

Vero Insurance Limited

AND SUBSIDIARIES

ABN 48 005 297 807

CONSOLIDATED FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

Registered Office

Level 18

36 Wickham Terrace

Brisbane Qld 4000

Mailing address: GPO Box 1453, Brisbane Qld 4001

Telephone: (07) 3835 5355

Fax: (07) 3836 1190

Internet: www.vero.com.au

TABLE OF CONTENTS

Directors' report	1
Balance sheets	5
Income statements	6
Statements of recognised income and expense	7
Statements of cash flows	8
Note 1. Reporting entity	9
Note 2. Basis of preparation	9
Note 3. Significant accounting policies	10
Note 4. Critical accounting estimates and judgements	26
Note 5. Actuarial assumptions and methods	27
Note 6. Risk management	30
Note 7. Segment reporting	50
Note 8. Income	52
Note 9. Incurred claims	53
Note 10. Underwriting and other operating expenses	55
Note 11. Finance costs	55
Note 12. Income tax	56
Note 13. Cash and cash equivalents	58
Note 14. Receivables	58
Note 15. Reinsurance and other recoveries receivable	59
Note 16. Deferred insurance assets	60
Note 17. Investments	61
Note 18. Other assets	61
Note 19. Investment property	62
Note 20. Investments in joint ventures	63
Note 21. Plant and equipment	66
Note 22. Goodwill and intangible assets	67
Note 23. Payables and financial liabilities	68
Note 24. Outstanding claims liabilities	69
Note 25. Unearned premium liabilities	73
Note 26. Liability adequacy test	73
Note 27. Provisions	75
Note 28. Employee benefit obligations	75
Note 29. Subordinated notes	82
Note 30. Share capital and reserves	82
Note 31. Dividends	84
Note 32. Reconciliation of operating profit after income tax to net cash flows from operating activities	85
Note 33. Derivative financial instruments	86
Note 34. Remuneration of auditors	87
Note 35. Controlled entities	88
Note 36. Contingent liabilities	92
Note 37. Financing arrangements	92
Note 38. Commitments for expenditure	93
Note 39. Managed funds	93
Note 40. Capital adequacy	94
Note 41. Key management personnel disclosures	95
Note 42. Other related party disclosures	95
Note 43. Events subsequent to reporting date	98
Directors' declaration	99
Independent auditor's report to the members of Vero Insurance Limited	100

The directors present their report together with the financial report of Vero Insurance Limited ("the Company") and of the Group, being the Company and its subsidiaries and the Group's interest in jointly controlled entities, for the financial year ended 30 June 2009 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Non-executive

John D Story (Chairman)	(appointed 20 March 2007)
William J Bartlett	(appointed 20 March 2007)
Dr Ian D Blackburne	(appointed 20 March 2007)
Paula J Dwyer	(appointed 14 February 2003)
Dr Cherrell Hirst AO	(appointed 20 March 2007)
Martin D E Kriewaldt	(appointed 20 March 2007)
Ewoud J Kulk	(appointed 14 February 2003)
Geoffrey T Ricketts	(appointed 14 February 2003)
Dr Zygmunt E Switkowski	(appointed 20 March 2007)
Leo E Tutt	(appointed 26 June 2002)

Executive

John F Mulcahy (Managing Director)	(appointed 20 March 2007, resigned 2 March 2009)
Christopher Skilton (Executive Director)	(appointed 2 March 2009)

Principal activities

The principal activities of the Group during the course of the financial year were the underwriting of general insurance and the investment and administration of insurance and non-insurance funds.

There were no significant changes in the nature of the activities of the Group during the financial year.

Operating and financial review

Review of the Group

Consolidated profit after tax for the year ended 30 June 2009 was \$431.6 million which was higher than the prior 18 months period to 30 June 2008 result of \$140.0 million. This year result is not comparable to the previous 18 months to 30 June 2008 due to the Legal Entity Restructure (LER).

Under the LER completed on 1st December 2008, Vero Insurance Ltd acquired control of Suncorp Metway Insurance Ltd, which included its interests in GIO General Ltd and its joint ventures. As a result of the LER, from the 1 December 2008 the consolidated result of Vero Insurance Ltd includes all five Australian licensed insurers including the joint ventures of the Suncorp Group. To ensure that the Group was adequately capitalised the Company increased issued ordinary shares by \$2,301.5 million. The LER also required the payment of an interim dividend of \$600.0 million. For further details on the LER see note 35.

The underwriting result was \$273.5 million in the year to 30 June 2009 compared to \$57.6 million for the period to 30 June 2008.

The insurance trading result (ITR) was \$621.0 million for the year to 30 June 2009 compared to \$268.3 million for the period to 30 June 2008 which is equivalent to an insurance trading ratio of 13.1%. This year's result has been impacted by severe weather events and the economic downturn partly offset by increased investment returns on insurance funds, reflecting the reduction in discount rates.

Total investment income on shareholders funds for the year to 30 June 2009 was \$73.8 million compared to \$78.5 million for the period to 30 June 2008. The result benefited from the decision to remove the exposure to equity markets in September 2008. These portfolios have been impacted by reduced returns on fixed income investments and negative revaluations on property holdings.

Severe weather events across Australia particularly the South East Queensland storms in November 2008, North Queensland Floods and Victorian Bushfires in February 2009, Coffs Harbour Floods in April 2009 and East Coast Storms in May 2009 resulted in higher claims volumes and costs. ITR has been affected by reduced fixed interest yields following the reduction in official cash rates. The mark to market impact of widening credit spreads on the Group's insurance fund portfolio, where underlying investments are matched to the expected payouts in the outstanding claims provision, also negatively contributed to the result.

Operating and financial review (continued)

The Group continues to contribute to the Suncorp-Metway Ltd integrated financial services group by offering a wide range of insurance products and services to that group's customer base.

The Home portfolio experienced strong revenue growth particularly from renewals although profit was severely impacted by weather events. The performance of Motor portfolio was adversely impacted by the downturn in vehicle sales and lower vehicle sums insured by customers. The Group has retained its position as the leading provider of CTP insurance in QLD with only a marginal decline in market share. CTP NSW has been focusing on attracting and retaining better risk segments and industry prices increased during the year due to yield curve pressures.

Commercial insurance lines delivered strong top line growth despite difficult economic conditions and a competitive market due to high retention, the launch of new products, a focus on broker business and rate increases across most products. Larger than expected releases from long tail portfolios, reflecting improved claims management procedures and favourable experience, have provide an ITR benefit. The level of sufficiency in the outstanding claims provisions has remained at a conservative 90%.

Workers Compensation insurance has seen strong retention rates with healthy rate increases in line with the recent increase in WA Gazette rates. Workers' Compensation GWP declined as a result of a risk selection strategy adopted to counter the current challenging economic conditions that are expected to continue into next year. Average premiums were also impacted by the aggressive pricing strategies adopted by competitors and by softening wage rolls as a result of deterioration in economic conditions.

Significant change in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review, not otherwise disclosed above.

Environmental regulation

The Group's operations are not subject to any particular or significant environmental regulations under any law of the Commonwealth of Australia or any of its states or territories. The Group has not incurred any liability (including rectification costs) under any environmental legislation.

Dividends

A 2008 final dividend of \$220.0 million (1.60 dollars per share) was paid on 30 September 2008. A 2009 interim dividend of \$200.0 million (\$1.45 dollars per share) was paid on 1 December 2008. A 2008 additional final dividend of \$180.0 million (0.47 dollars per share) was paid on 30 March 2009.

Further details of dividends provided for or paid are set out in note 31 to the financial report.

Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely developments

Information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Indemnification and insurance of officers

Indemnification

Under the ultimate parent entity's Constitution, the ultimate parent entity, Suncorp-Metway Ltd, indemnifies each person who is or has been a director or officer of the Company. The indemnity relates to all liabilities to another party (other than the Company or a related body corporate) that may arise in connection with the performance of their duties to the Company and its subsidiaries, except where the liability arises out of conduct involving a lack of good faith. The Constitution stipulates that the ultimate parent entity will meet the full amount of such liabilities, including costs and expenses incurred in successfully defending civil or criminal proceedings, or in connection with an application in relation to such proceedings, in which relief is granted under the *Corporations Act 2001*.

Insurance premiums

During the financial year, the ultimate parent entity has paid premiums on behalf of the Company in respect of a Directors' and Officers' Liability insurance contract. The contract insures each person who is or has been a director or executive officer (as defined in the *Corporations Act 2001*) of the Company against certain liabilities arising in the course of their duties to the Company and its subsidiaries. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the insurance contract as disclosure is prohibited under the terms of the contract.

Directors' interests and benefits

Directors' interests and benefits are set out in note 41.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the financial year ended 30 June 2009.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by Class Order 05/641 effective 28 July 2005 and Class Order 06/51 effective 31 January 2006) and in accordance with the Class Order, amounts in the financial report and directors' report have been rounded to the nearest one hundred thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors.



John D Story
Chairman



Christopher Skilton
Executive Director

Brisbane
25 August 2009



Lead auditor's independence declaration under Section 307C of the *Corporations Act 2001*

To: the directors of Vero Insurance Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Andries B Terblancé

Andries B Terblancé
Partner

Brisbane

25 August 2009

	Notes	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
Current assets					
Cash and cash equivalents	13	777.6	607.2	158.9	577.7
Receivables	14	1,835.3	1,099.2	740.9	1,086.4
Reinsurance and other recoveries receivable	15	679.9	367.4	165.5	367.4
Deferred insurance assets	16	645.9	355.2	273.8	355.2
Investments	17	9,753.6	3,914.8	1,722.8	3,461.1
Derivative assets	33	65.6	-	14.7	-
Other assets	18	189.5	120.7	58.0	73.5
Total current assets		13,947.4	6,464.5	3,134.6	5,921.3
Non-current assets					
Receivables	14	-	84.4	-	33.2
Reinsurance and other recoveries receivable	15	586.2	306.2	144.9	306.2
Investment property	19	160.1	6.4	-	2.1
Investments in joint ventures	20	156.9	101.5	2.1	81.3
Investments in controlled entities	35	-	-	2,791.1	398.3
Deferred tax assets	12	91.0	88.7	7.6	57.6
Plant and equipment	21	35.6	48.5	15.6	25.5
Goodwill and intangible assets	22	1,113.1	82.4	11.1	9.0
Total non-current assets		2,142.9	718.1	2,972.4	913.2
Total assets		16,090.3	7,182.6	6,107.0	6,834.5
Current liabilities					
Payables and financial liabilities	23	1,431.7	452.4	496.3	398.0
Outstanding claims liabilities	24	2,532.4	993.3	604.6	993.3
Unearned premium liabilities	25	3,216.3	1,581.8	628.4	1,549.3
Provisions	27	8.6	-	7.9	-
Employee benefit obligations	28	45.0	40.3	22.7	19.7
Derivative liability	33	68.4	80.2	54.9	80.2
Total current liabilities		7,302.4	3,148.0	1,814.8	3,040.5
Non-current liabilities					
Payables and financial liabilities	23	-	331.4	248.6	493.1
Outstanding claims liabilities	24	4,622.0	1,780.5	835.9	1,780.5
Employee benefit obligations	28	8.8	13.7	5.6	7.7
Subordinated notes	29	728.8	655.5	198.4	242.6
Total non-current liabilities		5,359.6	2,781.1	1,288.5	2,523.9
Total liabilities		12,662.0	5,929.1	3,103.3	5,564.4
Net assets		3,428.3	1,253.5	3,003.7	1,270.1
Equity					
Share capital	30(a)	2,918.1	616.6	2,918.1	616.6
Reserves	30(a)	6.3	6.3	6.3	6.3
Common control reserve	30(a)	48.8	-	-	-
Retained profits	30(a)	453.9	629.2	79.3	647.2
Total equity attributable to the equity holder of the Company		3,427.1	1,252.1	3,003.7	1,270.1
Minority interests	30(a)	1.2	1.4	-	-
Total equity		3,428.3	1,253.5	3,003.7	1,270.1

The Balance Sheets are to be read in conjunction with the accompanying notes.

	Notes	Consolidated		Company	
		12 months to 30 June	18 months to 30 June	12 months to 30 June	18 months to 30 June
		2009 \$m	2008 \$m	2009 \$m	2008 \$m
Premium revenue	8	4,834.9	4,408.2	1,134.9	4,320.3
Outwards reinsurance premium expense	16	(449.6)	(382.7)	(217.3)	(382.7)
Net premium revenue		4,385.3	4,025.5	917.6	3,937.6
Claims expense	9	(4,015.1)	(3,952.4)	(890.1)	(3,952.4)
Reinsurance and other recoveries revenue	8	991.1	1,075.8	216.0	1,075.8
Net claims incurred		(3,024.0)	(2,876.6)	(674.1)	(2,876.6)
Acquisition costs	16	(716.8)	(727.2)	(263.6)	(671.0)
Movement in liability adequacy test deficiency	26	(9.2)	-	(9.9)	-
Other underwriting expenses	10	(408.4)	(410.8)	(150.3)	(379.1)
Underwriting expenses		(1,134.4)	(1,138.0)	(423.8)	(1,050.1)
Reinsurance commission revenue	8	46.6	46.7	39.5	46.7
Underwriting result		273.5	57.6	(140.8)	57.6
Investment income on insurance funds	8	358.9	220.7	256.0	220.7
Investment expense on insurance funds		(11.4)	(10.0)	(13.2)	(6.4)
Insurance trading result		621.0	268.3	102.0	271.9
Investment income on shareholders funds	8	110.2	78.5	0.9	247.3
Investment expense on shareholders funds		(57.2)	(3.6)	(22.2)	(7.2)
Fee for service and other income	8	232.8	29.5	123.7	0.5
Share of net profit of joint venture entities		(6.2)	8.1	-	-
Finance costs	11	(93.8)	(92.4)	(33.4)	(58.1)
Other operating expenses	10	(203.4)	(157.3)	(98.2)	(95.3)
Profit before tax		603.4	131.1	72.8	359.1
Income tax (expense) / benefit	12	(171.8)	8.9	(34.8)	(49.3)
Profit for the period		431.6	140.0	38.0	309.8
Attributable to:					
Equity holder of the Company		431.8	139.8	38.0	309.8
Minority interests		(0.2)	0.2	-	-
Profit for the period		431.6	140.0	38.0	309.8

The prior period Income Statements are for the 18 month period to 30 June 2008. This is due to a change in balance date resulting from a change in the ultimate parent company and realignment with its balance date. The current period is 12 months to 30 June 2009.

The Income Statements are to be read in conjunction with the accompanying notes.

Vero Insurance Limited and Subsidiaries
Statements of Recognised Income and Expense
For the year ended 30 June 2009

	Consolidated		Company	
	12 months to 30 June 2009 \$m	18 months to 30 June 2008 \$m	12 months to 30 June 2009 \$m	18 months to 30 June 2008 \$m
Item of income and expense (net of tax)				
Cash flow hedges	-	6.3	-	6.3
Actuarial gains (losses) on defined benefit plans	(9.2)	(12.5)	(5.9)	(10.3)
Net income (expense) recognised directly in equity	(9.2)	(6.2)	(5.9)	(4.0)
Profit for the period	431.6	140.0	38.0	309.8
Total recognised income and expense for the period	422.4	133.8	32.1	305.8
Total recognised income and expense for the period attributable to:				
Equity holder of the Company	422.6	133.6	32.1	305.8
Minority interests	(0.2)	0.2	-	-
Total recognised income and expense for the period	422.4	133.8	32.1	305.8

The prior period Statements of Recognised Income and Expense are for the 18 month period to 30 June 2008. This is due to a change in balance date resulting from a change in the ultimate parent company and realignment with its balance date. The current period is 12 months to 30 June 2009.

The Statements of Recognised Income and Expense are to be read in conjunction with the accompanying notes.

	Notes	Consolidated		Company	
		12 months to 30 June	18 months to 30 June	12 months to 30 June	18 months to 30 June
		2009 \$m	2008 \$m	2009 \$m	2008 \$m
Cash flows from operating activities					
Premiums received		5,422.5	4,764.1	1,390.2	4,954.8
Reinsurance and other recoveries received		998.9	1,017.4	257.4	1,017.4
Interest received		169.2	525.1	546.6	446.0
Dividends received		5.8	44.9	17.8	177.6
Property revenue received		6.5	-	-	-
Other revenue received		79.4	-	-	-
Claims paid		(4,668.8)	(4,068.6)	(623.0)	(4,162.8)
Outwards reinsurance premiums paid		(457.4)	(457.3)	(249.6)	(457.3)
Acquisition costs paid		(892.3)	(779.2)	(201.2)	(816.9)
Income tax paid		(151.7)	(117.7)	15.2	(96.9)
Finance costs paid		(93.8)	(46.5)	(36.2)	(58.1)
Underwriting and other operating expenses paid		(555.6)	(338.5)	(468.1)	(384.5)
Net cash from operating activities	32	(137.3)	543.7	649.1	619.3
Cash flows from investing activities					
Payment for acquisition of controlled entity, net of cash acquired		(1,746.8)	(13.4)	(1,988.5)	(14.3)
Proceeds from sale of controlled entity, net of cash disposed		-	-	4.4	-
Proceeds from sale of joint venture entity		104.7	-	104.7	-
Recapitalisation of controlled entities		-	-	(635.0)	-
Payments for financial assets		(18,220.5)	(15,667.7)	(9,176.7)	(15,253.9)
Proceeds from sale of financial assets		18,268.2	15,516.8	8,526.5	15,048.6
Proceeds from sale of plant & equipment and capitalised software costs		6.4	5.2	4.8	4.0
Purchases of plant & equipment and capitalised software costs		(36.1)	(27.6)	(3.3)	(15.7)
Loan from/(to) controlled or related entities		(251.2)	(38.3)	393.7	412.8
Net cash from / (used in) investing activities		(1,875.3)	(225.0)	(2,769.4)	181.5
Cash flows from financing activities					
Capital reduction		(333.0)	-	(333.0)	-
Proceeds from issue of shares		2,634.5	-	2,634.5	-
(Repurchase)/issue of subordinated notes		(170.8)	465.1	(30.5)	-
Loan from/(to) controlled or related entities		586.4	25.0	-	-
Dividends paid		(600.0)	(306.2)	(600.0)	(306.2)
Net cash from / (used in) financing activities		2,117.1	183.9	1,671.0	(306.2)
Net (decrease) / increase in cash and cash equivalents held		104.5	502.6	(449.3)	494.6
Cash and cash equivalents at beginning of financial year		607.2	104.6	577.7	83.1
Cash and cash equivalents at end of financial year	13	711.7	607.2	128.4	577.7

The prior period Statements of Cash Flows are for the 18 month period to 30 June 2008. This is due to a change in balance date resulting from a change in the ultimate parent company and realignment with its balance date. The current period is 12 months to 30 June 2009.

The Statements of Cash Flows are to be read in conjunction with the accompanying notes.

Note 1. Reporting entity

Vero Insurance Limited ("the Company") is a company domiciled in Australia. The address of the Company's registered office is Level 18, 36 Wickham Terrace, Brisbane, QLD, 4000. The consolidated financial statements of the Company as at and for the financial year ended 30 June 2009 comprises the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in jointly controlled entities.

Note 2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

The current IFRS standard for insurance contracts does not include a comprehensive set of recognition and measurement criteria. The IASB continues to work on a project to issue a standard that does include such criteria. Until the issuance of that standard, the financial reports of insurers in different countries may not be comparable in terms of the recognition and measurement of insurance contracts.

The Group has changed its balance date from 31 December to 30 June following the acquisition of Promgroup Limited (formerly Promina Group Limited) by Suncorp-Metway Ltd. The 2009 figures are for a 12 month period to 30 June 2009 whereas the 2008 comparative figures are for a 18 month period to 30 June 2008. As a result, the prior period is not comparable.

The financial statements were approved for issue by the directors on 25 August 2009.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments held to back General Insurance liabilities, financial instruments classified as available-for-sale and investment property.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group.

(d) Rounding

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest one hundred thousand dollars unless otherwise stated.

(e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated accounting assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 4.

Note 3. Significant accounting policies

Except as described in the subsequent notes, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Where necessary, comparative information has been restated to conform with changes in presentation in the current year.

The Group adopted a number of Australian Accounting Standards and Interpretations which were mandatory for annual reporting periods beginning on or after 1 July 2008. There has been no effect on the financial performance or position of the Group from the adoption of these standards and Interpretations.

The following standards, amendments to standards and interpretations that are relevant to current operations are available for early adoption but have not been applied by the Group in this financial report:

- AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting in AASB 114 *Segment Reporting*. It will require the disclosure of segment information based on the internal management structure. AASB 8 becomes mandatory for the Group's 30 June 2010 financial statements and will primarily impact disclosures. The Group has not yet determined the potential effect of the new standard on the Group's disclosures.
- Revised AASB 101 *Presentation of Financial Statements* introduces the "statement of comprehensive income" and becomes mandatory for the Group's 30 June 2010 financial statements. This standard only impacts disclosures. It does not change the recognition, measurement or disclosure of transactions and events required by other Australian Accounting Standards. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.
- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the Income Statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. This standard will impact any business combination undertaken from 1 July 2009.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 2008-1 *Amendments to Australian Accounting Standards – Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The adoption of this amendment is not expected to have a material impact on the Group.
- AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement of dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 30 June 2010 financial statements and will effect the accounting treatment of dividends received from subsidiaries and any restructures occurring after 1 July 2009.
- AASB 2008-8 *Amendments to Australian Accounting Standards – Eligible Hedged Items* clarifies the effect of using options as hedging instruments and the circumstances in which inflation risk can be hedged. The amendments become mandatory for the Group's 30 June 2010 financial statements with retrospective application. The Group has not yet determined the potential effect of the amendments. The adoption of this amendment is not expected to have an impact on the Group.

