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SOVEREIGN ASSURANCE COMPANY LIMITED

ANNUAL REPORT

For the year ended 30 June 2009

Directors' Report

The Directors have pleasure in presenting the Annual Report of Sovereign Assurance Company Limited for the year ended 30 June 2009.

The shareholder of the Company has agreed to take advantage of the reporting concessions available to it under section 211(3) of the Companies Act 1993. Accordingly, there is no further information to be provided in this Annual Report other than the financial statements and audit report.

For and on behalf of the Board

J.E. Raby
Director
13 August 2009

S.B. McRobie
Director
13 August 2009

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PRICEWATERHOUSECOOPERS

SOVEREIGN ASSURANCE COMPANY LIMITED

Financial Statements

For the year ended 30 June 2009

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INCOME STATEMENT

For the year ended 30 June *$ millions*	Note	**Sovereign Assurance Company Limited** **2009**	2008
Premium Income	4	**488**	433
Reinsurance Income	5	**61**	58
Investment Income	6	**(101)**	(45)
Use of Money Interest		**4**	-
Total Operating Income		**452**	446
Reinsurance Expenses	5	**69**	70
Claims, Surrenders and Maturities	7	**291**	268
Net Change in Life Insurance Contract Liabilities	16,17	**(188)**	(146)
Net Change in Life Investment Contract Liabilities	16	**(105)**	(103)
Commission and Management Expenses	8	**257**	235
Finance Costs		**-**	2
Total Operating Expenses		**324**	326
Net Profit Before Taxation		**128**	120
Taxation	9	**18**	19
Net Profit After Taxation attributable to the shareholder	3	**110**	101

These statements are to be read in conjunction with the notes on pages 6 to 37 and the Auditor's Report on pages 38 and 39.

STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 30 June *$ millions*	Note	Sovereign Assurance Company Limited **2009**	 2008
Net Profit After Taxation	3	**110**	101
Total Recognised Income and Expense		**110**	101

These statements are to be read in conjunction with the notes on pages 6 to 37 and the Auditor's Report on pages 38 and 39.

PRICEWATERHOUSECOOPERS

BALANCE SHEET

As at 30 June *$ millions*	Note	Sovereign Assurance Company Limited 2009	 2008
ASSETS			
Financial Assets			
- Cash and Cash Equivalents	12	**523**	466
- Securities	11	**1,493**	1,848
- Derivative Financial Instruments	13	**44**	3
- Trade and Other Receivables	15	**43**	42
Reinsured Life Insurance Contracts	17	**64**	60
Current Income Tax Asset		**61**	61
Deferred Acquisition Cost - Life Investment Contract Liabilities		**20**	23
Investment in Subsidiaries	14	**7**	7
Total Assets		**2,255**	2,510
Financed by:			
LIABILITIES			
Life Insurance Contract Liabilities	16	**371**	554
Financial Liabilities			
- Life Investment Contracts	16	**917**	1,103
- Derivative Financial Instruments	13	**6**	22
- Deposited Reserves	17	**39**	40
- Trade and Other Payables	19	**76**	78
Deferred Taxation Liability	18	**264**	215
Total Liabilities		**1,673**	2,012
SHAREHOLDER'S EQUITY			
Contributed Capital	20	**444**	444
Retained Earnings	21	**138**	54
Total Shareholder's Equity		**582**	498
Total Liabilities and Shareholder's Equity		**2,255**	2,510

For and on behalf of the Board

J.E. Raby
Director

13 August 2009

S.B. McRobie
Director

13 August 2009

These statements are to be read in conjunction with the notes on pages 6 to 37 and the Auditor's Report on pages 38 and 39.

CASH FLOW STATEMENT

For the year ended 30 June *$ millions*	Note	Sovereign Assurance Company Limited 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Premium Receipts		**565**	533
Dividend Receipts		**22**	28
Interest Receipts		**61**	73
Mortgage Interest Receipts		**1**	1
Net Tax Receipts From Related Parties		**30**	-
		679	635
Cash was applied to:			
Claims, Surrenders and Maturities Payments		**443**	455
Net Reinsurance Payments		**7**	17
Commission Payments		**135**	114
Payments to Suppliers and Employees		**123**	114
Interest on Loan Facilities		**-**	2
Net Tax Payments to Related Parties		**-**	47
Tax Payments		**-**	2
		708	751
Net Cash Flows from Operating Activities		**(29)**	(116)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from Sale of Securities		**3,645**	2,296
Net Movement in Intercompany Balances		**-**	16
		3,645	2,312
Cash was applied to:			
Purchase of Securities		**3,382**	2,112
Net Forward Foreign Exchange Contract Losses		**151**	9
		3,533	2,121
Net Cash Flows from Investing Activities		**112**	191
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Issue of Capital	20	**-**	27
		-	27
Cash was applied to:			
Dividends	21	**26**	65
Repayment of Loan from Parent		**-**	27
		26	92
Net Cash Flows from Financing Activities		**(26)**	(65)

These statements are to be read in conjunction with the notes on pages 6 to 37 and the Auditor's Report on pages 38 and 39.

PRICEWATERHOUSECOOPERS

Cash Flow Statement *(continued)*

For the year ended 30 June *$ millions*	Note	Sovereign Assurance Company Limited 2009	2008
SUMMARY OF MOVEMENTS IN CASH FLOWS			
Net Increase in Cash and Cash Equivalents		**57**	10
Add Cash and Cash Equivalents at Beginning of Year		**466**	456
Cash and Cash Equivalents at End of Year		**523**	466
Represented by:			
Cash at Bank and on Deposit	12	**500**	457
Foreign Currency Deposits	12	**23**	9
		523	466
RECONCILIATION OF NET PROFIT AFTER TAXATION WITH CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit After Taxation		**110**	101
Add: Non-Cash Items and Items Classified as Investing and Financing Activities:			
Net Realised and Unrealised Losses		**189**	163
Non-Cash Dividends Received		**(7)**	(17)
Movement in Income Tax Assets and Liabilities		**49**	(31)
Deferred Acquisition Cost Amortisation		**3**	3
Change in Life Insurance Contract Liabilities recognised in Income Statement - decrease		**(188)**	(146)
Change in Life Investment Contract Liabilities recognised in Income Statement - decrease		**(105)**	(103)
		(59)	(131)
Add: Movements in Balance Sheet Items			
Trade and Other Receivables - Increase		**(1)**	(6)
Trade and Other Payables - Increase		**2**	16
Life Insurance Contract Liabilities - Savings Premium, Claims, Maturities and Surrenders (Net)		**-**	(14)
Life Investment Contract Liabilities - Savings Premium, Claims, Maturities and Surrenders (Net)		**(81)**	(82)
		(80)	(86)
Net Cash Flow from Operating Activities		**(29)**	(116)

These statements are to be read in conjunction with the notes on pages 6 to 37 and the Auditor's Report on pages 38 and 39.

Notes to the Financial Statements

For the year ended 30 June 2009

1. Statement of Accounting Policies

GENERAL ACCOUNTING POLICIES

Sovereign Assurance Company Limited (the "Company") is a company registered under the Companies Act 1993, domiciled and incorporated in New Zealand. The company is 100% owned by Sovereign Limited. The ultimate parent is the Commonwealth Bank of Australia. The Company's registered address is Level 28, ASB Bank Centre, 135 Albert Street, Auckland. The Company's principal areas of business are life insurance and investment management.

The Company's financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with International Financial Reporting Standards, the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The Company is a profit-orientated entity.

The financial statements comply with the Financial Reporting Act 1993 and the Companies Act 1993. They were approved for issue by the directors on 13 August 2009.

The following new standards and amendments to standards relevant to the Company are not yet effective and have not yet been applied in preparing the financial statements. Adoption of these will not have any impact on the Company's reported profit or financial position.

NZ IAS 1 *Presentation of Financial Statements* (revised) will apply to the Company from 1 July 2009 and will result in presentation changes to the financial statements.

NZ IFRS 8 *Operating Segments* will apply to the Company from 1 July 2009 and will affect the financial and descriptive information disclosed about the Company's reportable segments.

NZ IFRS 7 *Financial Instruments*: Disclosures (revised) will apply to the Company from 1 July 2009 and will affect the financial and descriptive information disclosed about the Company's financial instruments.

Basis of Preparation

The measurement base adopted is historical cost, modified by the fair value measurement of Financial Instruments held at Fair Value through Profit or Loss and all Derivative contracts.

Critical Accounting Judgements and Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Life Insurance Contract Liabilities (refer Note 16), Life Investment Contracts (refer Note 16), and Tax (refer Note 18) provisions all require estimates to be made. Actual results could differ from these estimates, although other than for the computation of tax provisions, it is not anticipated that such differences would be material. Uncertainties exist with respect to the interpretation of complex tax regulations for life insurance activities. Given the complexity of life insurance tax legislation and the assumptions involved, adjustments to income tax expense in future periods may be required.

Management has applied its judgement in selecting the accounting policy to designate financial assets at fair value through profit or loss at inception. This policy has a significant impact on the amounts disclosed in the financial statements. It is possible to determine the fair values of all financial assets as quoted market prices are readily available and in the case of derivatives, observable market inputs are readily available.

Presentation Currency and Rounding

The functional and presentation currency of the Company is New Zealand dollars. The amounts contained in the financial statements and notes are presented in millions of New Zealand dollars, unless otherwise stated.

PARTICULAR ACCOUNTING POLICIES

There have been no material changes to accounting policies in the year ended 30 June 2009. All policies have been applied on a basis consistent with that used in the year ended 30 June 2008.

A Glossary of Terms included within the Statement of Accounting Policies is set out on page 13.

(a) Foreign Currency Translation

All foreign currency monetary assets and liabilities are translated to New Zealand currency at the exchange rate ruling as at balance date. Foreign currency forward positions are valued at fair value as at balance date. Unrealised gains and losses arising from these revaluations are recognised immediately in the Income Statement.

Notes to the Financial Statements

For the year ended 30 June 2009

1. Statement of Accounting Policies *(continued)*

Non-monetary assets and liabilities denominated in foreign currencies, measured at fair value, are translated to New Zealand currency at the exchange rate ruling at the dates that the values were determined. Foreign currency exchange differences relating to Securities and Derivative Financial Instruments are included in Investment Income.

Foreign currency transactions are translated to New Zealand currency at the exchange rate ruling at the date of the transaction.

(b) Revenue Recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and that the revenue and stage of completion of the transaction can be reliably measured. The principal sources of revenue are Premium Income and Investment Income.

Premium Income

(i) Life Insurance Contracts

Premiums received for providing services and bearing risks are recognised as revenue on an accrual basis.

(ii) Life Investment Contracts

Premiums received have the fee portion of the premium recognised as revenue on an accrual basis and the deposit portion recognised as an increase in Life Investment Contract Liabilities.

Initial entry fee income on investment contracts is recognised as revenue at the outset of the contract only if a specific initial service (for which the fee relates) is provided by the Company at that time. Otherwise initial entry fee income is deferred as a component of the Life Investment Contract Liability and amortised as related services are provided under the contract.

Investment Income

Interest income is recognised in the Income Statement as it accrues. Dividend income and unit trust distributions are recognised in the Income Statement when the Company's right of receipt is established. Realised and unrealised gains and losses from fair value remeasurement of Financial Instruments are included in Investment Income.

(c) Expense Recognition

All expenses are recognised in the Income Statement on an accrual basis.

Claims, Surrenders and Maturities

Life Insurance Contract claims are recognised as an expense when a liability has been established. Claims under Life Investment Contracts represent withdrawals of investment deposits and are recognised as a reduction in Life Investment Contract Liabilities.

