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OnePath Insurance Services (NZ) Limited

(previously known as ING Insurance Services (NZ) Limited)

Annual Report
For the 9 months ended 30 September 2010

Contents

Annual Report

For the 9 months ended 30 September 2010

The Board of Directors present their Annual Report including the financial statements of the Company for the nine month period 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:

John Body, Director
28 February 2011

Steven Fyfe, Director
28 February 2011

KPMG

Independent Auditor's Report

To the Shareholder of OnePath Insurance Services (NZ) Limited

Report on the Financial Statements

We have audited the accompanying financial statements of OnePath Insurance Services (NZ) Limited ("the company") on pages 6 to 41. The financial statements comprise the statement of financial position as at 30 September 2010 and the statements of comprehensive income, changes in equity and cash flows for the 9 months ended 30 September 2010, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of 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 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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'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'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.

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

Opinion

In our opinion the financial statements of OnePath Insurance Services (NZ) Limited on pages 6 to 41:

- 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 as at 30 September 2010 and of its financial performance and cash flows for the 9 months ended on that date.

Other Matter

The financial statements of OnePath Insurance Services (NZ) Limited, 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 2 (f) 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 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 Insurance Services (NZ) Limited as far as appears from our examination of those records.

KPMG

KPMG Auckland
18 March 2011

Statement of Comprehensive Income

For the 9 months ended 30 September 2010

	Note	**9 months ended 30 Sep 2010 $**	12 months ended 31 Dec 2009 $ Restated *
Premium revenue	6a(ii)	51,421,020	66,916,114
Less reinsurance premium expense	6b(i)	(5,644,535)	(7,872,916)
Net premium revenue		45,776,485	59,043,198
Other revenue	7	7,976,673	10,351,059
		7,976,673	10,351,059
Claims and surrenders expense	8	(18,916,273)	(23,422,275)
Less reinsurance recoveries revenue	6a(iii)	6,037,942	6,585,256
Net claims expense		(12,878,331)	(16,837,019)
Decrease in insurance contract liabilities		8,205,103	17,904,127
(Increase)/Decrease in net investment contract liabilities	20(c)	(823,142)	(1,993,390)
Commissions and operating expenses	9, 10	(25,384,378)	(33,858,079)
Other expenses	10	(3,303,771)	(2,425,984)
Profit before income tax expense		**19,568,639**	**32,183,912**
Income tax (benefit) / expense	11	(139,535)	(2,041,653)
Profit after income tax expense	12	**19,708,174**	**34,225,565**
Total comprehensive income for the period		**19,708,174**	**34,225,565**
Profit for the year is attributable to:			
Equity holders of the parent		19,708,174	34,225,565
		19,708,174	**34,225,565**
Total comprehensive income for the period is attributable to:			
Equity holders of the parent		19,708,174	34,225,565
		19,708,174	**34,225,565**

* See note 2 (f)

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

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Statement of Financial Position

As at 30 September 2010

	Note	30 Sep 2010 $	31 Dec 2009 $ Restated *	1 Jan 2009 $ Restated *
Assets				
Cash and cash equivalents	13	26,610,887	32,835,610	5,663,876
Trade and other receivables	14	4,411,334	3,537,210	4,419,816
Income tax receivable	15	483,190	25,301	61,381
Investments	16	66,560,155	80,674,837	128,972,560
Related party assets	28(c)(i)	25,001,226	25,000,000	-
Deferred acquisition costs	17	275,659	346,879	435,504
Insurance contract liabilities - reinsurance	20(b)	4,187,175	2,450,089	3,841,482
Intangible assets	18	21,360,243	23,912,395	26,007,670
Total Assets		148,889,869	168,782,321	169,402,289
Liabilities				
Trade and other payables	19	9,671,893	9,313,598	8,416,148
Deferred taxation liabilities	11	12,500,481	12,156,825	14,196,166
Related party liabilities	28(c)(ii)	42,068,792	42,363,351	42,777,064
Insurance contract liabilities - gross	20(a)	27,509,256	33,977,273	53,272,793
Investment contract liabilities	20(c)	32,443,471	40,983,472	50,977,881
Total Liabilities		124,193,893	138,794,519	169,640,052
Net Assets		**24,695,976**	**29,987,802**	**(237,763)**
Equity				
Share capital	23	1,500,000	1,500,000	1,500,000
Retained earnings		23,195,976	28,487,802	(1,737,763)
Total Equity		**24,695,976**	**29,987,802**	**(237,763)**

* See note 2 (f)

For and on behalf of the Board who authorised the issue of this report on 28 February 2011

John Body, Director

Steven Fyfe, Director

Statement of Changes in Equity

For the 9 months ended 30 September 2010

	Note	Ordinary Shares $	Retained Earnings $	Total Equity $
		Attributable to owners of the Company		
At 1 January 2010		1,500,000	28,487,802	29,987,802
Profit for the 9 month period		-	19,708,174	19,708,174
Total comprehensive income for the 9 month period		-	19,708,174	19,708,174
Transactions with owners of the Company				
Dividends paid	24	-	(25,000,000)	(25,000,000)
At 30 September 2010		**1,500,000**	**23,195,976**	**24,695,976**

For the 12 months ended 31 December 2009

	Note	Ordinary Shares $	Revaluation Reserve $ Restated *	Retained Earnings $ Restated *	Total Equity $ Restated *
		Attributable to owners of the Company			
At 1 January 2009		1,500,000	1,917,900	7,360,368	10,778,268
Impact of change in accounting policy	2(f)(i)	-	(1,917,900)	1,917,900	-
Impact of prior period corrections	2(f)(ii)	-	-	(11,016,031)	(11,016,031)
Restated balance at 1 January 2009		**1,500,000**	**-**	**(1,737,763)**	**(237,763)**
Profit for the 12 month period		-	-	34,225,565	34,225,565
Total comprehensive income for the year		-	-	34,225,565	34,225,565
Transactions with owners of the Company					
Dividends paid	24	-	-	(4,000,000)	(4,000,000)
Restated balance at 31 December 2009		**1,500,000**	**-**	**28,487,802**	**29,987,802**

* See note 2 (f)

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

Statement of Cash Flows

For the 9 months ended 30 September 2010

	Note	9 months ended 30 Sep 2010 $	12 months ended 31 Dec 2009 $
Cash flows from operating activities			
Cash was provided from:			
Premium receipts		51,318,361	67,523,543
Contributions - Linked Investment Fund		25,561	146,950
Reassurance receipts		5,307,954	6,949,224
Commission receipts		3,615,885	3,690,423
Interest receipts		3,019,716	4,558,777
Distributions		150,000	386,617
Taxation		25,301	38,393
		63,462,778	83,293,927
Cash was disbursed to:			
Policyholder payments		18,661,135	22,015,982
Withdrawals - Linked Investment Fund		9,235,528	10,758,305
Reassurance payments		5,604,729	7,966,247
Commission payments		16,511,912	25,044,990
Payments to suppliers and employees		9,212,099	9,775,149
Goods and services tax		878,313	951,298
		60,103,716	76,511,971
Net cash flows from operating activities	25	3,359,062	6,781,956
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of financial assets		41,645,202	135,371,561
		41,645,202	135,371,561
Cash was disbursed to:			
Purchase of financial assets		26,228,987	85,981,783
		26,228,987	85,981,783
Net cash flows from investing activities		15,416,215	49,389,778
Cash flows from financing activities			
Cash was disbursed to:			
Subordinated Loan		-	25,000,000
Dividend Paid		25,000,000	4,000,000
		25,000,000	29,000,000
Net cash flows from financing activities		(25,000,000)	(29,000,000)
Net increase/(decrease) in cash and cash equivalents		(6,224,723)	27,171,734
Cash at the beginning of the period		32,835,610	5,663,876
Cash and cash equivalents at the end of the period	13	26,610,887	32,835,610

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

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Notes to the Financial Statements

For the 9 months ended 30 September 2010

1. Reporting Entity

OnePath Insurance Services (NZ) Limited (the "Company") is a company incorporated and domiciled in New Zealand. The Company was previously known as ING Insurance Services (NZ) Limited and changed its name to OnePath Insurance Services (NZ) Ltd on the 8 November 2010.

