) Limited, a related party provided *the Group with a $25m subordinated loan facility*, this was drawn down in two instalments , $15m on 30 June 2009 and $10m on 30 September 2009. Interest is payable on the loan at an applicable interest rate, only if demanded by the lender. The outstanding loan balance , plus interest (if applicable) is repayable on demand, provided it would not cause the Group to breach the solvency standard of the New Zealand Society of Actuaries Professional Standard No. 5.01: Solvency Reserving for Life Insurance Business.

22. Policy Liabilities / (Assets)

	Group 30 Sep 2010 $	Group 31 Dec 2009 Restated $	Company 30 Sep 2010 $	Company 31 Dec 2009 Restated $	Company 1 Jan 2009 Restated $
a) Movement in Insurance Contract Liabilities / (Assets) - Gross					
Insurance Contract Liabilities / (Assets) - Gross of reinsurance at beginning of period	(160,138,942)	(151,467,313)	(194,116,215)	(151,467,313)	(87,253,409)
Acquired on purchase of OnePath Insurance Services (NZ) Limited	-	43,797,224	-	-	-
Decrease recognised in Statement of Comprehensive Income	(62,657,687)	(52,468,853)	(56,189,670)	(42,648,902)	(64,213,904)
Insurance Contract Liabilities / (Assets) - Gross of reinsurance at end of period	(222,796,629)	(160,138,942)	(250,305,885)	(194,116,215)	(151,467,313)
b) Movement in Insurance Contract Liabilities / (Assets) - Reinsurance					
Insurance Contract Liabilities - Reinsurance at beginning of period	42,409,664	42,475,867	44,859,753	42,475,867	32,895,374
Acquired on purchase of OnePath Insurance Services (NZ) Limited	-	(3,127,216)	-	-	-
Increase recognised in Statement of Comprehensive Income	7,919,046	3,061,013	9,656,132	2,383,886	9,580,493
Insurance Contract Liabilities - Reinsurance at end of period	50,328,710	42,409,664	54,515,885	44,859,753	42,475,867
c) Movement in Investment Contract Liabilities - Gross					
Investment Contract Liabilities at beginning of period	43,108,252	2,198,908	2,124,780	2,198,908	2,455,141
Acquired on purchase of OnePath Insurance Services (NZ) Limited	-	47,573,758	-	-	-
Increase recognised in Statement of Comprehensive Income	876,500	1,414,961	53,358	112,857	93,529
Savings component of premiums transferred to investment contract liabilities	314,278	491,665	288,717	379,742	497,065
Savings component of claims transferred from investment contract liabilities	(9,586,382)	(7,588,460)	(350,855)	(566,727)	(846,827)
Decrease in Asset Deficiency	(153,177)	(982,580)	-	-	-
Investment Contract Liabilities at end of period	34,559,471	43,108,252	2,116,000	2,124,780	2,198,908
<u>**Summary of policy liabilities / (assets)**</u>					
Investment contract liabilities - gross	34,559,471	43,108,252	2,116,000	2,124,780	2,198,908
Insurance contract liabilities / (assets) - gross	(222,796,629)	(160,138,942)	(250,305,885)	(194,116,215)	(151,467,313)
Gross policy liabilities	(188,237,158)	(117,030,690)	(248,189,885)	(191,991,435)	(149,268,405)
Reinsurance assets	50,328,710	42,409,664	54,515,885	44,859,753	42,475,867
Net policy liabilities / (assets)	(137,908,448)	(74,621,026)	(193,674,000)	(147,131,682)	(106,792,538)

Group

	30 Sep 2010 $ Investment Linked	30 Sep 2010 $ Non-Investment Linked	30 Sep 2010 $ Total
Policy liabilities / (assets) contain the following components:			
Future policy benefits	34,559,471	339,586,479	374,145,950
Future expenses	-	184,306,148	184,306,148
Future planned margins of revenues over expenses	-	243,381,448	243,381,448
Future premiums	-	(939,741,994)	(939,741,994)
Closing policy liabilities / (assets)	34,559,471	(172,467,919)	(137,908,448)

	31 Dec 2009 Restated $ Investment Linked	31 Dec 2009 Restated $ Non-Investment Linked	31 Dec 2009 Restated $ Total
Policy liabilities / (assets) contain the following components:			
Future policy benefits	43,108,252	257,614,685	300,722,937
Future expenses	-	157,956,734	157,956,734
Future planned margins of revenues over expenses	-	190,172,356	190,172,356
Future premiums	-	(723,473,053)	(723,473,053)
Closing policy liabilities / (assets)	43,108,252	(117,729,278)	(74,621,026)

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

22. Policy Liabilities / (Assets) (continued)

Company

	30 Sep 2010 $ Investment Linked	30 Sep 2010 $ Non-Investment Linked	30 Sep 2010 $ Total
Policy liabilities / (assets) contain the following components:			
Future policy benefits	2,116,000	204,929,880	207,045,880
Future expenses	-	135,113,249	135,113,249
Future planned margins of revenues over expenses	-	92,779,194	92,779,194
Future premiums	-	(628,612,323)	(628,612,323)
Closing policy liabilities / (assets)	2,116,000	(195,790,000)	(193,674,000)