Other Expenses

Other expenses incorporate all other expenditure involved in running the Company including costs of new business, employee benefits, depreciation, interest and other management costs. Employee benefits include salaries and wages, annual and long service leave, annual bonuses, Kiwisaver contributions, and premiums on employee life, disability income and medical schemes. Expenses in this category are recognised in the Income Statement as follows:

Commission and Management Expenses

Commissions and management expenses are categorised into acquisition, investment management or maintenance costs on the basis of a detailed functional analysis of activities carried out by the Company. Expenses are further categorised into life insurance and life investment expenses based on new business volumes (acquisition costs) and in force volumes (maintenance and investment management costs).

Acquisition Costs

Acquisition costs are the fixed and variable costs of acquiring new business including commissions and similar distribution costs, and costs of accepting, issuing and initially recording policies. They do not include general growth and development costs incurred by the Company as these do not directly relate to specific life insurance policies.

Acquisition Costs - Life Insurance Contracts

Where overall product profitability of new business written during the year is expected to support the recovery of acquisition costs incurred in that year, these costs are effectively deferred as an element of Life Insurance Contract Liabilities and amortised over the life of the policies written. Unamortised acquisition costs are a component of the Life Insurance Contract Liabilities. Amortisation of acquisition costs are recognised in the Income Statement as a component of 'Net Change in Life Insurance Contract Liabilities' at the same time as policy margins are released.

Notes to the Financial Statements

For the year ended 30 June 2009

1. Statement of Accounting Policies *(continued)*

(c) Expense Recognition *(continued)*

Acquisition Costs - Life Investment Contracts

Commission that varies with and is directly related to securing new contracts is capitalised as a deferred acquisition cost asset. All other acquisition costs are recognised as expenses in the Income Statement when incurred. The deferred acquisition cost asset is subsequently amortised over the life of the contract and recognised in the Income Statement. Unamortised acquisition costs are separately disclosed in the Balance Sheet.

Maintenance and Investment Management Expenses

Maintenance costs are the fixed and variable costs of administering policies subsequent to sale. These include general growth and development costs. Maintenance costs include all operating costs other than acquisition and investment management costs.

Investment management costs are the fixed and variable costs of managing investment funds.

Maintenance and investment management costs are recognised in the Income Statement on an accrual basis.

Other

Other expenses for the Company are recognised in the Income Statement on an accrual basis.

(d) Financial Instruments

BASIS OF RECOGNITION AND MEASUREMENT

The Company classifies financial instruments into one of the following categories at initial recognition: Financial Assets at Fair Value through Profit or Loss, Available for Sale Financial Assets, Loans and Receivables, Held to Maturity, Financial Liabilities at Fair Value through Profit or Loss, and Other Financial Liabilities. Regular purchases and sales of financial assets are recognised and derecognised, as applicable, using trade date accounting.

Some of these categories require measurement at fair value. Where available, quoted market prices are used as a measure of fair value. Where quoted market prices do not exist, fair values are estimated using present values or other market accepted valuation techniques, using methods and assumptions that are based on market conditions and risks existing at the balance date.

Financial assets that are stated at cost or amortised cost are reviewed at each balance date to determine whether there is objective evidence of impairment. If any such evidence exists, the asset's recoverable amount is calculated using the present value of future estimated cash flows discounted at the original effective interest rate. An impairment loss is recognised in the Income Statement for the difference between the carrying amount and the recoverable amount. An impairment loss is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. The impairment loss is reversed only to the extent that the financial asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Assets in this category are measured at fair value at inception and on an ongoing basis and include:

Securities

Investments held by life insurance companies are stated at fair value. The financial assets in this category have been designated at inception as Fair Value through Profit or Loss because they back life insurance liabilities or investment contract liabilities. Purchases and sales of these securities are recorded on a trade date basis. Gains and losses arising from the fair value remeasurement of Securities are included as part of Investment Income in the Income Statement.

Assets included within Securities are as follows:

(i) Shares in Listed Companies, Unit Trusts and Managed Funds
Shares and units are recognised at fair value based on the bid market price quoted by the stock exchange or fund manager.

(ii) Fixed Interest Securities
Fixed Interest Securities are recognised at fair value based on a quoted bid market price.

(iii) Mortgages and Loans on Policies
Mortgages and Loans on Policies are recognised at fair value based on a market accepted valuation technique, using methods and assumptions that are based on market conditions and risks existing at the balance date.

Derivative Assets

Derivative Assets that do not meet the criteria for hedge accounting are recorded at Fair Value through Profit or Loss. Refer to (e) for more details on derivatives.

1. Statement of Accounting Policies *(continued)*

(d) Financial Instruments *(continued)*

Reinsured Life Investment Contracts

Refer to (j) for details on Reinsured Life Investment Contracts.

AVAILABLE FOR SALE FINANCIAL ASSETS

Available for Sale Financial Assets are measured at fair value, with changes in fair value recognised directly in Shareholder's Equity. The Company has not classified any financial assets in this category.

LOANS AND RECEIVABLES

Assets in this category are recognised initially at fair value and subsequently measured at amortised cost less any allowance for uncollectible amounts, and include:

Cash and Cash Equivalents

Cash and Cash Equivalents include cash on hand, bank current accounts, cash on deposit that is readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. They are brought to account at the face value and interest is taken to the Income Statement when earned.

Trade and Other Receivables

Trade and Other Receivables include securities sold but not delivered, income receivable, amounts due from related parties, amounts due from agents and other trade debtors.

HELD TO MATURITY

Assets in this category are measured at amortised cost. The Company has not classified any financial assets as Held to Maturity.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset is derecognised when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Liabilities in this category are measured at fair value. Gains and losses arising from the fair value remeasurement of Financial Liabilities at Fair Value Through Profit or Loss are included in the Income Statement. Financial Liabilities included within Financial Liabilities at Fair Value Through the Profit or Loss include:

Investment Contracts at Fair Value through Profit or Loss

Refer to (j) for details on Life Investment Contract Liabilities.

Derivative Liabilities

Derivative Liabilities that do not meet the criteria for hedge accounting are recorded at Fair Value through Profit or Loss. Refer to (e) for more details on derivatives.

Deposited Reserves

Refer to (j) for details on reinsurance Deposited Reserves.

OTHER FINANCIAL LIABILITIES

This category includes all financial liabilities other than those designated by the Company as Fair Value through Profit or Loss. Liabilities in this category are measured at amortised cost and include:

Trade and Other Payables

Trade and Other Payables include trade creditors and accruals, and amounts due to related parties. These items are recognised when due and measured on initial recognition at the fair value of consideration received less transaction costs. After initial recognition they are measured at amortised cost.

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

(e) Derivative Financial Instruments

Forward exchange contracts are used to reduce the Company's exposure to foreign exchange movements affecting the market value of the Company's investments denominated in foreign currencies.

The Company recognises derivatives in the Balance Sheet at their fair value. Derivative Assets are the fair value of derivatives which have a positive fair value. Derivative Liabilities are the fair value of derivatives which have a negative fair value. Derivatives are recorded at fair value based on market accepted valuation techniques using observable market inputs.

Derivative Financial Instruments at Fair Value through Profit or Loss

All derivatives that do not meet the criteria for hedge accounting under NZ IAS 39 *Financial Instruments: Recognition and Measurement* are classified as Held for Trading. This includes derivatives transacted to mitigate foreign currency risk. Changes in fair value are reflected in the Income Statement immediately when they occur. The Company has not used hedge accounting to account for any transaction in the financial statements.

1. Statement of Accounting Policies *(continued)*

(f) Investments in Subsidiaries

Investments in Subsidiaries are recognised in the Balance Sheet at the lower of cost or recoverable amount. Investments in Subsidiaries are assessed for impairment annually or more regularly where an indication of impairment exists. If any such indication exists, the asset's recoverable amount is estimated, and an impairment loss is recognised in the Income Statement for the difference between the carrying amount and the recoverable amount.

(g) Offsetting Financial Instruments

The Company offsets financial assets and financial liabilities and reports the net balance in the Balance Sheet where there is a legally enforceable right to set-off and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(h) Taxation

Income Tax on the Net Profit for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly within Shareholder's Equity, in which case it is recognised directly in Shareholder's Equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at balance date after taking advantage of all allowable deductions under current taxation legislation and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the amount of assets and liabilities, using tax rates enacted or substantively enacted at balance date.

In accordance with NZ IAS 12 *Income Taxes,* a Deferred Taxation Asset is recognised only to the extent that it is probable (i.e. more likely than not) that a future taxable profit will be available against which the asset can be utilised. Deferred Taxation Assets are reduced to the extent that it is no longer probable that the related tax asset will be realised. Any reduction is recognised in the Income Statement.

Tax losses are transferred among group companies through intercompany accounts at the current tax rate.

Life Insurance Tax

Life insurers are subject to a special tax regime. Two tax bases are maintained; the life office base which is subject to tax on investment income less expenses plus underwriting income, and the policyholder base which seeks to tax benefits as they accrue to policyholders under the policies. The life insurer pays tax on the higher of the two bases at the company tax rate of 30% (30 June 2008 33%). The life insurer is able to use accumulated imputation credits generated in the life office base to meet any tax liability arising in the policyholder base. As the life insurer is taxed as proxy for the policyholder, returns to policyholders are tax exempt.

(i) Provisions

A provision is recognised in the Balance Sheet when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

(j) Life Insurance Business

Life Insurance and Life Investment Contracts – Classification

The Company's life insurance business is split between Life Insurance Contracts and Life Investment Contracts. Life Insurance Contracts are accounted for in accordance with the requirements of NZ IFRS 4 *Insurance Contracts*. Life Investment Contracts are accounted for in accordance with NZ IAS 18 *Revenue* and NZ IAS 39.

Life Insurance Contracts are those contracts that transfer significant insurance risk. Life Investment Contracts are those contracts with no significant insurance risk, but which give rise to a financial asset and / or liability under NZ IAS 39.

Contracts that contain a discretionary participation feature are also classified as insurance contracts.

Life Insurance Contract Liabilities and Margin on Services Profit

Life Insurance Contract Liabilities are calculated in accordance with the Margin on Services ("MoS") methodology as set out in New Zealand Society of Actuaries Professional Standard 3: Determination of Life Insurance Liabilities and the requirements of NZ IFRS 4.

Life Insurance Contract Liabilities are calculated in a way that allows for the systematic release of planned profit margins as services are provided to policy owners and the revenues relating to those services are received. Services used to determine profit recognition include the cost of expected insurance claims and annuity payments. Life Insurance Contract Liabilities are generally determined as the present value of all future expected payments, expenses, taxes and profit margins reduced by the present value of all future expected premiums.

Notes to the Financial Statements

For the year ended 30 June 2009

1. Statement of Accounting Policies *(continued)*

(j) Life Insurance Business *(continued)*

Profit is analysed into the following categories:

(i) Planned margins of revenues over expenses.

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

(ii) The difference between actual and assumed experience.

Experience profits / (losses) are realised where actual experience differs from best estimate assumptions. Instances giving rise to experience profits / (losses) include variations in claims, expenses, mortality, discontinuance and investment returns (to the extent the Shareholder assumes investment risk).

(iii) Changes to underlying assumptions.

Assumptions used for measuring Life Insurance Contract Liabilities are reviewed each year. Where the review leads to a change in assumptions, the change is deemed to have occurred from the end of the year.

The financial effect of a change in discount rates resulting from changes in market conditions, is recognised in the year that the rates are changed. The financial effect of all other changes to assumptions is recognised in the Income Statement over the future years during which services are provided to policyholders.

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

(iv) Investment earnings on assets in excess of policy liabilities.

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

Life Investment Contract Liabilities
Investment contract liabilities are measured in accordance with NZ IAS 39.

All contracts issued by the Company classified as Life Investment Contracts are unit linked except for term deposit bonds. The fair value of a unit linked contract is determined using the current unit values that reflect the fair value of the financial assets backing the contract, multiplied by the number of units attributed to the contract holder.