Note 3. Significant accounting policies (continued)

(a) Basis of consolidation

(i) Subsidiaries

Consolidation is the aggregation of the financial reports of all entities within a group comprising the parent entity and its subsidiaries and the elimination of intra group transactions and balances. Subsidiaries are entities including companies, managed funds or trusts controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The consolidated financial report incorporates the assets, liabilities and profit and loss of all subsidiaries. The Company and its subsidiaries together are referred to as the Group. Profit or loss of subsidiaries is included in the consolidated Income Statement for the period that the Company controls the entity.

Investments in subsidiary companies are initially measured at cost. They are subsequently increased by any capital contributions such as equity-settled share-based payments and decreased by any impairment losses.

(ii) Joint venture entities

Joint venture entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Interests in joint venture entities are accounted for in the parent entity financial reports using the cost method.

Interests in joint venture entities are accounted for in the consolidated financial report using equity accounting principles. The consolidated Income Statement includes the Group's share of the profit or loss of the jointly controlled entity, whilst joint control is maintained.

Investments in joint venture entities are assessed for impairment at each reporting date and are carried at the lower of the equity-accounted amount and recoverable amount.

(iii) Joint venture operations

Joint venture operations are brought to account by the Group by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(iv) Transactions eliminated on consolidation

The effects of all balances and transactions between entities in the Group are eliminated from the Balance Sheet and Income Statement in full.

(v) Minority interests

Minority interests occur when the Group does not hold 100% of the shares or units in a subsidiary where such shares or units are recognised as equity in the subsidiary. Minority interests are also recognised as equity. Related items of income and expense are recognised in the Income Statement at their gross amounts, with the offsetting amount attributable to minority interests disclosed separately in the Income Statement.

(b) Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed by the Group at the date of exchange, plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

The subsidiaries' identifiable assets, liabilities and contingent liabilities are measured at their fair values at the acquisition date, irrespective of the extent of any minority interests. If the cost of acquisition is more than the fair value of the Group's share of the identifiable net assets acquired, the excess is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement, after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Note 3. Significant accounting policies (continued)

(b) Business combinations (continued)

Acquisition of entities under common control

In a business combination arising from transfers of interests in entities that are under the control of the ultimate parent entity, the assets and liabilities are acquired at the carrying amounts recognised previously in the Suncorp-Metway Ltd Group's controlling consolidated financial statements.

(c) Foreign currency

(i) Foreign currency transactions

Transactions denominated in foreign currencies are initially translated to Australian dollars at the spot exchange rates ruling at the date of the transaction. Foreign currency monetary assets and liabilities at reporting date are translated to Australian dollars at the spot rates of exchange current on that date. The resulting differences on monetary items are recognised in the Income Statement as exchange gains and losses in the financial period in which the exchange rates change. Foreign currency non-monetary assets and liabilities that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency non-monetary assets and liabilities that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Gains and losses on translation of investments denominated in foreign currencies are recorded as a component of changes in the fair value of investments where the investments are classified as fair value through the profit or loss.

Where a foreign currency transaction is part of a hedge relationship, it is accounted for as above, subject to the Hedge Accounting rules set out in the 'Derivative financial instruments' and 'Hedging' policies (refer notes 3(d) and (e) respectively).

(ii) Financial reports of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates ruling at the reporting date. Equity items are translated using historical rates. The income and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in the foreign exchange reserve, a separate component of equity.

(d) Derivative financial instruments

The Group uses derivative financial instruments in the foreign exchange, interest rate, credit and equity markets to hedge the Group's assets and liabilities or as part of the Group's trading and investment activities.

Derivative financial instruments are initially recognised at trade date at fair value excluding transaction costs. Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. All derivatives that do not qualify as an effective hedging derivative or an embedded derivative are treated as a traded derivative. Changes in the fair values of traded derivatives are immediately recognised in the Income statement.

Where derivatives qualify for hedge accounting, the treatment of the gain or loss will depend on the type of hedge relationship as set out in the 'Hedging' policy (refer note 3(e)).

Note 3. Significant accounting policies (continued)

(e) Hedging

The Group nominates specific derivatives as being hedging derivatives provided the criteria specified in AASB 139 *Financial Instruments: Recognition and Measurement* relating to hedging are satisfied. The treatment of the fair value gain or loss depends on the nature of the hedge relationship.

On entering into a hedging relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

(i) Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability of cash flows that:

- is attributable to a particular risk associated with a recognised asset or liability (such as future interest payments on variable rate debt) or a highly probable forecast transaction; and
- could affect profit or loss.

Where an effective hedge relationship is established, equity is adjusted for the lesser of the cumulative fair value gains or losses on the derivative and the cumulative change in fair value on the hedged item from the inception of the hedge. Any fair value gain or loss on the derivative not taken to equity is recognised in the Income Statement immediately and represents hedge ineffectiveness.

Amounts accumulated within the equity reserve are released to the Income Statement in the same periods during which the hedged item affects the Income Statement.

When a hedging derivative expires or is sold, terminated or exercised, the hedge relationship is revoked or no longer meets the criteria for hedge accounting, and the forecast hedged transaction is still expected to occur, amounts accumulated in equity to that point are recognised in the Income Statement in the same period or periods during which the hedged forecast transaction affects the profit or loss. When a forecast transaction is no longer expected to occur the amounts accumulated in equity are released to the Income Statement immediately.

(ii) Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of:

- a recognised asset or liability;
- 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 and loss.

Where an effective hedge relationship is established, fair value gains or losses on the derivative are recognised in the Income Statement immediately as are any changes in the fair value of the hedged item that are attributable to the hedged risk. The hedged item is recognised at fair value, for the risk being hedged, in the Balance Sheet.

When a hedge relationship no longer meets the criteria for hedge accounting the hedged item is accounted for under the effective interest method from that point and any accumulated adjustment to the carrying value of the hedged item from when it was effective is amortised to the Income Statement over the period to when the hedged item will mature.

(f) Revenue

(i) Premium revenue

Premium revenue comprises amounts charged to policyholders (direct premiums) or other insurers (inwards reinsurance premiums) for insurance policies. Premium includes applicable levies and charges such as fire service levies, NSW Insurance Protection Tax and workers' compensation levies, excludes stamp duty collected on behalf of state governments and is recognised net of goods and services tax.

Note 3. Significant accounting policies (continued)

(f) Revenue (continued)

(i) Premium revenue (continued)

Premium revenue is recognised in the Income Statement when it has been earned, that is, from the date of attachment of the risk, over the period of the insurance policy, which is usually one year. Over this policy period the premium collected is earned in accordance with the pattern of the underlying exposure to risk expected under the insurance contract. In most cases the exposure to risk is assumed to be even over the policy period. Where this is not the case, the pattern of exposure to risk is determined by other methods such as previous claims experience or in some limited cases statutory formulae. For reinsurance business, premium is recognised from the date of attachment of the risk over the period of indemnity.

At reporting date any proportion of premium revenue received and receivable but not earned in the Income Statement is recognised in the Balance Sheet as an unearned premium liability. The unearned premium liability represents premium revenue which will be earned in subsequent reporting periods.

Unclosed business is that which has not yet been entered in the policy administration systems but the date of attachment of risk is prior to reporting date. Premiums on unclosed business are brought to account by reference to the prior years' experience and information that has become available between the reporting date and the date of completing the financial reports.

(ii) Reinsurance and other recoveries revenue

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not reported and claims incurred but not enough reported are recognised as revenue. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

(iii) Reinsurance commission revenue and expenses

Reinsurance commission revenue and expenses are recognised in the Income Statement as they accrue.

(iv) Investment revenue

Interest

Interest income is recognised on an effective yield basis.

Dividends

Dividends from listed companies are recognised as income on the date the shares are quoted ex-dividend. Dividends from subsidiaries and associated entities are brought to account when they are declared in the financial reports of the subsidiaries and associated entities. Dividend revenue is recognised net of any franking credits. Distributions from listed and unlisted unit trusts are recognised on the date the unit value is quoted ex-distribution.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased asset.

Financial and investment property assets at fair value through profit or loss

Changes in the fair value of financial and investment property assets are recognised as revenue or expenses in the Income Statement in the reporting period in which changes occur.

(v) Insurance managed funds income

The Group manages insurance funds for external clients. Insurance managed funds income is earned from the provision of these insurance portfolio management services including premium collection and claims processing for the external clients. Insurance managed funds income is recognised as the service is provided.

Note 3. Significant accounting policies (continued)

(f) Revenue (continued)

(vi) Fees and other income

Fees and other items of income are recognised as revenue in the accounting period in which the services are rendered.

(g) Outwards reinsurance premium expense

Premium ceded to reinsurers is recognised by the Group as outwards reinsurance premium expense in the Income Statement from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk. A portion of outwards reinsurance premium is recognised as a deferred reinsurance asset and presented as deferred insurance assets on the Balance Sheet at reporting date.

(h) Acquisition costs

Costs associated with obtaining and recording insurance business are referred to as acquisition costs.

Underwriting expenses include acquisition costs and other underwriting expenses.

Acquisition costs include commissions and other selling and underwriting costs incurred in obtaining general insurance premiums. These costs are recognised in the Income statement as discussed in note 3(l)(i).

Other underwriting expenses are all expenses other than acquisition costs or claims expenses that are incurred in the course of ordinary activities of the General Insurance business. Other underwriting expenses are expensed as incurred.

(i) Levies and charges

Levies and charges imposed on the Group by various authorities are expensed in the Income Statement on a basis consistent with the recognition of premium revenue. These include fire service levies, Medical Care and Injury Services Levy, NSW Insurance Protection Tax and Workers' Compensation levies. The portion of levies and charges payable at reporting date relating to unearned premium is recorded as a prepayment. A liability is recognised for levies and charges payable at the reporting date.

(j) Claims expense

Claims expense represents payments for claims and the movement in outstanding claims liabilities. Claims represent the benefits paid or payable to the policyholder on the occurrence of an event giving rise to a loss or accident according to the terms of the policy. Claims expenses are recognised in the Income Statement as losses are incurred which is usually the point in time when the event giving rise to the claim occurs.

(k) Outstanding claims liabilities

The liability for outstanding claims is first measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Group. If all the possible values of outstanding claims liability are expressed as a statistical distribution, the central estimate is the mean of that distribution.

Standard actuarial methods are applied to all classes of business to assess the net central estimate of outstanding claims liabilities. Features and trends of claims experience including claim frequencies, average claim sizes and individual claim estimates are analysed and assumptions about the future are selected. Projected future payments include an allowance for inflation and superimposed inflation and are discounted to present values by applying risk-free discount rates.

The liability for outstanding claims also includes an allowance for future claims handling costs, reinsurance and third party recoveries and an additional risk margin to allow for the inherent uncertainty in the central estimate of the outstanding claims liability. The details of risk margin applied and the process of determining the risk margin is set out in note 24.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not reported ("IBNR"), claims incurred but not enough reported ("IBNER") and the direct and indirect costs of settling those claims.

Note 3. Significant accounting policies (continued)

(l) Deferred insurance assets

(i) Deferred acquisition costs

Acquisition costs are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the Income Statement in subsequent reporting periods.

Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue. Deferred acquisition costs are recognised as assets to the extent that the related unearned premiums exceed the sum of the deferred acquisition costs and the present value of both future expected claims and settlement costs, including an appropriate risk margin. Where there is a shortfall, the deferred acquisition cost asset is written down and if insufficient, an unexpired risk liability is recognised. Refer to note 3(m).

(ii) Deferred reinsurance premiums

Deferred reinsurance premiums are recognised as part of deferred insurance assets in the Balance Sheet. The amortisation of deferred reinsurance premium is in accordance with the pattern of reinsurance service received. The amount deferred represents the future economic benefit to be received from reinsurance contracts.

(m) Liability adequacy test

Provision is made for unexpired risks arising from General Insurance business where the expected value of claims and expenses attributed to the unexpired periods of policies in force at the reporting date exceeds the unearned premium liability in relation to such policies after the deduction of any related intangible assets and deferred acquisition costs ("Liability Adequacy Test"). The provision for unexpired risk is calculated separately for each group of contracts subject to broadly similar risks and managed together as a single portfolio. Any unexpired risk liability arising after writing off related intangible assets and deferred acquisition costs is recognised immediately in the Income statement.

(n) Income tax

Income tax expense comprises current and deferred tax and is recognised in the Income Statement except to the extent it relates to items recognised in equity, in which case it is recognised in equity.

Current income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Balance Sheet. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities, including derivative contracts, provision for employee entitlements, tax losses carried forward and in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised. The tax effect of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Where an item, which gives rise to a temporary difference, is recognised in or against equity, the deferred tax is also recognised in or against equity. For example, the deferred tax relating to fair value re-measurement of available-for-sale assets and cash flow hedges which is charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the Income Statement together with the deferred gain or loss.

For presentation purposes, deferred tax assets and deferred tax liabilities have been offset where they relate to income taxes levied by the same taxation authority on the same taxable entity or entities within the Group.

Note 3. Significant accounting policies (continued)

(n) Income tax (continued)

Tax consolidations

The Company is a wholly owned subsidiary in a tax-consolidated group, with Suncorp-Metway Ltd as the head entity.

The Company and each of its own wholly owned subsidiaries recognise the current and deferred tax assets and deferred tax liabilities applicable to the transactions undertaken by it, as if it continued to be a separately taxable entity in its own right, reasonably adjusted for certain intragroup transactions. The head entity recognises the entire tax-consolidated group's current tax liability. Any differences, per subsidiary, between the current tax liability and any tax funding arrangement amounts (see below) are recognised by the head entity as an equity contribution to or distribution from the subsidiary.

The tax-consolidated group has entered into a tax sharing agreement that requires wholly owned subsidiaries to make contributions to the head entity for tax liabilities arising from external transactions occurring after the implementation of tax consolidation. The contributions are calculated as if the individual tax liability of the subsidiary was payable (as if the subsidiary was a separately taxable entity in its own right), reasonably adjusted for certain intragroup transactions. The assets and liabilities arising under the tax sharing agreement are recognised as intercompany assets and liabilities, at call.

The head entity, together with the other members of the consolidated group, have also, via the tax sharing agreement, provided for the determination of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial reports in respect of this component of the agreement as this outcome is considered remote.

(o) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or the amount of expense.

Net earned premium is net of the GST component of premium.

Receivables, payables and the provision for outstanding claims are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Statements of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(p) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash on deposit and money at short call. They are measured at fair value through profit or loss, being the gross value of the outstanding balance. Bank overdrafts are shown within financial liabilities in the Balance Sheet unless there is a right of offset.

Note 3. Significant accounting policies (continued)

(q) Financial assets

A financial asset is recognised in the Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. At initial recognition, the asset is measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset except for financial assets that are designated as at fair value through profit or loss which exclude transaction costs.

All purchases and sales of financial assets that require delivery of the asset within the time frame established by regulation or market convention are recognised at trade date, being the date on which the Group commits to buy or sell the asset.

Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the Group has transferred substantially all risk and rewards of ownership.

Financial assets are classified into one of the following categories upon initial recognition:

- Financial assets at fair value through profit and loss;
- Loans and receivables;

At each reporting date measurement depends upon the chosen classification.

(i) Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

- it is classified as held for trading; or
- upon initial recognition it is designated by the Group as at fair value through profit or loss.

The assets are valued at fair value each reporting date based on the current bid price where available. Where a quoted price is not available one of the following valuation techniques are used to value the assets at reporting date: recent arms length transactions, discounted cash flow analysis, option pricing models or other valuation techniques commonly used by market participants.

Movements in the fair value are taken immediately to the Income Statement.

(ii) Loans and receivables

Loans and receivables are measured at each reporting date at amortised cost using the effective interest method. This method allocates the estimated net future cash receipts over the expected life of the financial instrument.

Interest income is recorded in the Income Statement.

(iii) General insurance activities

The assets of the Group are assessed under AASB 1023 *General Insurance Contracts* to be assets that are held to back general insurance liabilities (referred to as insurance funds) and assets that represent shareholder funds.

Financial assets backing General Insurance liabilities

The Group has designated financial assets held in portfolios that match the average duration of a corresponding insurance liability as assets backing general insurance liabilities. Financial assets which back general insurance liabilities are designated at fair value through profit or loss as they are managed and their performance evaluated on a fair value basis for internal and external reporting in accordance with the investment strategy. These financial assets include investment securities and receivables from policyholders, intermediaries and reinsurers and investment related-receivables.

Receivables are valued at fair value which is approximated by taking the initially recognised amount and reducing it for credit risk as appropriate. Short duration receivables with no stated interest rate are normally measured at original invoice amount.

Financial assets not backing General Insurance liabilities

Financial assets that do not back general insurance liabilities include investment securities and loans and receivables.

Investment securities have been designated at fair value through profit or loss as they are managed and their performance evaluated on a fair value basis for internal and external reporting in accordance with the investment strategy.

Loans and receivables related to investment securities are measured at each reporting date at amortised cost using the effective interest rate method.

Note 3. Significant accounting policies (continued)

(r) Investment property

Investment property is held to earn rental income and/or for capital appreciation. It is initially recorded at cost at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition, and subsequently measured at fair value at each reporting date.

Gains or losses arising from changes in the fair value of investment property are included in the Income Statement, as part of investment income, for the period in which they arise.

(s) Plant and equipment

(i) Recognition and initial measurement

An item of plant and equipment is recognised (capitalised) as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Plant and equipment is initially measured at cost, being the purchase price plus incidental costs directly attributable to the acquisition.

(ii) Subsequent measurement

Subsequent additional costs are only capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Group in future years.

The Group has elected to use the cost model (as opposed to using the revaluation model) to measure plant and equipment after recognition. The carrying amount is the initial cost less accumulated depreciation and any accumulated impairment losses.

(iii) Depreciation

The depreciable amount of each item of plant and equipment is depreciated over its estimated useful life to the Group. The straight-line method of depreciation is adopted for all assets. Assets are depreciated from the date they become available for use.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

Useful lives and depreciation methods are reviewed at each annual reporting period. Residual values, if significant, are reassessed annually. The depreciation periods used in the current and comparative periods range from 3 to 10 years.

(iv) Retirement

The carrying amount of plant and equipment is derecognised upon disposal or where no future economic benefits are expected from its use. The gain or loss arising from the derecognition is recognised in the Income Statement when the item is derecognised and is calculated as the difference between the carrying amount of the asset at the time of derecognition and the net proceeds of derecognition.

Note 3. Significant accounting policies (continued)

(t) Intangible assets

(i) Initial recognition and measurement

Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses. 'Cost' comprises all directly attributable costs necessary to purchase, create, produce, and prepare the asset to be capable of operating in the manner intended by management. Where an intangible asset is acquired in a business combination, the cost of that asset is its fair value at the acquisition date.

Expenditure on internally generated goodwill, research costs and brands is recognised in the Income Statement as an expense as incurred.

(ii) Subsequent expenditure

Subsequent expenditure on intangible assets (not acquired in a business combination) is capitalised only when it increases the originally assessed future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iii) Amortisation

Amortisation is charged to the Income Statement in a manner that reflects the pattern in which the asset's future economic benefits are expected to be consumed over the estimated useful lives of intangible assets unless such lives are indefinite. The estimated useful life for the computer software is 3-5 years. An intangible asset is regarded as having an indefinite useful life when, based on all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. Where the asset is deemed to have an indefinite life, it is not amortised but tested for impairment at least on an annual basis. Goodwill is an example of such an intangible asset.

Where applicable, intangible assets are amortised from the date they are available for use and the amortisation period and method are reviewed on an annual basis.

(iv) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of joint venture entities is included in investments in joint venture entities.

Business combinations prior to 1 July 2004

Goodwill is included on the basis of its deemed cost, which represents the amount recorded under generally accepted accounting policies prior to the adoption of Australian Equivalents to IFRSs.

Business combinations since 1 July 2004

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

(u) Repurchase facility agreement

The Company has entered into a repurchase agreement with the ultimate parent entity. Securities sold under agreements to repurchase at a fixed price are retained on the Company's Balance Sheet as the Company retains substantially all the risks and rewards of ownership. The Company recognises a liability to record the obligation to the ultimate parent entity for the amount of the cash collateral deposited with the Company.

(v) Financial liabilities

Financial liabilities are initially recognised at fair value plus transaction costs that are directly attributable to the issue of the financial liability, except for financial liabilities at fair value through profit or loss which exclude transaction costs. A financial liability is derecognised when it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires.

Financial liabilities are classified into one of the following categories upon initial recognition. At each reporting date measurement depends upon the chosen classification.

Note 3. Significant accounting policies (continued)

(v) Financial liabilities (continued)

(i) Financial liabilities at fair value through profit or loss

A financial liability at fair value through profit or loss is a financial liability that meets either of the following conditions:

- it is classified as held for trading; or
- upon initial recognition it is designated by the Group as at fair value through profit or loss.

Fair value is determined using the offer price where available. Movements in the fair value are recognised in the Income Statement.

Financial liabilities relating to General Insurance business are designated at fair value through profit or loss.

Financial liabilities arising from investment contracts are measured at fair value based on future settlement amount under the contract. Changes to the fair value are recognised in the Income Statement in the period in which they occur.

(ii) Financial liabilities at amortised cost

Financial liabilities, other than financial liabilities at fair value through profit or loss and financial liabilities designated as part of effective fair value hedging relationships, are subsequently measured at amortised cost using the effective interest rate method.