	31 Dec 2009 Restated $ Investment Linked	31 Dec 2009 Restated $ Non-Investment Linked	31 Dec 2009 Restated $ Total
Policy liabilities / (assets) 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 / (assets)	2,124,780	(149,256,462)	(147,131,682)

	1 Jan 2009 Restated $ Investment Linked	1 Jan 2009 Restated $ Non-Investment Linked	1 Jan 2009 Restated $ Total
Policy liabilities / (assets) 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 / (assets)	2,198,908	(108,991,446)	(106,792,538)

Included within the Group's investment contract liabilities are $33,237,025 (31 December 2009: $40,726,740) of liabilities that contain guaranteed returns to policyholders arising from the Group's lump sum bond portfolio. Included within the Company's investment contract liabilities are $793,554 (31 December 2009: $769,320) of liabilities that contain guaranteed returns to policyholders arising from the Company's lump sum bond portfolio.

Group

	30 Sep 2010 $	31 Dec 2009 Restated $
Estimated Discounted Cash Flows from Insurance Contract Liabilities / (assets) - Gross		
< 1 Year	(23,548,942)	(24,886,087)
1 - 5 Years	(57,754,075)	(68,734,597)
5 + Years	(141,493,612)	(66,518,258)
Total Insurance Contract Liabilities / (assets) - Gross	(222,796,629)	(160,138,942)
Estimated Discounted Cash Flows from Insurance Contract Liabilities / (assets) - reinsurance		
< 1 Year	3,425,416	8,097,076
1 - 5 Years	12,155,624	12,725,810
5 + Years	34,747,670	21,586,778
Total Insurance Contract Liabilities / (assets) - reinsurance	50,328,710	42,409,664

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

22. Policy Liabilities / (ssets) (continued)

Company

	30 Sep 2010 $	31 Dec 2009 Restated $	1 Jan 2009 Restated $
Estimated Discounted Cash Flows from Insurance Contract Liabilities / (assets) - Gross			
< 1 Year	(23,511,306)	(23,207,732)	(15,510,004)
1 - 5 Years	(64,346,013)	(69,700,713)	(41,143,336)
5 + Years	(162,448,566)	(101,207,770)	(94,813,973)
Total Insurance Contract Liabilities / (assets) - Gross	(250,305,885)	(194,116,215)	(151,467,313)
Estimated Discounted Cash Flows from Insurance Contract Liabilities / (assets) - reinsurance			
< 1 Year	3,809,768	8,284,730	13,956,973
1 - 5 Years	13,895,717	14,080,789	18,629,164
5 + Years	36,810,400	22,494,234	9,889,730
Total Insurance Contract Liabilities / (assets) - reinsurance	54,515,885	44,859,753	42,475,867

23. 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 – 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

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 occurring 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 fair value of the financial assets are summarised in the table below:

a) Financial Classification

Group

	Level 1 Amount 30 Sep 2010	Level 2 Amount 30 Sep 2010	Level 3 Amount 30 Sep 2010	Total fair value Amount 30 Sep 2010
Financial assets at fair value through profit and loss				
Cash and cash equivalents	-	42,565,883	-	42,565,883
NZ Government stock	23,128,826	-	-	23,128,826
Debt Security Investments	-	37,407,834	2,657,956	40,065,790
Equity Investments	4,415,991	-	-	4,415,991
Units in unit trusts	-	996,379	-	996,379
	27,544,817	80,970,096	2,657,956	111,172,869
Financial liabilities at fair value through profit and loss				
Investment Contract Liabilities	-	34,559,471	-	34,559,471
	-	34,559,471	-	34,559,471

	Level 1 Amount 31 Dec 2009	Level 2 Amount 31 Dec 2009	Level 3 Amount 31 Dec 2009	Total fair value Amount 31 Dec 2009
Financial assets at fair value through profit and loss				
Cash and cash equivalents	-	44,456,038	-	44,456,038
NZ Government stock	21,783,187	-	-	21,783,187
Debt Security Investments	220,150	40,314,187	2,998,682	43,533,019
Equity Investments	5,138,542	-	-	5,138,542
Units in unit trusts	-	12,224,541	-	12,224,541
	27,141,879	96,994,766	2,998,682	127,135,327
Financial liabilities at fair value through profit and loss				
Investment Contract Liabilities	-	43,108,252	-	43,108,252
	-	43,108,252	-	43,108,252

23. Financial Assets - Determination of fair value and fair value hierarchy (continued)

Company

	Level 1 Amount 30 Sep 2010	Level 2 Amount 30 Sep 2010	Level 3 Amount 30 Sep 2010	Total fair value Amount 30 Sep 2010
Financial assets at fair value through profit and loss				
Cash and cash equivalents	-	15,954,601	-	15,954,601
NZ Government stock	1,050,452	-	-	1,050,452
Units in unit trusts	-	996,379	-	996,379
	1,050,452	16,950,980	-	18,001,432
Financial liabilities at fair value through profit and loss				
Investment Contract Liabilities	-	2,116,000	-	2,116,000
	-	2,116,000	-	2,116,000