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

2. Basis of Preparation

(a) 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").

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

(b) Basis of Measurement

The financial statements have been prepared on a historical cost basis, except that the following assets and liabilities are stated at their fair value: Cash and Cash Equivalents, Investment Assets and Investment Contract Liabilities.

(c) Functional and Presentation Currency

The financial statements are presented in New Zealand dollars, which is the Company's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar ($) unless otherwise stated.

(d) Change in balance date

The Company 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 Company on the 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.

(e) Use of estimates and judgements

The preparation of a financial report in conformity with NZ IFRS 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.

i) Intangibles

The assessment of impairment of intangibles is an inherently uncertain process, involving assumptions about factors such as discount rates and revenue growth rates. Refer to Note 3 (e) in the Significant Accounting Policies for further details.

ii) Life Insurance Business

(i) Insurance contract liabilities

Insurance contract 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 company's ability to recover the cost of acquiring new business over the lives of the contracts; and

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Notes to the Financial Statements

For the 9 months ended 30 September 2010

2. Basis of Preparation (continued)

(e) Use of estimates and judgements (continued)
In addition, factors such as regulation, competition, interest rates, taxes, security market conditions and general economic conditions affect the level of these liabilities. Details of significant actuarial methods and assumptions are set out in Note 4.

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

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

The reinsurance agreements provide for indemnification of the Company 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 flows 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.

(f) Prior period ajustments

i) Changes in accounting policy

Change in Accounting Policy for available for sale investments which back Life Insurance policyholder liabilities

The Company's policy in relation to investments backing risk policyholder liabilities has changed from accounting for these investments as 'available for sale - AFS' instruments to financial assets at fair value through profit and loss. 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. 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 at 31 December 2009 is presented in the table below.

ii) Prior period corrections

Prior period adjustment to policyholder liabilities and deferred tax on policyholder liabilities

An in-depth review of the Company's Actuarial methodology and models completed by the Company's Actuarial Team in conjunction with independent advice received 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. 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 component of the reported insurance contract liability amounts. The impact of these adjustments to the Statement of Financial Position and Statement of Comprehensive Income at 1 January 2009 and at 31 December 2009 is presented in the table below.

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

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

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 the Company's management rights should have been recognised in prior periods. The Company'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 below.

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Notes to the Financial Statements

For the 9 months ended 30 September 2010

2. Basis of Preparation (continued)

(f) Prior period adjustments (continued)

Impacts arising from changes in accounting policy and prior period corrections

	Asset / (Liability)				
	Deferred Tax Liabilities $	Insurance Contract Liabilities Gross $	Insurance Contract Liabilities Reinsurance $	Asset Revaluation Reserve $	Retained Earnings $
Balance as reported at 1 January 2009	(11,473,446)	(46,607,000)	5,469,000	(1,917,900)	(7,360,368)
Effect of changes at 1 January 2009 from:					
- change in calculation basis of insurance contract liabilities	-	(6,665,793)	(1,627,518)	-	8,293,311
- change in calculation basis of deferred tax on insurance contract liabilities	4,948,611	-	-	-	(4,948,611)
- recognition of deferred tax on management rights	(7,671,331)	-	-	-	7,671,331
- reclassification of investment assets to fair value through profit and loss	-	-	-	1,917,900	(1,917,900)
Restated balance at 1 January 2009	(14,196,166)	(53,272,793)	3,841,482	-	1,737,763
Balance as reported at 31 December 2009	(17,973,918)	(21,340,998)	3,941,632	(1,198,062)	(35,600,465)
Effect of changes at 1 January 2009	(2,722,720)	(6,665,793)	(1,627,518)	1,917,900	9,098,131
Effect of change from 1 January 2009 from:					
- change in calculation basis of insurance contract liabilities	-	(5,970,482)	135,975	-	5,834,507
- change in calculation basis of deferred tax on insurance contract liabilities	7,127,137	-	-	-	(7,127,137)
- recognition of deferred tax on management rights	855,050	-	-	-	(855,050)
- adjust tax losses to recognise at 100%	557,626	-	-	-	(557,626)
- reclassification of investment assets to fair value through profit and loss	-	-	-	(719,838)	719,838
Restated balance at 31 December 2009	(12,156,825)	(33,977,273)	2,450,089	-	(28,487,802)

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

	30 Sep 2010 **$**	31 Dec 2009 $
Increase/(Decrease) in insurance contract liabilities	-	5,834,507
Other revenue	716,774	719,838
Income tax (benefit) / expense	-	(8,539,813)
Effect on profit or loss	716,774	(1,985,468)

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

(h) 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 Company for the annual 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 is also 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.	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 retains 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. The overall impact has not yet been determined.	1-Jan-13

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Notes to the Financial Statements

For the 9 months ended 30 September 2010

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in Note 2(f), which addresses changes in accounting policies.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

a) Cash and Cash Equivalents
Cash and cash equivalents comprise cash at bank and in hand, call deposits, 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. Cash and cash equivalents are designated as a financial asset at fair value through profit and loss to align asset and liability measurement bases.

b) Trade and Other Receivables
Amounts due from policyholders, reinsurers and other receivables are classified as loans and receivables and are initially recognised at fair value, being the amounts receivable.

Subsequent measurement of fair value is based on the initial recognised amount 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 Company 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.

c) 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. 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 Company determines the classification of its financial assets after initial recognition and when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Company 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.

Securities held to back insurance and investment contract liabilities are determined as policyholder assets, being those assets held within the statutory funds of the Company. These policyholder assets are designated as fair value through profit and loss to align asset and liability measurement bases. See Note 2 (f) *Changes in accounting policies and prior period adjustments* which explains that the Company has changed its accounting policy for investments previously treated as available-for-sale instruments.

All of the Company's investment assets shown in Note 16 are classified financial assets at fair value through profit and loss.

(i) Financial assets at fair value through profit or loss
Assets are valued at fair value each reporting date based on the current bid price where available. Where quoted prices are not available, one of the following valuation techniques are used to value the assets at reporting date: recent arms length transactions; discounted cash flow analysis; option pricing models or other valuation techniques commonly used by market participants. Movements in fair value are taken through the Statement of Comprehensive Income.

(ii) Loans and receivables
Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in Statement of Comprehensive Income when the the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Investments in debt and equity securities
Debt and equity securities are financial assets and are initially recognised at fair value. Initial fair value is determined as the purchase cost of the asset. For securities backing policyholder liabilities, designated as fair value through profit and loss, realised and unrealised gains or losses arising from the subsequent change in the fair value are recognised in the Statement of Comprehensive Income in the period in which they arise.

(iv) Unit Trusts
Units held in unit trusts are stated at net market value based on the last sale price quoted by the fund manager.

d) Leases
Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are recognised as an expense on a straight-line basis over the lease term, except where an alternative basis is more representative of the benefits to be derived from the lease property.