The fair value of a term deposit bond is determined as the present value of future expected cash flows payable under the bond discounted at the risk free rate of return appropriate to the outstanding term of the bond portfolio.

Identification of Assets Backing Life Investment Contract Liabilities
All contracts issued by the Company classified as Life Insurance Contracts are non linked. The assets backing unit linked contracts and those backing term deposit bonds are in separate investment funds from those backing non linked contracts.

Reinsurance
Contracts entered into by the Company with reinsurers which meet the definition of an insurance contract have been classified as an asset, Reinsured Life Insurance Contracts in the Balance Sheet. Reinsurance contracts that do not meet this definition have been classified as a financial asset, Reinsured Life Investment Contracts.

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

Reinsurance recoveries for claims are recognised as Reinsurance Income. Reinsurance premiums are recognised as Reinsurance Expenses.

Reinsured Life Insurance Contracts are the present value of future reinsurance claims receivable and premiums payable by the Company.

Reinsured Life Investment Contracts are measured at fair value. The fair value is determined using the current unit values that reflect the fair value of the financial assets backing the contract, multiplied by the number of units attributed to the contract holder.

Deposited Reserves are funds the Company holds for reinsurers. The Deposited Reserves are backed by the Reinsured Life Insurance Contract Liabilities and the Reinsured Life Investment Contracts. They are recognised as financial liabilities. Under NZ IAS 32 *Financial Instruments: Presentation*, Deposited Reserves are offset against Reinsured Life Investment Contracts for presentation in the Balance Sheet to the extent that the Company has a legal right and intent to realise the Deposited Reserves to simultaneously settle any reinsurance claims on those contracts.

Notes to the Financial Statements

For the year ended 30 June 2009

1. Statement of Accounting Policies *(continued)*

(k) Retirement Benefits Obligations

The Company currently sponsors one superannuation plan for its ex-employees. The assets and liabilities of this plan are held independently of the Company's assets in separate trustee administered funds. The Company has a defined benefit plan.

Defined Benefit Plans

Defined benefit plans are formal or informal arrangements under which an entity provides post-employment benefits.

The liability or asset recognised in the balance sheet in respect of defined benefit superannuation plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior years; that benefit is discounted to determine the present value, and the fair value of the plans assets are deducted. The discount rate is the yield at balance sheet date on government securities which have terms to maturity approximately the same as the related liability. The defined benefit calculation is performed using the projected unit credit method.

Where the calculation results in a benefit to the Company, the recognised asset is limited to the present value of any future employer contributions to the plan that can be funded from the plan surplus.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to Retained Earnings. Current service costs are recognised immediately in income.

(l) Contingent Liabilities

The Company discloses a Contingent Liability when it has a possible obligation arising from past events, that will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Company's control. A Contingent Liability is disclosed when a present obligation is not recognised because it is not probable that an outflow of resources will be required to settle an obligation, or the amount of the obligation cannot be measured with sufficient reliability.

(m) Cash Flow Statement

This has been prepared using the direct approach, modified by the netting of cash flows associated with reinsurance due to the rights of set off, and intercompany transactions, including the group settlement of tax balances. Cash and Cash Equivalents are considered to be cash on hand, bank current accounts, cash on deposit and bank overdrafts. Cash flows are shown exclusive of Goods and Services Tax ("GST").

(n) Segment Reporting

The Company's primary reporting format is business segments. Segments reported are in line with the organisational structure of the Company and take into account the nature of the products and services provided. Segment results include items directly attributable to a segment as well as those items that can be reasonably allocated using Activity Based Costing.

The Company predominately operates within New Zealand and has very limited exposure to risks associated with operating in different economic environments or political conditions. On this basis no geographical segment information is provided, except for Concentrations of Credit Exposures by Geographic Region (refer to Note 36).

(o) Fair Value Estimates

Financial instruments classified as Fair Value through Profit or Loss are presented in the Company's Balance Sheet at their fair value. For other financial assets and financial liabilities, fair value is estimated as follows:

Cash and Cash Equivalents
These assets are short term in nature and the carrying value is equivalent to their fair value.

Trade and Other Receivables
The carrying amount in the Balance Sheet is considered a reasonable estimate of their fair value after making allowances for the fair value of non-accrual and potential problem loans and receivables.

Trade and Other Payables
These liabilities are short term in nature and the carrying value is equivalent to their fair value.

(p) Comparative Data

Certain comparative figures have been reclassified to conform with the current year's presentation, but the impact of any reclassification is immaterial.

1. Statement of Accounting Policies *(continued)*

GLOSSARY OF TERMS

Available for Sale Financial Assets
Non-derivative financial assets intended to be held for an indefinite period of time, and which may be sold in response to needs for liquidity or changes in interest rates or exchange rates. They are recognised on acquisition at fair value plus transaction costs, and thereafter at fair value. Changes in the value of Available for Sale Financial Assets are reported in an Available for Sale Reserve, until the assets are sold or otherwise disposed of, or until they are impaired. On disposal the accumulated change in fair value is transferred to the Income Statement and reported under Other Income. Interest, premiums and discounts are amortised through the Income Statement using the effective yield method.

Discretionary Participation Feature
A contractual right to receive, as a supplement to guaranteed benefits, significant additional benefits, where the amount and timing of those additional benefits is at the discretion of the Company.

Amortised Cost of Financial Asset or Financial Liability
The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Effective Yield Method
A method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective yield is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective yield, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective yield, transaction costs and all other premiums or discounts. The interest income or expense is allocated through the life of the instrument and is measured for inclusion in the Income Statement by applying the effective yield to its amortised cost.

Fair Value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair Value Hedge
A hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

Financial Instruments at Fair Value through Profit or Loss
All financial assets and financial liabilities held for trading and any financial asset or financial liability that on initial recognition is designated by the Company as Fair Value through Profit or Loss. Assets and Liabilities in this category are measured at fair value. Gains or losses arising from changes in fair value are recognised in Investment Income.

Hedged Item
An asset, liability, firm commitment or highly probable forecast transaction that exposes the Company to risk of changes in fair value or cash flows, and that is designated as being hedged.

Hedging Instrument
A designated derivative, the changes in fair value or cash flows of which are expected to offset changes in the fair value or cash flows of a designated hedged item.

Held to Maturity Investments
Non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Company has a positive intention and ability to hold to maturity. They are measured at amortised cost using the effective yield method.

Impairment Loss
The amount by which the carrying amount of an asset exceeds its recoverable amount.

Loans and Receivables
Non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Company has a positive intention and ability to hold to maturity. They are measured at amortised cost using the effective yield method.

Monetary Assets and Liabilities
Monetary items are units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

2. Actuarial Policies and Methods

Policy liabilities and solvency reserves as at 30 June 2009 were prepared by Ian Perera FNZSA. The Life Insurance Contract Liabilities have been determined in accordance with Professional Standard 3 of the New Zealand Society of Actuaries together with the requirements of NZ IFRS 4. The actuary is satisfied as to the accuracy of the data from which the amount of Life Insurance Contract Liabilities has been determined.

Key assumptions used in determining Life Insurance Contract Liabilities are as follows:

(a) Discount Rates

Business where benefits are contractually linked to the performance of assets held
The discount rates used to determine Life Insurance Contract Liabilities reflect the expected future gross returns on the Company's current asset mix. Fixed interest investments were assumed to earn 5.9% pa (30 June 2008 6.3% pa) and equity investments 9.9% pa (30 June 2008 10.3% pa). The discount rates used for individual classes of business varied between 5.9% and 6.8% (30 June 2008 6.3% and 10.3%).

Other Business
The discount rate used to determine Life Insurance Contract Liabilities is a risk free discount rate. For annuities and traditional non-participating business a rate of 5.9% pa was used at 30 June 2009 (30 June 2008 6.3% pa). For other risk business a rate of 4.8% pa was used (30 June 2008 6.3% pa). These rates were based on the 10 year government bond rate and the 5 year government bond rate respectively.

(b) Profit Carriers

Policies are divided into related product groups with profit carriers and profit margins as follows:

Policy Type	**Carrier**
Risk	Insurance claims
Savings Business	Funds Under Management/Investment Management Charges
Traditional Participating Business	Bonuses

(c) Investment and Maintenance Expenses

Future maintenance and investment expenses have been assumed at current levels in line with contractual fees set out in agreement with Sovereign Services Limited ("SSL") and ASB Group Investments Limited. Future inflation has been assumed to be 2.0% pa (30 June 2008 2.5% pa) for determining future expenses and inflation linked increases in benefits and premiums.

(d) Taxation

The rates of taxation enacted or substantially enacted at the date of the valuation are assumed to continue into the future. The corporate tax rate used was 30% (30 June 2008 30%). Allowance has been made for the "fair dividend rate" rules that apply to global equities, where tax is paid on 5% of the market value of investments, regardless of the actual rate of investment income.

(e) Rates of Growth of Unit Prices

Unit price growth is assumed to be equal to the assumed investment earning rates less tax and asset based charges for each product.

(f) Mortality and Morbidity

Projected future rates of mortality are based on a proportion of the NZ97 tables. Annuitant mortality was assumed to be a proportion of the PMA92 and PMF92 tables. These are then adjusted by comparing the standard tables with the Company's own experience using geometric smoothing techniques or moving averages. For annuity business, adjustment is also made for mortality improvements prior to and after the valuation date.

Assumptions are reviewed based on annual experience studies. The most significant change since 30 June 2008 was a reduction in assumed mortality for the current range of risk business.

The proportions of the NZ97 adopted range from 53% to 120% (30 June 2008 55% to 120%).

Future morbidity experience has been based on a combination of reinsurers tables, industry experience and internal investigations. For significant classes of business, internal experience is compared with reinsurers tables using geometric smoothing techniques or moving averages.

The most significant change since 30 June 2008 was an increase in assumed trauma rates for the current range of risk business.

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For the Year Ended 30 June *$ millions*	Sovereign Assurance Company Limited 2009	2008

2. Actuarial Policies and Methods *(continued)*

(g) Rates of Discontinuance

Assumptions for the incidence of withdrawal, partial termination and transfer of policies to paid-up are primarily based on investigations of the Company's own experience.

Discontinuance rates were revised at 30 June 2009 for the current range of risk business. Broadly, they were increased for death cover, but reduced for disability cover, from those assumed at 30 June 2008.

Future rates of discontinuances classified between risk and savings policies in aggregate are:

Risk Policies	**13%**	13%
Savings Policies	**9%**	9%
Participating Policies	**4%**	4%

(h) Basis of Calculation of Surrender Values

Surrender values are based on the provisions specified in the policy contract. There have been no changes to surrender bases during the year (or the prior year) which would materially affect the valuation result.

(i) Participating Business

For most participating business, bonus rates are set such that, over long periods, the returns to policyholders are commensurate with the investment returns achieved on the relevant assets, together with other sources of profit arising from this business. Distributions are split between policyholders and shareholders with the valuation allowing for shareholders to share in distributions at a maximum allowable rate of 20% (30 June 2008 20%).

In applying the policyholders' share of profits to provide bonuses, consideration is given to equity between generations of policyholders and equity between the various classes and sizes of policies in force. Assumed future bonus rates included in Life Insurance Contract Liabilities were set such that the present value of Life Insurance Contract Liabilities equates to the present value of assets supporting the business together with assumed future investment returns, allowing for the shareholders' right to participate in distributions.

Assumed future bonus rates per annum for the major classes of individual participating business were:

Ex-Prudential policies	Bonus rate on sum assured	**0.90%**	2.00%
	Bonus rate on existing bonus	**0.90%**	2.00%
Ex-NZI policies	Bonus rate on sum assured	**0.18%**	1.00%
	Bonus rate on existing bonus	**0.35%**	2.00%

Ex-Metropolitan Life participating products are treated in the same manner as other investment account contracts. The supportable bonus concept does not apply. Bonus rates were assumed to be 0% for 30 June 2009 (1% 30 June 2008).