Financial Assets	Level 1 Amount 31 Dec 2009	Level 2 Amount 31 Dec 2009	Level 3 Amount 31 Dec 2009	Total fair value Amount 31 Dec 2009
Financial assets at fair value through profit and loss				
Cash and cash equivalents	-	11,615,044	-	11,615,044
NZ Government stock	1,038,238	-	-	1,038,238
Units in unit trusts	-	966,214	-	966,214
	1,038,238	12,581,258	-	13,619,496
Financial liabilities at fair value through profit and loss				
Investment Contract Liabilities	-	2,124,780	-	2,124,780
	-	2,124,780	-	2,124,780

b) Level 3 Movements	Group 30 Sep 2010	Group 31 Dec 2009
Balance at beginning of period	2,998,682	2,970,692
Fair value adjustments of investments through profit and loss	120,212	75,209
Purchases	286,290	1,947,983
Sales	(747,228)	(1,995,202)
Balance at end of period	2,657,956	2,998,682

c) Sensitivity of Level 3 Valuation

The table below shows the impact on the Statement of Comprehensive Income and Equity of the Level 3 financial assets, should the value move 10% from the stated amount as at the end of the period:

	Group 30 Sep 2010		Group 31 Dec 2009	
Fair Value Movement	+10%	-10%	+10%	-10%
Impact on Statement of Comprehensive Income before tax	265,796	(265,796)	299,868	(299,868)
Impact on Equity	186,057	(186,057)	209,908	(209,908)

d) Level 3 Investments

The Group holds 4 parcels of mortgage backed securities with a carrying value of $1,259,256 at 30 September 2010 (31 December 2009: 5 parcels with a carrying value of $1,615,810) and 1 floating rate note parcel with a carrying value of $1,398,700 at 30 September 2010 (31 December 2009: 1 parcel with a carrying value of $1,382,872) which have been deemed to be Level 3 for the purpose of fair value disclosures in the financial statements.

As these investments do not operate in an active liquid market, the following valuation technique(s) have been adopted, and applied where appropriate, in order to determine the fair value of the individual investment:

a) Broker quotes
Broker quotes are indicative prices issued by the broker associated with the original issue of the underlying investment. Broker quotes are not offers to buy the investments, and may not be indicative of a price that can be achieved in the immediate future.

b) Margin over swap
Fair value is determined through the discounting of investments based on swap curves or par curves (including money market) plus an adequate credit spread.

c) Floating Rate Note (FRN) calculator
The FRN calculator is a floating rate note pricing model using an applicable discount money market instrument and an annuity stream to maturity based on current market spread. Where the floating rate note is a mortgage backed security, the Fund Manager may choose to re-estimate the expected time of repayment for the said security.

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

24. 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 Group 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 investment mandate limits, is also monitored by the Group. These mandate limits reflect the investment strategy and market environment of the Group, 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 Group'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 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.

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 21.

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 on the Statement of Comprehensive Income 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 30 September 2010 (31 December 2009)
- changes in insurance contract liabilities

The following table demonstrates the sensitivity of the Group's Statement of Comprehensive Income (Profit after income tax expenses) to a reasonably possible change in interest rates, with all other variables held constant:

Group **Interest Rate Sensitivity** **(as a result of fair value changes)**	**Cash and Cash Equivalents**	**Fixed Rate Interest Bearing Investments**	**Insurance Contract Liabilities (Gross less Reinsurance)**
Balance reported at 30 September 2010	42,565,883	63,194,616	172,467,919
Profit/(Loss) Impact:			
+1% (100 basis points) move in interest rates	(17,066)	(503,562)	(15,295,991)
-1% (100 basis points) move in interest rates	17,106	503,912	18,283,873
Balance reported at 31 December 2009	44,456,038	65,316,206	117,729,278
Profit/(Loss) Impact:			
+1% (100 basis points) move in interest rates	(6,309)	(692,554)	(9,171,566)
-1% (100 basis points) move in interest rates	6,337	693,219	10,908,143

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

24. Financial Risk Management and Objectives (continued)

Company

Interest Rate Sensitivity (as a result of fair value changes)	**Cash and Cash Equivalents**	**Fixed Rate Interest Bearing Investments**	**Insurance Contract Liabilities (Gross less Reinsurance)**
Balance reported at 30 September 2010	15,954,601	1,050,452	195,790,000
Profit/(Loss) Impact:			
+1% (100 basis points) move in interest rates	-	(11,090)	(16,847,534)
-1% (100 basis points) move in interest rates	-	11,267	19,900,660
Balance reported at 31 December 2009	11,615,044	1,038,238	149,256,462
Profit/(Loss) Impact:			
+1% (100 basis points) move in interest rates	-	(17,965)	(11,536,004)
-1% (100 basis points) move in interest rates	-	18,381	13,477,284

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 minimal investments denominated in foreign currencies at 30 September 2010 or 31 December 2009. The Group has no foreign currency liabilities.

24. Financial Risk Management and Objectives (continued)

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 is 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, including reinsurers.

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.