Notes to the Financial Statements

For the 9 months ended 30 September 2010

3. Significant Accounting Policies (continued)

e) Intangibles

(i) Initial recognition and measurement

Intangible assets are non-monetary assets other than goodwill with no physical substance, that are separately identifiable, controlled by the Company and have future economic benefit.

The cost of an intangible asset 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.

Intangible assets comprise management rights and capitalised software.

Management Rights

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

Computer Software

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

(ii) Impairment

At each reporting date, the Company assesses intangible assets for indicators of impairment. Indicators include both internal and external factors. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the assets carrying amount exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income unless the asset has previously been revalued. In that case, the impairment loss is recognised as a reversal to the extent of that previous revaluation.

After the recognition of an impairment loss, the amortisation/depreciation charge for the asset is adjusted in future periods to allocate the assets revised carrying amount on a systematic basis over its remaining useful life.

Management Rights

The recoverable amount of the management rights has been determined based on a value in use calculation using cash flow projections as at 30 September and financial budgets approved by senior management covering a three-year period.

Key assumptions used in the calculations at 30 September 2010 and 31 December 2009 were:

a) Discount rate:
   The discount rate reflects management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. The discount rate for the management rights reflects the weighted average cost of capital for the Company and the business risk specific to the operation. The discount rate used at 30 September 2010 was 11.5%, (31 December 2009: 11.5%)
b) Revenue growth rates
   The revenue growth depends on the growth in the sales of insurance products. These assumptions are based on experience and management expectation of future developments.
c) Expense cost-income ratio
   Expenses are based on an aggregate cost-income ratio. The initial cost-income is based on current expenses and over a fixed period is expected to merge to an ultimate cost-income ratio based on management expectations.

Sensitivity testing has been performed on the assumptions, and the analysis indicates that the discount rate and revenue growth rates are key assumptions.

Computer Software

Due to the short term of 3 years over which computer software is depreciated, management have assumed that the recoverable amount of computer software is same as the carrying amount. Therefore, no impairment loss is recognised on computer software.

f) 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 Company 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 (at 27 August 2010) that have maturity dates approximating the terms of the Company's obligations. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

Notes to the Financial Statements

For the 9 months ended 30 September 2010

3. Significant Accounting Policies (continued)

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

h) 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.

i) Dividends Paid
Dividends paid 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.

j) Taxation
(i) Income Tax
Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates 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 substantively 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. 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 affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- 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.

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 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 realised.

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 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 have been calculated based on a tax rate of 28% where appropriate.

(ii) GST
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 Statement of Cash Flows on a net 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.

(iii) Taxation for life insurers
New legislation came into effect on the 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 Company.

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 Single Premium and Level Term policies, the Grandfathered status is for the duration of the policy.

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3. Significant Accounting Policies (continued)

k) 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.

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.

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

l) Life Insurance Business

(i) Principles underlying conduct of Life Insurance business

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

Investment contract business is business in which the Company 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 Company 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 Company derives fee income from the administration of the investment contract funds.

(ii) Life insurance revenue

Premium revenue
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.

Reinsurance recoveries
Reinsurance recoveries are recognised in the Statement of Comprehensive Income at the time the claim event is notified to the Company 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.

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

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

Notes to the Financial Statements

For the 9 months ended 30 September 2010

3. Significant Accounting Policies (continued)

l) Life Insurance Business (continued)

(iii) Life insurance expense

Claims and surrenders
Claims and surrenders 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 investment contract liabilities in the Statement of Financial Position.

All amounts recognised are based on the contractual amounts the Company is liable for under the terms and conditions of the policy and the insured events.

Regular claim payments for non death events (eg redundancy and total temporary disability) are recognised in the Statement of Comprehensive Income at the time of payment. Provisions for ongoing claims (referred to as Claims in Payment Reserves) are included within insurance contract liabilities in the Statement of Financial Position.

Death and all other non death lump sum claims (eg trauma, total permanent disablement) are recognised in the Statement of Comprehensive Income when the claim is notified to the Company. Provision for outstanding claims are recognised separately from insurance contract liabilities and are recognised as part of Trade and Other Payables in the Statement of Financial Position.

Surrenders are recognised in the Statement of Comprehensive Income when the request by the policyholder has been received and processed by the Company.

Reinsurance premium expense
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.

Commission and operating expenses
Commission and operating expenses incorporate all other expenditure involved in running of the life insurance 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 insurance contract 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 Company.

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 Company.

Under Margin on Services (MoS), 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 insurance contract liabilities and amortised over the life of the policies written. Note that for investment contract liabilities, initial commissions do not form part of the investment contract liability. Instead, they are recognised separately in the Statement of Financial Position as Deferred Acquisition Costs.

For insurance contract liabilities, acquisition expenses are effectively recognised in the Statement of Financial Position as a component of 'Decrease in insurance contract liabilities' at the same time as profit margins are released. For investment contract liabilities, deferred acquisition costs are systematically amortised over the expected life of the policies in the Statement of Comprehensive Income as a component of 'Commission and operating expenses'.

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 insurance contract 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 Company contracts this function out to external fund managers it does not directly incur any investment management expenses. However, it 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.

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Notes to the Financial Statements

For the 9 months ended 30 September 2010

3. Significant Accounting Policies (continued)

l) Life Insurance Business (continued)

(iii) Insurance contract liability measurement

Determination of insurance contract liabilities
The amount of insurance contract 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.

Insurance contract liabilities of the Company are calculated using the Margin on Services ("MoS") methodology in accordance with New Zealand Society of Actuaries, Professional Standard No. 3: *Determination of Life Insurance Policy Liabilities*, effective from 1 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.

Insurance contract liabilities are generally determined as the present value of all future expected payments, expenses 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.

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.

Determination of investment contract liabilities
The amount of investment contract 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.

Investment contract liabilities are determined based on the accumulated benefits to policyholders.

m) Commission Income
Commission income is recognised as revenue in the Statement of Comprehensive Income on an earned basis up to the end of each accounting period.

Notes to the Financial Statements

For the 9 months ended 30 September 2010

4. Significant Actuarial Methods and Assumptions

a) Actuarial Policies and Methods

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 was Anton Gardiner, FIA, FNZSA, who is a Fellow of the Institute and Faculty 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.

b) Disclosure of Assumptions

The key assumptions used in determining the policy liabilities of the Company are as follows:

(i) 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.

(ii) 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. The risk free rate (before tax) varied by duration between 3.19% and 6.17% (31 December 2009: 2.90% and 6.45%).

(iii) 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).

(iv) 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

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

(vi) 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.

(vii) 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)

(viii) Morbidity
Assumptions for trauma, disability and redundancy benefits were based on reinsurance risk premiums and investigations of the Company'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%

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

(x) Solvency requirement
Solvency reserves are amounts required to provide protection to policyholders against the impact of fluctuations in and unexpected adverse experience of the Company's business.

The methods and bases used for determining the solvency requirements were in accordance with the New Zealand Society of Actuaries Professional Standard No. 5.01: *Solvency Reserving for Life Insurance Business* effective from 31 March 2009.

(xi) 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.

(xii) 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.

4. Significant Actuarial Methods and Assumptions (continued)

c) Impact of Changes in Assumptions

Changes in actuarial assumptions are recognised by adjusting the value of future profit margins in 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 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 insurance contracts (excluding new business contracts which are measured using assumptions at balance date) is as shown in the table below.