(j) Impact of Changes in Assumptions

Refer to Note 1(j) for an explanation of the treatment of changes in actuarial assumptions on Life Insurance Contract Liabilities. The impact of changes in actuarial assumptions made at 30 June 2009 are as follows:

$ millions **Assumption Change**	**Effect on Future Profit Margins**	**Effect on Life Insurance Contract Liabilities**
Market related changes to discount rates	**74**	**(9)**
Non-market related changes to discount rates	**(13)**	**-**
Mortality and morbidity	**64**	**-**
Discontinuance rates	**(86)**	**2**
Maintenance expenses	**(11)**	**(1)**
Other assumptions	**(12)**	**(2)**

Assumption changes that have an effect on Life Insurance Contract Liabilities have an equal and opposite effect on profit.

For the Year Ended 30 June *$ millions*	Note	Sovereign Assurance Company Limited 2009	2008
3. Net Profit after Taxation			
Net Profit after Taxation arose from:			
Life Insurance			
Planned Margins of Revenues over Expenses		**58**	53
Difference between Actual and Assumed Experience		**3**	10
Losses on Groups of Related Products		**3**	-
Effects of Changes in Underlying Assumptions		**10**	4
		74	67
Life Investment			
Planned Margins of Revenues over Expenses		**9**	13
Difference between Actual and Assumed Experience		**2**	(2)
		11	11
Investment Earnings on Assets in Excess of Life Insurance and Life Investment Contract Liabilities		**25**	25
Total Life Activities		**110**	103
Non-life Activities			
Finance Costs		**-**	(2)
Net Profit After Taxation		**110**	101

The disclosure of the components of operating profit after income tax expense are required to be separated between policyholders' and shareholder's interests. Only one column is presented, as any policyholder profits are an expense of the Company and not attributable to the shareholder.

4. Premium Income

	Note	2009	2008
Life Insurance Contracts			
Premiums - disclosed in the Income Statement		**488**	433
		488	433
Life Investment Contracts			
Deposit Premiums - disclosed in Life Investment Contract Liabilities	16	**77**	99
		77	99
Total Premiums			
Premiums - disclosed in the Income Statement		**488**	433
Deposit Premiums - disclosed in Life Insurance and Investment Contract Liabilities		**77**	99
		565	532

For the year ended 30 June *$ millions*	Sovereign Assurance Company Limited **2009**	 2008

5. Reinsurance

Reinsurance Recoveries - Life Insurance Contracts	**29**	26
Portfolio Reinsurance Recoveries	**13**	14
Reinsurance Recoveries - Life Investment Contracts	**19**	18
Total Reinsurance Income	**61**	58
Reinsurance Risk Premiums - Life Insurance Contracts	**37**	38
Portfolio Reinsurance Expenses	**13**	14
Reinsurance Expenses - Life Investment Contracts	**19**	18
Total Reinsurance Expenses	**69**	70

The Company has reinsurance agreements with three reinsurance companies in respect of all regular premium policies issued by Sovereign Assurance prior to January 2001 and all policies issued by Metropolitan Life. The reinsurance of policies is principally structured on a modified risk premium co-insurance basis. In addition, risk premiums are paid in relation to benefits reassured. Profits arising to the reinsurers on this business are shared with The Company.

The Company has reinsured 93.1% (30 June 2008 93.1%) of all Metropolitan Life business. Policy reserves are deposited back by the reinsurers.

The amounts repayable to the reinsurers under these agreements are subordinated to the claims of policyholders.

The Company has also entered into a number of surplus reinsurance arrangements covering mortality and morbidity risks.

6. Investment Income

Life Insurance Contracts		
Income from:		
Equity Securities	**(89)**	(59)
Fixed Interest Securities	**68**	81
Mortgage Investments	**1**	1
Loans on Policies	**3**	3
Property Investments	**(6)**	(10)
	(23)	16
Life Investment Contracts		
Income from:		
Equity Securities	**(95)**	(75)
Fixed Interest Securities	**28**	21
Property Investments	**(11)**	(7)
	(78)	(61)
Total Investment Income		
Income from:		
Equity Securities	**(184)**	(134)
Fixed Interest Securities	**96**	102
Mortgage Investments	**1**	1
Loans on Policies	**3**	3
Property Investments	**(17)**	(17)
Total Investment Income	**(101)**	(45)

Included within Equity Securities is dividend income of $28m (30 June 2008 $47m) and included within Total Investment Income is interest income of $60m (30 June 2008 $71m) and net realised and unrealised losses of $189m (30 June 2008 losses of $163m), including realised and unrealised losses on Derivative Instruments of $99m (30 June 2008 $80m).

Income from Equity Securities includes distributions from unit trusts.

For the year ended 30 June *$ millions*	Note	Sovereign Assurance Company Limited 2009	2008
7. Claims, Surrenders and Maturities			
Life Insurance Contracts			
Death, Disability and Medical Claims		**237**	214
Maturities		**19**	22
Surrenders		**30**	41
Annuities		**5**	5
		291	282
Risk Claims - disclosed in the Income Statement		**291**	268
Deposit Claims - disclosed in Life Insurance Contract Liabilities	16	**-**	14
		291	282
Life Investment Contracts			
Deaths		**3**	3
Maturities		**-**	3
Surrenders		**155**	175
		158	181
Deposit Claims - disclosed in Life Investment Contract Liabilities	16	**158**	181
Total Life Claims		**449**	463
Death, Disability and Medical Claims		**240**	217
Maturities		**19**	25
Surrenders		**185**	216
Annuities		**5**	5
Total Life Claims		**449**	463
Risk Claims - disclosed in the Income Statement		**291**	268
Deposit Claims - disclosed in Life Insurance and Investment Liabilities		**158**	195
Total Life Claims		**449**	463
8. Commission and Management Expenses			
Life Insurance Contract Expenses			
Acquisition Costs:			
Commission and Other Direct New Business Costs		**93**	78
Management Expenses		**47**	46
		140	124
Maintenance Costs:			
Commission		**47**	40
Management Expenses		**43**	37
		90	77
Investment Management Costs		**5**	7
Total Life Insurance Contract Expenses		**235**	208
Life Investment Contract Expenses			
Acquisition Costs:			
Commission and Other Direct New Business Costs		**1**	1
Management Expenses		**1**	1
Deferred Acquisition Cost Amortisation		**3**	3
		5	5
Maintenance Costs:			
Commission		**4**	7
Management Expenses		**7**	8
		11	15
Investment Management Costs		**6**	7
Total Life Investment Contract Expenses		**22**	27
Total Commission and Management Expenses		**257**	235

For the year ended 30 June *$ millions*	Note	Sovereign Assurance Company Limited **2009**	 2008
8. Commission and Management Expenses *(continued)*			
Life Expenses			
Acquisition Costs:			
Commission and Other Direct New Business Costs		**94**	79
Management Expenses		**48**	47
Deferred Acquisition Cost Amortisation		**3**	3
		145	129
Maintenance Costs:			
Commission		**51**	47
Management Expenses		**50**	45
		101	92
Investment Management Costs		**11**	14
Total Commission and Management Expenses		**257**	235

Additional Disclosures

The audit fee for the Company's statutory audit performed by PricewaterhouseCoopers is met by SSL.

Employee Benefits Expense: Staff for ASB Group (Life) Limited and its subsidiaries (the "Group") are employed by SSL. SSL recovers acquisition and maintenance fees from the Company, therefore there is no Employee Benefits Expense included above.

Included within Commission and Management Expenses is $11m (30 June 2008 $10m) for the provision of Fiduciary (Investment Management) Services.

9. Taxation

	Note	2009	2008
Taxation Expense comprises:			
Value of Current Year Tax (Losses) / Profits		**(29)**	9
Adjustment to Prior Year		**(2)**	(3)
Deferred Taxation - Current Year	18	**48**	9
Deferred Taxation - Prior Year	18	**1**	4
Taxation Recognised in the Income Statement		**18**	19

The effective tax rate on the Company's profit before tax differs from the theoretical amount that would arise using the domestic rate as follows:

	2009	2008
Net Profit Before Taxation	**128**	120
Tax at the Domestic Rate	**38**	40
Tax Impact of Income Not Subject to Taxation	**(84)**	(124)
Tax Impact of Expenses Not Deductible for Tax Purposes	**64**	103
Taxation Expense	**18**	19

The weighted average effective tax rate was:

The decrease in the weighted average tax rate for the year ended 30 June 2009 is due to the change in the level of life premiums, claims and policyholder reserves less tax relief on dividends.

A net taxable loss of $97m (30 June 2008 profit of $27m) has been generated by the Company for the year. Provisional tax payments of $nil (30 June 2008 $16m) have been made.

The Company, together with a number of its fellow subsidiary companies form a consolidated group for income tax purposes (the "Consolidated Tax Group"). The members of the Consolidated Tax Group are ASB Group (Life) Limited, Jacques Martin New Zealand Limited and the Company.

The availability of income tax losses carried forward and recognised is subject to statutory requirements being met.

As at 30 June *$ millions*	Note	Sovereign Assurance Company Limited 2009	2008

10. Imputation and Policyholder Credit Accounts

Dividends paid by companies may attach imputation credits representing the New Zealand tax already paid by the company or tax group on profits. New Zealand resident shareholders may claim a tax credit to the value of the imputation credits attached to the dividends.

The Company has formed an imputation group with other members of the Commonwealth Bank of Australia ("ICA Group"). The closing imputation credit account balances presented below represent the imputation credits available to all members of the ICA Group.

As the Company is a life insurance company, the ICA Group is required to maintain a policyholder credit account ("PCA"). A balance in a PCA can be transferred back to an imputation credit account and is therefore available to shareholders (and shareholders of other ICA Group members).

	Note	2009	2008
Imputation Credit Account			
Balance at Beginning of Year		**13**	79
Opening Balances of Associates Entering the ICA Group		**5**	-
Net Income Tax Paid		**53**	38
Transfer from Group Policyholder Credit Account		**-**	57
Imputation Credits Attached to Dividends Received		**16**	106
Less: Imputation Credits Attached to Dividends Paid		**(31)**	(267)
Balance at End of Year		**56**	13
Policyholder Credit Account			
Balance at Beginning of Year		**-**	57
Transfer to Group Imputation Credit Account		**-**	(57)
Balance at End of Year		**-**	-

11. Securities

	Note	2009	2008
Equity Securities			
Shares in Listed Companies		**185**	615
Unit Trusts and Managed Funds		**455**	461
		640	1,076
Fixed Interest Securities	11a	**794**	646
Mortgage Investments			
Mortgages	11b	**8**	9
Unit Trusts and Managed Funds		**-**	28
Loans on Policies		**24**	26
		32	63
Property Investments			
Unit Trusts and Managed Funds		**27**	63
Total Securities		**1,493**	1,848

As at 30 June 2009 no Securities were pledged under repurchase agreements or other arrangements (30 June 2008 Nil).

A current/non current split is not presented because Securities are liquid assets and the timing of realisation is not known.

Included within Securities are the following investments backing Life Insurance Contract Liabilities:

	2009	2008
Equity Securities	**109**	374
Debt Securities	**636**	511
Property Investments	**12**	58
	757	943

As at 30 June $ millions	Sovereign Assurance Company Limited 2009	 2008

11. Securities *(continued)*

11a Fixed Interest Securities

New Zealand Government Stock	**48**	58
Company Debentures	**124**	118
Medium Term Notes	**30**	30
Foreign Government Stock	**592**	440
	794	646
Maturity analysis:		
Under One Year	**-**	12
Between One and Two Years	**14**	23
Between Two and Three Years	**34**	64
Between Three and Four Years	**45**	58
Between Four and Five Years	**50**	44
Greater than Five Years	**651**	445
	794	646

11b Mortgages

Spectrum Plus New Zealand Mortgage Trust

The Company sold its holdings in the Spectrum Plus New Zealand Mortgage Trust (managed and promoted by The Company) on 8 December 2008.