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

	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Cash	12,762,610	6,539,630	10,954,601	4,615,044
Short term bank deposits	29,803,273	37,916,408	5,000,000	7,000,000
New Zealand Government Stock	23,128,826	21,783,187	1,050,452	1,038,238
Debt Security Instruments	40,065,790	43,533,019	-	-
Equity Investments	4,415,991	5,138,542	-	-
Units in unit trusts	996,379	12,224,541	996,379	966,214
Trade and other receivables	12,819,289	11,984,723	8,776,194	8,842,526
	123,992,158	139,120,050	26,777,626	22,462,022

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 2010 %	Group 2009 %	Company 2010 %	Company 2009 %
NZ Government Stock	AAA	18.66	15.66	3.92	4.62
ANZ National Bank Limited	AA	16.09	14.69	40.47	20.13
ASB Bank	AA	6.79	8.67	0.00	0.00
Westpac Banking Corporation	AA	6.43	6.56	0.00	0.00
HSBC	AA	4.83	0.00	0.00	0.00
Bank of New Zealand	AA	4.13	0.07	19.11	0.41
Citibank	A+	3.19	0.00	0.00	0.00
Onepath (NZ) Limited	AA	0.80	8.77	3.72	4.30
Kiwibank Limited	AA-	0.00	5.03	0.00	31.16

24. Financial Risk Management and Objectives (continued)

e) Liquidity risk

The Group's investments are disclosed in Note 16. 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 table below summaries the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Group	**On demand 2010 $**	**Less than 3 months 2010 $**	**3 to 12 months 2010 $**	**1 to 5 years 2010 $**
Trade and other payables	-	22,130,159	-	-
Related party liabilities		3,315,583	-	39,637,526
Subordinated loans	152,078,730	-	-	-
Insurance contract liabilities - reinsurance	-	-	3,425,416	46,903,294
Insurance contract liabilities/(assets) - Gross	-		(23,548,942)	(199,247,687)
Investment contract liabilities	34,559,471	-	-	-

	On demand 2009 $	Less than 3 months 2009 $	3 to 12 months 2009 $	1 to 5 years 2009 $
Trade and other payables	-	18,459,103	1,422,126	-
Related party liabilities		3,181,326		39,637,526
Subordinated loans	152,078,730	-	-	-
Insurance contract liabilities - reinsurance	-	-	8,097,076	34,312,588
Insurance contract liabilities/(assets) - Gross	-		(24,886,087)	(135,252,855)
Investment contract liabilities	43,108,252	-	-	-

Company	**On demand 2010 $**	**Less than 3 months 2010 $**	**3 to 12 months 2010 $**	**1 to 5 years 2010 $**
Trade and other payables	-	13,325,933	-	-
Subordinated loans	177,078,730			
Insurance contract liabilities - reinsurance	-	-	3,809,768	50,706,117
Insurance contract liabilities/(assets) - Gross	-		(23,511,306)	(226,794,579)
Investment contract liabilities	2,116,000	-	-	-

	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	-	-	-

24. 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:

		Group 2010 30 September 2010 Profit/(Loss)		Company 2010 30 September 2010 Profit/(Loss)	
	Change	Gross of Reinsurance $	Net of Reinsurance $	Gross of Reinsurance $	Net of Reinsurance $
Change in mortality and morbidity	+ 10%	(3,025,471)	(2,079,031)	(1,128,754)	(906,504)
	- 10%	3,032,042	2,082,776	1,133,010	907,864
Change in lapse rate	+ 10%	(2,032,865)	(1,914,095)	(1,705,096)	(1,586,326)
	- 10%	2,020,615	1,867,881	1,698,487	1,545,753
Change in expense assumption	+ 10%	(97,711)	(97,711)	211,001	211,001
	- 10%	97,711	97,711	(211,001)	(211,001)

		Group 2009 31 December 2009 Profit/(Loss)		Company 2009 31 December 2009 Profit/(Loss)	
	Change	Gross of Reinsurance $	Net of Reinsurance $	Gross of Reinsurance $	Net of Reinsurance $
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)

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:

	Group As at 30 September 2010		Company As at 30 September 2010	
Sum Assured ($000)	Before Reinsurance %	After Reinsurance %	Before Reinsurance %	After Reinsurance %
0 - 50	4.14	7.01	0.83	1.22
50 - 150	20.87	26.21	7.16	10.16
150 - 250	20.66	26.11	13.11	20.44
250 - 500	33.45	31.74	39.83	46.98
More than 500	20.88	8.93	39.07	21.20
	100.00	100.00	100.00	100.00

	Group As at 31 December 2009		Company As at 31 December 2009	
Sum Assured ($000)	Before Reinsurance %	After Reinsurance %	Before Reinsurance %	After Reinsurance %
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

24. 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 30 Sep 2010	Group 31 Dec 2009 Restated
	$	$
Insurance contract liabilities - reinsurance	50,328,710	42,409,664
Investment contract liabilities	34,559,471	43,108,252
Interest bearing liabilities	-	-
Trade and other payables	22,130,159	19,881,229
Related party balances	42,953,109	42,818,852
Less cash and cash equivalents	(42,565,883)	(44,456,038)
Net debt	107,405,566	103,761,959
Total Equity	177,437,383	135,481,703
Capital and net debt	**284,842,949**	**239,243,662**
Gearing ratio	**38%**	**43%**

	Company 30 Sep 2010	Company 31 Dec 2009 Restated	Company 1 Jan 2009 Restated
	$	$	$
Insurance contract liabilities - reinsurance	54,515,885	44,859,753	42,475,867
Investment contract liabilities	2,116,000	2,124,780	2,198,908
Interest bearing liabilities	-	-	-
Trade and other payables	13,325,933	11,023,131	10,186,716
Less cash and cash equivalents	(15,954,601)	(11,615,044)	(13,098,736)
Net debt	54,003,217	46,392,620	41,762,755
Total Equity	170,009,123	120,095,057	101,035,480
Capital and net debt	**224,012,340**	**166,487,677**	**142,798,235**
Gearing ratio	**24%**	**28%**	**29%**

The Group does not maintain a target gearing ratio, rather capital is managed to ensure the Company meets at all times the solvency requirements of Professional Standard No. 5.01 of the New Zealand Society of Actuaries, as set out in note 26.