	Change in Future Profit Margins	Change in Insurance Contract Liabilities	Change in Shareholders Profit & Equity
	$	$	$
Assumption Change - Increase / (Decrease)			
Non-market Related changes to discount rates	-	-	-
Mortality and Morbidity	5,353,828	-	-
Discontinuance rates	(1,842,176)	-	-
Maintanence expenses	(3,086,440)	-	-
Other Assumptions	17,949,876	-	-
Total	18,375,088	-	-

5. Risk Management Policies and Procedures for Insurance Contracts

The financial condition and operating results of the Company 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 Company'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 Company's objective is to satisfactorily manage risks. Various procedures are put in place to control and mitigate the risks faced by the Company depending on the nature of the risk. The Company'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 Company 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 Company and its continuing ability to write business depends on its ability to pre-empt and control risks. The Company has a risk strategy which summarises the Company'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 Company'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 Company's risk management strategy. Capital requirements are measured using a risk based capital model and any regulatory reporting requirements to which the Company is subject.

Allocation of Capital
Capital is allocated by the Company 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 Company. Where the outcome of specific adverse scenario differs from expectations, this has also been identified.

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

c) Methods to monitor and assess insurance risk exposures

Exposure to risk
In an effort to protect and enhance shareholder value, the Company 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 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.

Management reporting
The Company 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 Company's reinsurance programme to provide a central view of the Company's performance and its gross and net exposure.

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 Company'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 Company's underwriting manual. Such procedures include limits to delegated authorities and signing powers. The underwriting process is monitored by the Company's internal auditors to ensure adequate controls are in place over the underwriting process and that the controls are effective.

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

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

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

e) Concentration of insurance risk

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

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

f) Terms and conditions of insurance contracts

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

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

Notes to the Financial Statements

For the 9 months ended 30 September 2010

6. Revenue

	9 months ended 30 Sep 2010 $	12 months ended 31 Dec 2009 $
a(i) Gross Operating Revenue		
Premium income	51,421,020	66,916,114
Reinsurance income	6,037,942	6,585,256
Total Gross Operating Revenue	57,458,962	73,501,370
a(ii) Life Insurance Premium Income		
Single premiums	6,604,708	12,363,746
Regular premiums	44,816,312	54,552,368
	51,421,020	66,916,114
a(iii) Reinsurance income		
Reinsurance recoveries on claims	6,037,942	6,585,256
	6,037,942	6,585,256
b(i) Reassurance premium expense		
Reinsurance premium expense	5,644,535	7,872,916
	5,644,535	7,872,916

7. Other Revenue

	9 months ended 30 Sep 2010 $	12 months ended 31 Dec 2009 $ Restated *
Net Investment Revenue		
Interest income	3,065,113	4,310,409
Distributions received	-	123,159
Dividends	150,000	263,458
Realised gains / (losses) from:		
- Debt securities	(67,556)	(9,259,347)
- Unit trusts	1,714,416	945,518
- Equity	(47,934)	-
Accrued Unrealised gains / (losses)	(339,862)	9,633,302
	4,474,177	6,016,499
Other Revenue		
Commission income	3,502,247	4,330,480
Other income	249	4,080
	3,502,496	4,334,560
Total Other Revenue	7,976,673	10,351,059

* See note 2 (f)

Notes to the Financial Statements

For the 9 months ended 30 September 2010

8. Claims and Surrenders

	9 months ended 30 Sep 2010 $	12 months ended 31 Dec 2009 $
Death and disability claims	16,103,030	18,159,255
Surrenders	2,813,243	5,263,020
Claims and Surrenders	18,916,273	23,422,275

9. Commissions and Operating Expenses

	9 months ended 30 Sep 2010 $	12 months ended 31 Dec 2009 $
Acquisition costs:		
Commissions	12,894,779	19,843,416
Operating expenses	3,132,593	3,200,922
	16,027,372	23,044,338
Maintenance costs:		
Commissions	3,183,245	4,281,049
Operating expenses	6,053,898	6,354,069
	9,237,143	10,635,118
Investment management costs	119,863	178,623
	25,384,378	33,858,079

10. Other Expenses

	9 months ended 30 Sep 2010 $	12 months ended 31 Dec 2009 $
Other expenses include the following:		
a) Amortisation of intangible assets	2,488,148	3,054,881
b) Asset deficiency for guaranteed products	(153,177)	(1,376,444)
These expenses are included in Operating Expenses in Note 9		
i) Operating lease charges	232,171	309,897
ii) Auditors' remuneration:		
KPMG – audit of financial statements	126,801	-
KPMG – other services	7,644	-
	134,445	-
Previous Auditors		
Ernst & Young - audit of financial statements	-	115,500
Ernst & Young - other services	(4,575)	131,690
	(4,575)	247,190

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Notes to the Financial Statements

For the 9 months ended 30 September 2010

11. Income Tax

(a) Current income tax expense / (benefit)	9 months ended 30 Sep 2010 $	12 months ended 31 Dec 2009 $ Restated *
Current income tax		
Current income tax charge / (benefit)	(483,190)	-
Adjustments for prior years	-	(2,312)
Deferred Income Tax		
Origination and reversal of temporary differences	343,655	(2,039,341)
Income tax expense/(benefit) reported in the Statement of Comprehensive Income	(139,535)	(2,041,653)
(b) Numerical reconciliation between tax expense and profit before tax		
Profit before tax	19,568,639	32,183,912
Income tax on profit at statutory income tax rate of 30%	5,870,592	9,655,174
(Decrease) / Increase in income tax due to:		
- Non-assessable Policyholder Income and Expenses	(4,352,012)	(8,686,937)
- Non-assessable Policyholder Transfer	44,622	(3,438,798)
- Unexpired Premium Revenue / Premium Smoothing Reserve	877,219	-
- Underwriting Profit	431,109	966,792
- Other Non-assessable Income	(177,827)	(56,953)
- Other Non-assessable Expenditure	(43,885)	(409,026)
- PIE Income	170,722	72,973
- Tax Credits	(46,684)	(116,927)
- Transition Adjustment for New Life Tax Regime	(2,020,499)	-
- Change in Tax Rate (from 30% to 28%)	(892,892)	-
- Tax Losses	-	(95,654)
- Under/(Over) provided in prior period	-	67,703
Income tax expense/(benefit) reported in the Statement of Comprehensive Income	**(139,535)**	(2,041,653)
(c) Net deferred tax (liabilities)/benefits		
Balance at beginning of the year	(12,156,825)	(14,196,166)
Deferred tax charge / (benefit) charged to income	(1,236,547)	2,109,356
Change in Tax Rate (from 30% to 28%)	892,891	-
Prior Period Adjustment	-	(70,015)
Balance at end of the year	**(12,500,481)**	(12,156,825)
The balance of Deferred tax benefits / (liabilities) benefits		
c(i) Deferred tax benefits		
Tax Losses	5,097,471	5,461,576
Staff Provisions	155,081	47,023
Provisions	700,000	-
Other	174,523	(154,487)
	6,127,075	5,354,112
c(ii) Deferred tax liabilities		
Deferred Acquisition Costs - Insurance Contracts	(12,693,149)	(10,590,592)
Deferred Acquisition Costs - Investment Contracts	(77,185)	(104,064)
Management Rights	(5,763,328)	(6,816,281)
Other	(93,894)	-
	(18,627,556)	(17,510,937)
Net deferred tax liabilities	**(12,500,481)**	(12,156,825)

* See note 2 (f)

11. Income Tax (continued)

	9 months ended 30 Sep 2010 $	12 months ended 31 Dec 2009 $
(d) Imputation credits		
Balance at beginning of the period	-	12,273,644
Transfer to Policyholder Credit Account	-	(12,273,644)
Balance at end of the period	-	-

The Company is a member 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 Credit Account		
Balance at beginning of the period	13,046,922	-
Transfer (to)/from OnePath Insurance (NZ) Consolidated Group Imputation Credit Account	(13,046,922)	535,393
Transfer from Imputation Credit Account	-	12,273,644
Transfer from OnePath Insurance (NZ) Consolidated Group Dividend Withholding Payment Account	-	237,885
Balance at end of the period	-	13,046,922

(f) Policyholder Tax Losses
Under the new life insurance tax regime (see Note 3(j)), the Policyholder Tax Base no longer exists and any Policyholder 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 had tax losses of $443,457,459 (31 December 2009: $411,589,805).