Mortgage Valuations

Securities include Mortgages carried at an estimated fair value of $8m (30 June 2008 $9m). This fair value was derived using a valuation technique that uses experienced judgement to estimate the credit risk component of the valuation. The experienced judgement is not supported by observable market prices; it is based on assessments concerning economic conditions, loss experience, and the risk characteristics associated with the particular mortgages. These assessments are subjective in nature and the range of possible alternative assumptions is considered immaterial. The impact of credit risk on the fair value of mortgages as at 30 June 2009 is $1m (30 June 2008 $1m). The change in fair value due to changes in credit risk for the year ended 30 June 2009 is Nil (30 June 2008 Nil).

Maturity Analysis:		
Less than 12 Months	**-**	-
Greater than 12 Months	**8**	9
	8	9

11c Loans on Policies

There is no maturity analysis presented because there are no fixed maturity dates nor obligations on the policyholder to repay the loans. The loans are fully secured against customer life investment policies.

12. Cash and Cash Equivalents

Cash at Bank and on Deposit	**500**	457
Foreign Currency Deposits	**23**	9
Total Cash and Cash Equivalents	**523**	466

13. Derivative Financial Instruments

Non-Hedge Derivatives Designated at Fair Value through Profit or Loss

The Company enters into derivative transactions which provide economic hedges for risk exposures but do not meet the accounting requirements for hedge accounting treatment. As stated in Note 1, Statement of Accounting Policies, Part (e) Derivative Financial Instruments, the Company purchases forward currency contracts as economic hedges to manage foreign exchange risk. Gains or losses on the forward contracts have been recorded in Investment Income with the gains or losses on the Securities they have hedged.

The forward currency contracts taken out do not exceed 3 months. At balance date these contracts have varying maturity dates.

13. Derivative Financial Instruments *(continued)*

Notional and Fair Values
The notional amount is the contractual amount of the derivatives and provides a basis for comparison with instruments recognised on the Balance Sheet. This amount is not necessarily exchanged and does not indicate The Company's exposure to credit risk. The amount predominantly acts as a reference value upon which interest payments and net settlements can be calculated and on which revaluation is based. The "Face Value" of derivative financial instruments on hand, the favourable or unfavourable market values of these instruments, and the consequent aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following table.

$ millions	Sovereign Assurance Company Limited		
As at 30 June 2009	**Notional Amount**	**Fair Value Assets**	**Fair Value Liabilities**
Fair Value through Profit or Loss			
Exchange Rate Contracts			
Forward Contracts - Buy	**70**	**-**	**3**
Forward Contracts - Sell	**1,089**	**44**	**3**
Total Exchange Rate Contracts	**1,159**	**44**	**6**
Total Derivative Financial Instruments		**44**	**6**
As at 30 June 2008	**Notional Amount**	**Fair Value Assets**	**Fair Value Liabilities**
Fair Value through Profit or Loss			
Exchange Rate Contracts			
Forward Contracts - Buy	39	1	-
Forward Contracts - Sell	1,136	2	22
Total Exchange Rate Contracts	1,175	3	22
Total Derivative Financial Instruments		3	22

14. Investments in Subsidiaries

The Company has an interest in the following entities:

Entity Name	Nature of Business	%	Balance Date
Kuranda Investments Limited	Non-trading	50	30 June
Sovereign Superannuation Funds Limited	Superannuation Scheme Manager	100	30 June
SST (2002) Limited	Non-trading	100	30 June

All entities were incorporated in New Zealand.

1. Holdings in the Spectrum Plus New Zealand Mortgage Trust were sold on 8 December 2008. The nature of business was Investment, and The Company had 90% ownership as at 30 June 2008. Holdings in the Investor Wholesale New Zealand Equity Trust are below the 75% threshold where there is the ability to appoint a new manager of the Trust and control the operating and financing decisions. The nature of business was Investment, and The Company had 76% ownership as at 30 June 2008.

15. Trade and Other Receivables

	Note	2009	2008
Investment Receivables		**21**	21
Agent Balances Receivable		**1**	1
Outstanding Premiums		**10**	12
Amounts Due from Reinsurers		**10**	8
Amounts Due from Related Parties	23	**1**	-
Total Trade and Other Receivables (All Current)		**43**	42

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As at 30 June *$ millions*	Note	Sovereign Assurance Company Limited 2009	2008
16. Life Insurance Contract Liabilities and Life Investment Contracts			
Life Insurance Contract Liabilities			
Opening Life Insurance Contract Liabilities		**554**	709
Maturities and Surrenders	7	**-**	(14)
Recognised in Income Statement *		**(183)**	(141)
Closing Life Insurance Contract Liabilities		**371**	554
Life Insurance Contract Liabilities			
Expected to be Realised Within 12 Months		**(34)**	(65)
Expected to be Realised in more than 12 Months		**405**	619
		371	554

* The item 'Recognised in Income Statement' is stated gross of reinsurance. The reinsurance figures recognised in the Income Statement are included in Note 17.

	Note	2009	2008
Life Insurance Contract Liabilities - Recognised in Income Statement		**(183)**	(141)
Increase in Reinsurance Assets - Recognised in Income Statement	17	**(4)**	(1)
Decrease in Deposited Reserves - Recognised in Income Statement	17	**(1)**	(4)
Net Change in Life Insurance Contract Liabilities		**(188)**	(146)
Life Insurance Contracts with a Discretionary Participation Feature - the amount of the liabilities that relates to guarantees		**643**	503
Life Insurance Contract Liabilities contain the following components:			
Future Policy Benefits		**4,786**	4,249
Future Bonuses		**52**	245
Future Expenses		**1,547**	1,395
Future Planned Margins of Revenues over Expenses		**902**	834
Future Premiums		**(6,716)**	(6,018)
Unvested Policyholder Benefits		**52**	55
Less Deferred Taxation Liability		**(252)**	(206)
		371	554
Life Insurance Contract Liabilities Future Net Cash Inflows			
Up to one year		**176**	139
One to five years		**529**	398
Later than five years		**1,189**	1,000
Total		**1,894**	1,537

The table above shows the estimated timing of discounted future net cashflows resulting from insurance contract liabilities. This includes estimated future surrenders, claims and maturity benefits, and bonuses, offset by expected future premiums and reinsurance recoveries. All values are discounted to the reporting date using the assumed future investment earning rate for each product.

	Note	2009	2008
Life Investment Contracts			
Opening Life Investment Contracts		**1,030**	1,207
Deposit Premium	4	**77**	99
Maturities and Surrenders	7	**(158)**	(181)
Recognised in Income Statement		**(98)**	(95)
Closing Life Investment Contracts		**851**	1,030
Opening Deferred Income Reserve		**73**	81
Recognised in Income Statement		**(7)**	(8)
Closing Deferred Income Reserve		**66**	73
		917	1,103

Movements in Life Investment Contract valuations reflect maturities, surrenders, claims experience and investment performance. The impact on the fair value of Life Investment Contracts due to changes in credit risk is Nil (30 June 2008 Nil), except to the extent that the market value of investments backing the Life Investment Contracts is affected by changes in credit risk. Any such credit risk impact is reflected in the movement of Securities balances during the year.

As at 30 June *$ millions*	Note	Sovereign Assurance Company Limited 2009	2008

16. Life Insurance Contract Liabilities and Life Investment Contracts *(Continued)*

Life Investment Contracts at Fair Value through Profit or Loss			
Expected to be Realised within 12 months		**38**	35
Expected to be Realised in more than 12 months		**879**	1,068
		917	1,103

The maturity value of these financial liabilities is determined by the fair value of the linked assets at maturity date.

17. Reinsurance Assets and Liabilities

	Note	2009	2008
Liabilities Ceded under Reinsurance			
Balance at Beginning of Year		**60**	59
Increase in Reinsurance Assets Recognised in Net Change in Life Insurance Liabilities Reported in the Income Statement	16	**4**	1
Balance at End of Year		**64**	60
Liabilities Ceded under Reinsurance			
Expected to be Realised within 12 Months		**9**	7
Expected to be Realised in more than 12 Months		**55**	53
		64	60
Deposited Reserves (Life Insurance Component)			
Balance at Beginning of Year		**40**	44
Decrease in Deposited Reserves Recognised in Net Change in Life Insurance Liabilities Reported in the Income Statement	16	**(1)**	(4)
Balance at End of Year		**39**	40
Deposited Reserves (Life Insurance Component)			
Expected to be Realised within 12 Months		**2**	2
Expected to be Realised in more than 12 Months		**37**	38
		39	40

18. Deferred Taxation Liability

	Note	2009	2008
Balance at Beginning of Year		**215**	202
Taxation Expense Recognised in the Income Statement	9	**49**	13
Balance at End of Year		**264**	215
Deferred Taxation relates to:			
Provision for Premium Paid in Advance		**2**	3
Deferred Acquisition Costs		**6**	7
Deferred Taxation on Life Insurance Contract Liabilities and Life Investment Contracts		**232**	184
Unrealised Depreciation of Investments		**(9)**	(11)
Accrued Expenses and Provisions		**33**	32
Total Deferred Taxation Liability		**264**	215

The amount of Deferred Taxation Liability, that is expected to be recovered / settled after more than 12 months is $200m (30 June 2008 $159m).

		2009	2008
Deferred Taxation Recognised in the Income Statement:			
Provision for Premium Paid in Advance		**(1)**	2
Deferred Acquisition Costs		**(1)**	(1)
Deferred Taxation on Life Insurance Contract Liabilities and Life Investment Contracts		**48**	38
Decrease / (Increase) in Unrealised Depreciation of Investments		**2**	(29)
Accrued Expenses and Provisions		**1**	3
Total Deferred Taxation Recognised in the Income Statement		**49**	13

As at 30 June *$ millions*	Sovereign Assurance Company Limited 2009	2008

19. Trade and Other Payables

Agent Balances	**2**	2
Prepaid Premiums	**12**	14
Outstanding Claims	**43**	37
Amounts Due to Reinsurers	**3**	1
Expense Creditors	**2**	2
Investment Creditors	**3**	8
Amounts Due to Related Parties	**11**	14
Total Trade and Other Payables (All Current)	**76**	78

20. Contributed Capital

Ordinary Shares

Balance at Beginning of Year	**444**	417
Proceeds from Shares Issued	**-**	27
Balance at End of Year	**444**	444

Share Capital includes 4,805,849 ordinary shares paid to $74.22 and 87,000,000 ordinary shares paid to $1.00 (30 June 2008 4,805,849 ordinary shares paid to $74.22, and 87,000,000 ordinary shares paid to $1.00).

The Company issued 27,000,000 Ordinary Shares paid to a value of $27,000,000 on 12 February 2008.

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

21. Retained Earnings

Balance at Beginning of Year	**54**	18
Net Profit after Taxation	**110**	101
Ordinary Dividends Paid	**(26)**	(65)
Balance at End of Year	**138**	54
Dividends per Ordinary Share	$0.28	$0.83

22. Capital Management

The objectives of the Company in regards to management of capital adequacy are:

(i) to comply at all times with the solvency requirements set out in the "New Zealand Society of Actuaries Professional Standard No. 5 Solvency Reserving for Life Insurance Business" (PS5);

(ii) to maintain a strong capital base to cover the inherent risks of the business; and

(iii) to support the future development and growth of the business to maximise shareholder value.

The Board of Directors has ultimate responsibility for capital management, and approves capital policy and minimum capital levels and limits. Minimum capital levels are set based on maintaining a target surplus in excess of that required by PS5. The level of target surplus takes account of management assessments of actual risk and forecasts/stress testing of future capital requirements. Capital is defined as the Shareholder's Equity in the Company.