25. Financial Instruments

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 2010	Fair Value 2010	Carrying Amount 2009	Fair Value 2009
	$	$	$	$
Financial assets				
Cash and cash equivalents	42,565,883	42,565,883	44,456,038	44,456,038
Trade and other receivables	12,819,289	12,819,289	11,984,723	11,984,723
NZ Government stock	23,128,826	23,128,826	21,783,187	21,783,187
Debt Security Investments	40,065,790	40,065,790	43,533,019	43,533,019
Equity Investments	4,415,991	4,415,991	5,138,542	5,138,542
Units in unit trusts	996,379	996,379	12,224,541	12,224,541
	123,992,158	123,992,158	139,120,050	139,120,050
Financial liabilities				
Trade and other payables	65,083,268	65,083,268	62,700,081	62,700,081
Subordinated loans	152,078,730	152,078,730	152,078,730	152,078,730
Insurance contract liabilities - reinsurance	50,328,710	50,328,710	42,409,664	42,409,664
Investment contract liabilities	34,559,471	34,559,471	43,108,252	43,108,252
	302,050,179	302,050,179	300,296,727	300,296,727

25. Financial Instruments (continued)

Company	Carrying Amount 2010 $	Fair Value 2010 $	Carrying Amount 2009 $	Fair Value 2009 $
Financial assets				
Cash and cash equivalents	15,954,601	15,954,601	11,615,044	11,615,044
Trade and other receivables	8,776,194	8,776,194	8,842,526	8,842,526
New Zealand Government stock	1,050,452	1,050,452	1,038,238	1,038,238
Units in unit trusts	996,379	996,379	966,214	966,214
	26,777,626	26,777,626	22,462,022	22,462,022
Financial liabilities				
Trade and other payables	13,325,933	13,325,933	11,023,131	11,023,131
Subordinated loans	177,078,730	177,078,730	177,078,730	177,078,730
Insurance contract liabilities - reinsurance	54,515,885	54,515,885	44,859,753	44,859,753
Investment contract liabilities	2,116,000	2,116,000	2,124,780	2,124,780
	247,036,548	247,036,548	235,086,394	235,086,394

26. Share Capital

	Group and Company	
	30 Sep 2010	30 Sep 2010
	Number	$
Authorised, issued and fully paid up		
Ordinary shares	87,685,311	126,700,738

During the nine months ended 30 September 2010 the Company issued 6,635,700 shares at $1.507.

	Group and Company	
	31 Dec 2009	31 Dec 2009
	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.

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

Group

Equity of Life Insurance business

	30 Sep 2010	31 Dec 2009 Restated
	$	$
Equity retained for solvency purposes		
Equity of shareholder	177,437,383	135,481,703
Less: Equity retained for solvency purposes	(155,500,340)	(122,153,931)
Equity available for distribution	21,937,043	13,327,772

Company

Equity of Life Insurance business

	30 Sep 2010	31 Dec 2009 Restated	1 Jan 2009 Restated
	$	$	$
Equity retained for solvency purposes			
Equity of shareholder	170,009,123	120,095,057	101,035,480
Less: Equity retained for solvency purposes	(150,018,414)	(111,111,502)	(97,519,248)
Equity available for distribution	19,990,709	8,983,555	3,516,232

Group
Based on actuarial advice the Directors have determined that $155,500,340 (31 December 2009: $122,153,931) of equity is a contribution to solvency and is therefore not distributable.

Company
Based on actuarial advice the Directors have determined that $150,018,414 (31 December 2009: $111,111,502) 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 2.50% (2009: 2.50%). The margins on other assumptions were as follows (all positive):

	2010	2009
	%	%
Mortality	10	10
Total and permanent disability	20	20
Trauma	30	30
Major medical	30	30
Disability income future claims	50	50
Maintenance expenses	2.5	2.5
Voluntary discontinuance	25	25

27. Retained Earnings and Available for Sale Reserves

	Group 30 Sep 2010 $	Group 31 Dec 2009 Restated $	Company 30 Sep 2010 $	Company 31 Dec 2009 Restated $	Company 1 Jan 2009 Restated $
(a) Retained earnings					
Balance 1 January	18,780,965	2,034,742	3,394,319	2,034,742	7,562,054
Effect of change in accounting policy for available for sale investments	-	-	-	-	(25,495)
Effect of recognition of deferred taxation on taxable *temporary differences* within policy liabilities	-	-	-	-	(35,727,144)
Net profit for the period	31,955,680	16,746,223	39,914,066	1,359,577	30,225,327
Balance at end of period	50,736,645	18,780,965	43,308,385	3,394,319	2,034,742
(b) Available for Sale Reserve					
Balance 1 January	-	32,225	-	-	(25,495)
Effect of change in accounting policy for available for sale investments	-	(32,225)	-	-	25,495
Increase/(decrease) in available for sale reserves	-	-	-	-	-
Balance 31 December	-	-	-	-	-