(g) Deferred tax on insurance contract 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. A deferred tax liability of $12,693,149 (2009: $10,590,592) has been separately disclosed and included in the deferred tax liabilities balance representing taxable temporary differences on insurance contract liabilities.

12. Analysis of Surplus

	9 months ended 30 Sep 2010 $	12 months ended 31 Dec 2009 $ Restated *
Movements in Policy Liabilities:		
Planned margins of revenues over expenses	20,000,178	26,752,021
The difference between actual and assumed experience	(2,125,088)	2,130,789
Changes to underlying assumptions	(3,320,368)	2,885,579
Investment earnings on assets in excess of policy liabilities	3,093,623	295,287
Other Movements:		
Business valued on accumulation basis	1,364,618	1,286,922
Inwards commission	2,191,548	2,870,083
Amortisation of management rights	(1,496,337)	(1,995,116)
Profit After Income Tax	19,708,174	34,225,565

* See note 2 (f)

Notes to the Financial Statements

For the 9 months ended 30 September 2010

13. Cash and Cash Equivalents

	30 Sep 2010 $	31 Dec 2009 $
Cash	1,807,614	1,919,202
On-call deposits	2,380,033	8,432,346
Short term deposits	22,423,240	22,484,062
Total cash and cash equivalents	26,610,887	32,835,610
Reconciliation to cash flow statement		
For the purposes of the cash flow statement, cash and cash		
Cash at bank and in hand	26,610,887	32,835,610
Total cash and cash equivalents	26,610,887	32,835,610

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

14. Trade and Other Receivables

	30 Sep 2010 $	31 Dec 2009 $
Outstanding premiums	519,579	448,323
Accrued interest	7,000	3,823
Reinsurance recoverable	3,353,812	2,623,824
Sundry debtors	530,943	461,240
Total trade and other receivables	4,411,334	3,537,210

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

15. Income Tax Receivable

	30 Sep 2010 $	31 Dec 2009 $
Balance at beginning of period	25,301	61,381
Current income tax charge / (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 a an expected realisation of less than 12 months and is therefore a current asset.

16. Investments

	30 Sep 2010 $	31 Dec 2009 $
New Zealand Government Stock	22,078,374	20,744,949
Debt Security Investments	40,065,790	43,533,019
Equity Investments	4,415,991	5,138,542
Unit Trust Investments	-	11,258,327
Total Investments	66,560,155	80,674,837
Current	14,463,246	16,876,151
Non Current	52,096,909	63,798,686
Total Investments	66,560,155	80,674,837

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.

New Zealand Government Stock
The interest rate of the New Zealand Government stock is fixed to maturity.

Of the total holdings in New Zealand Government stock, $1,000,000 is held on the Company's behalf by the Public Trustee as authorised deposits under the Life Insurance Act 1908 and the Insurance Companies' Deposits Act 1953.

17. Deferred Acquisition Costs

	30 Sep 2010 $	31 Dec 2009 $
Balance at beginning of period	346,879	435,504
Amortisation	(71,220)	(88,625)
Balance at end of period	275,659	346,879
Cost	679,537	679,537
Accumulated Amortisation	(403,878)	(332,658)
Balance at end of period	275,659	346,879

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

18. Intangible Assets

	30 Sep 2010 $	31 Dec 2009 $
Management Rights		
Balance at beginning of period	22,720,937	25,571,103
Amortisation	(2,137,624)	(2,850,166)
Balance at end of period	20,583,313	22,720,937
Cost	30,558,893	30,558,893
Accumulated amortisation and impairment	(9,975,580)	(7,837,956)
Balance at end of period	20,583,313	22,720,937
Computer Software		
Balance at beginning of period	1,127,454	369,081
Additions	-	963,088
Amortisation	(350,524)	(204,715)
Balance at end of period	776,930	1,127,454
Cost	1,429,403	1,429,403
Accumulated amortisation	(652,473)	(301,949)
Balance at end of period	776,930	1,127,454
Capital Work in Progress - Software		
Balance at beginning of period	64,004	67,486
Additions	-	64,004
Disposals	(64,004)	(29,735)
Capitalisations	-	(37,751)
Balance at end of period	-	64,004
Total Intangible Assets	21,360,243	23,912,395

19. Trade and Other Payables

	30 Sep 2010 $	31 Dec 2009 $
Premiums in Suspense	19,841	24,162
Outstanding Claims	8,289,553	8,045,823
Reinsurance Payable	629,987	728,326
Other Payables	732,512	515,287
	9,671,893	9,313,598

Trade and other payables have an expected settlement of less than 12 months and are therefore current liabilities.

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20. Insurance and Investment Contract Liabilities

	30 Sep 2010 $	31 Dec 2009 $ Restated *
a) Movement in Insurance Contract Liabilities - Gross		
Insurance Contract Liabilities - Gross at beginning of period	33,977,273	53,272,793
(Decrease) recognised in the Statement of Comprehensive Income	(6,468,017)	(19,295,520)
Insurance Contract Liabilities - Gross at end of period	27,509,256	33,977,273
Current	(37,636)	(1,678,355)
Non Current	27,546,892	35,655,628
Insurance Contract Liabilities - Gross at end of period	27,509,256	33,977,273
b) Movement in Insurance Contract Liabilities/(Assets) - Reinsurance		
Insurance Contract Liabilities - Reinsurance at beginning of period	(2,450,089)	(3,841,482)
(Decrease)/Increase recognised in the Statement of Comprehensive Income	(1,737,086)	1,391,393
Insurance Contract Liabilities - Reinsurance at end of period	(4,187,175)	(2,450,089)
Current	(384,352)	(187,654)
Non Current	(3,802,823)	(2,262,435)
Insurance Contract Liabilities - Reinsurance at end of period	(4,187,175)	(2,450,089)
c) Movement in Investment Contract Liabilities - Gross		
Investment Contract Liabilities at beginning of period	40,983,472	50,977,881
Increase/(decrease) recognised in the Statement of Comprehensive Income	823,142	1,993,390
Contributions	25,561	146,950
Withdrawals	(9,235,527)	(10,758,305)
Increase/(decrease) in Asset Deficiency	(153,177)	(1,376,444)
Investment Contract Liabilities at end of period	32,443,471	40,983,472
Current	32,443,471	40,983,472
Non Current	-	-
Insurance Contract Liabilities - Reinsurance at end of period	32,443,471	40,983,472
Summary of Policy liabilities		
Insurance Contract Liabilities - Gross	27,509,256	33,977,273
Investment Contract Liabilities - Gross	32,443,471	40,983,472
Gross Policy Liabilities	59,952,727	74,960,745
Insurance Contract Liabilities - Reinsurance	(4,187,175)	(2,450,089)
Net Policy Liabilities	55,765,552	72,510,656