(w) Employee benefits

(i) Short-term employee benefits

Wages, salaries and annual leave

Liabilities for unpaid wages, salaries and annual leave due within 12 months are recognised in the Balance Sheet. The liability is measured at undiscounted amounts using pay rates expected to be effective when the liability is to be paid in respect of employees' services up to the reporting date. Related on-costs such as workers' compensation and payroll tax are also included in the liability.

Sick leave

Sick leave entitlements are non-vesting and are paid only upon valid claims for sick leave by employees. No liability for sick leave is recognised as experience indicates that on average, sick leave taken each financial year is less than the entitlement accruing in that period. This experience is expected to recur in future financial years.

Short-term bonus plans

A liability is recognised for short-term bonus plans when there is a constructive obligation to pay this amount and the amount can be reliably estimated.

Other leave and non-monetary benefits

The cost associated with maternity leave and paternity leave as well as non-monetary benefits such as car-parking, payments of professional memberships and discounts is recognised in the period in which the employee takes the benefits. A liability is not recognised for any non-accumulating benefits employees have not taken during the period.

(ii) Post employment benefits (superannuation)

The Group contributes to both defined contribution and defined benefit superannuation schemes. Contributions are charged to the Income Statement as the obligation to pay is incurred. Contributions outstanding at reporting date are treated as liabilities. The defined contribution plans receive fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. The defined benefit plans provide defined lump sum benefits based on years of service and final average salary.

The asset and liability recognised in the Balance Sheet in respect of defined benefit plans is the lower of:

- the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs; and
- the total of cumulative unrecognised net actuarial losses and past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Note 3. Significant accounting policies (continued)

(w) Employee benefits (continued)

(ii) Post employment benefits (superannuation) (continued)

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to equity. Past service costs are recognised immediately in the Income Statement.

In the consolidated financial statements for periods beginning before 1 July 2008, the Group recognised actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in the Income Statement. This change in accounting policy has been made to enable the consolidated financial statements of the Group to be more comparable to industry peers and better represent the Group's underlying financial performance.

The change in accounting policy was applied retrospectively in accordance with the accounting standards, and comparatives have been restated. The change in accounting policy had the following impact on these consolidated financial statements:

	Consolidated		Company	
	Jun-09	Jun-08	Jun-09	Jun-08
	\$m	\$m	\$m	\$m
Consolidated Income Statement				
Decrease in operating expenses	9.2	12.5	5.9	10.2
Increase in profit for the year	9.2	12.5	5.9	10.2
Consolidated Statement of Recognised Income and Expense				
Actuarial gains (losses) on defined benefit plans	(9.2)	(12.5)	(5.9)	(10.2)
Increase in expense recognised directly in equity	9.2	12.5	5.9	10.2
Increase in profit for the year	9.2	12.5	5.9	10.2

(iii) Other long-term employee benefits

Long service leave

A liability for long service leave is recognised in the Balance Sheet. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using Commonwealth Government bond rates with terms to maturity that match, as closely as possible, the estimated future cash outflows. Related on-costs such as workers' compensation and payroll tax are also included in the liability.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts a voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Note 3. Significant accounting policies (continued)

(w) Employee benefits (continued)

(v) Share-based payments

The Group participates in equity-settled share-based compensation plans operated by the ultimate parent entity.

Immediately vesting compensation

Shares granted under the Exempt Employee Share Plan vest immediately at grant date. Although the value paid to each employee is determined by a cash amount, the payment is made in shares (with no cash alternative) and is therefore treated as an equity-settled share-based payment transaction.

Future vesting compensation

Shares granted under the Executive Performance Share Plan ("EPSP") vest over a pre-determined period from grant date (generally three years). The value of these long-term incentives is recognised as an expense in the Income Statement on a straight line basis over the vesting period.

The value is calculated as: fair value at grant date x expected number of shares to be granted.

The fair value of the shares is the market price of the shares adjusted for the terms and conditions upon which the shares were granted. This is measured using a Monte-Carlo simulation. Once determined, fair value does not change throughout the vesting period unless the terms and conditions of the grant are modified.

The number of shares reflect the best estimate of shares expected to vest at the end of the vesting period and this estimate is revised if indicated by subsequent information. Non-market conditions (eg fulfilment of service period) are taken into account when determining this best estimate, whilst market conditions are not. If shares do eventually vest, any unamortised balance is expensed at the end of the vesting period.

Where shares do not eventually vest, the treatment of the previously recognised expense depends upon the reason the shares did not vest:

- If a non-market condition is not satisfied (eg an unfulfilled service period) the expense is reversed in the Income Statement in the period when the condition was not satisfied;
- If a market condition is not satisfied (eg Total Shareholder Return not being achieved) the expense is not reversed.

(x) Provisions

A provision is a liability of uncertain timing or amount which is recognised in the Balance Sheet when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount can be reliably estimated.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(y) Subordinated notes

Subordinated notes are initially recognised at fair value plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method other than those designated as part of an effective fair value hedging relationship. Interest payments and accruals in relation to subordinated notes are classified as a finance cost.

The accounting treatment for subordinated notes designated as part of an effective hedging relationship is described in the 'Derivative Financial Instruments' and 'Hedging' policies.

Note 3. Significant accounting policies (continued)

(z) Finance costs

Finance costs include interest expense on financial liabilities (borrowing costs) and transactions costs relating to borrowings. Finance costs are expensed as incurred and are recognised net of any associated hedge transactions.

Interest on subordinated notes

Interest on subordinated notes includes interest expense, amortisation of discounts relating to subordinated notes and amortisation of ancillary costs incurred in connection with arrangement of subordinated notes.

(aa) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial period but not distributed at reporting date.

Where a dividend is declared post-reporting date but prior to the date of the financial reports, disclosure of the declaration is made in the financial reports but no provision is made.

(iii) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Transaction costs in excess of the proceeds of the equity instruments issued, or where no proceeds are raised, are recognised as an expense.

(ab) Impairment

Assets of the Group are assessed for indicators of impairment at each reporting date. Indicators include both internal and external factors. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill acquired in a business combination, assets that have an indefinite useful life and intangible assets not yet available for use have their recoverable amount estimated annually.

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

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) – this may be an individual asset or a group of assets. For the purpose of assessing impairment of goodwill, goodwill is allocated to cash-generating units representing the Group's investment in each of its business lines, which are its primary reporting segments.

Impairment losses, if any, recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

(i) Calculation of recoverable amount

The recoverable amount of the Group's investments in loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate computed at initial recognition of these financial assets. Receivables with a short duration are not discounted. The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The unwinding of the discount from initial recognition of impairment through to recovery of the written down amount is recognised as interest income.

Note 3. Significant accounting policies (continued)

(ab) Impairment (continued)

(ii) Reversal of impairment

An impairment loss for an asset other than goodwill is reversed in following periods if there are indications that the impairment loss previously recognised no longer exists or has decreased. The impairment loss is reversed, in the Income Statement, only to the extent that it increases the asset back to its original carrying amount before any impairment was recorded. An impairment loss recognised for goodwill is not reversed.

(ac) Leased receivables

A distinction is made between finance leases (which effectively transfer substantially all the risks and benefits incidental to ownership of leased non-current assets from the lessor to the lessee) and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Operating leases

Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Where an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ad) Managed funds

During the year, subsidiaries were licensed to maintain statutory insurance funds for external clients. The application of the statutory funds by the subsidiaries was restricted to the collection of premiums and the payment of claims, related expenses and other payments authorised under the relevant Acts. The subsidiaries are not liable for any deficiency in the funds, or entitled to any surplus. For these reasons, the directors are of the opinion that the subsidiaries do not have control nor have the capacity to control the statutory funds. The statutory funds are of a separate and distinct nature. Therefore in accordance with AASB 127 *Consolidated and Separate Financial Statements*, income, expenses, assets and liabilities of the statutory funds are not included in the consolidated Income Statement and Balance Sheet.

(i) New South Wales Self Insurance Corporation

A subsidiary, GIO General Limited, has a contractual agreement with the New South Wales Self Insurance Corporation as an agent for the New South Wales Treasury Managed Fund – Workers' Compensation Portfolio 1, Health Liability Claims, Other Claims and the Pre-Managed Fund Reserve. The NSW Treasury Managed Fund is a scheme of self-insurance introduced by the NSW Government in 1989 and protects the insurable assets and exposures of all NSW public sector agencies financially dependent on the Consolidated Fund, all public hospitals and a number of statutory authorities. The Pre-Managed Fund Reserve is in run-off and pays outstanding public liability claims.

(ii) New South Wales WorkCover

The WorkCover Authority of New South Wales is constituted by the *Workplace Injury Management and Workers' Compensation Act 1998* as a statutory corporation representing the Crown. The Nominal Insurer is established by the *Workers' Compensation Amendment (Insurance Reform) Act 2003* ("the 2003 Act"). The Nominal Insurer is the legal entity responsible for the NSW WorkCover Scheme. The funds of the Scheme are held in the Workers' Compensation Insurance Fund, which are managed by the Nominal Insurer.

A subsidiary, GIO General Limited, has been appointed as a Scheme Agent by the Nominal Insurer within the meaning of the 2003 Act to provide certain services in relation to premium collection and claims management for workers' compensation policies.

(iii) Victorian WorkCover

GIO Workers' Compensation (Victoria) Limited is an Authorised Agent under the Accident Compensation Act 1985 (Vic) ("the Act") and administers the Act and the Accident Compensation (WorkCover) Insurance Act 1993 (Vic) ("the Insurance Act"). The role of GIO Workers' Compensation (Victoria) Limited is limited to the collection of premium and the payment of claims and other authorised expenses.

Note 3. Significant accounting policies (continued)

(ae) Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in the financial report, unless the possibility of settlement is remote, in which case no disclosure is made. If settlement becomes probable and the amount can be reliably estimated, a provision is recognised.

Contingent assets are not recognised in the Balance Sheet but are disclosed in the financial report when inflows are probable. If inflows become virtually certain, an asset is recognised.

The amount disclosed as a contingent liability or contingent asset is the best estimate of the settlement or inflow.

(af) Commitments

Commitments are not recorded in the Balance Sheet but are disclosed in the financial report at their face value.

Note 4. Critical accounting estimates and judgements

Significant estimates and judgements are made by the Group to arrive at certain key asset and liability amounts disclosed in the financial reports. These estimates and judgements are continually being evaluated and are based on historical experience and other factors. These include expectations of future events that are believed to be reasonable under the circumstances.

The key areas of significant estimates and judgements and the methodologies used to determine key assumptions are set out below.

(a) Outstanding claims liability

The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

Claims reported to the Group at reporting date are estimated with due regard to the claim circumstance as reported by the insured, legal representative, assessor, loss adjuster and/or other third party and then combined, where appropriate, with historical evidence on the cost of settling similar claims. Estimates of the cost of claims reported are reviewed regularly and are updated as and when new information arises.

The estimation of claims incurred but not reported ("IBNR") and claims incurred but not enough reported ("IBNER") are generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where more information about the claim event is generally available. IBNR and IBNER claims may often not be adequately reported until many years after the events giving rise to the claims have happened. Long-tail classes of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR and IBNER reserves. Short tail claims are typically reported soon after the claim event, and hence, estimates are more certain.

In calculating the estimated cost of unpaid claims, the Group uses a variety of estimation techniques, generally based upon statistical analysis of historical and industry experience that assumes that the development pattern of the current claims will be consistent with past experience and/or general industry benchmarks as appropriate. Allowance is made, however, for changes or uncertainties that may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims. The ultimate net outstanding claims provision also includes an additional risk margin to allow for the uncertainty within the estimation process.

Details of specific actuarial techniques and assumptions used in calculating the outstanding claims liability at Balance Sheet date are described in note 5.

(b) Assets arising from reinsurance contracts and other recoveries

Estimates of reinsurance and other recoveries are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk.

(c) Impairment of goodwill

The Group assesses whether goodwill is impaired at least annually. The assessment involves estimations of the recoverable amount of the cash-generating units to which the goodwill is allocated. Refer to note 22.

Note 4. Critical accounting estimates and judgements (continued)

(d) Assets arising from insurance managed funds contracts

Insurance managed fund fees receivable are based on management's best estimate of the likely fee at year end. There is a significant amount of judgement involved in the estimation process of the fees receivable which are not finalised for a number of years.

The fee revenue earned by the Group comprises a base fee component and an incentive fee based on performance results in relation to each fund managed by the Group.

The statutory authorities allocate the base fee to each authorised agent based on factors such as market share and service capability. The performance fee is allocated to each authorised agent based on performance components set by each statutory authority.

Note 5. Actuarial assumptions and methods

The Group divides its business into two categories: Personal and Commercial.

Personal insurance includes the sale of home, pleasurecraft, motor insurance, travel insurance, rental bond and personal effects cover, and compulsory third party insurance. Commercial insurance includes the sale of products such as commercial motor vehicle, marine and aviation, public liability and professional indemnity to enterprises, workers' compensation insurance and some inwards reinsurance.

Multiple actuarial methods have generally been applied to project future claim payments. This assists in providing a greater understanding of the trends inherent in the past data. The projections obtained from various methods also assist in setting the range of possible outcomes. The most appropriate method or a blend of methods is selected, taking into account the characteristics of the class of business and the extent of the development of each past accident year.

Claims inflation is incorporated into the resulting projected payments to allow for both expected levels of general economic inflation and superimposed inflation. Projected payments are discounted to allow for the time value of money.

(a) Assumptions

The following assumptions have been made in determining the outstanding claims liabilities:

Consolidated	2009	2009	2008	2008
	Personal	Commercial	Personal	Commercial
Weighted average term to settlement (years)	3.1	6.0	2.9	7.0
Inflation rate	4.0%	4.0%	4.4%	4.4%
Superimposed inflation rate	3.2%	4.2%	2.6%	4.7%
Discount rate	5.0%	5.4%	6.7%	6.6%
Claims handling expense ratio	5.4%	5.8%	5.7%	5.8%
Risk margin	15.1%	22.9%	13.6%	26.2%
Company	2009	2009	2008	2008
	Personal	Commercial	Personal	Commercial
Weighted average term to settlement (years)	0.8	7.5	2.9	7.0
Inflation rate	4.0%	3.3%	4.4%	4.4%
Superimposed inflation rate	1.1%	4.8%	2.6%	4.7%
Discount rate	4.1%	5.5%	6.7%	6.6%
Claims handling expense ratio	4.4%	5.0%	5.7%	5.8%
Risk margin	11.2%	22.9%	13.6%	26.2%

For an explanation of material variances on the major components of the prior year movements, refer note 9.

Note 5. Actuarial assumptions and methods (continued)

(b) Processes used to determine assumptions

A description of the processes used to determine these assumptions is provided below:

(i) Weighted average term to settlement

The weighted average term to settlement is calculated separately by business category and is based on historic settlement patterns.

(ii) Inflation and superimposed inflation

The inflation assumptions for the outstanding claims can be considered the sum of economic inflation and superimposed inflation. The former would be typically based on consumer price index and/or increases in average weekly earnings. Superimposed inflation reflects the past tendency for some costs, such as court awards, to increase at levels in excess of economic inflation. Inflation assumptions are set at a class of business level and reflect past experience and future expectations.

(iii) Discount rate

The outstanding claims liabilities are discounted at a risk-free discount rate. Discount rates are derived from market yields on Commonwealth Government securities at the balance date.

(iv) Claims handling expense ratio

The future claims handling expense ratios were calculated with reference to past experience of claims handling costs as a percentage of past payments.

(v) Risk margin

The overall risk margin was determined allowing for the relative uncertainty of the outstanding claims estimate for each class of business and the diversification between classes. Uncertainty was analysed for each class taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, the general insurance environment and the impact of legislative reform.

The assumptions regarding uncertainty for each class were applied to the net central estimates, and the results were aggregated allowing for diversification in order to arrive at an overall position which is intended to have approximately a 90% probability of sufficiency (2008: 90%).

The overall risk margin applied, allowing for diversification was 18.0% (2008: 18.4%)

(c) Sensitivity analysis

(i) Summary

The Group conducts sensitivity analyses to quantify the exposure to the risk of changes in the key underlying assumptions. The deviation of any variable from the assumptions will impact the performance and equity of the Group. Sensitivity analysis is conducted on each variable, whilst holding all other variables constant. It should be noted that the ranges used for the sensitivity analysis that follows do not necessarily represent a reasonable range between which the assumptions may vary. The following tables describe how a change in each assumption will affect the outstanding claims liability.

Variable	Impact of movement in variable
Weighted average term to settlement	A decrease in the average term to settlement would imply that claims are being paid sooner than anticipated. Expected payment patterns are used in determining the outstanding claims liability. An increase or decrease in the weighted average term would have a corresponding decrease or increase on outstanding claims liability.
Economic and superimposed inflation	Expected future payments for all classes are inflated. An increase or decrease in the assumed levels of either economic or superimposed inflation would have a corresponding increase or decrease on outstanding claims liability.
Discount rate	The outstanding claims liability is calculated with reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposite increase or decrease on the overall outstanding claims liability.

Note 5. Actuarial assumptions and methods (continued)

(c) Sensitivity analysis (continued)

(i) Summary (continued)

Claims handling expense ratio	An estimate for the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding increase or decrease on outstanding claims liability.
Risk margin	The outstanding claims liability includes a risk margin to allow for the inherent uncertainty in the estimates of future claims cost. An increase or decrease in the percentage risk margin will have a corresponding increase or decrease in the overall outstanding claims liability.

(ii) Impact of changes in key variables

The table below summarises the sensitivity of the net outstanding claims liabilities to changes in key variables.

Consolidated

	Movement in variable %	Financial Impact ⁽¹⁾			
		2009		2008	
		Profit (Loss) after tax \$m	Equity reserves \$m	Profit (Loss) after tax \$m	Equity reserves \$m
Weighted average term to settlement (years)	+0.5	(70.8)	-	(13.4)	-
	-0.5	70.0	-	13.3	-
Inflation rate	+1	(178.1)	-	(67.6)	-
	-1	167.2	-	63.4	-
Discount rate	+1	170.6	-	64.9	-
	-1	(186.2)	-	(70.8)	-
Claims handling expense ratio	+1	(45.7)	-	(20.7)	-
	-1	45.7	-	20.7	-
Risk margin	+1	(48.5)	-	(18.5)	-
	-1	48.5	-	18.5	-

(1) Determined at the Group level net of reinsurance and taxation at the prima facie rate of 30%

Company

	Movement in variable %	Financial Impact ⁽¹⁾			
		2009		2008	
		Profit (Loss) after tax \$m	Equity reserves \$m	Profit (Loss) after tax \$m	Equity reserves \$m
Weighted average term to settlement (years)	+0.5	(14.2)	-	(13.4)	-
	-0.5	14.0	-	13.3	-
Inflation rate	+1	(43.5)	-	(67.6)	-
	-1	39.2	-	63.4	-
Discount rate	+1	40.2	-	64.9	-
	-1	(45.6)	-	(70.8)	-
Claims handling expense ratio	+1	(8.8)	-	(20.7)	-
	-1	8.8	-	20.7	-
Risk margin	+1	(9.3)	-	(18.5)	-
	-1	9.3	-	18.5	-

(1) Determined net of reinsurance and taxation at the prima facie rate of 30%

Note 6. Risk management

The Group's financial condition and operating activities are affected by a number of key risks. The Group has implemented a general risk management framework to mitigate those risks.

(a) General risk management framework

The Group is part of the Suncorp-Metway Ltd group of companies ("the Suncorp-Metway Ltd Group" or "Suncorp").

General Insurance has a structured risk management framework in place in respect of all key risks. The universe of risks includes credit, market, liquidity, insurance, operational and compliance, and strategic risks. The framework includes a written Risk Management Strategy (RMS) for the Suncorp-Metway Ltd Group's APRA regulated entities which describes at a high level the accountabilities, principles, policies and practices, systems and tools, and reporting processes used to manage risk.

The Suncorp-Metway Ltd Group has in place an Asset and Liability Committee ("ALCO"). The primary objective of the ALCO is to establish, manage and enforce an effective asset and liability risk framework that optimises the long term returns of the insurance and shareholders funds portfolios within the current risk appetite established by the Board.

The Board Risk Committee has delegated authority from the Board to approve and oversee the processes used to identify, evaluate and manage risk and recommends the Suncorp-Metway Ltd Group's risk appetite to the Board. Management has the primary responsibility and accountability for embedding the risk management framework within the business operations of the Suncorp-Metway Ltd Group. Management oversees and approves the principles, policies, limits, frameworks and processes used by the Suncorp-Metway Ltd Group to identify, assess, monitor and control/mitigate risk. The Suncorp-Metway Ltd Group functions provide monitoring and advisory functions on an independent basis and facilitate the reporting of the status, appropriateness and quality of risk management capabilities to the Board Risk Committee.

The Suncorp-Metway Ltd Group has in place a structured approach to risk profiling. Each business unit completes a risk profile covering risks within that business line. Recognising that risk profiles change over time, management is required to monitor and manage these on an ongoing basis.

The key risks addressed by the Risk Management Framework are:

- Credit risk - the risk that a borrower or counterparty will not meet its obligations in accordance with agreed terms. Credit risk arises as a result of receivables due from policyowners and intermediaries, the placement of reinsurance programs with counterparties and investment in financial instruments.
- Market risk - the risk of unfavourable changes in foreign exchange rates, interest rates, equity prices, market volatilities and liquidity. Market risk arises from the risk of adverse moves in interest rates, foreign exchange rates, equity prices, credit spreads and prices of other financial contracts including derivatives.
- Balance Sheet Risk - the risk to earnings and capital from mismatches between assets and liabilities with varying maturity and repricing profiles, and from mismatches in term. Balance sheet risk arises in the Group from structure and characteristics of assets and liabilities and in the mismatch in their repricing dates.
- Liquidity Risk - the risk that the Group will be unable to service its cash flow obligations today or in the future. Liquidity risk arises from the requirement to make claims payments in a timely manner.
- Insurance Risk - the risk of financial loss and the inability to meet liabilities due to inadequate or inappropriate insurance product design, pricing, underwriting, concentration risk, reserving, claims management /or reinsurance management. Insurance risk arises due to risks relating to the uncertainty of cash flows from insurance contracts.