The target surplus as at 30 June 2009 was $90m (30 June 2008 $90m).

The Company actively monitors its capital adequacy and reports this on a regular basis to senior management and the Board. This includes forecasting capital requirements so that they can be executed in a timely manner.

The solvency position of the Company is as follows:

Equity of Shareholder	**582**	498
Less: Equity retained for Solvency Purposes	**(463)**	(401)
Equity Available for Distribution	**119**	97

The equity available for distribution was determined as follows:

(a) For each related product group a prudential reserving liability was calculated. The prudential reserving liability was determined in the same manner as the best estimate policy liability but with prudential reserving assumptions. The prudential reserving assumptions are derived by modifying the best estimate assumptions by applying margins for adverse deviations from expected experience.

As at 30 June
$ millions

22. Capital Management *(continued)*

The margins applied include:

Insured life mortality: +10%
Trauma claims: +30%
Disability income active life claims: +50%
Termination rates for disability income claims in payment: -25%
Investment Earnings: the valuation discount rates as set out in Note 2 (a) were used, but with a maximum of the mid swap rate.

Servicing costs: 2.5% margin
Voluntary discontinuances: 25% margin

The margins are unchanged from 30 June 2008.

(b) For each related product group the greater of the amount in (a) and the total of the current termination value of all policies in the related product group was taken.

(c) The amount in (b) was increased by an expense reserve based on the non-commission acquisition costs incurred in the previous year.

(d) The amount in (c) was increased by the liability to other creditors of the life insurance funds, excluding debt subordinated to the interests of policyholders.

(e) The amount in (d) was increased by a resilience reserve calculated to allow for adverse changes in investment returns and exchange rates.

(f) The amount in (e) was increased by a reserve for inadmissible assets, subject to look through provisions.

(g) The amount in (f) was compared with the assets of the fund to determine the equity available for distribution.

23. Related Party Transactions and Balances

The ultimate parent of the Company is the Commonwealth Bank of Australia ("CBA"). ASB Bank Limited is a fellow CBA subsidiary of the Company. Other fellow CBA Subsidiaries refers to other companies owned by CBA.

<u>**Transactions with ASB Bank Limited and Subsidiaries (The "Bank")**</u>

Cash and Deposits

The Company has cash balances and deposits of $498m (30 June 2008 $436m) with the Bank. The Company received interest income on deposits from the Bank of $24m (30 June 2008 $38m). These deposits are held on normal commercial terms and conditions.

Securities

The Company holds Securities issued by the Bank of $33m (30 June 2008 $34m) and received interest income on Securities issued by the Bank of $2m (30 June 2008 Nil). The Company holds Securities issued by Trusts managed by the Bank of $43m (30 June 2008 $111m) and received interest and dividends on Securities issued by these Trusts of $1m (30 June 2008 $13m).

Derivative Transactions

The Company has foreign exchange forward contracts with the Bank with a face value of $1,159m (30 June 2008 $1,175m). There are net unrealised gains on these contracts of $38m (30 June 2008 losses of $19m).

Insurance Commissions

The Company has paid insurance commissions of $33m to the Bank (30 June 2008 $24m).

Investment Management

The Company paid $11m (30 June 2008 $14m) to the Bank for the provision of investment management services in relation to holdings of Equity Securities, Fixed Interest Securities and Property Investments (refer to Notes 6 and 11).

Taxation

Net receipts of $56m (30 June 2008 payments of $22m) were received from the Bank, relating to the utilisation of tax related items. Use of Money Interest of $4m was received from the Bank (30 June 2008 Nil).

<u>**Other Fellow CBA Subsidiaries**</u>

Securities

The Company holds Securities issued by other fellow CBA subsidiaries of $67m (30 June 2008 $26m) and received interest and dividends on Securities issued by other fellow CBA subsidiaries of $2m (30 June 2008 $1m).

Taxation

Net payments of $26m (30 June 2008 $25m) were made to other fellow CBA subsidiaries relating to the utilisation of tax related items.

As at 30 June *$ millions*	Note	Sovereign Assurance Company Limited 2009	2008

23. Related Party Transactions and Balances *(continued)*

Expenses and Services

The Company has been recharged $110m (30 June 2008 $104m) for administration and management services by SSL.

Transactions with Parent Company

The Company holds CBA Equity Securities of $4m (30 June 2008 $9m) and earned dividends on CBA Equity Securities of Nil (30 June 2008 Nil).

The Company received a loan of $27m from ASB Group (Life) Limited on 16 September 2005, the parent company of the Group. The loan was repaid on 15 February 2008.

Balances with Related Parties

In addition to those disclosed elsewhere in these financial statements, the Company has generated debtor and creditor balances with related parties in the ordinary course of operations during the year. The balances are settled on a regular basis. The amounts due to/(from) the Company by/(to) its related parties are as follows:

	Note	2009	2008
Balances with Fellow CBA Subsidiaries			
ASB Bank Limited and Subsidaries		**(2)**	(3)
ASB Group (Life) Limited		**(5)**	(4)
The Colonial Mutual Life Assurance Society Limited - New Zealand Branch		**1**	(1)
Sovereign Services Limited		**(4)**	(4)
ASB Group Investments Limited		**-**	(2)
		(10)	(14)
Disclosed as follows:			
Amounts Due to Related Parties	19	**(11)**	(14)
Amounts Due from Related Parties	15	**1**	-
		(10)	(14)

24. Directors and Key Management Personnel

Short Term Employee Benefits are paid to Key Management Personnel for the Group by SSL. Key Management Personnel are defined as permanent members of the Executive Management Committee. SSL recovers the cost of these benefits through acquistion and maintenance fees charged to the Company.

The Company has no other transactions or balances with Key Management Personnel.

25. Contingent Liabilities and Capital Commitments

Contingent Liabilities

The Company has received assessments from the Inland Revenue Department ("IRD") in relation to the tax treatment of reinsurance arrangements in the 2000 to 2004 tax years. The Company has lodged proceedings in the High Court to challenge the 2000 to 2002 reassessments and expects to lodge proceedings challenging the 2003 and 2004 reassessments shortly. The IRD is disputing the tax treatment of the reinsurance arrangements in later years and is expected to issue reassessments in respect of them in due course.

Based on independent tax and legal advice, the Company is confident the tax treatment it has adopted for the transactions is correct.

Should the IRD issue reassessments for all relevant tax years, the estimated maximum potential total tax liability, including the use of money interest and excluding penalties, as at 30 June 2009 would be $53m (30 June 2008 $49m). The increase in estimated liability since 30 June 2008 is due to additional arguments raised by the IRD in relation to the 2003 tax and later years, and increased use of money interest, offset in part by unrelated matters resolved in the Company's favour in the 2004 to 2006 years.

There are no other material contingent liabilities as at 30 June 2009 (30 June 2008 Nil).

Capital Commitments

There are no capital commitments at 30 June 2009 (30 June 2008 Nil).

As at 30 June *$ millions*	Sovereign Assurance Company Limited **2009**	2008

26. Financial Reporting by Segments

Primary Segment Information - Business

The Company operates solely in the insurance and investment management industry. On this basis no business segment information is provided.

27. Interest Rate Summary

The weighted average yields at balance date on significant interest bearing financial assets and liabilities not disclosed elsewhere in these financial statements are:

Assets:	**2009**	2008
Foreign Government Stock	**3.4%**	3.8%
New Zealand Government Stock	**4.6%**	6.7%
Corporate Bonds	**4.3%**	5.2%
Medium Term Notes	**6.6%**	9.6%
Mortgages	**6.5%**	8.5%
Loans on Policies	**8.0%**	10.0%

Information about maturity of interest bearing financial assets is disclosed elsewhere in these financial statements (refer to Notes 11 and 37).

28. Fair Value of Financial Instruments not Carried at Fair Value

The fair value of financial assets and liabilities that are not carried at fair value on the Balance Sheet are:

As at 30 June 2009	**Carrying Amount**	**Fair Value**
Cash and Cash Equivalents	**523**	**523**
Trade and Other Receivables	**43**	**43**
Deposited Reserves	**39**	**39**
Trade and Other Payables	**76**	**76**
As at 30 June 2008		
Cash and Cash Equivalents	466	466
Trade and Other Receivables	42	42
Deposited Reserves	40	40
Trade and Other Payables	78	78

Investment contracts which contain a discretionary participation feature have been valued as insurance contracts under NZ IFRS 4. These contracts are investment account contracts where policyholder monies are accumulated in an account which earns interest at a crediting rate, the amount and timing of which is at the Company's discretion. The carrying amount of these contracts at 30 June 2009 is $116m (30 June 2008 $132m). Due to the unknown nature of such a discretion, the fair value of the discretionary participation feature cannot be reliably measured.

As at 30 June *$ millions*	Sovereign Assurance Company Limited 2009	2008

29. Asset Quality

Impaired Assets

	2009	2008
Balance at Beginning of Year	1	1
Balance at End of Year	**1**	1

The Impaired Assets reported above include Agent loans that are under management and overpaid commissions that are subject to external recovery or legal action. The amount of interest income accrued on Impaired Assets during the year was Nil (30 June 2008 Nil).

Past Due Assets

	2009	2008
Balance at Beginning of Year	1	1
Balance at End of Year	**1**	1

The Past Due Assets reported above include Residential Mortgages (reported in Securities) and Agent Loans (reported in Trade and Other Receivables) where payments are one day or more overdue.

Credit Quality of Financial Assets that are not Past Due or Impaired

Cash and Cash Equivalents

The Company's cash holdings are with ASB Bank Limited, which has a Standard and Poor ("S&P") credit rating of AA (30 June 2008 AA), and Citigroup Inc. which has an S&P rating of A (30 June 2008 AA-).

Securities

The Company holds Securities issued by counterparties with the following S&P credit ratings:

	Linked		Non-Linked	
Rating	**2009**	2008	**2009**	2008
AAA	**55**	66	**496**	349
AA+	**1**	2	**-**	18
AA	**15**	23	**48**	41
AA-	**10**	17	**58**	81
A+	**12**	6	**98**	40
A	**1**	-	**-**	2
Equity Securities	**167**	365	**27**	264
Managed Funds	**384**	397	**89**	142
Other Securities	**-**	-	**32**	35
	645	876	**848**	972

Included in 'Other Securities' are Mortgages, which are fully secured against property, and Loans on Policies, which are fully secured against customer life insurance and life investment policies. Credit ratings are not provided for equity securities and managed funds because ratings are either not available or are considered not an appropriate measure of asset quality.

Derivative Financial Instruments

The counterparty for the Company's Derivative Financial Instruments is ASB Bank Limited.

Amounts Due from Reinsurers

The S&P credit ratings for the Company's major reinsurers are:	2009	2008
General Reinsurance Life Australia Limited	**AAA**	AAA
Assicurazioni Generali S.p.A.	**AA-**	AAA
RGA Reinsurance Company	**AA-**	AA-
Swiss Re Life and Health (Australia) Limited	**A+**	AA-
Munich Reinsurance Company of Australasia Limited	**AA-**	AA-

As at 30 June *$ millions*	Sovereign Assurance Company Limited 2009	2008

30. Provisions for Impairment Loss

	2009	2008
Specific Provisions		
Balance at Beginning of Year	**1**	1
Additions	**1**	-
Written Back to Income Statement	**(1)**	-
Total Impairment Provisions	**1**	1

The Specific Provision reported above includes Agent Loans that are under management and overpaid commissions that are subject to external recovery or legal action.