* See note 2 (f)

Notes to the Financial Statements

For the 9 months ended 30 September 2010

20. Insurance and Investment Contract Liabilities (continued)

	30 Sep 2010 Investment Linked $	**30 Sep 2010 Non-Investment Linked $**	**30 Sep 2010 Total $**
Policy liabilities contain the following components:			
Future Policy Benefits	-	134,656,599	134,656,599
Future Expenses	-	49,192,899	49,192,899
Future Premiums	-	(311,129,671)	(311,129,671)
Future Planned Margins of Revenues over Expenses	-	150,602,254	150,602,254
Policy Liabilities for Business not Projected	32,443,471	-	32,443,471
Closing Net policy liabilities	32,443,471	23,322,081	55,765,552

	31 Dec 2009 Investment Linked $	31 Dec 2009 Non-Investment Linked $ Restated *	31 Dec 2009 Total $ Restated *
Policy liabilities contain the following components:			
Future Policy Benefits	-	108,890,297	108,890,297
Future Expenses	-	45,377,907	45,377,907
Future Premiums	-	(260,602,879)	(260,602,879)
Future Planned Margins of Revenues over Expenses	-	137,861,859	137,861,859
Policy Liabilities for Business not Projected	40,983,472	-	40,983,472
Closing Net policy liabilities	40,983,472	31,527,184	72,510,656

* See note 2 (f)

Included within the Net Policy Liabilities for Investment Linked business are investment contract liabilities of $32,443,471 (2009: $39,957,420) that contain investment performance guarantees to policyholders arising from the Company's lump sum bond portfolio.

	30 Sep 2010 $	31 Dec 2009 $ Restated *
Estimated Discounted Cash Flows from Insurance Contract Liabilities - Gross		
< 1 Year	(37,636)	(1,678,355)
1 - 5 Years	6,591,938	966,116
5 + Years	20,954,954	34,689,512
Total Insurance Contract Liabilities - Gross	27,509,256	33,977,273
Estimated Discounted Cash Flows from Insurance Contract Liabilities/(Assets) - reinsurance		
< 1 Year	(384,352)	(187,654)
1 - 5 Years	(1,740,093)	(1,354,979)
5 + Years	(2,062,730)	(907,456)
Total Insurance Contract Liabilities - reinsurance	(4,187,175)	(2,450,089)

* See note 2 (f)

21. Financial Risk Management and Objectives

The Company'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 Company'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 Company's activities, and are managed through a process of ongoing identification, measurement and monitoring. The Company is exposed to interest rate risk, currency risk, credit risk, market risk, and liquidity risk.

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

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

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 Company is primarily related to interest rate risk.

Market risk is effectively managed through the Statement of Investment Policy and Objectives (SIPO) which defines the investment strategy for the Company. The SIPO also contains the investment mandate which is used to establish asset classes and weightings that the investment portfolio is expected to hold. The investment manager is charged with the responsibility for maintaining investment holdings within designated asset classes. The SIPO, including the investment mandate, is reviewed at least annually.

The Company's exposure to equity securities price is minimal.

Equity securities price risk arises from investments in equity securities. To limit this risk the Company 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.

a) Interest rate risk

The Company has exposure to interest rate risk to the extent that it borrows or invests for a fixed term at fixed rates. Debt securities 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.

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

Through scenario analyses, the Company 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 period, based on revaluing the fixed rate financial assets at the end of the period
- changes in insurance contract liabilities

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

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 $ Restated *
Balance reported at 30 September 2010	26,610,887	62,144,164	(23,322,081)
Profit/(Loss) impact			
+1% (100 basis points) move in interest rates	(17,066)	(492,472)	1,551,543
-1% (100 basis points) move in interest rates	17,106	492,645	(1,616,787)
Balance reported at 31 December 2009	32,835,610	64,277,968	(31,527,184)
Profit/(Loss) impact			
+1% (100 basis points) move in interest rates	(6,309)	(674,589)	2,364,438
-1% (100 basis points) move in interest rates	6,337	674,838	(2,569,141)

* See note 2 (f)

Notes to the Financial Statements

For the 9 months ended 30 September 2010

21. Financial Risk Management and Objectives (continued)

b) Credit risk

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

To the extent the Company 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 Company to credit risk principally consist 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.

The Company manages its exposure to credit risk by placing its cash and investments with high credit quality financial institutions and sovereign bodies. The Company 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 Company further minimises its credit exposure by limiting the amount of funds placed in or invested with any one institution at any one time.

No collateral exists for any of the investments held by the Company. 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 Company 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.

	30 Sep 2010	31 Dec 2009
	$	$
Cash	1,807,614	1,919,202
On-call bank deposits	2,380,033	8,432,346
Short term deposits	22,423,240	22,484,062
NZ Government Stock	22,078,374	20,744,949
Debt Security Investments	40,065,790	43,533,019
Equity Investments	4,415,991	5,138,542
Units in unit trusts	-	11,258,327
Trade and other receivables	4,411,334	3,537,210
Related party assets	25,001,226	25,000,000
	122,583,602	142,047,657

Concentrations of Credit Risk

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

	30 Sep 2010	31 Dec 2009
	%	%
Institution		
OnePath Life (NZ) Limited	20.4	17.6
NZ Government Stock	18.0	14.6
ANZ National Bank Limited	7.4	11.2
ASB Bank	6.9	8.5
Westpac Banking Corporation	6.5	6.4
HSBC	4.9	-
Citibank	3.2	-
OnePath Wholesale Fixed Interest - High grade	-	4.0
OnePath Wholesale Fixed Interest - Sovereign	-	3.9

21. Financial Risk Management and Objectives (continued)

c) Liquidity risk

The Company's investments are disclosed in Note 16. The Company manages its exposure to liquidity risk by investing in predominantly short dated deposits and securities. All of the Company'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 Company's parent in line with capital projections prepared by the Company's actuary in order that the Company continue to meet its solvency requirements.

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

	On demand 30 Sep 2010 $	**Less than 3 months 30 Sep 2010 $**	**3 to 12 months 30 Sep 2010 $**	**1 to 5 years 30 Sep 2010 $**
Trade and other payables	-	9,671,893	-	-
Related party liabilities	-	2,431,266	-	39,637,526
Insurance contract liabilities/(assets) - Gross	-	-	(37,636)	27,546,892
Investment contract liabilities	32,443,471	-	-	-

	On demand 31 Dec 2009 $ Restated *	Less than 3 months 31 Dec 2009 $ Restated *	3 to 12 months 31 Dec 2009 $ Restated *	1 to 5 years 31 Dec 2009 $ Restated *
Trade and other payables	-	9,313,598	-	-
Related party liabilities	-	2,725,825	-	39,637,526
Insurance contract liabilities/(assets) - Gross	-	-	(1,678,355)	35,655,628
Investment contract liabilities	40,983,472	-	-	-

* See note 2 (f)

d) 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:

		30 Sep 2010	
		30 September 2010 Profit/(Loss)	
	Change	**Gross of Reinsurance $**	**Net of Reinsurance $**
Change in mortality and morbidity	+ 10%	(1,896,717)	(1,172,527)
	- 10%	1,899,032	1,174,912
Change in lapse rate	+ 10%	(327,769)	(327,769)
	- 10%	322,128	322,128
Change in expense assumption	+ 10%	(308,712)	(308,712)
	- 10%	308,712	308,712