Note 6. Risk management (continued)

(a) General risk management framework (continued)

- Operational Risk - the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Compliance risk is the risk of legal or regulatory sanctions, financial loss, or loss to reputation the Group may suffer as a result of its failure to comply with all applicable regulations, codes of conduct and good practice standards. Operational and compliance risk affects all business units within the Suncorp-Metway Ltd Group. The main categories of operational risk are internal and external fraud, processing failure, system failure, disasters and business interruption and risks associated with products, clients and business practices, vendor, suppliers and service providers, employment practices and workplace safety. Operational risks which cross all business units such as business continuity, regulatory compliance, outsourcing, IT security as well as employment practices and workplace safety are subject to group-wide policy and framework and are coordinated centrally.
- Strategic Risk - the risk of loss arising from uncertainty about the future operating environment, including reputation, industry, economic and regulatory environment, branding, crises management, and alliances and suppliers. Strategic risks relate to the Suncorp-Metway Ltd Group's business strategy and tactical initiatives that are articulated in business plans.

Suncorp has high levels of risk expertise, however the ongoing global financial crisis means that companies across the globe - including Suncorp - need to continually adjust and refine their risk practices to take account of the changing economic conditions. As part of this process, a business unit dedicated to the risk function was established and a Group Chief Risk Officer ("CRO") appointed to continue to elevate the role of risk in the organisation and enhance the focus on execution. Chief Risk Officers are supported by a committee framework to embed ownership, understanding and awareness of risk in the business.

Reinsurance Management Strategies have been developed that outline the Suncorp-Metway Ltd Group's management of risk in respect of reinsurance. The Suncorp-Metway Ltd Group's Risk Management Statement and Reinsurance Management Strategy describe the Group's risk management framework and identifies the policies, procedures and controls that the Group has in place to meet the requirements of the General Insurance prudential standards (GPS 220 and GPS 230) as issued by APRA. These policies have been approved by the Board and APRA, form part of the risk policy of the Suncorp-Metway Ltd Group, and are consistent with the Australian Standard on Risk Management (AS/NZS 4360).

(b) Insurance risk

The Group has an objective to control insurance risk and thereby reduce the volatility of earnings.

(i) Risk management objectives and policies for mitigating insurance risk

The risk management activities include prudent underwriting, pricing, acceptance and management of risk, together with claims management and reserving. The objective of these disciplines is to enhance the financial performance of the Group's overall insurance operations.

The key policies in place to mitigate risks arising from insurance contracts include the following:

- The maintenance and use of sophisticated management information systems that provide up-to-date, reliable data on the risks to which the business is exposed at any point in time;
- The use of actuarial models based on historical data to calculate premiums and monitor claims patterns;
- The setting and adherence to underwriting guidelines that determine policies and procedures for acceptance of risk;
- The monitoring of natural disasters such as earthquakes, floods, storms and other catastrophes. Exposure to such risks is monitored using catastrophe models;
- The use of reinsurance to limit the Group's exposure to large single claims and accumulation of claims that arise from the same event;
- The monitoring of a reinsurer's credit risk rating to control exposure to reinsurance counterparty default;
- The management of assets and liabilities is closely monitored to attempt to match the expected pattern of claims payments with the maturity dates of assets; and
- The reduction in the variability in loss experience through diversification over classes of insurance business, geographical segments and large numbers of uncorrelated individual risks.

Note 6. Risk management (continued)

(b) Insurance risk (continued)

(ii) Terms and conditions of insurance business

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the Group. The majority of direct insurance contracts written are entered into on a standard form basis. Insurance contracts are generally entered into on an annual basis and at the time of entering into a contract all terms and conditions are negotiable or, in the case of renewals, renegotiable. Non-standard and long-term policies may only be written if expressly approved by a relevant delegated authority. There are no special terms and conditions in any non-standard contracts that would have a material impact on the financial statements. There are no embedded derivatives that are separately recognised from a host insurance contract.

(iii) Concentration of insurance risk

The Group writes general insurance business across a number of classes and industries ensuring the portfolio is sufficiently diversified such that there is no undue concentration by risk class or by industry. The Group also writes business across broad geographical regions within Australia with some risks located in other countries. Catastrophe reinsurance is purchased to ensure that any accumulation of losses from one area is protected.

Any concentration of risk associated with the Group's run-off portfolios are actively managed and sought to be reduced through commutation or claim settlement.

(c) Credit risk

The Board Risk Committee oversees the effectiveness of credit risk management in relation to General Insurance activities.

The Group enters into reinsurance arrangements to preserve capital and manage earnings volatility from large individual or catastrophic claims. The credit risk associated with these arrangements is monitored and managed internally and by specialised reinsurance brokers operating within the international reinsurance markets.

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentration of credit risk is managed by individual counterparty, by credit rating and industry type. The Group does not expect any counterparties to fail to meet their obligations given their credit ratings and therefore does not require collateral or other security to support credit risk exposures. Over-concentration of credit risk is avoided by placement of cover with a number of reinsurers as well as setting participation limits and minimum security requirements on the program. Reinsurance is placed only with companies with Standard and Poor's credit ratings (or equivalent if a Standard and Poor's rating is unavailable) of "A minus" or better in accordance with policy.

Investments in financial instruments in the investment portfolios are held in accordance with the investment mandates (refer also note 33). Credit limits have been established within these guidelines to ensure counterparties have appropriate credit ratings.

Note 6. Risk management (continued)

(c) Credit risk (continued)

The following tables provide information regarding the aggregate credit risk exposure at the balance sheet date in respect of the major classes of financial assets. The analysis classifies the assets according to Standard & Poor's counterparty credit ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as non-investment grade.

Consolidated	Credit Rating					Non investment grade	Not Rated	Total
	AAA	AA	A	BBB				
2009								
Cash and cash equivalents	8.5	581.4	187.3	0.4	-	-	777.6	
Premiums outstanding	-	-	-	-	-	1,443.0	1,443.0	
Amounts due from reinsurers	1.3	21.0	16.6	4.2	-	-	43.1	
Outstanding investment settlement receivable	-	-	0.7	-	-	-	0.7	
Insurance managed funds fees receivable	55.6	-	4.4	-	-	-	60.0	
Amounts due from related bodies corporate	-	-	77.1	-	-	9.2	86.3	
Amounts due from controlling entity	-	-	190.3	-	-	-	190.3	
Other receivables	-	-	-	-	-	11.9	11.9	
Derivative assets	-	30.6	31.0	-	-	4.0	65.6	
Reinsurance and other recoveries receivable	333.3	192.8	354.5	39.8	0.1	345.6	1,266.1	
Investments	5,367.3	2,754.8	1,407.8	219.9	3.8	-	9,753.6	
Accrued interest	45.8	44.6	29.2	0.6	-	1.6	121.8	
	5,811.7	3,625.2	2,298.9	264.9	3.9	1,815.3	13,820.0	

The majority of the not rated balance is outstanding premiums on policies which are paid on a monthly instalment basis. Late payment of these amounts allows the Group to cancel the related insurance contract eliminating both the credit risk and insurance risk for the unpaid amounts.

Note 6. Risk management (continued)

(c) Credit risk (continued)

Consolidated

	Credit Rating						Total
	AAA	AA	A	BBB	Non investment grade	Not Rated	
2008							
Cash and cash equivalents	-	149.0	457.6	-	-	0.6	607.2
Premiums outstanding	-	-	-	-	-	599.8	599.8
Amounts due from reinsurers	1.3	3.8	4.9	-	-	18.2	28.2
Amounts due from related bodies corporate	-	-	36.1	-	-	13.1	49.2
Loans to related entities - Interest bearing loans	-	-	-	-	-	455.5	455.5
Loans to related entities - Non interest bearing loans at call	-	-	-	-	-	36.8	36.8
Outstanding investment settlement receivable	-	-	1.5	-	-	-	1.5
Other receivables	-	-	2.3	-	-	10.3	12.6
Insurance managed fund fees receivable	-	-	-	-	-	-	-
Reinsurance and other recoveries receivable	155.2	133.0	133.0	-	-	252.4	673.6
Investments	1,576.3	1,615.6	160.2	109.7	-	-	3,461.8
Accrued interest	23.1	24.0	1.8	-	-	6.5	55.4
	1,755.9	1,925.4	797.4	109.7	-	1,393.2	5,981.6

Note 6. Risk management (continued)

(c) Credit risk (continued)

Company	Credit Rating					Non investment grade	Not Rated	Total
	AAA	AA	A	BBB				
2009								
Cash and cash equivalents	-	76.8	82.1	-	-	-	-	158.9
Premiums outstanding	-	-	-	-	-	-	358.5	358.5
Amounts due from reinsurers	0.8	16.0	11.1	4.3	-	-	-	32.2
Amounts due from related bodies corporate	-	-	75.3	-	-	-	9.2	84.5
Amounts due from controlled entities	49.6	-	-	-	-	-	-	49.6
Amounts due from controlling entity	-	-	209.2	-	-	-	-	209.2
Other receivables	-	-	-	-	-	-	6.9	6.9
Derivative assets	-	4.9	9.8	-	-	-	-	14.7
Reinsurance and other recoveries receivable	30.0	86.9	86.9	35.1	-	-	71.5	310.4
Investments	817.0	606.2	223.1	73.1	3	-	-	1,722.8
Accrued interest	8.4	6.9	17.4	0.1	-	-	-	32.8
	905.7	797.8	714.9	112.7	3	446.1		2,980.5

Note 6. Risk management (continued)

(c) Credit risk (continued)

Company	Credit Rating					Non investment grade	Not Rated	Total
	AAA	AA	A	BBB				
2008								
Cash and cash equivalents	-	121.2	456.5	-	-	-	-	577.7
Premiums outstanding	-	-	-	-	-	-	289.8	289.8
Amounts due from reinsurers	1.3	3.8	4.9	-	-	-	18.2	28.2
Amounts due from related bodies corporate	-	-	36.1	-	-	-	12.8	48.9
Amounts due from controlled entities	-		371.6	-	-	-	-	371.6
Loans to related entities - Interest bearing loans	-	-	333.2	-	-	-	-	333.2
Loans to related entities - Non interest bearing loans at call	-	-	-	-	-	-	36.8	36.8
Other receivables	-	-	-	-	-	-	11.1	11.1
Reinsurance and other recoveries receivable	155.2	133.0	133.0	-	-	-	252.4	673.6
Investments	1,556.1	1,578.5	144.1	67.3	-	-	-	3,346.0
Accrued interest	22.2	24.0	1.8	0.8	-	-	-	48.8
	1,734.8	1,860.5	1,481.2	68.1	-	-	621.1	5,765.7

Note 6. Risk management (continued)

(c) Credit risk (continued)

The carrying amount of the relevant assets classes in the Balance Sheet represents the maximum amount of credit exposures, except for derivatives. The fair value of derivatives shown on the Balance Sheet represents the current risk exposure, but not the maximum risk exposure. The face value and fair value of the derivatives are illustrated in note 33.

The following table provides information regarding the carrying value of the Group's financial assets that have been impaired and the ageing of those that are past due but not impaired at the reporting date. An amount is considered to be past due when a contractual payment falls overdue by one or more days. When an amount is classified as past due, the entire balance is disclosed in the past due analysis.

Consolidated	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		0-3 mths	3-6 mths	6-12 mths	> 12 mths		
2009							
Premiums outstanding	1,424.3	1.5	-	11.8	5.4	-	1,443.0
Amounts due from reinsurers	16.5	16.3	4.8	2.0	3.5	-	43.1
Outstanding investment settlement receivable	0.7	-	-	-	-	-	0.7
Insurance managed funds fees receivable	60.0	-	-	-	-	-	60.0
Amounts due from related bodies corporate	86.3	-	-	-	-	-	86.3
Amounts due from controlling entity	190.3	-	-	-	-	-	190.3
Other receivables	11.9	-	-	-	-	-	11.9
Reinsurance and other recoveries receivable	1,266.1	-	-	-	-	-	1,266.1
Accrued interest	121.8	-	-	-	-	-	121.8
	3,177.9	17.8	4.8	13.8	8.9	-	3,223.2

Note 6. Risk management (continued)

(c) Credit risk (continued)

Consolidated	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		0-3 mths	3-6 mths	6-12 mths	> 12 mths		
2008							
Premiums outstanding	556.7	20.0	20.2	2.9	-	-	599.8
Amounts due from reinsurers	7.8	20.4	-	-	-	-	28.2
Amounts due from related bodies corporate	49.2	-	-	-	-	-	49.2
Loans to related entities - Interest bearing loans	455.5	-	-	-	-	-	455.5
Loans to related entities - Non interest bearing loans at call	36.8	-	-	-	-	-	36.8
Outstanding investment settlement receivable	1.5	-	-	-	-	-	1.5
Other receivables	7.6	-	-	5.0	-	-	12.6
Insurance managed fund fees receivable	-	-	-	-	-	-	-
Reinsurance and other recoveries receivable	673.6	-	-	-	-	-	673.6
Accrued interest	55.4	-	-	-	-	-	55.4
	1,844.1	40.4	20.2	7.9	-	-	1,912.6

Note 6. Risk management (continued)

(c) Credit risk (continued)

Company	Neither past due nor impaired	Past due but not impaired					Total
		0-3 mths	3-6 mths	6-12 mths	> 12 mths	Impaired	
2009							
Premiums outstanding	355.0	0.1	-	-	3.4	-	358.5
Amounts due from reinsurers	6.6	15.4	4.7	2.0	3.5	-	32.2
Amounts due from related bodies corporate	84.5	-	-	-	-	-	84.5
Amounts due from controlled entities	49.6	-	-	-	-	-	49.6
Amounts due from controlling entity	209.2	-	-	-	-	-	209.2
Other receivables	6.9	-	-	-	-	-	6.9
Reinsurance and other recoveries receivable	310.4	-	-	-	-	-	310.4
Accrued interest	32.8	-	-	-	-	-	32.8
	1,055.0	15.5	4.7	2.0	6.9	-	1,084.1

Note 6. Risk management (continued)

(c) Credit risk (continued)

Company	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		0-3 mths	3-6 mths	6-12 mths	> 12 mths		
2008							
Premiums outstanding	247.6	19.6	19.8	2.8	-	-	289.8
Amounts due from reinsurers	7.8	20.4	-	-	-	-	28.2
Amounts due from related bodies corporate	48.9	-	-	-	-	-	48.9
Amounts due from controlled entities	371.6	-	-	-	-	-	371.6
Loans to related entities - Interest bearing loans	333.2	-	-	-	-	-	333.2
Loans to related entities - Non interest bearing loans at call	36.8	-	-	-	-	-	36.8
Other receivables	6.1	-	-	5.0	-	-	11.1
Reinsurance and other recoveries receivable	673.6	-	-	-	-	-	673.6
Accrued interest	48.8	-	-	-	-	-	48.8
	1,774.4	40.0	19.8	7.8	-	-	1,842.0

Note 6. Risk management (continued)

(d) Market risk

The main source of market risk comes from the investment portfolios. The Group's business has distinct investment portfolios, each with their own investment mandate. The investment mandates specify investment restrictions including but not limited to asset class limits, authorised investments, duration limits, derivative restrictions, minimum credit ratings and counterparty credit limits.

The Liabilities insurance funds support the outstanding claims liabilities of the business. The portfolios are managed over benchmarks set in a manner consistent with the expected duration of claims payments ensuring any variations from a matched position is constrained. This is managed via an interest rate risk hedge portfolio between benchmark and liabilities. Assets held are predominantly fixed interest securities.

The Shareholder funds are held for the investment of funds in support of share capital and retained profits. To provide better expected returns on capital, the investment mandate for this portfolio has a more diverse investment strategy predominantly including fixed interest, property and cash. In the prior financial year, the investment portfolios also included significant holdings of equity securities. The investment mandates balance expected investment returns, volatility of expected investment returns and the impact of volatility on both the capital adequacy and profitability of the business.

Investments are measured at fair value and changes in fair value are recognised in the Income Statement. The property investments are subject to regular independent valuations.

(i) Interest rate risk

Interest rate risk arises from the investments in interest bearing securities. Interest rates have an impact on both the value of assets and liabilities and the main sources of loss are adverse changes in the valuation of investments in interest-bearing securities and outstanding claims liabilities.

A change in the market value of investments in interest-bearing securities is immediately recognised in the Income Statement. The insurance funds hold significant interest-bearing securities in support of corresponding insurance provisions and are invested in a manner consistent with the expected duration of claims payments.

The valuation of the outstanding claims liabilities includes the discounting to present value at balance date of expected future claim payments. Any assessment of the impact of changes in interest rates on investment income must include the offsetting adjustment to claims expense for changes in discount rates adopted in outstanding claims valuations.

This risk is managed by establishing investment portfolio mandates on the basis of the appropriate matching principles so as to ensure the impact on the operating result of changes in the general level of market interest rates is minimised. Interest rate risk is also managed by the controlled use of interest rate derivative instruments. The discount rates being applied to future claims payments in determining the valuation of outstanding claims are disclosed in note 5.

Note 6. Risk management (continued)

(d) Market risk (continued)

(i) Interest rate risk (continued)

The sensitivity of profit and loss after tax and equity reserves to movements in interest rates in relation to interest-bearing financial assets held at the balance date is shown in the table below. It is assumed that all residual exposures for the shareholder after tax are included in the sensitivity analysis, that the percentage point change occurs at the reporting date and there are concurrent movements in interest rates and parallel shifts in the yield curves. The risks faced for deriving sensitivity information did not change from the previous period. Given the significant volatility experienced in the market during the last year, a movement of 200 basis points (2008: 100 basis points) is considered reasonably possible and has been applied to the sensitivity analysis.

Consolidated	2009				2008			
	Exposure	Movement	Profit /	Equity	Exposure	Movement	Profit /	Equity
	at Jun-09 \$m	in variable %	(Loss) \$m		at Jun-08 \$m	in variable %	(Loss) \$m	
Interest bearing investment assets	9,753.6	+2 -2	(422.5) 422.5	- -	3,461.8	+1 -1	(73.7) 73.7	- -
Derivative financial instruments	2.8	+2 -2	- -	- -	492.2	+1 -1	3.7 (3.7)	- -
Other loan	42.2	+2 -2	(0.6) 0.6	- -	-	+1 -1	- -	- -
Bank overdrafts and loans	65.9	+2 -2	(0.9) 0.9	- -	-	+1 -1	- -	- -
Subordinated notes	134.5	+2 -2	(1.9) 1.9	- -	125.0	+1 -1	(0.2) 0.2	- -
Other financial liabilities	-	+2 -2	- -	- -	83.5	+1 -1	(0.1) 0.1	- -

Company	2009				2008			
	Exposure	Movement	Profit /	Equity	Exposure	Movement	Profit /	Equity
	at Jun-09 \$m	in variable %	(Loss) \$m		at Jun-08 \$m	in variable %	(Loss) \$m	
Interest bearing investment assets	1,607.9	+2 -2	(72.4) 72.4	- -	3,346.0	+1 -1	(73.7) 73.7	- -
Derivative financial instruments	40.2	+2 -2	(0.6) 0.6	- -	492.2	+1 -1	3.7 (3.7)	- -
Bank overdrafts and loans	30.5	+2 -2	(0.4) 0.4	- -	-	+1 -1	- -	- -
Subordinated notes	81.6	+2 -2	(1.1) 1.1	- -	125.0	+1 -1	(0.2) 0.2	- -

The effect of interest rate movements on the Group's provision for outstanding claims is included in note 24.

Note 6. Risk management (continued)

(d) Market risk (continued)

(i) Interest rate risk (continued)

The reporting date measurement of the cash and cash equivalents is not sensitive to movements in the interest rates and so a change in interest rates as at reporting date would have had no impact on either profit or equity from the measurement of cash and cash equivalents for the current financial year.

Interest-bearing investment securities are recognised on the Balance Sheet at fair value. Movements in market interest rates impact the price of the securities (and hence their fair value measurement) and so would impact either profit or equity.

The reporting date measurement of interest-bearing liabilities measured at amortised cost is not sensitive to movements in interest rates and so a change in interest rates as at reporting date would have no impact on either profit or equity from the measurement of these liabilities for the current financial year.

(ii) Foreign exchange risk

The Group's entities have ongoing foreign exchange obligations in relation to a number of outstanding claims which have arisen in relation to previously written offshore inwards reinsurance business. The outstanding claims liability has been established on the basis of assessments in relation to potential exposure.

As this business is no longer being written, the Group established a special investment portfolio to ensure sufficient funds were set aside to accommodate all final settlements. The claim payments will be predominantly in United States dollars. The investment portfolio consists of cash and short-term discount securities with a forward foreign exchange agreement.

The Group's exposure to foreign currency risk at balance date is shown in the sensitivity analysis below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2008.

Consolidated	2009				2008			
	Exposure	Movement	Profit /	Equity	Exposure	Movement	Profit /	Equity
	at Jun-09 \$m	in variable %	(Loss) \$m	\$m	at Jun-08 \$m	in variable %	(Loss) \$m	\$m
USD	11.7	+10	(1.2)	-	-	+10	-	-
		-10	1.2	-		-10	-	-

The Group also carries subordinated notes with a foreign currency exposure in GBP. The Group utilises a qualifying hedge to significantly reduce this exposure.