31. Disaggregated Information

NZ IFRS 4 requires disclosure of information between amounts relating to investment linked business and non-investment linked business for categories shown below. As there are no legal requirements to maintain separate life insurance funds, the Company does not maintain records that provide all the information required by NZ IFRS 4. Accordingly determination of the disaggregated information presented below requires the use of significant estimates but the basis of estimation has been consistent between years.

	Sovereign Assurance Company Limited		
	Investment Linked Policies	Non-Investment Linked Policies	Total
For the Year Ended 30 June 2009			
Investments	**881**	**1,179**	**2,060**
Reinsured Life Insurance Contracts	**-**	**64**	**64**
Other Assets	**53**	**78**	**131**
Liabilities other than Policy Liabilities	**17**	**368**	**385**
Policy Liabilities	**917**	**371**	**1,288**
Shareholder's Retained Earnings	**-**	**138**	**138**
Premium Income	**-**	**488**	**488**
Investment Income	**(78)**	**(23)**	**(101)**
Claims Expense	**-**	**291**	**291**
Commission and Management Expenses	**22**	**235**	**257**
Investment Income Allocated to Policyholders	**(78)**	**(48)**	**(126)**
Net Profit Before Taxation	**7**	**121**	**128**
Net Profit After Taxation	**11**	**99**	**110**
For the Year Ended 30 June 2008			
Investments	1,025	1,292	2,317
Reinsured Life Insurance Contracts	-	60	60
Other Assets	83	50	133
Liabilities other than Policy Liabilities	5	350	355
Policy Liabilities	1,103	554	1,657
Shareholder's Retained Earnings	-	54	54
Premium Income	-	433	433
Investment Income	(61)	16	(45)
Claims Expense	-	268	268
Commission and Management Expenses	27	208	235
Investment Income Allocated to Policyholders	(61)	(17)	(78)
Net Profit Before Taxation	7	113	120
Net Profit After Taxation	12	89	101

32. Risk Management Policies

Introduction

The Company is exposed to risk through its financial assets, financial liabilities (investment contracts), reinsurance assets and insurance liabilities. Risk management policies focus on ensuring cash flows from assets are sufficient to fund obligations arising from insurance and investment contracts. Key components of this relate to insurance risk, credit risk, liquidity risk and market risk.

The Company's risk management strategy is set by the Board of Directors through the Board Audit and Risk Committee. The Board Audit and Risk Committee comprises members of the Board of Directors and is chaired by an independent member of the Board. Implementation of risk management strategy is the responsibility of the Managing Director.

The Company has management structures and information systems to manage individual risks, has separated risk initiation and monitoring tasks where feasible, and subjects all material systems to regular internal audit. Periodic reviews of all risk management systems are undertaken by internal audit.

The following sections describe the risk management framework components.

Insurance Risk

The Company's objectives in managing risks arising from the insurance business are:
(i) To ensure risk appetite decisions are made within the context of corporate goals and governance structures.
(ii) To ensure that an appropriate return on capital is made in return for accepting insurance risk.
(iii) To ensure that strong internal controls embed underwriting to risk within the business.
(iv) To ensure that internal and external solvency and capital requirements are met.
(v) To use reinsurance as a component of insurance risk management strategy.

Terms and Conditions of Insurance Contracts
The nature of 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 these:

Type of Contract	Detail of Contract Terms and Conditions	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, Major Medical)	Benefits paid on death, ill health or maturity that are fixed and guaranteed and not at the discretion of the issuer. Premiums may be guaranteed through the life of the contract, guaranteed for a specified term or variable at the insurers discretion.	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.	- Mortality - Morbidity - Discontinuance rates - Expenses - Market rates on underlying assets
Life insurance contracts with discretionary participating benefits (endowment and whole of life)	These policies include a clearly defined initial guaranteed sum assured which is payable on death. The guaranteed amount is a multiple of the amount that is increased throughout the duration of the policy by the addition of regular bonuses annually which, once added, are not removed. Regular bonuses are also added retrospectively.	Benefits arising from the discretionary participation feature are based on the performance of a specified pool of contracts or a specified type of contract.	- Mortality - Market risk - Discontinuance - Expenses - Market rates on underlying assets
Life annuity contracts	These policies provide guaranteed regular payments to the life assured.	The amount of the payment is set at inception of the policy.	- Longevity - Market rates on underlying assets - Expenses

32. Risk Management Policies *(continued)*

Variations in claim levels will affect reported profit and equity. The impact may be magnified if the variation leads to a change in actuarial assumptions which cannot be absorbed within the present value of planned margins for a group of related products.

Insurance risk may arise through the reassessment of the incidence of claims, the trend of future claims and the effect of unforeseen diseases or epidemics. In addition, in the case of morbidity, the time to recovery may be longer than assumed. Insurance risk is controlled by ensuring underwriting standards adequately identify potential risk, retaining the right to amend premiums on risk policies where appropriate and through the use of reinsurance. The experience of the Company's life insurance business is reviewed regularly.

Concentrations of insurance risk arise due to:
- Large sums assured on certain individuals. The largest exposures all relate to mortality.
- Geographic concentrations due to employee Company schemes. The Company participates in the CBA catastrophe cover reinsurance programme which provides cover of AUD$100m for single event claims in excess of AUD$20m.

Insurance Risk is measured by using sensitivity analysis to show the effects of the risks of mortality and morbidity on Life Insurance Contract Liabilities and profit, refer to Note 34.

Credit Risk

Credit risk is the potential risk for loss arising from failure of a counterparty to meet their contractual obligations.

Credit risk principally arises within the Company from investments of shareholder funds or funds where the shareholder participates in investment returns in cash and fixed interest securities, and reinsurer payment obligations. Credit risk also arises from a mortgage portfolio, loans to agents, foreign exchange contracts, loans made using policies as security, and trade receivables (policyholder premium debtors, agent balances and sundry debtors).

The maximum credit risk associated with each class of recognised financial asset held by the Company is the carrying value.

The Company has a comprehensive, clearly defined credit policy, that covers the approval and management of all credit risk.

Investment concentrations for shareholder funds are managed within established guidelines and limits set by the Asset and Liability Management Committee ("ALCO"), some criteria are referred to the Board Audit and Risk Committee for approval. Guidelines and limits are set for security credit ratings and aggregate exposure to any geographic region or single counterparty (refer to Notes 36 and 38).

Reinsurance credit exposures are managed by reinsurance guidelines and limits set by the Board Audit and Risk Committee.

For Life Investment Linked Contracts the investments credit risk is appropriate for each particular product and the risk is borne by the policyholder. There is no significant credit risk assumed by the Company.

Liquidity Risk

Management of liquidity risk is designed to ensure that the Company has the ability to meet financial obligations as they fall due.

The Company monitors this risk primarily by forecasting future daily cash requirements. The Company manages this risk by holding a pool of readily tradable investment assets and deposits on call.

Market Risk

Market risk is the risk of an event in the financial markets that results in a fluctuation in earnings or a fluctuation in value.

Market risk arises from the mismatch between assets and liabilities. The Company is exposed to diverse financial instruments including interest rates, foreign currencies, equities, and derivative instruments. For each distinct category of liabilities, a separate portfolio of assets is maintained and investment mandates are set that are appropriate for each.

A significant proportion of assets are held for investment linked policies where market risk is transferred to the policyholder. The Company earns fees on investment linked policies that are based on the amount of assets invested, it may receive lower fees should markets fall. Asset allocation for investment linked policies is decided by the policyholder.

Market risk arises on discretionary participation business as these contracts have investment guarantees. Risk is mitigated by using an appropriate bonus/credit rate policy and a suitable growth/income investment allocation.

32. Risk Management Policies *(continued)*

Market Risk *(continued)*

Market risk arises from returns obtained from investing the shareholder's funds held in the Company. Appropriate investment mandates are set by ALCO for the investment of shareholder's funds. As at 30 June 2009, shareholder's funds in the Company were invested 1% (30 June 2008 2%) in growth assets (shares and property) and 99% (30 June 2008 98%) in income assets (cash and fixed interest).

Market risk in the asset management business is the risk of an adverse movement in market prices that leads to a reduction in the amount of funds under management and a consequent reduction of fee income.

The Company balance sheet risk is measured using sensitivity analysis by modelling the change in assets, liabilities, and profit from changes in interest rates and equity values, refer to note 34.

Market risk includes price, interest rate, foreign exchange and equity risks which are explained as follows:

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments of a specific type traded in the market.

This risk is controlled by ensuring a diverse range of investments, limits on counterparty exposure and restrictions on types of instruments.

Interest Rate Risk

Interest rate risk is the risk of loss to the Company arising from adverse changes in interest rates.

Fair value interest rate risk arises from the potential for a change in interest rates to cause a fluctuation in the fair value of financial instruments and the value of Life Insurance Contract Liabilities. Interest rate risk arises from the structure and characteristics of the Company's assets, liabilities and equity, and in the mismatch in cash flows of its assets and liabilities. The objective is to manage the interest rate risk to achieve stable and sustainable net profit.

Fair value interest rate risk arises from shareholder funds invested in fixed interest investments. When fixed interest investments are held to match fixed interest style products selected by policyholders, the interest rate risk is borne by the policyholder.

Interest rate risk also arises on risk contracts where negative policy liabilities (arising from the implicit deferral of acquisition costs) are valued at current risk free interest rates.

Cash flow interest rate risk is the potential for a change in interest rates to change interest expense and interest income in the current reporting period and in future years. Cash flow interest rate risk arises on the Company's mortgage portfolio which is priced on a variable interest rate regime. Management regularly reviews the mortgage portfolio interest rates to ensure they are in line with market trends.

The Company reduces interest rate risk by seeking to match the cash flows of assets and liabilities. This is achieved by changing the mix of assets and liabilities through buying and selling long term securities.

Overall strategic direction is provided by ALCO, which meets monthly.

Interest Rate Risk is measured by using sensitivity analysis to show the effects of the risks on assets, liabilities, and profit, refer to Note 34.

Foreign Exchange Risk

Foreign exchange risk is the risk of loss to the Company's earnings and value arising from adverse changes in foreign exchange rates.

Foreign currency exposures and risks arise as the Company invests offshore. Foreign currency denominated investments amounted to 62% (30 June 2008 62%) of total investments. The market value of these investments is therefore affected by movements in the New Zealand dollar relative to the currency in which the investment is denominated. The Company also holds foreign currencies on short term deposit.

Foreign exchange contracts are used to hedge approximately 81% (30 June 2008 72%) of currency risk. All equity fund investments denominated in foreign currency are 50% hedged (30 June 2008 50% hedged). All fixed interest fund investments denominated in foreign currency are 100% hedged (30 June 2008 100% hedged). All foreign currency hedging arrangements are economic hedges.

Details of material foreign currency balances are shown in Note 35.

32. Risk Management Policies *(continued)*

Equity Risk

Equity risk results from the repricing of equity investments held by the Company. For investment linked contracts this risk is borne by the policyholder. For assets that do not relate to investment linked contracts, the shareholder has exposure to equity risk either directly or due to performance guarantees.

This risk is controlled by ensuring a diverse range of equity investments.

Internal Audit

Since the acquisition of Sovereign Limited by Sovereign Group Limited on 4 December 1998, the Company has been serviced by a centralised audit function which covers the ASB Bank Limited and the ASB Group (Life) Limited consolidated entities. Sovereign Group Limited was amalgamated into ASB Group (Life) Limited on 29 June 2007.

Internal Audit provides an independent assurance and consulting service designed to assist the Company in achieving its objectives by bringing a systematic and disciplined approach to improving the effectiveness of risk management systems, the framework of controls, and governance processes. Operational, compliance, financial and systems audits of all areas of the Company's operations are reviewed based on an assessment of risk. The independent Internal Audit function is ultimately accountable to the Board of Directors through the Managing Director and Board Audit and Risk Committee.

The Board Audit and Risk Committee meets on a regular basis to consider financial reporting, internal control and corporate governance issues. It reviews the interim and annual financial statements, the activities of the internal and external auditors and monitors the relationship between management and the external auditors.