21. Financial Risk Management and Objectives (continued)

d) Sensitivity to Insurance Risk (continued)

		31 Dec 2009	
		31 December 2009 Profit/(Loss)	
	Change	Gross of Reinsurance $ Restated *	Net of Reinsurance $ Restated *
Change in mortality and morbidity	+ 10%	(1,653,029)	(829,439)
	- 10%	1,653,186	829,577
Change in lapse rate	+ 10%	89,319	89,319
	- 10%	(95,933)	(95,933)
Change in expense assumption	+ 10%	(372,286)	(372,286)
	- 10%	372,286	372,286

* See note 2 (f)

e) 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:

	As at 30 September 2010	
Sum Assured ($000)	**Before Reinsurance %**	**After Reinsurance %**
0 - 50	6.7	10.0
50 - 150	31.3	34.6
150 - 250	26.4	29.1
250 - 500	28.6	23.8
More than 500	7.0	2.5
	100.0	100.0

	As at 31 December 2009	
Sum Assured ($000)	Before Reinsurance %	After Reinsurance %
0 - 50	7.3	11.5
50 - 150	32.6	35.1
150 - 250	26.3	27.8
250 - 500	27.5	23.5
More than 500	6.3	2.2
	100.0	100.0

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Notes to the Financial Statements

For the 9 months ended 30 September 2010

21. Financial Risk Management and Objectives (continued)

f) Capital management

The primary objective of the Company in the management of capital is to comply with New Zealand Society of Actuaries Professional Standard No 5.01 *Solvency Reserving for Life Insurance Business*. Additional capital levels are maintained in excess of that required by PS5.01 to provide a buffer to these solvency requirements and cover the inherent risks of the business.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company 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 Company monitors capital using a solvency ratio which is determined as the total assets available for solvency divided by the total solvency requirement.

	30 Sep 2010	31 Dec 2009
	$	$ Restated *
Asset available for solvency		
Total assets	148,889,869	168,782,321
Reinsurance asset	(4,187,175)	(2,450,089)
Related party subordinated loans	(25,000,000)	(25,000,000)
Total assets available for solvency	**119,702,694**	**141,332,232**
Solvency requirement		
Total liabilities	124,193,893	138,794,519
Reinsurance asset	(4,187,175)	(2,450,089)
Related party subordinated loans	(30,558,893)	(30,558,893)
Solvency reserve	5,481,926	11,042,429
Total solvency requirement	**94,929,751**	**116,827,966**
Solvency ratio	126%	121%
Target solvency ratio	110%	110%

* See note 2 (f)

Notes to the Financial Statements

For the 9 months ended 30 September 2010

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

The Company 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 occuring market transactions on an arm's length basis. Main asset classes included in this category are financial assets for which the fair value is obtained via pricing vendors or binding broker quotes and assets for which the fair value is determined by reference to indices.

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

Level 3 - Not based upon market observable input means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Main asset classes in this category are hedge funds, private equity funds and limited partnerships. The fair value of the financial instruments as well as the methods used to estimate the fair values are summarised in the table below:

a) Financial Classification

	Level 1 30 Sep 2010 $	**Level 2 30 Sep 2010 $**	**Level 3 30 Sep 2010 $**	**Total Fair Value 30 Sep 2010 $**
Financial assets at fair value through profit or loss				
Cash and cash equivalents	-	26,610,887	-	26,610,887
NZ Government Stock	22,078,374	-	-	22,078,374
Debt Security Investments	-	37,407,834	2,657,956	40,065,790
Equity Investments	4,415,991	-	-	4,415,991
Units in unit trusts	-	-	-	-
	26,494,365	64,018,721	2,657,956	93,171,042
Financial liabilities at fair value through profit or loss				
Investment Contract Liabilities	-	32,443,471	-	32,443,471
	-	32,443,471	-	32,443,471

	Level 1 31 Dec 2009 $ Restated *	Level 2 31 Dec 2009 $ Restated *	Level 3 31 Dec 2009 $ Restated *	Total Fair Value 31 Dec 2009 $ Restated *
Financial assets at fair value through profit or loss				
Cash and cash equivalents	-	32,835,610	-	32,835,610
NZ Government Stock	20,744,949	-	-	20,744,949
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	5,610,261	5,648,066	-	11,258,327
	31,713,902	78,797,863	2,998,682	113,510,447
Financial liabilities at fair value through profit or loss				
Investment Contract Liabilities	-	40,983,472	-	40,983,472
	-	40,983,472	-	40,983,472

* See note 2 (f)

22. Financial Instruments - Determination of fair value and fair value hierarchy (continued)

b) Level 3 Movements

	30 Sep 2010	31 Dec 2009
	$	**$**
Balance at beginning of period	2,998,682	2,970,692
Fair value adjustments of investments through profit or 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 period.

	30 Sep 2010		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 Change in Equity	186,057	(186,057)	209,908	(209,908)

d) Level 3 Investments

The Company 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 9 months ended 30 September 2010

23. Share Capital

	30 Sep 2010 Number	30 Sep 2010 $
Authorised, issued and fully paid up		
Ordinary shares	1,500,000	1,500,000

	31 Dec 2009 Number	31 Dec 2009 $
Authorised, issued and fully paid up		
Ordinary shares	1,500,000	1,500,000

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

	30 Sep 2010 $	31 Dec 2009 $ Restated *
Equity retained for solvency purposes		
Equity of shareholder	24,695,976	29,987,802
Less: Equity retained for solvency purposes	(5,481,926)	(11,042,429)
Equity available for distribution	**19,214,050**	**18,945,373**

* See note 2 (f)

Based on Actuarial advice the Directors have determined that $5,481,926 (31 December 2009: $11,042,429) of shareholder equity is required as a contribution to solvency and is therefore not distributable.

Equity retained for solvency reserves has been calculated in accordance with New Zealand Society of Actuaries Professional Standard No 5.01. The basis of 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 liability, but with margins for adverse deviations from expected experience. The discount rate used was the risk free discount rate (see Note 4), and the future expense inflation rate was 2.5%. The margins on other assumptions were as follows (all positive):

	30 Sep 2010 %	31 Dec 2009 %
Mortality	10.0	10.0
Total and Permanent Disability	20.0	20.0
Trauma	30.0	30.0
Redundancy	30.0	30.0
Total and Temporary Disability	50.0	50.0
Lapses	25.0	25.0
Maintenance expenses	2.5	2.5

24. Dividends Paid

	30 Sep 2010 $	31 Dec 2009 $
Dividends paid	(25,000,000)	(4,000,000)

The dividend paid during the period was $16.67 per share (2009: $2.67 per share).

No dividend has been declared before the balance sheet date and not paid out.