The Company has no foreign exchange risk.

Note 6. Risk management (continued)

(d) Market risk (continued)

(iii) Other market risks

Other market risks are the risk of a loss of current and future earnings from adverse movements in the changes in market prices due to factors other than interest rates and foreign exchange. Those factors may be specific to the individual financial instrument or its issuer, or factors that affect all similar financial instruments traded in the market. The main "other market risks" that the Group's investment portfolios are exposed to include equity risk and credit spread risk.

Equity risk is the risk of loss in current and future earnings from adverse moves in equity prices. Downturns in equity markets would impact the current and future results of the Group. During the current financial year, the General Insurance business reduced its Australian and international equities portfolio. In the prior year, equity risk was managed by incorporating a diverse holding of leading companies and through the controlled use of derivative financial instruments, as discussed in note 33.

The potential impact of movements in the market value of listed equities at balance date on the Group's Income Statement and Balance Sheet is shown in the sensitivity analysis below. During the current year the Group disposed of its Australian and International equities portfolio.

Consolidated	2009				2008			
	Exposure	Movement	Profit /	Equity	Exposure	Movement	Profit /	Equity
	at Jun-09	in variable	(Loss)		at Jun-08	in variable	(Loss)	
	\$m	%	\$m	\$m	\$m	%	\$m	\$m
Australian equities	-	+10	-	-	406.6	+10	28.5	-
		-10	-	-		-10	(28.5)	-

Credit spread risk is the risk of loss in current and future earnings from adverse moves in credit spreads. Credit spread risk is determined by capital market sentiment or factors affecting all issuers in the market and not necessarily due to factors specific to an individual issuer. The main source of loss is adverse changes in the valuation of investments in interest-bearing securities. A change in the market value of investments in interest-bearing securities is immediately recognised in the Income Statement. The investment portfolios hold significant interest-bearing securities in support of corresponding insurance provisions. The portfolio is heavily weighted towards investments with a high quality investment grade.

This risk is managed by incorporating a diverse holding of investments in the Group's investment portfolios, establishing maximum exposure limits for counterparties and the controlled use of credit derivatives. Investments are also subject to minimum credit rating criteria. The table provided under the heading of 'Credit risk' provides information in relation to aggregate credit exposure of the Group's investment portfolio by credit rating at balance date.

The Group's investment portfolios also contain exposure to the property market. The exposures may be by way of investment in listed property trusts or direct holdings. The main source of risk is the risk of loss from adverse changes in the valuations of these investments. An overall downturn in the property market may impact the future results of the Group. This risk is managed by incorporating a diverse holding of investments and asset classes in the Group's investment portfolios.

Note 6. Risk management (continued)

(d) Market risk (continued)

(iii) Other market risks (continued)

Sensitivity of the business' semi-government credit exposure to a +/- 60 basis point change and remaining credit exposure to a +/- 200 basis point change in yield is as follows:

Consolidated	2009			2008		
	Exposure	Movement	Profit	Exposure	Movement	Profit
	at Jun-09 \$m	in variable %	(Loss) after tax \$m	at Jun-08 \$m	in variable %	(Loss) after tax \$m
Credit exposure	5,267.1	+2	(152.0)	1,812.0	+1	(36.9)
		-2	152.0		-1	36.9
Semi-government exposure	2,393.8	+0.6	(20.4)	731.9	+1	(14.9)
		-0.6	20.4		-1	14.9

Company	2009			2008		
	Exposure	Movement	Profit	Exposure	Movement	Profit
	at Jun-09 \$m	in variable %	(Loss) after tax \$m	at Jun-08 \$m	in variable %	(Loss) after tax \$m
Credit exposure	1,003.8	+2	(29.2)	1,812.0	+1	(36.9)
		-2	29.2		-1	36.9
Semi-government exposure	321.5	+0.6	(2.7)	731.9	+1	(14.9)
		-0.6	2.7		-1	14.9

Note 6. Risk management (continued)

(e) Liquidity risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. The ability to make claims payments in a timely manner is critical to the Group's business. The investment portfolio mandates provide sufficient cash deposits to meet day-to-day obligations. Investment funds are set aside within the investment portfolio in support of these reserves, to accommodate significant claims payment obligations. In addition, under the terms of the Group's reinsurance arrangements, immediate access to cash is available in the event of a major catastrophe.

The table below summarises the maturity profile of certain financial liabilities based on the remaining undiscounted contractual obligations. It also includes the maturity profile for outstanding claims liabilities determined on the discounted estimated timing of net cash outflows.

Consolidated	Carrying amount \$m	1 year or less \$m	1 to 5 years \$m	Over 5 years \$m	Total Cash Flows \$m
2009					
Bank overdrafts	65.9	65.9	-	-	65.9
Trade creditors and accrued expenses	299.1	299.1	-	-	299.1
Amounts due to reinsurers	87.0	87.0	-	-	87.0
Amounts due to related bodies corporate	34.0	34.0	-	-	34.0
Amounts due to controlling entity	293.8	293.8	-	-	293.8
Loan from controlling entity	132.6	132.6	-	-	132.6
Derivative payable- net settled	17.9	-	0.7	17	17.5
Outstanding investment settlements payable	307.7	307.7	-	-	307.7
Other loan	42.5	7.5	31.8	14.5	53.8
Other payables	105.5	105.5	-	-	105.5
Subordinated notes	734.4	52.4	213.7	919.1	1,185.2
Net outstanding claims liabilities	5,888.3	1,847.9	3,006.8	1,033.6	5,888.3
Unearned income	22.7	22.7	-	-	22.7
Unearned premium liabilities	3,216.3	3,216.3	-	-	3,216.3
	11,247.7	6,472.4	3,253.0	1,984.0	11,709.4
<i>Gross settled derivatives</i>					
Amounts receivables	-	(16.0)	(66.0)	(308.0)	(390.0)
Amounts payable	50.5	12.0	81.0	355.0	448.0
	50.5	(4.0)	15.0	47.0	58.0

Note 6. Risk management (continued)

(e) Liquidity risk (continued)

Consolidated	Carrying amount \$m	1 year or less \$m	1 to 5 years \$m	Over 5 years \$m	Total Cash Flows \$m
2008					
Trade creditors and accrued expenses	172.1	172.1	-	-	172.1
Amounts due to reinsurers	30.6	30.6	-	-	30.6
Amounts due to related bodies corporate	30.5	30.5	-	-	30.5
Loan from controlling entity	75.1	-	75.1	-	75.1
Loans from related entities	251.2	-	251.2	-	251.2
Derivative payable- net settled	80.2	-	11.3	68.9	80.2
Outstanding investment settlements payable	2.0	2.0	-	-	2.0
Other payables	26.5	5.0	17.1	4.4	26.5
Subordinated notes	662.5	-	-	662.5	662.5
Obligations under repurchase agreements	191.3	191.3	-	-	191.3
Net outstanding claims liabilities	2,100.2	654.2	1,018.5	427.5	2,100.2
Unearned premium liabilities	1,581.8	1,581.8	-	-	1,581.8
	<u>5,204.0</u>	<u>2,667.5</u>	<u>1,373.2</u>	<u>1,163.3</u>	<u>5,204.0</u>
<i>Gross settled derivatives</i>					
Amounts receivables	(18.9)	-	-	(18.9)	(18.9)
Amounts payable	99.1	-	11.3	87.8	99.1
	<u>80.2</u>	<u>-</u>	<u>11.3</u>	<u>68.9</u>	<u>80.2</u>

Note 6. Risk management (continued)

(e) Liquidity risk (continued)

Company	Carrying amount	1 year or less	1 to 5 years	Over 5 years	Total Cash Flows
	\$m	\$m	\$m	\$m	\$m
2009					
Bank overdrafts	30.5	30.5	-	-	30.5
Trade creditors and accrued expenses	102.7	102.7	-	-	102.7
Amounts due to reinsurers	39.1	39.1	-	-	39.1
Amounts due to related bodies corporate	19.7	19.7	-	-	19.7
Amounts due to controlled entities	169.9	169.9	-	-	169.9
Amounts due to controlling entity	50.4	50.4	-	-	50.4
Loans from related entities	248.6	248.6	-	-	248.6
Derivative payable- net settled	4.4	-	-	4	4.0
Outstanding investment settlements payable	39.5	39.5	-	-	39.5
Other payables	23.4	23.4	-	-	23.4
Subordinated notes	203.2	18.0	72.0	290.9	380.9
Net outstanding claims liabilities	1,130.1	434.7	432.0	263.4	1,130.1
Unearned income	21.1	21.1	-	-	21.1
Unearned premium liabilities	628.4	628.4	-	-	628.4
	2,711.0	1,826.0	504.0	558.3	2,888.3
<i>Gross settled derivatives</i>					
Amounts receivables	-	(16.0)	(66.0)	(308.0)	(390.0)
Amounts payable	50.5	12.0	81.0	355.0	448.0
	50.5	(4.0)	15.0	47.0	58.0

Note 6. Risk management (continued)

(e) Liquidity risk (continued)

Company	Carrying amount	1 year or less	1 to 5 years	Over 5 years	Total Cash Flows
	\$m	\$m	\$m	\$m	\$m
2008					
Trade creditors and accrued expenses	124.3	124.3	-	-	124.3
Amounts due to reinsurers	30.6	30.6	-	-	30.6
Amounts due to controlled entities	24.5	24.5	-	-	24.5
Amounts due to related bodies corporate	15.0	15.0	-	-	15.0
Loan from controlling entity	73	-	73.0	-	73.0
Loans from related entities	412.9	412.9	-	-	412.9
Derivative payable- net settled	80.2	12.2	-	68.0	80.2
Outstanding investment settlements payable	-	-	-	-	-
Other payables	19.4	2.3	14.0	3.1	19.4
Subordinated notes	249.6	-	-	249.6	249.6
Obligations under repurchase agreements	191.3	191.3	-	-	191.3
Net outstanding claims liabilities	2,100.2	654.2	1,018.5	427.5	2,100.2
Unearned premium liabilities	1,549.3	1,549.3	-	-	1,549.3
	<u>4,870.3</u>	<u>3,016.6</u>	<u>1,105.5</u>	<u>748.2</u>	<u>4,870.3</u>
<i>Gross settled derivatives</i>					
Amounts receivables	(18.9)	-	-	(18.9)	(18.9)
Amounts payable	99.1	-	11.3	87.8	99.1
	<u>80.2</u>	<u>-</u>	<u>11.3</u>	<u>68.9</u>	<u>80.2</u>

Note 7. Segment reporting

Segment information is presented in respect of the Group's business segments, which is the primary format for segment information.

Geographical segments are the Group's secondary segments. The Group operates in two main geographical areas, Australia, being the country of domicile of the parent entity, and New Zealand.

Inter-segment transfers are priced on an arm's length basis and are eliminated on consolidation. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

(a) Business segment

The Group comprises the following business segments:

Personal insurance	Home, pleasurecraft and motor insurance, travel insurance, rental bond and personal effects cover and compulsory third party insurance.
Commercial insurance	Commercial motor vehicle, marine and aviation insurance, public liability and professional indemnity insurance, professional indemnity to enterprises and workers' compensation insurance and some inwards reinsurance.

	General Insurance		
	Personal	Commercial	Total
	\$m	\$m	\$m
2009			
Revenue from outside the Group	4,896.5	1,678.0	6,574.5
Other revenue	-	-	-
Total segment revenue	4,896.5	1,678.0	6,574.5
Segment result	465.1	232.1	697.2
Interest expense			(93.8)
Profit before tax			603.4
Income tax expense			(171.8)
Profit for the year			431.6
Segment assets	10,788.7	5,301.6	16,090.3
Total assets			16,090.3
Segment liabilities	8,441.8	4,220.2	12,662.0
Total liabilities			12,662.0
Investments in joint ventures	156.9	-	156.9
Acquisition of property, plant and equipment and intangible assets	708.6	333.5	1,042.1
Share of profits of joint ventures included in segment result	(6.2)	-	(6.2)
Depreciation and amortisation expense	(14.1)	(7.1)	(21.2)
Impairment losses	28.3	14.2	42.5

Note 7. Segment reporting (continued)

(a) Business segment (continued)

	General Insurance		Total
	Personal	Commercial	
	\$m	\$m	\$m
2008			
Revenue from outside the Group	4,524.2	1,335.2	5,859.4
Other revenue	-	-	-
Total segment revenue	4,524.2	1,335.2	5,859.4
Segment result	(11.1)	222.1	211.0
Interest expense			(92.4)
Profit before tax			131.1
Income tax expense			8.9
Profit for the period			140.0
Segment assets	4,846.3	2,336.3	7,182.6
Total assets			7,182.6
Segment liabilities	4,018.1	1,911.0	5,929.1
Total liabilities			5,929.1
Investments in joint ventures	100.5	1.0	101.5
Acquisition of property, plant and equipment and intangible assets	34.6	16.7	51.3
Share of profits of joint ventures included in segment result	7.8	0.3	8.1
Depreciation and amortisation expense	22.6	6.7	29.3
Impairment losses	-	-	-

(b) Geographical segments

Whilst some business activities took place in New Zealand, the Group operated predominantly in one geographical segment being Australia.

Note 8. Income

	Consolidated		Company	
	12 months to 30 June 2009 \$m	18 months to 30 June 2008 \$m	12 months to 30 June 2009 \$m	18 months to 30 June 2008 \$m
Insurance revenue				
Premium revenue	4,805.6	4,406.7	1,086.9	1,473.4
Inwards reinsurance premium revenue - related entities	28.2	-	46.9	2,845.4
Inwards reinsurance premium revenue - other entities	1.1	1.5	1.1	1.5
	<u>4,834.9</u>	<u>4,408.2</u>	<u>1,134.9</u>	<u>4,320.3</u>
Reinsurance and other recoveries revenue	991.1	1,075.8	216.0	1,075.8
Reinsurance commission revenue	46.6	46.7	39.5	46.7
	<u>5,872.6</u>	<u>5,530.7</u>	<u>1,390.4</u>	<u>5,442.8</u>
Investment income				
Rental income received, or due and receivable	6.5	-	-	-
Interest received, or due and receivable:				
Related entities	14.7	65.1	14.0	38.6
Other entities	514.0	344.9	188.6	339.8
Dividends received, or due and receivable:				
Related entities	-	12.6	17.8	177.6
Other entities	5.8	32.3	-	-
Changes in fair value of financial assets and liabilities designated as fair value through profit or loss:				
Realised	133.7	(5.2)	37.0	(65.1)
Unrealised	(207.9)	(161.2)	(8.0)	(33.6)
Trust distributions received, or due and receivable	(1.0)	10.7	7.5	10.7
Other net income received, or due and receivable	3.3	-	-	-
	<u>469.1</u>	<u>299.2</u>	<u>256.9</u>	<u>468.0</u>
Investment income on insurance funds	358.9	220.7	256.0	220.7
Investment income on shareholders funds	110.2	78.5	0.9	247.3
	<u>469.1</u>	<u>299.2</u>	<u>256.9</u>	<u>468.0</u>
Fee for service and other income				
Insurance managed fund income	70.9	-	-	-
Gain on sale of subordinated debt	70.0	-	34.8	-
Other net fee income received, or due and receivable	91.9	29.5	88.9	0.5
	<u>232.8</u>	<u>29.5</u>	<u>123.7</u>	<u>0.5</u>
Total income	<u>6,574.5</u>	<u>5,859.4</u>	<u>1,771.0</u>	<u>5,911.3</u>

Note 9. Incurred claims

(a) Gross incurred claims

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Direct	3,967.3	3,953.4	813.7	819.3
Inwards reinsurance	47.8	(1.0)	76.4	3,133.1
	<u>4,015.1</u>	<u>3,952.4</u>	<u>890.1</u>	<u>3,952.4</u>

(b) Net incurred claims

Current period claims relate to risks borne in the current financial period. Prior year claims relate to a reassessment of the risks borne in all previous financial periods.

Consolidated	Current Period \$m	2009 Prior Years \$m	Total \$m	Current Period \$m	2008 Prior Years \$m	Total \$m
Direct business						
Gross claims incurred and related expenses						
Undiscounted	3,865.1	(258.7)	3,606.4	4,042.6	(22.0)	4,020.6
Discount and discount movement	107.5	253.4	360.9	(140.6)	73.4	(67.2)
Gross claims incurred discounted	3,972.6	(5.3)	3,967.3	3,902.0	51.4	3,953.4
Reinsurance and other recoveries						
Undiscounted	(993.6)	84.3	(909.3)	(975.8)	(111.4)	(1,087.2)
Discount and discount movement	(3.4)	(49.1)	(52.5)	35.4	(24.0)	11.4
Reinsurance and other recoveries discounted	(997.0)	35.2	(961.8)	(940.4)	(135.4)	(1,075.8)
Net incurred claims	<u>2,975.6</u>	<u>29.9</u>	<u>3,005.5</u>	<u>2,961.6</u>	<u>(84.0)</u>	<u>2,877.6</u>

Consolidated	Current Period \$m	2009 Prior Years \$m	Total \$m	Current Period \$m	2008 Prior Years \$m	Total \$m
Inwards reinsurance						
Gross claims incurred and related expenses						
Undiscounted	44.7	2.5	47.2	(1.0)	-	(1.0)
Discount and discount movement	1.4	(0.8)	0.6	-	-	-
Gross claims incurred discounted	46.1	1.7	47.8	(1.0)	-	(1.0)
Reinsurance and other recoveries						
Undiscounted	(29.1)	(0.2)	(29.3)	-	-	-
Discount and discount movement	-	-	-	-	-	-
Reinsurance and other recoveries discounted	(29.1)	(0.2)	(29.3)	-	-	-
Net incurred claims	<u>17.0</u>	<u>1.5</u>	<u>18.5</u>	<u>(1.0)</u>	<u>-</u>	<u>(1.0)</u>
Total net incurred claims	<u>2,992.6</u>	<u>31.4</u>	<u>3,024.0</u>	<u>2,960.6</u>	<u>(84.0)</u>	<u>2,876.6</u>

Note 9. Incurred claims (continued)

(b) Net incurred claims (continued)

Company	Current Period \$m	2009 Prior Years \$m	Total \$m	Current Period \$m	2008 Prior Years \$m	Total \$m
Direct business						
Gross claims incurred and related expenses						
Undiscounted	735.5	27.8	763.3	905.5	(77.0)	828.5
Discount and discount movement	(41.0)	91.4	50.4	0.3	(9.5)	(9.2)
Gross claims incurred discounted	694.5	119.2	813.7	905.8	(86.5)	819.3
Reinsurance and other recoveries						
Undiscounted	(184.3)	(19.0)	(203.3)	(234.9)	(86.8)	(321.7)
Discount and discount movement	8.7	(21.2)	(12.5)	15.2	(8.6)	6.6
Reinsurance and other recoveries discounted	(175.6)	(40.2)	(215.8)	(219.7)	(95.4)	(315.1)
Net incurred claims	518.9	79.0	597.9	686.1	(181.9)	504.2

Company	Current Period \$m	2009 Prior Years \$m	Total \$m	Current Period \$m	2008 Prior Years \$m	Total \$m
Inwards reinsurance						
Gross claims incurred and related expenses						
Undiscounted	74.7	2.5	77.2	3,191.1	-	3,191.1
Discount and discount movement	-	(0.8)	(0.8)	(58.0)	-	(58.0)
Gross claims incurred discounted	74.7	1.7	76.4	3,133.1	-	3,133.1
Reinsurance and other recoveries						
Undiscounted	-	(0.2)	(0.2)	(765.5)	-	(765.5)
Discount and discount movement	-	-	-	4.8	-	4.8
Reinsurance and other recoveries discounted	-	(0.2)	(0.2)	(760.7)	-	(760.7)
Net incurred claims	74.7	1.5	76.2	2,372.4	-	2,372.4
Total net incurred claims	593.6	80.5	674.1	3,058.5	(181.9)	2,876.6

Explanation of material variances – Direct business

The impact of movements in prior year consolidated net provisions on the net incurred cost for 2009 amounted to an increase of \$ 31.4 million. Whilst there were significant releases from long tail classes, much of the benefit was negated by movements in the discount rate.

The impact of movements in prior year Company net provisions on the net incurred cost for 2009 amounted to an increase of \$80.5 million. This was primarily due to increases in prior-year claim cost provisions with worse than expected experience.

Quantification of the financial effect of changes in claims assumptions, experience and risk margins are set out in note 24 (b).