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

28. Cash Flow Reconciliation

	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Net profit after tax	31,955,680	16,746,223	39,914,066	1,359,577
Non-cash items and non-operating items:				
Revaluation of subsidiary	-	-	(3,911)	(5,234)
Depreciation	218,669	383,919	218,669	383,919
Amortisation of computer software	953,023	840,606	602,499	726,367
Amortisation of deferred acquisition costs	71,220	41,795	-	-
Amortisation of management rights	2,137,624	1,425,083	-	-
Amortisation of VOBA	6,154,000	4,784,000	-	-
Movement in provision for doubtful adviser debts	535,000	(121,000)	535,000	(121,000)
Movement in provision for employee entitlements	(302,993)	1,969,993	(403,596)	1,969,993
Unrealised gain on investments	(1,329,039)	(1,132,224)	(27,506)	(98,883)
Distributions from subsidiary treated as financing activity	-	-	(25,000,000)	-
Movement in interest accrual on debt securities	(14,873)	(493)	(14,873)	(494)
	40,378,311	24,937,902	15,820,348	4,214,245
Movement in policy liabilities:				
Recognised in the profit after taxation	(53,862,141)	(47,992,879)	(46,480,180)	(40,152,159)
Savings component of premiums	314,278	491,665	288,717	379,742
Savings component of claims, surrenders and maturities	(9,586,382)	(7,588,460)	(350,855)	(566,727)
Decrease in asset deficiency for guaranteed products	(153,177)	(982,581)	-	-
	(63,287,422)	(56,072,255)	(46,542,318)	(40,339,144)
Movements in working capital:				
Change in deferred tax liabilities	(4,971,669)	(5,302,363)	(1,827,883)	(3,068,852)
Change in trade and other receivables	(1,357,239)	(1,586,699)	(477,568)	(2,807,144)
Change in trade and other payables	2,279,969	(1,312,239)	2,706,398	(961,426)
	(4,048,939)	(8,201,301)	400,947	(6,837,422)
Net cash flows from operating activities	(26,958,050)	(39,335,654)	(30,321,023)	(42,962,321)

29. Subsequent Events

In November 2010, OnePath Insurance Services (NZ) Limited paid a dividend to the Company of $20 million. There are no other material subsequents for the Company or Group.

30. Commitments

Group and Company as a lessee

Future minimum rentals payable under non-cancellable operating leases as at 30 September 2010 and 31 December 2009 are as follows:

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Within one year	1,248,300	1,112,394	883,477	790,868
After one year but not more than five years	642,305	1,351,355	101,816	708,302
	1,890,605	2,463,749	985,293	1,499,170

Capital commitments

The Company and Group had no commitments for fixed asset purchases or other capital commitments at 30 September 2010 (31 December 2009, Group only: $22,465).

31. Contingent Liabilities

The Group has no contingent liabilities at 30 September 2010 (31 December 2009: nil).

32. Related Parties

(a) Ultimate Parent

Up until 30 November 2009 the Group and Company were ultimately owned by a joint venture between the ING Groep NV ("ING Group") and Australia and New Zealand Banking Group Limited ("ANZ Group"). On 30 November 2009, the ANZ Group obtained 100% control and since that time the ultimate parent company for the Group and Company has been ANZ Group (which is incorporated in Victoria, Australia). The Group and Company are part of ANZ Group's operations in New Zealand, and the ultimate parent company in New Zealand is ANZ Holdings (New Zealand) Limited. The immediate parent company is OnePath Insurance Holdings (NZ) Limited.

(b) Balances with Related Parties (Group)

Company	Counterparty	Relationship	30 Sep 2010 $ Receivable (Payable)	31 Dec 2009 $ Receivable (Payable)
OnePath Life (NZ) Limited	OnePath (NZ) Limited (previously known as ING (NZ) Limited)	A	(884,317)	(455,501)
OnePath Life (NZ) Limited	OnePath Insurance Holdings (NZ) Limited (previously known as ING Insurance Holdings Limited)	C	(152,078,730)	(152,078,730)
OnePath Life (NZ) Limited	ANZ National Bank Limited	A	10,837,042	4,522,647
OnePath Insurance Services (NZ) Limited	UDC Finance Limited	A	17,874	-
OnePath Insurance Services (NZ) Limited	OnePath Insurance Holdings (NZ) Limited	C	(9,078,633)	(9,078,633)
OnePath Insurance Services (NZ) Limited	OnePath (NZ) Limited	A	(32,195,597)	(32,323,075)
OnePath Insurance Services (NZ) Limited	Argosy Property Management Limited (previously known as ING Property Trust Management Limited)	A	(422)	-
OnePath Insurance Services (NZ) Limited	ANZ National Bank Limited	A	(794,140)	(961,643)
Total Balances			(184,176,923)	(190,374,935)

Balances with Related Parties (Company)

Company	Counterparty	Relationship	30 Sep 2010 $ Receivable (Payable)	31 Dec 2009 $ Receivable (Payable)
OnePath Life (NZ) Limited	OnePath (NZ) Limited (previously known as ING (NZ) Limited)	A	(884,317)	(455,501)
OnePath Life (NZ) Limited	OnePath Insurance Holdings (NZ) Limited (previously known as ING Insurance Holdings Limited)	C	(152,078,730)	(152,078,730)
OnePath Life (NZ) Limited	OnePath Insurance Services (NZ) Limited	B	(25,000,000)	(25,000,000)
OnePath Life (NZ) Limited	Silver Fern Life Brokers Limited	B	386,113	395,013
OnePath Life (NZ) Limited	ANZ National Bank Limited	A	10,837,042	4,522,647
Total Balances			(166,739,892)	(172,616,571)