25. Cash Flow Reconciliation

	9 months ended 30 Sep 2010 $	12 months ended 31 Dec 2009 $ Restated *
Net profit after tax	19,708,174	34,225,565
Non-cash items		
Investment Income	(1,301,533)	(1,092,055)
Amortisation of Deferred Acquisition Costs	71,220	88,625
Amortisation of Management Rights	2,137,624	2,850,166
Amortisation of Software	350,524	204,715
	20,966,009	36,277,016
Non-operating items:		
(Decrease) / Increase in Insurance Contract Liabilities	(8,205,103)	(17,904,127)
(Decrease) / Increase in Investment Contract Liabilities	(8,540,001)	(9,994,409)
Increase / (Decrease) in Subordinated Loan	-	25,000,000
	(16,745,104)	(2,898,536)
Movement in working capital:		
(Increase) / Decrease in Outstanding Premiums	(71,256)	(94,755)
(Increase) / Decrease in Accrued Interest	(3,177)	16,870
(Increase) / Decrease in Reinsurance Receivable	(729,988)	363,968
(Increase) / Decrease in Sundry Debtors	(69,703)	596,522
(Increase) / Decrease in Related Party Assets	(1,226)	(25,000,000)
Decrease / (Increase) in Intangible Assets	64,004	(959,606)
(Decrease) / Increase in Premiums in Suspense	(4,321)	(107,462)
Increase / (Decrease) in Outstanding Claims	243,730	1,343,887
(Decrease) / Increase in Reinsurance Payable	(98,339)	44,815
Increase / (Decrease) in Other Payables	217,225	(383,790)
(Decrease) / Increase in Related Party Liabilities	(294,559)	(413,713)
(Increase) / Decrease in Current Tax Receivable	(457,889)	36,080
Increase / (Decrease) in Deferred Tax Liability	343,656	(2,039,340)
	(861,843)	(26,596,524)
Net cash flows from operating activities	3,359,062	6,781,956

* See note 2 (f)

26. Commitments

(a) Operating Lease Commitments

Company as a lessee

Future minimum rentals payable under non-cancellable operating leases as at the end of period are as follows:

	30 Sep 2010 $	31 Dec 2009 $
Within one year	364,823	321,526
After one year but not more than five years	540,489	643,053
	905,312	964,579

(b) Capital Commitments

The Company has no commitments at 30 September 2010 (31 December 2009: nil).

27. Contingent Liabilities

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

28. Related Parties

(a) Parent

The Company's parent is OnePath Life (NZ) Limited (previously known as ING Life (NZ) Limited) and is registered in New Zealand.

(b) Ultimate Parent

The Company is part of ANZ New Zealand, and the ultimate parent company in New Zealand is ANZ Holdings (New Zealand) Limited. Up until 30 November 2009 the Company was ultimately owned by a joint venture between the ING Groep NV ("ING Group") and Australia & 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 Company has been ANZ Group (which is incorporated in Victoria, Australia).

(c) Balances with Related Parties

Counterparty	Relationship	Receivable (Payable) 30 Sep 2010 $	Receivable (Payable) 31 Dec 2009 $
(i) Related Party Assets			
OnePath Life (NZ) Limited (previously known as ING Life (NZ) Limited)	A	24,983,352	25,000,000
UDC Finance Limited	B	17,874	-
		25,001,226	25,000,000
(ii) Related Party Liabilities			
OnePath Insurance Holdings Limited (previously known as ING Insurance Holdings Limited)	B	9,078,633	9,078,633
OnePath (NZ) Limited (previously known as ING (NZ) Limited)	B	32,195,597	32,323,075
Argosy Property Management Limited (previously known as ING Property Trust Management Limited)	B	422	-
ANZ National Bank Limited	B	794,140	961,643
		42,068,792	42,363,351

Relationship

A. Parent company
B. Subsidiary of ultimate parent company

(d) Transactions with Related Parties

Counterparty	Transaction Type	Paid (Received) 30 Sep 2010 $	Paid (Received) 31 Dec 2009 $
OnePath Life (NZ) Limited	Subordinated Loan paid	-	25,000,000
OnePath Life (NZ) Limited	Dividend	25,000,000	4,000,000
OnePath (NZ) Limited	Shared services paid	3,762,999	3,348,000
OnePath (NZ) Limited	Management fees paid	110,906	164,300
Argosy Property Management Limited	Rent & Opex paid	232,171	309,897
ANZ National Bank Limited	Commissions paid	15,979,765	23,996,390
ANZ National Bank Limited	Interest received	(425,712)	(517,050)
ANZ National Bank Limited	Bank Charges	235,529	287,873
ANZ National Bank Limited	Shared services paid	55,652	74,203

(e) Terms and Conditions of Transactions with Related Parties

With the exception of the terms and conditions mentioned below, services to and from related parties are made at arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at period end are unsecured and interest free. Balances are payable on demand and settlement occurs in cash.

A subordinated loan agreement with the Parent company, OnePath Life (NZ) Limited, was entered into on the 30 June 2009. The loan agreement provided for a total loan of $25,000,000 which was drawn down in two instalments: $15,000,000 on the 30 June 2009 and $10,000,000 on the 30 September 2009. Interest is payable on the loan at an applicable interest rate, only if demanded by the Company. Repayment of the outstanding loan balance (plus interest (if applicable)) is payable on demand, provided it would not cause OnePath Life (NZ) Limited to breach the Solvency Standard (New Zealand Society of Actuaries, Professional Standard No. 5.01, *Solvency Reserving for Life Insurance Business*).

(f) Key Management Personnel

	9 months ended 30 Sep 2010 $	12 months ended 31 Dec 2009 $
Short-term employee benefits	179,994	173,268
Termination benefits	-	114,279
	179,994	287,547

Notes to the Financial Statements

For the 9 months ended 30 September 2010

29. Disaggregated Information

The Company offers the following insurance contract benefits:

- Life cover with optional trauma, disablement and redundancy riders
- Consumer credit term insurance

In addition, the Company has unit-linked investment contract business where a policyholder may add an investment premium (contribution) to their policy which will purchase units in the designated asset class associated with that product. While existing policyholders may make additional contributions, these products are closed to new business.

	30 Sep 2010		
	Investment Linked	**Non-Investment Linked**	**Total**
	$	**$**	**$**
Investment assets	30,860,445	62,310,597	93,171,042
Other assets	1,510,996	54,207,831	55,718,827
Liabilities other than Insurance and investment contract liabilities	(72,030)	64,313,196	64,241,166
Insurance and investment contract liabilities	32,443,471	27,509,256	59,952,727
Retained profits, attributable to shareholders	-	24,695,976	24,695,976
Premium revenue	-	45,776,485	45,776,485
Investment revenue	1,407,848	3,066,329	4,474,177
Net Claims expense	-	12,878,331	12,878,331
Commission and management expenses	7,262	25,377,116	25,384,378
(Deficit)/Surplus before taxation	(459,998)	20,028,637	19,568,639
(Deficit)/Surplus after taxation	-	19,708,174	19,708,174

	31 Dec 2009		
	Investment Linked	Non-Investment Linked	Total
	$	$ Restated *	$ Restated *
Investment assets	39,100,439	74,410,008	113,510,447
Other assets	1,734,633	53,537,241	55,271,874
Liabilities other than Insurance and investment contract liabilities	(148,400)	63,982,174	63,833,774
Insurance and investment contract liabilities	40,983,472	33,977,273	74,960,745
Retained profits, attributable to shareholders	-	29,987,802	29,987,802
Premium revenue	-	59,043,198	59,043,198
Investment revenue	3,584,450	2,432,049	6,016,499
Net Claims expense	-	16,837,019	16,837,019
Commission and management expenses	10,787	33,847,292	33,858,079
(Deficit)/Surplus before taxation	(994,003)	33,177,915	32,183,912
(Deficit)/Surplus after taxation	-	34,225,565	34,225,565

* See note 2 (f)

30. Subsequent Events

On the 5 November 2010 the Board of Directors of the Company resolved to pay a dividend to the parent company of $20,000,000. The dividend was paid to OnePath Life (NZ) Limited on the 26 November 2010.

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