Note 10. Underwriting and other operating expenses

	Consolidated		Company	
	12 months to 30 June 2009 \$m	18 months to 30 June 2008 \$m	12 months to 30 June 2009 \$m	18 months to 30 June 2008 \$m
Other underwriting expenses				
Equipment and occupancy expenses				
Operating lease rentals	42.5	29.8	13.6	27.6
Other occupancy costs	8.3	4.7	2.4	4.3
Total equipment and occupancy costs	50.7	34.6	16.1	31.9
Staff expenses				
Staff expenses	226.3	259.0	95.5	239.0
Total staff expenses	226.3	259.0	95.5	239.0
Other expenses				
Technology	20.9	13.8	4.2	12.7
Marketing	51.9	41.5	16.5	38.5
Communications	17.2	13.3	5.6	12.1
Other	41.4	48.6	12.3	45.0
Total other expenses	131.4	117.2	38.7	108.2
Total other underwriting expenses	408.4	410.8	150.3	379.1
Other operating expenses				
Insurance managed fund expenses	63.9	-	-	-
Impairment of financial assets	8.0	-	52.3	-
Other operating expenses	131.5	157.3	45.9	95.3
Total other operating expenses	203.4	157.3	98.2	95.3

Note 11. Finance costs

	Consolidated		Company	
	12 months to 30 June 2009 \$m	18 months to 30 June 2008 \$m	12 months to 30 June 2009 \$m	18 months to 30 June 2008 \$m
Subordinated notes	56.1	58.1	17.6	28.7
Loans from related entities	34.5	34.3	15.8	29.4
Other finance costs	3.2	-	-	-
	93.8	92.4	33.4	58.1

Note 12. Income tax

(a) Income tax expense

	Consolidated		Company	
	12 months to 30 June 2009 \$m	18 months to 30 June 2008 \$m	12 months to 30 June 2009 \$m	18 months to 30 June 2008 \$m
Recognised in the Income Statement				
<i>Current tax expense</i>				
Current period	142.3	58.9	(22.2)	52.7
Adjustments for prior years	6.2	2.8	4.9	1.9
	148.5	61.7	(17.3)	54.6
<i>Deferred tax expense</i>				
Origination and reversal of temporary differences	23.3	(70.6)	52.1	(5.3)
Total income tax expense (benefit) in the Income Statement	171.8	(8.9)	34.8	49.3
Numerical reconciliation between income tax expense and pre-tax net profit				
<i>Profit before tax</i>	603.4	131.1	72.8	359.1
Income tax using the domestic corporation tax rate of 30% (2008: 30%)	181.0	39.3	21.8	107.7
Increase in income tax expense due to:				
Non-deductible expenses	2.3	1.6	1.6	1.1
Imputation gross up on dividends received	1.4	4.0	0.1	1.6
Other	-	13.0	-	-
Decrease in income tax expense due to:				
Intercompany dividend elimination	-	-	(5.1)	(49.5)
Income tax offsets and credits	(4.1)	(13.6)	(0.3)	(5.5)
Other	(14.1)	(17.2)	14.4	(16.0)
	166.5	27.1	32.5	39.4
Under / (over) provision in prior years	5.3	(36.0)	2.3	9.9
Income tax expense (benefit) on pre-tax net profit	171.8	(8.9)	34.8	49.3

(b) Current tax liabilities

In accordance with the tax consolidation legislation, the ultimate parent entity as the head entity of the Australian tax-consolidated group has assumed the current tax liability initially recognised by the members of the tax-consolidated group.

Note 12. Income tax (continued)

(c) Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009 \$m	2008 \$m	2009 \$m	2008 \$m	2009 \$m	2008 \$m
Consolidated						
Property, plant and equipment	4.5	4.5	0.3	-	4.2	4.5
Investment property	-	-	(0.9)	-	0.9	-
Other investments	6.6	18.4	(4.3)	(24.4)	10.9	42.8
Deposits, notes, bonds and borrowings	-	-	(21.0)	-	21.0	-
Employee benefits	16.3	13.5	-	-	16.3	13.5
Provisions	81.8	31.1	-	-	81.8	31.1
Other items	11.8	10.2	(4.1)	13.4	15.9	(3.2)
Tax assets / (liabilities)	121.0	77.7	(30.0)	(11.0)	151.0	88.7
Set off of tax	(30.0)	11.0	30.0	11.0	(60.0)	-
Net tax assets / (liabilities)	91.0	88.7	-	-	91.0	88.7

	Assets		Liabilities		Net	
	2009 \$m	2008 \$m	2009 \$m	2008 \$m	2009 \$m	2008 \$m
Company						
Property, plant and equipment	2.6	2.9	-	-	2.6	2.9
Investment property	-	-	-	-	-	-
Other investments	6.6	25.9	(3.5)	(4.2)	10.1	30.1
Deposits, notes, bonds and borrowings	-	-	(21.0)	-	21.0	-
Employee benefits	8.8	6.2	-	-	8.8	6.2
Provisions	14.6	31.2	-	-	14.6	31.2
Other items	(2.9)	8.2	2.4	21.0	(5.3)	(12.8)
Tax assets / (liabilities)	29.7	74.4	(22.1)	16.8	51.8	57.6
Set off of tax	(22.1)	-	22.1	-	(44.2)	-
Net tax assets / (liabilities)	7.6	74.4	-	16.8	7.6	57.6

(d) Tax consolidation

On 20 March 2007, Suncorp-Metway Ltd subsidiary Suncorp Insurance Holdings Ltd acquired 100% of the Company's parent, Promgroup Limited, which had previously formed a tax-consolidated group on 1 July 2002. Following the acquisition, and immediately before 1 July 2007, the Company joined the Suncorp-Metway Ltd tax consolidated group. The accounting policy in relation to tax consolidation legislation and its application to Suncorp-Metway Ltd is set out in note 3(n).

From 1 July 2007, all wholly-owned entities of Suncorp-Metway Ltd entered into a single tax sharing agreement which in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Suncorp-Metway Ltd.

Under the tax sharing agreement, the wholly-owned entities fully compensate the head entity for any tax payable assumed. The amounts receivable/payable under the agreement are at call.

Following a review of the tax consolidation calculation of Suncorp-Metway Ltd's acquisition of Promgroup Ltd, it has been identified that the tax consolidation uplift benefit to income tax expense recognised in the prior year was overstated, and an adjustment has been made to the 2008 tax expense. The effect of this increased tax expense and decreased 30 June 2008 retained earnings for the Group and Company by \$7.7m and \$7.6m, respectively.

Note 13. Cash and cash equivalents

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Cash at bank and in hand	315.2	55.5	8.9	47.2
Deposits at call	462.4	551.7	150.0	530.5
Cash and cash equivalents	777.6	607.2	158.9	577.7
Bank overdrafts	(65.9)	-	(30.5)	-
Total cash and cash equivalents in the statement of cash flows	711.7	607.2	128.4	577.7
Current	711.7	607.2	128.4	577.7

Note 14. Receivables

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Trade receivables				
Premiums outstanding	1,443.0	599.8	358.5	289.8
Amounts due from reinsurers	43.1	28.2	32.2	28.2
Outstanding investment settlement receivable	0.7	1.5	-	-
Insurance managed funds fees receivable	60.0	-	-	-
Amounts due from related bodies corporate	86.3	49.2	84.5	48.9
	1,633.1	678.7	475.2	366.9
Amounts due from controlled entities	-	-	49.6	371.6
Amounts due from controlling entity	190.3	-	209.2	-
Loans to related entities				
- Interest bearing loans ⁽¹⁾	-	455.5	-	333.2
- Non interest bearing loans at call	-	36.8	-	36.8
Other receivables	11.9	12.6	6.9	11.1
	202.2	504.9	265.7	752.7
Total receivables	1,835.3	1,183.6	740.9	1,119.6
Current	1,835.3	1,099.2	740.9	1,086.4
Non-current	-	84.4	-	33.2
	1,835.3	1,183.6	740.9	1,119.6
<i>Trade receivables designated at fair value through profit or loss</i>				
Book value of trade receivables	1,638.4	683.6	480.2	371.8
Change in fair value due to credit risk	(5.3)	(4.9)	(5.0)	(4.9)
Carrying value at end of financial period	1,633.1	678.7	475.2	366.9

⁽¹⁾ The weighted average interest rate and weighted average term to maturity in respect of loans to related entities are as follows:

Weighted average interest rate (%)	-	8.2	-	7.5
Weighted average term to maturity (years)	-	2.6	-	2.5

Note 15. Reinsurance and other recoveries receivable

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Expected future reinsurance and other recoveries undiscounted				
Outstanding claims	1,392.0	763.5	337.3	763.5
Discount to present value	(125.9)	(89.9)	(26.9)	(89.9)
Total reinsurance and other recoveries receivable	1,266.1	673.6	310.4	673.6
Current	679.9	367.4	165.5	367.4
Non-current	586.2	306.2	144.9	306.2
	1,266.1	673.6	310.4	673.6
<i>Reconciliation of movements in reinsurance and other recoveries receivable</i>				
Reinsurance and other recoveries receivable at beginning of financial year	673.6	516.2	673.6	516.2
Reinsurance and other recoveries revenue	991.1	1,075.8	216.0	1,075.8
Reinsurance and other recoveries received	(882.3)	(918.4)	(238.0)	(918.4)
Unwinding of internal treaties	-	-	(341.2)	-
Acquisition of subsidiaries	483.7	-	-	-
Reinsurance and other recoveries receivable at end of financial year	1,266.1	673.6	310.4	673.6

Note 16. Deferred insurance assets

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Deferred acquisition costs	521.2	254.6	155.1	254.6
<i>Reconciliation of movements in deferred acquisition costs</i>				
Deferred acquisition costs at beginning of financial year	254.6	220.2	254.6	220.2
Acquisition costs deferred	764.4	761.6	313.2	705.4
Movement in LAT Deficiency	(9.2)	-	(9.9)	-
Amortisation charged to the Income Statement	(716.8)	(727.2)	(263.6)	(671.0)
Unwinding of internal treaties	-	-	(139.2)	-
Acquisition of subsidiaries	228.2	-	-	-
Deferred acquisition costs at end of financial year	521.2	254.6	155.1	254.6
Deferred reinsurance assets	124.7	100.6	118.7	100.6
<i>Reconciliation of movements in deferred reinsurance assets</i>				
Deferred reinsurance assets at beginning of financial year	100.6	75.2	100.6	75.2
Reinsurance premiums paid during the period	456.3	408.1	235.4	408.1
Reinsurance premiums charged to the Income Statement	(449.6)	(382.7)	(217.3)	(382.7)
Acquisition of subsidiaries	17.4	-	-	-
Deferred reinsurance assets at end of financial year	124.7	100.6	118.7	100.6
Total deferred insurance assets	645.9	355.2	273.8	355.2
Current	645.9	355.2	273.8	355.2

Note 17. Investments

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Quoted investments designated at fair value through profit or loss				
Debentures	5,312.9	1,820.3	876.1	1,720.6
Government and semi government securities	2,621.9	1,122.8	392.9	1,122.8
Discounted securities	610.6	507.9	189.2	502.6
Short term negotiable securities	653.7	-	-	-
Equity securities	-	406.6	-	-
Property trusts	-	22.0	-	-
Unit trusts	-	24.4	114.9	115.1
Other	554.5	10.8	149.7	-
Total investments	9,753.6	3,914.8	1,722.8	3,461.1
Current	9,753.6	3,914.8	1,722.8	3,461.1

At 30 June 2009 investment securities of \$nil (2008: \$191.3m) have been pledged as collateral for liabilities under sale and repurchase agreements. These transactions are conducted under terms that are usual and customary for sale and repurchase agreements.

Note 18. Other assets

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Accrued interest	121.8	55.4	32.8	48.8
Prepayments	66.8	53.4	25.0	17.8
Inventories	0.9	1.1	0.2	-
Surplus on defined benefit funds	-	9.3	-	6.9
Other assets	-	1.5	-	-
Total other assets	189.5	120.7	58.0	73.5
Current	189.5	120.7	58.0	73.5

Note 19. Investment property

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
<i>Freehold land and buildings</i>				
Balance at the beginning of the financial year	6.4	5.5	2.1	1.9
Capitalised subsequent expenditure	3.8	-	-	-
Acquisition of subsidiaries	175.9	-	-	-
Disposal of property	(2.9)	-	(2.1)	-
Fair value adjustments	(23.1)	0.9	-	0.2
Balance at the end of the financial year	160.1	6.4	-	2.1
Non-current	160.1	6.4	-	2.1

The Group's investment property comprises an owner occupied property and other premises held for capital appreciation, a premise held for lease (renewable each year) to a related entity, and commercial property held for short-term rentals and long-term lease to third parties. Each of the long-term leases contains an initial non-cancellable period of 30 years. Subsequent renewals are negotiated with the lessee.

(a) Amounts recognised in the Income Statement for investment property

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Rental income	22.0	-	-	-
Direct operating expenses	(6.9)	0.1	-	0.1
	15.1	0.1	-	0.1

(b) Valuation basis

The basis of valuation of investment property is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases and rental income. The 2009 revaluations were based on independent assessments made by members of the Australian Property Institute.

(c) Restrictions

The Group entered into lease securitisation and defeasance transactions in May 1993 under which the Group has agreed not to sell or create a security interest in investment property with a fair value of \$122.0 million (2008: \$nil million) without the consent of the other parties to the transaction.

(d) Leasing arrangements

Certain investment properties are leased to tenants under long-term operating leases with rentals receivable monthly. Minimum lease payments receivable on the leases are as follows:

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Within one year	10.1	-	-	-
Later than one year but no later than five years	38.9	-	-	-
Later than five years	15.3	-	-	-
	64.3	-	-	-

Note 20. Investments in joint ventures

The financial statements of the Group includes the financial position, the results from operations and cash flows of the following joint venture operations in accordance with the accounting policy described in note 3(a). Information relating to the joint ventures entities is set out below.

(a) Investments in joint venture entities

Name of entity	Principal Activity	Ownership interest		Consolidated		Company	
		2009	2008	Carrying amount	Carrying amount	Carrying amount	Carrying amount
		2009	2008	2009	2008	2009	2008
		%	%	\$m	\$m	\$m	\$m
Joint venture entities							
NTI Limited ^{(1) (2)}	Management Services	50%	50%	0.8	1.0	2.1	2.1
RAC Insurance Pty Limited ⁽¹⁾	Insurance	-	50%	-	100.5	-	79.2
RACQ Insurance Limited ^{(1) (2) (3)}	Insurance	50%	-	113.2	-	-	-
RAA-GIO Insurance Holdings Limited ^{(1) (3)}	Insurance	50%	-	16.8	-	-	-
RACT Insurance Pty Ltd ^{(1) (3)}	Insurance	70%	-	12.0	-	-	-
Australand Land and Housing No 5 (Hope Island) Pty Ltd ^{(4) (5)}	Property Investment	50%	-	4.7	-	-	-
Australand Land and Housing No 7 (Hope Island) Pty Ltd ^{(4) (5)}	Property Investment	50%	-	4.7	-	-	-
Australand Land and Housing No 8 (Hope Island) Pty Ltd ^{(4) (5)}	Property Investment	50%	-	4.7	-	-	-
				156.9	101.5	2.1	81.3
Joint venture operations							
		2009	2008				
		%	%				
National Transport Insurance	Facilitation of insurance arrangements	50%	50%				

(1) Incorporated in Australia.

(2) Entities have a 31 December balance date.

(3) Investments held by GIO Insurance Investment Holdings A Pty Ltd.

(4) Investments held by Suncorp Property Development Equity Fund.

(5) The investment carrying amount valuation was written down by \$19.4 million due to recognition of impairment (refer Note 8).

Note 20. Investments in joint ventures (continued)

(a) Investments in joint ventures (continued)

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Movement in carrying amounts of joint venture entities				
Balance at beginning of financial year	101.5	106.0	81.3	81.3
Share of profits after income tax	(6.2)	8.1	-	-
Dividends received/receivable	(0.5)	(12.6)	-	-
Impairment losses	(19.4)	-	-	-
Increased investments in joint venture entities	12.5	-	-	-
Acquisition of joint ventures	169.5	-	-	-
Disposal of joint ventures	(100.5)	-	(79.2)	-
Balance at end of financial year	156.9	101.5	2.1	81.3
Results of joint venture entities				
Share of joint venture entities' profit before income tax	(1.2)	11.5	-	-
Share of income tax expense	(5.0)	(3.4)	-	-
Share of joint venture entities' net profit - as disclosed by joint venture entities	(6.2)	8.1	-	-
Summary financial information of joint venture entities				
Revenues (100%)	448.0	406.0	46.6	406.0
Expenses (100%)	(460.4)	389.8	(46.0)	389.8
Profit / (loss) (100%)	(12.4)	16.2	0.6	16.2
Share of joint venture entities' net profit / (loss) recognised	(6.2)	8.1	0.3	8.1
Current assets (100%)	577.9	154.7	20.7	154.7
Non-current assets (100%)	839.3	273.3	15.8	273.3
Current liabilities (100%)	680.1	215.3	28.8	215.3
Non-current liabilities (100%)	438.3	9.7	5.2	9.7
Net assets as reported by joint venture entities (100%)	298.8	203.0	2.5	203.0
Share of joint venture entities' net assets equity accounted	156.9	97.0	2.1	81.3
Joint venture entities expenditure commitments				
Lease commitments	8.4	5.9	3.5	5.9

There are no other material commitments or contingent liabilities of the joint venture entities.

Note 20. Investments in joint ventures (continued)

(b) Interest in joint venture operations

Vero Insurance Limited is involved in a joint venture partnership called National Transport Insurance Joint Venture, the principal activity of which is to facilitate a co-insurance arrangement of commercial motor vehicle business. Vero Insurance Limited holds a 50% (2008: 50%) interest in the joint venture. Information relating to the joint venture partnership, presented in accordance with the accounting policy described in note 3(a), is set out below.

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Share of operation's assets and liabilities				
Current & total assets	65.8	57.9	131.5	57.9
Current & total liabilities	(65.3)	(62.9)	(130.7)	(62.9)
Net liabilities	0.5	(5.0)	0.8	(5.0)
Share of operation's revenues, expenses and results				
Revenues	63.0	95.1	126.1	95.1
Expenses	(57.7)	(90.7)	(115.3)	(90.7)
Profit before income tax	5.3	4.4	10.8	4.4

(c) Disposal of joint venture

In August 2008, the Company sold its 50% share in RAC Insurance Pty Limited ("RACI") resulting in a gain of \$4.1m in the Group and \$25.5m in the Company. The gain on sale of this joint venture is recorded as fee for service and other income in the accompanying income statements. Details of the profit and loss arising from the sale are as follows:

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Proceeds received from the sale of joint venture entity	104.7	-	104.7	-
Carrying value of net assets sold	(100.6)	-	-	-
Investment in joint venture at cost	-	-	(79.2)	-
Profit / (loss) on sale of joint venture entity	4.1	-	25.5	-

	Consolidated and Company	
	2009	2008
	\$m	\$m
Assets		
Cash and cash equivalents	7.5	-
Reinsurance and other recoveries	7.7	-
Receivables	28.7	-
Financial assets at fair value through profit or loss	86.2	-
Deferred acquisition costs	7.1	-
Intangible assets	57.2	-
Other	2.7	-
Total assets	197.1	-
Liabilities		
Payables	7.2	-
Outstanding claims liabilities	27.0	-
Unearned premiums liabilities	62.4	-
Total liabilities	96.6	-
Net assets	100.6	-

Note 21. Plant and equipment

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Gross carrying amount	157.1	159.7	105.5	110.1
Less accumulated depreciation	(121.5)	(111.2)	(89.9)	(84.6)
Balance at the end of the financial year	35.6	48.5	15.6	25.5
Movements in plant and equipment				
Balance at the beginning of the financial year	48.5	55.4	25.5	32.2
Additions	8.0	28.3	3.3	17.3
Disposals	(4.6)	(5.9)	(3.3)	(4.5)
Depreciation	(16.3)	(29.3)	(9.9)	(19.5)
Balance at the end of the financial year	35.6	48.5	15.6	25.5
Non current	35.6	48.5	15.6	25.5

Note 22. Goodwill and intangible assets

	Consolidated Capitalised Software			Company Capitalised Software		
	Goodwill \$m	Costs \$m	Total \$m	Goodwill \$m	Costs \$m	Total \$m
2009						
Gross carrying amount	1,134.0	14.9	1,148.9	10.1	14.9	25.0
Less: accumulated amortisation and impairment losses	(22.6)	(13.2)	(35.8)	(0.7)	(13.2)	(13.9)
Balance at the end of the financial year	1,111.4	1.7	1,113.1	9.4	1.7	11.1
Movements in intangible assets						
Balance at the beginning of the financial year	77.3	5.1	82.4	3.9	5.1	9.0
Acquisitions through business combinations	1,034.1	-	1,034.1	-	-	-
Other acquisitions	-	-	-	5.5	-	5.5
Amortisation	-	(3.4)	(3.4)	-	(3.4)	(3.4)
Balance at the end of the financial year	1,111.4	1.7	1,113.1	9.4	1.7	11.1
2008						
Gross carrying amount	99.9	15.3	115.2	4.6	15.3	19.9
Less: accumulated amortisation and impairment losses	(22.6)	(10.2)	(32.8)	(0.7)	(10.2)	(10.9)
Balance at the end of the financial year	77.3	5.1	82.4	3.9	5.1	9.0
Movements in intangible assets						
Balance at the beginning of the financial period	52.7	0.5	53.2	3.9	0.5	4.4
Other acquisitions	24.6	4.6	29.2	-	4.6	4.6
Balance at the end of the financial period	77.3	5.1	82.4	3.9	5.1	9.0

Impairment testing for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the Group's investment in each primary reporting segment as summarised below:

	Consolidated	
	2009 \$m	2008 \$m
Personal	739.5	57.9
Commercial	371.9	19.4
	1,111.4	77.3

The Group's goodwill is an intangible asset with an indefinite life, and therefore the carrying amount of the cash generating unit ("CGU") to which goodwill is allocated must be tested for impairment annually. The significant CGUs to which goodwill has been allocated are set out above.

Note 22. Goodwill and intangible assets (continued)

Impairment testing for cash-generating units containing goodwill (continued)

The impairment test for goodwill is performed by comparing the CGU's carrying amount with its recoverable amount. The recoverable amount of each CGU is based on its value in use and was determined by discounting the future cash flows generated from the continuing use of units and using the following key assumptions, for which the values have been obtained on the basis of past experience:

- Cash flows being projected from the financial forecasts prepared by the business units covering a seven year period from 1 July 2009. Management believe the use of a seven year profit forecast is more appropriate than a shorter period as it includes a number of years of more normalised returns in addition to the next few years of emerging from the global financial crisis. Cash flows beyond the next seven years are extrapolated using a constant growth rate of 3.0% (2008: 3.5%), which does not exceed the long-term average growth rate for the industry.
- A post-tax discount rate of 10.0% (2008: 11.0%) has been used, representing each CGU's cost of capital based on a weighted average of risk based capital.
- Investment returns on technical reserves approximate 5% 2009/10 increasing to an average of 6.5% for 2010/11 to 2015/16 in the expectation that investment markets will return to more normal settings.