33. Events After Balance Date

There have been no material events after balance date.

34. Sensitivity Analysis

The Company conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables such as interest rate, exchange rate, mortality, morbidity and inflation. The valuations included in the reported results and the Company's best estimate of future performance are calculated using certain assumptions about these variables. The movement in any key variable will impact the performance and net assets of the Company and as such represents a risk.

Variable	Impact of Movement in Underlying Variable
Exchange Rate Risk	The Company does not fully hedge foreign currency denominated equity instruments. Adverse movements in foreign exchange risks relative to the New Zealand dollar will subsequently reduce the value of policyholder assets and liabilities.
Expense Risk	An increase in the level or inflationary growth of expenses over assumed levels will decrease profit and shareholder's equity.
Interest Rate Risk	Depending on the profile of the investment portfolio, the investment income of the Company will decrease as interest rates decrease. This may be offset to an extent by changes in the market value of fixed interest investments. The impact on profit and shareholder's equity depends on the relative profiles of assets and liabilities, to the extent that these are not matched.
Mortality Rates	For insurance contracts, providing death benefits increased, greater mortality rates would lead to higher levels of claims occurring sooner than anticipated, increasing associated claims cost and therefore reducing profit and shareholder's equity. This is offset by increased annuitant mortality which would reduce expected future annuity payments and therefore reduce life insurance contract liabilities.
Morbidity Rates	The cost of health-related claims depends on both the incidence of policyholders becoming ill and the duration which they remain ill. Higher than expected incidence and duration would be likely to increase claim costs, reducing profit and shareholders' equity.
Discontinuance	The impact of the discontinuance rate assumption depends on a range of factors including the type of contract, the surrender value basis (where applicable) and the duration in force. For example, an increase in discontinuance rates at earlier durations of life insurance contracts usually has a negative effect on performance and net assets. However, due to the interplay between the factors, there is not always an adverse outcome from an increase in discontinuance rates.
Market Risk	For investment contracts and life insurance contracts with discretionary participation features, policy liabilities depend on the value of underlying assets. Market risk may be entirely borne by policyholders. However, the Company derives fee income based on the value of the underlying funds; hence revenues are always sensitive to changes in market value. For assets which are not contractually linked to policy liabilities, the Company is exposed to market risk.

34. Sensitivity Analysis *(continued)*

The table below illustrates how changes in key assumptions would impact the reported profit, liabilities and equity of the Company. For market risks, the effect of movements in interest rates or market values on the value of assets is also shown.

$ millions	Sovereign Assurance Company Limited				
	Effect on Assets	**Effect on Liabilities**		**Profit / (Loss) and Equity**	
As at 30 June 2009		Gross of Reinsurance	Net of Reinsurance	Gross of Reinsurance	Net of Reinsurance
Result of Change in Assumptions					
Market Risks					
Increase in Interest Rates of 1%	**(58)**	**(49)**	**(49)**	**(9)**	**(9)**
Decrease in Interest Rates of 1%	**58**	**49**	**49**	**9**	**9**
Equity Values Increase by 10%	**47**	**47**	**47**	-	-
Equity Values Decrease by 10%	**(47)**	**(47)**	**(47)**	-	-
Favourable Movement in Foreign Exchange Rates of 10%	**26**	**26**	**26**	-	-
Adverse Movement in Foreign Exchange Rates of 10%	**(26)**	**(26)**	**(26)**	-	-
Insurance Risks					
Increase in Expenses of 10%	-	-	-	-	-
Improvement in Mortality by 10%	-	**2**	**2**	**(2)**	**(2)**
Worsening of Mortality by 10%	-	**(2)**	**(2)**	**2**	**2**
Improvement in Morbidity by 10%	-	**(3)**	**(3)**	**3**	**3**
Worsening of Morbidity by 10%	-	**3**	**3**	**(3)**	**(3)**
Worsening of Discontinuance Rate by 20%	-	**1**	**1**	**(1)**	**(1)**
Improvement in Discontinuance Rate by 20%	-	**(1)**	**(1)**	**1**	**1**

	Effect on Assets	**Effect on Liabilities**		**Profit / (Loss) and Equity**	
As at 30 June 2008		Gross of Reinsurance	Net of Reinsurance	Gross of Reinsurance	Net of Reinsurance
Result of Change in Assumptions					
Market Risks					
Increase in Interest Rates of 1%	(28)	(15)	(15)	(13)	(13)
Decrease in Interest Rates of 1%	28	15	15	13	13
Equity Values Increase by 10%	68	68	68	-	-
Equity Values Decrease by 10%	(68)	(68)	(68)	-	-
Favourable Movement in Exchange Rates of 10%	31	31	31	-	-
Adverse Movement in Exchange Rates of 10%	(31)	(31)	(31)	-	-
Insurance Risks					
Increase in Expenses of 10%	-	-	-	-	-
Improvement in Mortality by 10%	-	2	2	(2)	(2)
Worsening of Mortality by 10%	-	(2)	(2)	2	2
Improvement in Morbidity by 10%	-	(5)	(4)	5	4
Worsening of Morbidity by 10%	-	5	4	(5)	(4)
Worsening of Discontinuance Rate by 20%	-	-	-	-	-
Improvement in Discontinuance Rate by 20%	-	-	-	-	-

The analysis above is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on assets, liabilities, net profit and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but assumptions were changed on an individual basis to demonstrate the sensitivity to each variable. It should be noted that movements in these assumptions are non-linear.

35. Material Foreign Currency Balances

$ millions	Sovereign Assurance Company Limited					
As at 30 June 2009	**USD**	**AUD**	**GBP**	**YEN**	**EURO**	**Other**
Financial Assets						
Cash and Cash Equivalents	**7**	**2**	**2**	**6**	**5**	**1**
Securities	**326**	**199**	**145**	**255**	**265**	**40**
Derivative Financial Instruments	**20**	**-**	**-**	**5**	**17**	**2**
Financial Liabilities						
Derivative Financial Instruments	**-**	**(3)**	**-**	**-**	**(3)**	**-**
Net Foreign Currency Assets	**353**	**198**	**147**	**266**	**284**	**43**
Derivative Financial Instruments Net Notional Principal	***258***	***128***	***108***	***244***	***245***	***36***
As at 30 June 2008						
Financial Assets						
Cash and Cash Equivalents	1	3	-	2	1	2
Securities	521	294	104	197	275	70
Derivative Financial Instruments	2	1	-	-	-	-
Financial Liabilities						
Derivative Financial Instruments	-	(15)	(1)	(1)	(5)	-
Net Foreign Currency Assets	524	283	103	198	271	72
Derivative Financial Instruments Net Notional Principal	*277*	*231*	*75*	*194*	*264*	*57*

36. Concentrations of Credit Exposures by Geographic Region

$ millions	Sovereign Assurance Company Limited							
As at 30 June 2009	**New Zealand**	**North America**	**Australia**	**Great Britain**	**Asia**	**Europe**	**Other**	**Total**
Financial Assets								
Cash and Cash Equivalents	**498**	**-**	**-**	**-**	**25**	**-**	**-**	**523**
Securities	**271**	**172**	**494**	**114**	**161**	**263**	**18**	**1,493**
Derivative Financial Instruments	**44**	**-**	**-**	**-**	**-**	**-**	**-**	**44**
Trade and Other Receivables	**33**	**-**	**7**	**-**	**-**	**3**	**-**	**43**
Total Credit Exposures by Geographic Region	**846**	**172**	**501**	**114**	**186**	**266**	**18**	**2,103**
As at 30 June 2008								
Financial Assets								
Cash and Cash Equivalents	436	-	-	-	30	-	-	466
Securities	407	306	254	114	161	578	28	1,848
Derivative Financial Instruments	3	-	-	-	-	-	-	3
Trade and Other Receivables	34	-	6	-	-	2	-	42
Total Credit Exposures by Geographic Region	880	306	260	114	191	580	28	2,359

Geographical segments are determined by identification of a particular economic environment that is subject to risk and returns that are different from those of segments operating in other economic environments.

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37. Maturity Analysis of Financial Liabilities

$ millions	Sovereign Assurance Company Limited						
	0 -1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	Later than 5 Years	Total	Carrying Value
As at 30 June 2009							
Life Investment Contracts	**650**	**3**	**15**	**109**	**277**	**1,054**	**917**
Derivative Financial Instruments	**486**	**675**	**-**	**-**	**-**	**1,161**	**6**
Deposited Reserves	**-**	**-**	**2**	**7**	**30**	**39**	**39**
Trade and Other Payables	**74**	**1**	**-**	**1**	**-**	**76**	**76**
Total Financial Liabilities	**1,210**	**679**	**17**	**117**	**307**	**2,330**	**1,038**
Simultaneous Inflows on Derivative Financial Instruments	***497***	***702***	**-**	**-**	**-**	***1,199***	***6***
As at 30 June 2008							
Life Investment Contracts	783	3	13	133	394	1,326	1,103
Derivative Financial Instruments	548	626	-	-	-	1,174	22
Deposited Reserves	-	-	2	7	31	40	40
Trade and Other Payables	78	-	-	-	-	78	78
Total Financial Liabilities	1,409	629	15	140	425	2,618	1,243
Simultaneous Inflows on Derivative Financial Instruments	*530*	*626*	-	-	-	*1,156*	*22*

The above analysis is based on contractual undiscounted cash flows. Where the counterparty has discretion in requesting payment, liabilities have been classified according to the earliest time period in which the Company may be required to pay. Cash flows on Derivative Financial Instruments are analysed on a gross basis unless they are settled net. Refer to Note 32 for details on how the Company manages liquidity risk.

38. Concentration of Credit Exposures by Individual Counterparty

Balance Date Credit Exposures as at:

Percentage of Shareholder's Equity	Number of Banks		Number of Non-banks	
	30-Jun-09	30-Jun-08	**30-Jun-09**	30-Jun-08
5 - 9	**-**	1	**2**	4
10 - 14	**-**	-	**-**	1
95 - 99	**1**	1	**-**	-

Balance Date Credit Exposures as at:

Percentage of Shareholder's Equity	Total Exposure to Banks ($ millions)		Total Exposure to Non-banks ($ millions)	
	30-Jun-09	30-Jun-08	**30-Jun-09**	30-Jun-08
5 - 9	**-**	31	**73**	112
10 - 14	**-**	-	**-**	52
95 - 99	**568**	472	**-**	-

Only counterparties with balance date exposures exceeding 5% of Shareholder's Equity are disclosed. Government exposures are excluded. Equity securities and managed funds investing in equity securities have been excluded as the Company is only exposed to price risk on these instruments, not credit risk. Refer to Note 32 for details on how the Company manages price risk.

Percentages are calculated using the Company's Shareholder's Equity as at balance date.

PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland 1142
New Zealand
Telephone +64 9 355 8000
Facsimile +64 9 355 8001
www.pwc.com/nz

Auditor's Report
to the shareholders of Sovereign Assurance Company Limited

We have audited the financial statements on pages 1 to 37. The financial statements provide information about the past financial performance and cash flows of the Company for the year ended 30 June 2009 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 6 to 13.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company as at 30 June 2009 and its financial performance and cash flows for the year ended on that date.

Auditor's Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

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

(a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and

(b) whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

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

We have no relationship with or interests in the Company other than in our capacity as auditors.

PRICEWATERHOUSECOOPERS

Auditor's Report
Sovereign Assurance Company Limited

Unqualified Opinion

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

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

(b) the financial statements on pages 1 to 37;

  (i) comply with generally accepted accounting practice in New Zealand;

  (ii) comply with International Financial Reporting Standards; and

  (iii) give a true and fair view of the financial position of the Company as at 30 June 2009 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 13 August 2009 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants Auckland