Relationship
A. Subsidiary of ANZ Group, but external to the Group
B. Subsidiary of the Group and Company
C. Immediate parent company

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

32. Related Parties (continued)

(c) Transactions with Related Parties (Group)

Company	Counterparty	Nature of Transactions	2010 $ Paid (Received)	2009 $ Paid (Received)
OnePath Life (NZ) Limited	OnePath (NZ) Limited	Reimbursement for expenses paid and fixed assets purchased	6,529,995	3,760,992
OnePath Life (NZ) Limited	OnePath Insurance Holdings (NZ) Limited	Issue of shares	(10,000,000)	(17,700,000)
OnePath Life (NZ) Limited	OnePath Insurance Holdings (NZ) Limited	Subordinated loan received	-	(152,078,730)
OnePath Life (NZ) Limited	OnePath (NZ) Limited	Expense reimbursements received	(35,088)	(48,001)
OnePath Life (NZ) Limited	ANZ National Bank Limited	Commissions paid	830,796	1,817,748
OnePath Life (NZ) Limited	ANZ National Bank Limited	Interest received	(71,038)	(169,684)
OnePath Life (NZ) Limited	ANZ National Bank Limited	Bank charges	99,250	38,309
OnePath Insurance Services (NZ) Limited	OnePath (NZ) Limited	Reimbursement for expenses paid and fixed assets purchased	3,762,999	1,674,000
OnePath Insurance Services (NZ) Limited	OnePath (NZ) Limited	Management fees paid	110,906	69,135
OnePath Insurance Services (NZ) Limited	Argosy Property Management Limited	Rent and Opex paid	232,171	156,570
OnePath Insurance Services (NZ) Limited	ANZ National Bank Limited	Commissions paid	15,979,765	11,798,801
OnePath Insurance Services (NZ) Limited	ANZ National Bank Limited	Interest received	(425,712)	(290,778)
OnePath Insurance Services (NZ) Limited	ANZ National Bank Limited	Bank charges	235,529	147,899
OnePath Insurance Services (NZ) Limited	ANZ National Bank Limited	Shared services paid	55,652	37,101

Transactions with Related Parties (Company)

Company	Counterparty	Nature of Transactions	2010 $ Paid (Received)	2009 $ Paid (Received)
OnePath Life (NZ) Limited	OnePath (NZ) Limited	Reimbursement for expenses paid and fixed assets purchased	7,295,544	4,613,336
OnePath Life (NZ) Limited	OnePath Insurance Holdings (NZ) Limited	Issue of shares	(10,000,000)	(17,700,000)
OnePath Life (NZ) Limited	OnePath Insurance Holdings (NZ) Limited	Subordinated loan received	-	(152,078,730)
OnePath Life (NZ) Limited	OnePath Insurance Services (NZ) Limited	Subordinated loan received	-	(25,000,000)
OnePath Life (NZ) Limited	OnePath Insurance Services (NZ) Limited	Distributions received	(25,000,000)	-
OnePath Life (NZ) Limited	OnePath (NZ) Limited	Expense reimbursements received	(35,088)	(48,001)
OnePath Life (NZ) Limited	Silver Fern Life Brokers Limited	Commissions paid	3,986	5,329
OnePath Life (NZ) Limited	ANZ National Bank Limited	Commissions paid	830,796	1,817,748
OnePath Life (NZ) Limited	ANZ National Bank Limited	Interest received	(71,038)	(169,684)
OnePath Life (NZ) Limited	ANZ National Bank Limited	Bank charges	99,250	38,309

(d) Terms and Conditions of Transactions with Related Parties

Transactions with related parties are conducted at arm's length, on both normal market prices and normal commercial terms.

Outstanding balances at year-end are unsecured, interest free, and settlement occurs in cash, with the exception of Subordinated Loans, the Terms and Conditions of which are disclosed in Note 21.

(e) Key Management Personnel

	Group 2010 9 months $	Group 2009 12 months $	Company 2010 9 months $	Company 2009 12 months $
Compensation of key management personnel:				
Short-term employee benefits	996,845	1,025,867	816,851	852,599
Termination benefits	-	138,499	-	24,220
	996,845	1,164,366	816,851	876,819

Notes to the Financial Statements

For the nine months ended 30 September 2010 and for the twelve months ended 31 December 2009

33. 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

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

	2010		
	Investment Contract Business	Insurance Contract Business	Total
	$	$	$
Investment assets	32,976,445	78,196,424	111,172,869
Other assets	1,510,996	192,593,675	194,104,671
Liabilities other than policy liabilities	(72,030)	265,820,635	265,748,605
Policy liabilities	34,559,471	(172,467,919)	(137,908,448)
Retained profits, attributable to shareholders	-	50,736,645	50,736,645
Premium revenue (inclusive of savings component)	314,278	102,439,495	102,753,773
Investment revenue	1,409,251	6,962,048	8,371,299
Claims expense (inclusive of savings component)	(9,586,382)	(36,086,391)	(45,672,773)
Commission and management expenses	(7,262)	(93,557,831)	(93,565,093)
Investment revenues allocated to policyholders	(1,403)	-	(1,403)
Surplus before taxation	(511,953)	27,012,775	26,500,822
Surplus after tax	(51,955)	32,007,635	31,955,680