At 30 June 2009, the recoverable amount of each CGU is considerably in excess of its carrying amount and, as a result, no impairment loss has been recognised in the consolidated Income Statement. Based on information available and market conditions at 30 June 2009, a reasonably possible change to any of the key assumptions made in this assessment would not cause either CGU's recoverable amount to be less than its carrying amount.

Note 23. Payables and financial liabilities

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Payables				
Trade creditors and accrued expenses	299.1	172.1	102.7	124.3
Amounts due to reinsurers	87.0	30.6	39.1	30.6
Unearned income	22.7	4.5	21.1	0.1
Amounts due to controlled entities	-	-	169.9	24.5
Amounts due to controlling entity	293.8	-	50.4	-
Amounts due to related bodies corporate	34.0	30.5	19.7	15.0
Outstanding investment settlements payable	307.7	2.0	39.5	-
Other payables	105.5	26.5	23.4	19.4
	1,149.8	266.2	465.8	213.9
Financial liabilities				
<i>Secured</i>				
Other loan	42.2	-	-	-
<i>Unsecured</i>				
Bank overdrafts	65.9	-	30.5	-
Loan from controlling entity	132.6	75.1	-	73.0
Loans from related entities	-	251.2	248.6	412.9
Obligations under repurchase agreements	-	191.3	-	191.3
Managed funds units in issue	41.2	-	-	-
	281.9	517.6	279.1	677.2
Total payables and financial liabilities	1,431.7	783.8	744.9	891.1
Current	1,431.7	452.4	496.3	398.0
Non-current	-	331.4	248.6	493.1
	1,431.7	783.8	744.9	891.1

Note 24. Outstanding claims liabilities

(a) Outstanding claims liabilities

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Gross central estimate - undiscounted	7,033.8	2,870.2	1,457.8	2,870.2
Risk margin	1,162.6	499.4	308.4	499.4
Claims handling expenses	311.6	124.2	57.1	124.2
	8,508.0	3,493.8	1,823.3	3,493.8
Discount to present value	(1,353.6)	(720.0)	(382.8)	(720.0)
Gross outstanding claims liabilities - discounted	7,154.4	2,773.8	1,440.5	2,773.8
Current	2,532.4	993.3	604.6	993.3
Non-current	4,622.0	1,780.5	835.9	1,780.5
	7,154.4	2,773.8	1,440.5	2,773.8

(b) Risk margin

Process for determining risk margin

The overall risk margin was determined allowing for the uncertainty of the outstanding claims estimate for each class of business as defined in note 5 and the diversification between classes. Uncertainty was analysed for each class taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, the general insurance environment and the impact of legislative reform.

The assumptions regarding uncertainty for each class were applied to the net central estimates, and the results were aggregated, allowing for diversification in order to arrive at an overall position which is intended to have a 90% probability of sufficiency (2008 : 90%) .

Risk margins applied (allowing for diversification)

	Consolidated		Company	
	2009	2008	2009	2008
	%	%	%	%
Personal	15.1%	13.6%	11.2%	13.6%
Commercial	22.9%	26.2%	22.9%	26.2%
Overall margin	18.0%	18.4%	22.0%	18.4%

Note 24. Outstanding claims liabilities (continued)

(c) Reconciliation of movement in discounted gross outstanding claim liabilities

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Opening net outstanding claims liabilities	2,100.2	2,052.2	2,100.2	2,052.2
Movement in outstanding claims to 30 June 2007	-	129.0	-	129.0
Acquisition of subsidiaries	4,095.5	-	-	-
Unwinding of internal treaties	-	-	(1,346.5)	-
<i>Prior periods</i>				
Claims payments	(621.8)	(591.4)	(164.2)	(591.4)
Discount unwind	72.0	89.3	38.8	89.3
Margin release on prior periods	(72.6)	(60.2)	(26.8)	(60.2)
Incurred claims due to changes in assumptions and experience	(96.2)	(88.5)	(20.7)	(88.5)
Change in discount rate	85.9	(10.9)	32.7	(10.9)
Change in prudential margin percentage	-	(139.4)	-	(139.4)
<i>Current period</i>				
Incurred claims	2,949.9	2,083.0	766.0	2,083.0
Claims payments	(2,624.5)	(1,362.9)	(249.4)	(1,362.9)
Closing net outstanding claims liabilities	5,888.3	2,100.2	1,130.1	2,100.2
Discounted reinsurance recoveries on outstanding claims liabilities and other recoveries	1,266.1	673.6	310.4	673.6
Gross outstanding claims liabilities - discounted	7,154.4	2,773.8	1,440.5	2,773.8

Note 24. Outstanding claims liabilities (continued)

(d) Claims development tables

The following tables show the development of undiscounted outstanding claims relative to the ultimate expected claims for the eight most recent accident years. Amounts are net of reinsurance and third party recoveries.

Consolidated

Accident year	Prior \$m	2002 \$m	2003 \$m	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m	2009 \$m	Total \$m
Estimate of ultimate claims cost:										
At end of accident year		768.6	1,000.7	1,024.0	1,149.1	1,186.1	1,223.8	1,267.9	1,272.0	
One year later		928.9	975.4	1,039.8	1,042.6	1,099.6	1,162.0	1,128.3		
Two years later		908.6	914.5	906.4	923.2	1,022.1	1,056.4			
Three years later		842.5	811.2	818.3	884.0	948.2				
Four years later		826.8	705.6	748.1	832.4					
Five years later		760.6	651.6	707.4						
Six years later		751.3	627.9							
Seven years later		743.2								
Current estimate of cumulative claims cost		743.2	627.9	707.4	832.4	948.2	1,056.4	1,128.3	1,272.0	
Cumulative payments		(680.0)	(539.1)	(539.2)	(548.2)	(455.8)	(318.1)	(162.2)	(58.9)	
Outstanding claims - undiscounted	780.2	63.2	88.8	168.2	284.2	492.4	738.3	966.1	1,213.1	4,794.5
Discount to present value	(293.1)	(9.1)	(13.6)	(23.7)	(37.6)	(61.6)	(97.3)	(143.9)	(210.1)	(890.0)
Deferred premium	-	-	-	-	-	-	-	-	(10.0)	(10.0)
Outstanding claims - long tail	487.1	54.1	75.2	144.5	246.6	430.8	641.0	822.2	993.0	3,894.5
Outstanding claims - short tail										833.3
Claims handling expenses										262.4
Risk margin										898.1
Total net outstanding claims liabilities										5,888.3
Reinsurance and other recoveries on outstanding claims liabilities										1,266.1
Total gross outstanding claims										7,154.4

Note 24. Outstanding claims liabilities (continued)

(d) Claims development tables (continued)

Company

Accident year	Prior \$m	2002 \$m	2003 \$m	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m	2009 \$m	Total \$m
Estimate of ultimate claims cost:										
At end of accident year		119.2	142.2	167.9	168.0	147.5	135.4	136.0	163.2	
One year later		134.7	145.4	154.3	155.6	124.5	110.8	138.1		
Two years later		137.4	142.6	131.9	121.4	100.5	114.3			
Three years later		134.1	126.1	95.9	102.3	97.2				
Four years later		133.3	103.6	90.2	96.4					
Five years later		118.0	100.6	83.1						
Six years later		118.9	98.1							
Seven years later		123.8								
Current estimate of cumulative claims cost		123.8	98.1	83.1	96.4	97.2	114.3	138.1	163.2	
Cumulative payments		(101.0)	(78.3)	(56.0)	(56.6)	(45.4)	(36.3)	(29.8)	(9.8)	
Outstanding claims - undiscounted	370.8	22.8	19.8	27.1	39.8	51.8	78.0	108.3	153.4	871.8
Discount to present value	(162.3)	(2.0)	(2.6)	(3.7)	(6.0)	(7.8)	(11.7)	(16.6)	(24.7)	(237.4)
Deferred premium	-	-	-	-	-	-	-	-	(10.0)	(10.0)
Outstanding claims - long tail	208.5	20.8	17.2	23.4	33.8	44.0	66.3	91.7	118.7	624.4
Outstanding claims - short tail										258.0
Claims handling expenses										44.2
Risk margin										203.5
Total net outstanding claims liabilities										1,130.1
Reinsurance and other recoveries on outstanding claims liabilities										310.4
Total gross outstanding claims										1,440.5

The reconciliation of the movement in outstanding claims liabilities and the claims development table have been presented on a net of reinsurance and other recoveries basis to give the most meaningful insight into the impact on the Income Statement.

As a result of unwinding the internal treaty arrangements between the Company and its subsidiaries Associated Motor Insurers ("AAMI") and Australian Alliance Insurance ("AAI"), the net claims table above has been restated to eliminate the net claims of AAMI and AAI.

Note 25. Unearned premium liabilities

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Unearned premium liabilities	3,216.3	1,581.8	628.4	1,549.3
<i>Reconciliation of movements in unearned premium liabilities</i>				
Unearned premium liabilities at beginning of financial year	1,581.8	1,408.2	1,549.3	1,378.9
Premiums written during the year	5,022.9	4,581.8	1,262.6	4,490.7
Premiums earned during the year	(4,834.9)	(4,408.2)	(1,134.9)	(4,320.3)
Unwinding of internal treaties	-	-	(1,048.6)	-
Acquisition of subsidiaries	1,446.5	-	-	-
Unearned premium liabilities at end of financial year	3,216.3	1,581.8	628.4	1,549.3
Current	3,216.3	1,581.8	628.4	1,549.3
	3,216.3	1,581.8	628.4	1,549.3

Note 26. Liability adequacy test

The Liability Adequacy Test ("LAT") assesses whether the net unearned premium liability less any related deferred acquisition costs is sufficient to cover future claims costs for in-force policies. Future claims costs are calculated at present value of the expected cash flows relating to future claims, and includes a risk margin to reflect inherent uncertainty in the central estimate for each portfolio of contracts, being personal insurance and commercial insurance. The test is based on prospective information and so is heavily dependent on assumptions and judgements.

Consolidated	2009			2008		
	Personal \$m	Commercial \$m	Total \$m	Personal \$m	Commercial \$m	Total \$m
Unearned premium liabilities	2,204.4	903.0	3,107.4	1,132.8	405.0	1,537.8
Related intangible assets	(10.7)	(3.9)	(14.6)	-	-	-
Related deferred acquisition costs	(321.4)	(145.2)	(466.6)	(185.9)	(68.7)	(254.6)
Related reinsurance asset	(0.0)	(121.7)	(121.7)	-	(94.1)	(94.1)
	1,872.3	632.1	2,504.4	946.9	242.2	1,189.1
Central estimate of present value of expected future cashflows arising from future claims	1,899.0	724.5	2,623.6	955.0	264.5	1,219.5
Risk margin	48.6	17.1	65.7	22.3	5.0	27.3
Present value of expected future cash inflows arising from reinsurance recoveries on future claims	(91.9)	(90.0)	(181.9)	(30.4)	(57.5)	(87.9)
	1,855.7	651.7	2,507.4	946.9	212.0	1,158.9
Deficiency	-	19.5	3.0	-	-	-
Acquisition of diversification benefit	-	(10.3)	(10.3)	-	-	-
Net deficiency	-	9.2	-	-	-	-
Risk margin	2.7%	2.7%	2.7%	2.4%	2.4%	2.4%

Note 26. Liability adequacy test (continued)

Company	2009			2008		
	Personal \$m	Commercial \$m	Total \$m	Personal \$m	Commercial \$m	Total \$m
Unearned premium liabilities	142.9	467.9	610.8	1,132.8	405.0	1,537.8
Related intangible assets	-	(3.9)	(3.9)	-	-	-
Related deferred acquisition costs	(65.3)	(78.7)	(144.1)	(185.9)	(68.7)	(254.6)
Related reinsurance asset	(0.0)	(114.0)	(114.0)	-	(94.1)	(94.1)
	77.5	271.3	348.8	946.9	242.2	1,189.1
Central estimate of present value of expected future cashflows arising from future claims	90.7	327.2	417.9	955.0	264.5	1,219.5
Risk margin	-	-	-	22.3	5.0	27.3
Present value of expected future cash inflows arising from reinsurance recoveries on future claims	(3.3)	(75.0)	(78.3)	(30.4)	(57.5)	(87.9)
	87.4	252.2	339.6	946.9	212.0	1,158.9
Net deficiency	9.9	-	-	-	-	-
Risk margin	0.0%	0.0%	0.0%	2.4%	2.4%	2.4%

The risk margin included in the Group's expected future cash flows for future claims as a percentage of the central estimate is 0.0% (2008: 2.4%). The risk margin was determined to give a probability of adequacy in the range of 57% - 64% (2008: 60%) and differs from the 90% (2008: 90%) probability of adequacy adopted in determining the outstanding claims liability. The reason for these differences is that the former is in effect an impairment test used only to test the sufficiency of net premium liabilities whereas the latter is a measurement accounting policy used in determining the carrying value of the outstanding claims liability recognised on the Balance Sheet.

Note 27. Provisions

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Other - current	8.6	-	7.9	-
Total provisions	8.6	-	7.9	-

Movement in provisions

Reconciliation of the carrying amounts of each class of provision, except for employee benefits is set out below:

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Other:				
Carrying amount at beginning of financial year	-	-	-	-
Provisions made during the year	7.9	-	7.9	-
Acquisition of subsidiaries	0.7	-	-	-
Carrying amount at end of financial year	8.6	-	7.9	-

Note 28. Employee benefit obligations

(a) Employee benefit obligations

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Annual leave	30.8	31.9	10.6	16.9
Long service leave	21.6	22.1	16.3	10.5
Defined benefit fund deficit	1.4	-	1.4	-
Employee entitlements	53.8	54.0	28.3	27.4
Current	45.0	40.3	22.7	19.7
Non-current	8.8	13.7	5.6	7.7
	53.8	54.0	28.3	27.4

As explained in note 3(w)(iii), the amounts for long service leave are measured at their present values. The following assumptions were adopted in measuring present values:

	Consolidated		Company	
	2009	2008	2009	2008
Weighted average rate of increases in annual employee benefits to settlement	3.5%	4.0 - 5.0%	3.0%	4.0%
Weighted average discount rate	5.0%	5.7 - 6.5%	4.6%	6.5%
Weighted average term to settlement of liabilities (years)	4.4	5 - 7 years	3.0	5 years

Note 28. Employee benefit obligations (continued)

(b) Defined benefits superannuation commitments

Each superannuation fund administered on behalf of employees of the Group provides benefits to members on retirement, disability or death. All new employees are currently being given membership of defined contribution funds rather than defined benefit funds.

The companies in the Group sponsor a number of defined benefit superannuation plans for employees.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuaries use the Projected Unit Cost (PUC) method to determine the present value of the defined benefit obligations, the related current service cost and any past service cost. As at balance date, the two defined benefit funds were in deficit (2008: surplus). The Company has no obligation to settle any liabilities with an immediate contribution or additional one off contributions. The Company intends to continue to contribute to the defined benefit plans at rates of 10.5% - 18.0% of salaries in line with the actuaries' latest recommendations.

(i) Surplus / (deficit) position

	Surplus 2009 \$m	(Deficit) 2009 \$m	Net surplus / 2009 \$m	Surplus 2008 \$m	(Deficit) 2008 \$m	Net surplus / 2008 \$m
Promina Group Staff Superannuation Fund	-	(1.4)	(1.4)	6.9	-	6.9
AAMI Staff Superannuation Fund	-	-	-	2.3	-	2.3
	-	(1.4)	(1.4)	9.2	-	9.2

(ii) Present value of the defined benefit funds

	Consolidated		Company	
	2009 \$m	2008 \$m	2009 \$m	2008 \$m
Fair value of plan assets at 30 June 2009 (2008: 30 June 2008)	70.4	96.7	64.4	82.3
Defined benefit obligations at 30 June 2009 (2008: 30 June 2008)	(71.6)	(88.8)	(65.6)	(76.4)
Adjustment for contributions tax	(0.2)	1.3	(0.2)	1.0
Net asset / (liability) recognised in the Balance Sheet	(1.4)	9.2	(1.4)	6.9

Note 28. Employee benefit obligations (continued)

(b) Defined benefits superannuation contributions (continued)

(iii) Reconciliations

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Changes in the present value of the defined benefit obligation:				
Defined benefit obligations at the beginning of the financial year	88.8	104.9	76.4	92.0
Current service cost	3.5	6.2	2.9	5.8
Interest cost	3.7	7.0	3.6	6.3
Actuarial (gains) / losses	(5.5)	1.3	(6.6)	0.5
Benefits paid	(18.9)	(30.6)	(10.7)	(28.2)
Defined benefit obligations at the end of the financial year	71.6	88.8	65.6	76.4

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Changes in the fair value of fund assets:				
Fair value of fund assets at the beginning of the financial year	96.7	119.8	82.3	104.1
Expected return on fund assets	6.1	12.5	5.1	10.9
Actuarial gains / (losses)	(18.6)	(11.2)	(15.1)	(9.8)
Contributions by consolidated entity companies	5.2	6.1	2.8	5.2
Benefits paid	(19.0)	(30.5)	(10.7)	(28.1)
Fair value of plan assets at the end of the financial year	70.4	96.7	64.4	82.3

(iv) Categories of plan assets

	Consolidated		Company	
	2009	2008	2009	2008
	%	%	%	%
Major categories of plan assets as a percentage of total fund assets:				
Cash	4.1	5.7	7.1	10.7
Equities	63.4	65.1	61.8	64.8
Listed property	4.0	2.7	3.0	-
Debt instruments	28.5	26.5	28.1	24.5

Note 28. Employee benefit obligations (continued)

(b) Defined benefits superannuation contributions (continued)

(v) Aggregation amounts recognised in the Income Statement

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Income / (expense) recognised in the Income Statement				
Current service cost	(4.2)	(7.1)	(3.4)	(6.8)
Interest cost	(3.8)	(7.0)	(3.6)	(6.3)
Expected return on fund assets	6.1	12.6	5.1	10.9
Total income / (expense) recognised	(1.9)	(1.5)	(1.9)	(2.2)
The income / (expense) is recognised in the following line items in the Income Statement:				
Other operating expenses	(1.9)	(1.5)	(1.9)	(2.2)
	(1.9)	(1.5)	(1.9)	(2.2)
Expense recognised in the Statement of recognised income and expense				
Actuarial (losses) gains	(9.2)	(12.5)	(5.9)	(10.2)
Cumulative actuarial gains and losses recognised in the Statement of recognised income and expense	(4.3)	4.9	(1.5)	4.4
Actual return / (loss) on fund assets	(12.6)	(3.4)	(10.0)	(1.1)

(vi) Principal actuarial assumptions and employer contributions

	Consolidated		Company	
	2009	2008	2009	2008
	%	%	%	%
Employer contribution rate ⁽¹⁾	17.4	15.3	18.0	18.0
Discount rate at 30 June (net of tax)	4.8	4.7	4.8	5.5
Expected return on fund assets at 30 June (net of tax)	7.0	6.0	7.0	7.0
Future salary increases	3.1	3.4	3.0	4.0

⁽¹⁾ Not all funds are contributing for members.

Note 28. Employee benefit obligations (continued)

(b) Defined benefits superannuation contributions (continued)

(vii) Historic summary

AASB 119 *Employee Benefits* requires the disclosure of the following amounts for the current reporting period and the four previous reporting periods.

	Consolidated				
	2009	2008	2006	2005	2004
	\$m	\$m	\$m	\$m	\$m
Fair value of assets held by the funds	70.4	96.8	119.8	109.8	99.7
Present value of defined benefit obligations	(71.8)	(87.6)	(104.4)	(107.9)	(105.2)
Surplus / (deficit)	(1.4)	9.2	15.4	1.9	(5.5)
Experience gains / (losses) arising on fund liabilities	5.9	(8.3)	0.5	1.2	(2.3)
Experience gains / (losses) arising on fund assets	(18.6)	(11.2)	9.9	4.9	9.8

(c) Defined contribution superannuation fund

Employer contributions to the Promina Staff Superannuation Plan and AAMI Staff Superannuation Fund recognised as an expense during the year ended 30 June 2009 were \$28.4 million (2008: \$46.0 million).

(d) Share-based payments

Shareholders approved the establishment of an Exempt Employee Share Plan ("EESP") and a Deferred Employee Share Plan ("DESP") in March 1997. At the Annual General Meeting on 1 November 2000, shareholders approved the establishment of the Non-Executive Directors Share Plan ("NEDSP").

In December 2002, an Executive Performance Share Plan ("EPSP") was established.

The Promina Exempt Share Plan was terminated following the acquisition of Promgroup Limited by Suncorp in March 2007. The Promina Deferral Plans and the Senior Management Performance Share Plan were suspended and placed in run-off in March 2007 and there will be no further share allocations under these plans. On 1 April 2007 offers were made to executives and managers who had previously participated in the Promina Senior Management Performance Share Plan to participate in the EPSP.

Shares required for the above share plans are acquired by unrelated special purpose trustee and/or custodial companies in ordinary trading on the Australian Securities Exchange.

Note 28. Employee benefit obligations (continued)

(d) Share-based payments (continued)

During the financial year ended 30 June 2009 \$nil million (2008: \$5.3m) was included in the Consolidated Income Statement to acquire shares for each employee eligible under EESP. Shares to the value of \$500 for each eligible employee were issued in October 2007, and shares to the value of \$1,000 for each eligible employee will be issued in October 2008.