	2009 Restated		
	Investment Contract Business	Insurance Contract Business	Total
	$	$	$
Investment assets	41,225,219	85,910,108	127,135,327
Other assets	1,734,633	200,327,803	202,062,436
Liabilities other than policy liabilities	(148,400)	268,485,486	268,337,086
Policy liabilities	43,108,252	(117,729,278)	(74,621,026)
Retained profits, attributable to shareholders	-	18,780,965	18,780,965
Premium revenue (inclusive of savings component)	491,665	88,766,885	89,258,550
Investment revenue	1,916,661	5,234,699	7,151,360
Claims expense (inclusive of savings component)	(7,588,460)	(28,581,280)	(36,169,740)
Commission and management expenses	(10,787)	(92,126,000)	(92,136,787)
Investment revenues allocated to policyholders	(124,436)	-	(124,436)
Surplus before taxation	(982,424)	12,426,284	11,443,860
Surplus after tax	11,579	16,734,644	16,746,223

Company

	2010		
	Investment Contract Business	Insurance Contract Business	Total
	$	$	$
Investment assets	2,116,000	167,578,444	169,694,444
Other assets	-	10,154,110	10,154,110
Liabilities other than policy liabilities	-	203,513,431	203,513,431
Policy liabilities	2,116,000	(195,790,000)	(193,674,000)
Retained profits, attributable to shareholders	-	43,308,385	43,308,385
Premium revenue (inclusive of savings component)	288,717	51,018,475	51,307,192
Investment revenue	1,403	25,397,133	25,398,536
Claims expense (inclusive of savings component)	(350,855)	(17,170,119)	(17,520,974)
Commission and management expenses	-	(58,726,852)	(58,726,852)
Investment revenues allocated to policyholders	(1,403)	-	(1,403)
Surplus before taxation	(51,955)	38,138,138	38,086,183
Surplus after tax	(51,955)	39,966,021	39,914,066

	2009 Restated		
	Investment Contract Business	Insurance Contract Business	Total
	$	$	$
Investment assets	2,124,780	163,183,817	165,308,597
Other assets	-	10,693,290	10,693,290
Liabilities other than policy liabilities	-	203,038,512	203,038,512
Policy liabilities	2,124,780	(149,256,462)	(147,131,682)
Retained profits, attributable to shareholders	-	3,394,319	3,394,319
Premium revenue (inclusive of savings component)	379,742	54,365,845	54,745,587
Investment revenue	124,436	640,388	764,824
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	(1,720,854)	(1,709,275)
Surplus after tax	11,579	1,347,998	1,359,577

34. Reinsurance

The Group 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 independent 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 risk premium basis. Risk premiums are paid in relation to benefits reinsured. Profits arising to the reinsurers on business written prior to 1 April 2008 are shared with the Group. In addition, for business written before 1 April 2008, the Group received a commission from the reinsurers as policies containing risk benefits were issued. This commission was refunded over a defined period, the last of these commissions was refunded during September 2010.

35. Acquisition of Subsidiary

On the 30 June 2009 the Company acquired 100% of the shares of ING Insurance Services Limited for a purchase price of $152,078,730. As a result of this transaction the following assets and liabilities were acquired.

	As at 30 June 2009 $	As at 30 June 2009 Restated* $	Restatement
Assets			
Cash and cash equivalents	21,403,421	21,403,421	-
Investments	128,415,340	128,415,340	-
Receivables	5,291,768	5,291,768	-
Fixed Assets	627,202	627,202	-
Deferred Acquisition Costs	388,674	388,674	-
Management Rights	24,146,020	24,146,020	-
Total Assets	**180,272,425**	**180,272,425**	**-**
Liabilities			
Expense creditors and accruals	1,775,035	1,775,035	-
Trade creditors	10,085,220	10,085,220	-
Amounts due to related parties	55,979,182	55,979,182	-
Deferred Tax	11,403,036	12,936,866	(1,533,830)
Policy Liabilities	78,353,460	88,243,766	(9,890,306)
Total Liabilities	**157,595,933**	**169,020,069**	**(11,424,136)**
Equity			
Share Capital	1,500,000	1,500,000	-
Retained Earnings	20,337,416	9,752,356	10,585,060
Investment Revaluation Reserve	839,076	-	839,076
Total Equity	**22,676,492**	**11,252,356**	**11,424,136**
Total Liabilities and Equity	**180,272,425**	**180,272,425**	**-**
Purchase price	152,078,730	152,078,730	

There were no acquisitions or disposals in the current period.

Directory

Registered Office
Level 3
205 Wairau Road
Glenfield
North shore City

Company number
1096486

Directors
John Body (appointed 12 November 2010)
Susan Peterson (appointed 22 December 2010)
John Van Der Wielen (appointed 12 November 2010)
Naomi Ballantyne (resigned 4 September 2009)
Paul Butler (resigned 22 December 2010)
Helen Troup (resigned 12 November 2010)

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