The amount included in the Consolidated Income Statement in relation to the deferred ordinary shares allocated under EPSP for the period ended 30 June 2009 was \$0.8 million (2008: \$2.0m).

Features of the plans currently in operation are as follows:

EESP

Eligibility	Employees (other than participants in the EPSP) having completed 12 months' service (or less at the discretion of the Board).
Basis of Share Offers	Each eligible employee can receive shares up to a maximum value of \$1,000 in any one year. The value of shares to be offered each year is determined by the Board based on the Group's overall performance.
Price	The price of shares acquired for any offer is based on the Volume Weighted Average Price of the Company's shares over a five day period preceding the date of the offer.
Vesting	Fully vested, not subject to forfeiture.
Performance Criteria	Shares offered to employees under this Plan are not subject to individual performance criteria.
Minimum holding period	Three years from date of allocation, or upon cessation of employment.
Plan Maximum Limit	Shares must not be issued under this Plan if the number to be issued would exceed 5% of total shares on issue for the Company when aggregated with the number of shares acquired or issued during the previous five years pursuant to any employee share or option Plan of the Company.
Dividend entitlements	Full entitlement from the date of shares are allotted to participants.
Voting rights	Participating employees have the right to vote from the date the shares are allotted to the employee in the Plan.

EPSP

Eligibility	Executive Officers
Basis of Share Offers	Offers under this Plan can be made on commencement of employment however offers are also made on an annual basis. The value of shares offered is determined by the Board based on the participating Executive Officer's level of remuneration and individual performance. Share offers are subject to performance criteria.
Price	The price of shares acquired for any offer is based on the Volume Weighted Average Price of the Company's shares over a five day period preceding the date of the offer.
Vesting	Vesting of shares is subject to satisfaction of performance criteria over the performance period.

Note 28. Employee benefit obligations (continued)

(d) Share-based payments (continued)

EPSP (continued)

Performance criteria	<p>The criteria is based on total shareholder returns ("TSR") achieved by the Company over a performance period compared to the TSR of a comparator group comprising the Top 50 Industrial companies in the S&P/ASX 100, excluding listed property trusts.</p> <p>If the Company's TSR ranking is less than the 50th percentile no shares will vest, at the 50th percentile 50% of shares will vest and at or above the 75th percentile 100% of the shares will vest. Between the 50th and 75th percentiles, an additional 2% of the shares will vest for each 1% increase (on a straight line basis) in the Company's TSR ranking above the 50th percentile.</p> <p>A performance period generally commences on the date of offer to participate in the Plan and the first performance measurement point is three years after the offer date. The Executive Officer has the right to elect to receive an allocation of shares at the end of the performance period, based on the performance result described above, or extend the performance period a further two years.</p> <p>If the Executive Officer elects to accept the year three performance result, any shares subject to that same offer that are not allocated are forfeited.</p> <p>After year three, performance measurements are undertaken on a six monthly basis, in March and September each year, up to the end of year five. Executive Officers electing to extend the performance period from three to five years waive their right to make any further election in regard to acceptance of a performance result (and therefore cannot have shares allocated) until the end of year five. The Executive Officer's entitlement to an allocation of shares at the end of year five will be based on the highest performance measurement result recorded at any of the prescribed performance measurement points over the period from the end of year three to the end of year five inclusive. Shares not allocated at the end of year five are forfeited.</p>
Waiver of TSR Criteria	In October 2006 the performance criteria was waived in relation to the October 2004 and 2005 offers. All other conditions of the offers remain in force. Shares were allocated (vested) under those offers on 1 October 2007 and 1 October 2008 respectively.
Minimum holding period	No minimum holding period applies once shares have been allocated unless otherwise determined by the Board.
Plan Maximum Limit	Shares must not be issued under this Plan if the number to be issued would exceed 5% of total shares on issue for the Company when aggregated with the number of shares acquired or issued during the previous five years pursuant to any employee share or option Plan of the Company.
Dividend entitlements	Full entitlement from date of allocation (vesting).
Voting rights	Voting rights are held by the Plan Trustee until shares have been allocated to / vested with the participating employee.

Note 29. Subordinated notes

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Fixed rate notes due September 2024 with first call September 2014	129.7	-	-	-
Floating rate notes due September 2024 with first call September 2014	52.9	-	-	-
Fixed rate notes due October 2026 with first call October 2016	100.0	-	-	-
Fixed rate notes due June 2027 with first call June 2017 (GBP)	248.6	412.9	-	-
Fixed rate notes due September 2025 with first call September 2015	121.6	124.6	121.6	124.6
Floating rate notes due September 2025 with first call September 2015	81.6	125.0	81.6	125.0
	734.4	662.5	203.2	249.6
Less transaction costs	(5.6)	(7.0)	(4.8)	(7.0)
	728.8	655.5	198.4	242.6
Non-current	728.8	655.5	198.4	242.6

The notes are unsecured obligations of the Group, subordinated as follows: Payments of principal and interest on the notes have priority over Company dividend payments only, and in the event of the winding-up of the Company, the rights of the note holders will rank in preference only to the rights of ordinary shareholders.

Note 30. Share capital and reserves

(a) Reconciliation of movement in share capital and reserves

Consolidated	2009					
	Share capital	Hedging reserve	Common control reserve	Retained profits	Total	Outside equity interests
	\$m	\$m	\$m	\$m	\$m	\$m
Balance at beginning of financial year	616.6	6.3	-	629.2	1,252.1	1.4
Total recognised income and expense	-	-	-	422.6	422.6	(0.2)
Capital injection from parent	201.5	-	-	-	201.5	-
Acquisition of subsidiaries at cost	2,433.0	-	48.8	-	2,481.8	-
Sale of subsidiary	-	-	-	2.1	2.1	-
Share buyback	(333.0)	-	-	-	(333.0)	-
Dividends to shareholders	-	-	-	(600.0)	(600.0)	-
Balance at end of financial year	2,918.1	6.3	48.8	453.9	3,427.1	1.2

	2008					
	Share capital	Hedging reserve	Retained profits	Total	Outside equity interests	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m
Balance at beginning of financial period	616.6	-	808.1	1,424.7	1.2	1,425.9
Total recognised income and expense	-	6.3	127.3	133.6	0.2	133.8
Capital reduction	-	-	-	-	-	-
Dividends to shareholders	-	-	(306.2)	(306.2)	-	(306.2)
Balance at end of financial period	616.6	6.3	629.2	1,252.1	1.4	1,253.5

Note 30. Share capital and reserves (continued)

(a) Reconciliation of movement in share capital and reserves (continued)

Company	2009					
	Share capital \$m	Hedging reserve \$m	Retained profits \$m	Total \$m	Outside equity interests \$m	Total equity \$m
Balance at beginning of financial year	616.6	6.3	647.2	1,270.1	-	1,270.1
Total recognised income and expense	-	-	32.1	32.1	-	32.1
Shares issued	2,634.5	-	-	2,634.5	-	2,634.5
Capital reduction	(333.0)	-	-	(333.0)	-	(333.0)
Dividends to shareholders	-	-	(600.0)	(600.0)	-	(600.0)
Balance at end of financial year	2,918.1	6.3	79.3	3,003.7	-	3,003.7

Company	2008					
	Share capital \$m	Hedging reserve \$m	Retained profits \$m	Total \$m	Outside equity interests \$m	Total equity \$m
Balance at beginning of financial period	616.6	-	653.9	1,270.5	-	1,270.5
Total recognised income and expense	-	6.3	299.5	305.8	-	305.8
Dividends to shareholders	-	-	(306.2)	(306.2)	-	(306.2)
Balance at end of financial period	616.6	6.3	647.2	1,270.1	-	1,270.1

(b) Movement in number of issued shares

	Company	
	2009 Shares m	2008 Shares m
Issued and fully paid shares		
Balance at beginning of financial year	137.9	137.9
Shares issued	263.7	-
Capital reduction	(33.3)	-
Balance at end of financial year	368.3	137.9

The Company does not have authorised capital or par value in respect of its issued shares.

(c) Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the shareholders' meeting.

In the event of winding-up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

(d) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

(e) Common control reserve

The common control reserve represents the book value of net assets of subsidiaries acquired in excess of the proceeds paid to acquire those subsidiaries. The common control reserve was created on 1 December 2008 when the Company acquired related entities (see note 35).

Note 30. Share capital and reserves (continued)

(f) Capital management

The capital management strategy of Suncorp-Metway Ltd Group is to optimise shareholder value by managing the level, mix and use of capital resources. The main objectives are to support the Suncorp-Metway Ltd Group's credit rating, ensure sufficient capital resources to maintain the business and operational requirements, retain sufficient capital to exceed externally imposed capital requirements, and ensure the Suncorp-Metway Ltd Group's ability to continue as a going concern. The Suncorp-Metway Ltd Group's capital policy is to hold all surplus capital in Suncorp-Metway Ltd as it is the holding company of the Suncorp-Metway Ltd Group.

The Suncorp-Metway Ltd Group's capital management strategy forms part of the Group plan that uses both internal and external measures of capital. The Group is subject to minimum capital requirements imposed by APRA.

All General Insurance entities that carry on insurance business in Australia are authorised by APRA and are subject to prudential standards which set out the basis for calculating the minimum capital requirement ("MCR"). The MCR is the minimum level of capital that the regulator deems must be held to meet policyowner obligations. An insurer's capital base is expected to be adequate for its size, business mix, complexity and risk profile of its business and therefore the MCR applies a risk based approach to capital adequacy. Licensed general insurance entities within the Suncorp-Metway Ltd Group use the standardised framework for calculating the MCR in accordance with the relevant prudential standards.

For capital adequacy purposes, a general insurer's capital base is the sum of its Tier 1 and Tier 2 capital after all specified deductions and adjustments. Goodwill and other intangible assets are required to be deducted from Tier 1 capital. Any provisions (net of taxation impact) for outstanding claims and insurance risk in excess of the amount required to provide a level of sufficiency at 75% are classified as capital. The Group applies a risk margin to the central estimate of net outstanding claims to achieve a 90% (2008: 90%) confidence level. A General Insurer is required to hold regulatory capital in excess of its MCR.

The MCR for a general insurer is calculated by assessing the risks inherent in the business, which comprise:

- The risk that the liability for outstanding claims is not sufficient to meet the obligations to policyowners arising from losses incurred up to the reporting date (outstanding claims risk);
- The risk that the unearned premium liability is insufficient to meet the obligations to policyowners arising from losses incurred after the reporting date on existing policies (premium liabilities risk);
- The risk that the value of assets is diminished (investment risk); and
- The risk of a catastrophe giving rise to major claims losses up to the retention amount under existing reinsurance arrangements (catastrophe risk).

These risks are quantified to determine the minimum capital required under the prudential standards. This requirement is compared with the regulatory capital held in the general insurer. The MCR of the Group is set out in note 40.

There were no changes in the Group's approach to capital management during the year.

The Group has at all times during the current and prior financial period complied with the externally imposed capital requirements to which they are subject.

Note 31. Dividends

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Ordinary shares				
Final 2008 dividend \$1.60 (2006 - \$0.48) per fully paid share	220.0	66.2	220.0	66.2
Interim 2009 dividend \$1.45 (2008 - \$1.45) per fully paid share	200.0	200.0	200.0	200.0
Second final 2008 dividend \$0.47 (2008 - \$0.29) per fully paid share	180.0	40.0	180.0	40.0
	600.0	306.2	600.0	306.2

Note 32. Reconciliation of operating profit after income tax to net cash flows from operating activities

	Consolidated		Company	
	12 months to 30 Jun 2009 \$m	18 months to 30 Jun 2008 \$m	12 months to 30 Jun 2009 \$m	18 months to 30 Jun 2008 \$m
<i>Profit after income tax</i>	431.6	140.0	38.0	309.8
Movement in financial assets at fair value through profit or (loss)	(214.3)	205.9	166.1	130.9
Share of net losses (profit) from joint ventures	6.2	(8.1)	-	-
Depreciation expense of plant and equipment and amortisation of capitalised software costs	21.2	35.2	15.5	25.3
Loss on disposal of plant and equipment	1.1	0.8	0.6	0.3
Impairment of investments and property	42.5	-	-	-
Gain on sale of controlled entity	-	-	(2.4)	-
Gain on sale of joint venture entity	(4.1)	-	(25.5)	-
Gain on redemption of subordinated notes	(76.2)	-	(70.2)	-
Net movement in defined benefit funds	10.6	6.2	8.3	5.3
Reduction of goodwill in relation to sale of subsidiary				
<i>Change in assets and liabilities</i>				
Change in receivables	(396.4)	(136.3)	(14.3)	(227.5)
Change in reinsurance and other recoveries receivable	(108.8)	(157.4)	22.0	(157.4)
Change in deferred reinsurance premiums	(6.7)	(25.4)	(18.1)	(25.4)
Change in deferred acquisition costs	(38.4)	(34.4)	(39.7)	(34.4)
Change in other assets	(15.4)	(11.6)	10.8	(6.4)
Change in deferred tax assets	62.5	(9.7)	66.8	(5.5)
Change in payables	183.4	225.3	10.2	235.1
Change in unearned premium liabilities	(198.5)	205.4	354.4	205.4
Change in outstanding claims liabilities	187.9	173.6	127.7	170.4
Change in employee benefit obligations	16.9	(5.5)	15.7	(5.8)
Change in deferred tax liabilities	(42.4)	(60.3)	(16.8)	(0.8)
Net cash inflow from operating activities	(137.3)	543.7	649.1	619.3

Note 33. Derivative financial instruments

A derivative financial instrument is a financial instrument that provides the holder with the ability to participate in some or all of the price changes of a referenced financial instrument, commodity, index of prices, or the price of any specific item. It usually does not require the holder to own or deliver the referenced item. Derivatives enable holders to modify or eliminate risks by transferring them to other parties willing to assume those risks. As at 30 June 2009 there was no significant counterparty exposure to any one single entity, other than normal clearing house exposures associated with dealings through recognised exchanges.

Derivative financial instruments are used by the Group to manage interest rate and equity price risk arising from General Insurance activities. They are also used to a limited degree within the insurance investment portfolios where it is more efficient to use derivatives rather than physical securities in managing investment portfolios.

The "face value" is the notional or contractual amount of the derivatives. This amount acts as the reference value upon which interest payments and net settlements can be calculated and on which revaluation is based.

The "fair value" of the derivative contract represents the net present value of the cash inflows and outflows required to extinguish the rights and obligations arising from the derivative in an orderly market as at reporting date. Fair value does not indicate future gains or losses, but rather the unrealised gains and losses from marking-to-market all derivatives at a particular point in time. The fair value of derivative contracts vary over time depending on movements in interest and exchange rates and hedging strategies used.

The use of derivatives is consistent with the objectives of the overall investment strategies of the investment portfolios, and one of the means by which these strategies are implemented. Derivatives will only be used for the reasons of efficiency, arbitrage and risk reduction. The Risk Management Statements, approved by the Board of Directors, establish the basis on which derivative financial instruments may be used within the investment portfolios. The preparation and enforcement of the statements is a critical requirement for licensed insurers. The Risk Management Statements form the basis of the discussion in this note on derivative financial instruments. The Risk Management Statements and investment mandates prohibit the use of derivatives for speculative purposes or for leveraged trading. Leverage here is defined as creating a portfolio which would have sensitivity to an underlying economic or financial variable which is greater than could be achieved using only physical securities.

Exposure limits have been established with respect to the various asset classes. Within each asset class, derivative exposure limits are identified in the Risk Management Statements and limits have been established on daily transaction levels. For over the counter (OTC) derivatives authorised counterparties must have a minimum Standard and Poor's rating of "A" or the equivalent credit rating by another recognised credit rating agency.

The investment manager has an independent Risk Manager responsible for monitoring these positions to ensure they do not exceed the authorities established in the investment mandate. Regular monitoring and review of controls relating to these activities is the responsibility of the Board Risk Committee and the Internal Audit division.

The use of derivative financial instruments to mitigate market risk, interest rate risk and currency risk includes the use of exchange traded bill and bond futures, equity index futures and interest rate and equity options.

Derivative financial instruments are investments backing insurance liabilities and are measured at fair value. Changes in fair value are reflected daily in the profit and loss.

Consolidated

	2009			2008		
	Face value	Fair value		Face value	Fair value	
		Asset	Liability		Asset	Liability
	\$m	\$m		\$m	\$m	
<i>Interest rate related contracts</i>						
Interest rate swaps	3,700.0	65.6	(17.9)	(12.2)	-	(12.2)
Interest rate futures	772.0	-	-	362.6	-	-
Total derivative exposure	4,472.0	65.6	(17.9)	350.4	-	(12.2)

Note 33. Derivative financial instruments (continued)

Company	2009			2008		
	Face value	Fair value		Face value	Fair value	
	\$m	Asset	Liability	\$m	Asset	Liability
	\$m	\$m		\$m	\$m	
<i>Interest rate related contracts</i>						
Interest rate swaps	512.2	14.7	(4.4)	(12.2)	-	(12.2)
Interest rate futures	2.9	-	-	362.6	-	-
Total derivative exposure	515.1	14.7	(4.4)	350.4	-	(12.2)

The Group hedges its offshore debt issues using cross currency interest rate swaps. The cross currency interest rate swaps entered into by the Group are designated as hedges using the split approach. Under this approach the benchmark rate of the hedge is accounted for as a fair value hedge and the margin as a cashflow hedge. All other derivatives are accounted for as fair value through the Income Statement.

	Consolidated Split Approach		Company Split Approach	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Hedging of fluctuations in foreign exchange rates				
Notional value of cross currency swaps designated as hedges	291.0	480.0	291.0	480.0
Fair value:				
net pay cross currency swaps	(50.5)	(68.0)	(50.5)	(68.0)
	(50.5)	(68.0)	(50.5)	(68.0)
	\$m	\$m	\$m	\$m
Cashflow hedges - amounts recognised in equity				
Balance at the beginning of the financial period	(6.3)	-	(6.3)	-
Cumulative gains and losses deferred to equity for current hedges				
split approach across cross currency swap hedges	-	(8.9)	-	(8.9)
Income tax impact on cashflow hedges	-	2.6	-	2.6
Balance at the end of the financial period included in equity	(6.3)	(6.3)	(6.3)	(6.3)

Note 34. Remuneration of auditors

	Consolidated		Company	
	12 months to 30 Jun 2009	18 months to 30 Jun 2008	12 months to 30 Jun 2009	18 months to 30 Jun 2008
	\$'000	\$'000	\$'000	\$'000
Audit services - KPMG Australia				
Auditors of the Company				
Audit and review of financial reports	2,463.0	1,298.4	720.1	780.0
Other regulatory audit services	445.4	229.8	117.6	112.1
	2,908.4	1,528.2	837.7	892.1
Other services - KPMG related practices				
Other regulatory audit services	350.0	387.5	145.8	123.7

Fees for services rendered in relation to some controlled entities within the Group are not separately identifiable. The above consolidated amounts only relate to those controlled entities within the Group which have been separately identifiable.

Note 35. Controlled entities

(a) List of all controlled entities

	Note A	Country of incorporation	Class of share	2009 %	2008 %
Parent entity					
Vero Insurance Limited		Australia	Ordinary		
Controlled entities					
AMY Corporation Limited and its controlled entities		Australia	Ordinary	100	100
AAMI Car Rentals Pty Limited		Australia	Ordinary	100	100
All States Auto Management Pty Limited		Australia	Ordinary	100	100
Just Car Insurance Agency Pty Limited		Australia	Ordinary	100	100
Just Home Insurance Agency Pty Limited		Australia	Ordinary	100	100
Australian Alliance Insurance Company Limited and its controlled entities		Australia	Ordinary	100	100
Australian Pensioners Insurance Agency Pty Limited		Australia	Ordinary	100	100
InsureMyRide Pty Limited		Australia	Ordinary	100	100
Shannons Limited		Australia	Ordinary	100	100
Shannons Auctions Limited		Australia	Ordinary	100	100
Australian Associated Motor Insurers Limited and its controlled entities		Australia	Ordinary	100	100
ABBi Pty Limited		Australia	Ordinary	100	100
AAMI Superannuation Limited		Australia	Ordinary	100	100
Bingle.com Pty Limited		Australia	Ordinary	100	100
Club Motor Insurance Agency Pty Limited		Australia	Ordinary	100	100
Skilled Drivers of Australia Limited	B	Australia	N/A	N/A	N/A
Australian Surety Corporation Pty Limited and its controlled entity		Australia	Ordinary	50.5	50.5
New Zealand Surety Corporation Limited		New Zealand	Ordinary	50.5	50.5
Aviation Office of Australia Pty Limited		Australia	Ordinary	100	100
Certant Pty Limited		Australia	Ordinary	100	100
Commercial Alliance Lenders Mortgage Insurance Pty Limited		Australia	Ordinary	100	100
GIO Insurance Investment Holdings A Pty Limited		Australia	Ordinary	100	-
National Marine Insurance Agency Pty Limited		Australia	Ordinary	100	100
Promequity Limited and its controlled entity	C	Australia	Ordinary	100	100
Promina Investments Pty Limited		Australia	Ordinary	100	100
Royvest Pty Limited		Australia	Ordinary	100	100
Secure Sentinel Pty Limited and its controlled entity		Australia	Ordinary	-	100
Secure Sentinel (NZ) Limited		New Zealand	Ordinary	-	100
Suncorp Insurance Funding 2007 Limited		Australia	Ordinary	100	100

Note 35. Controlled entities (continued)

(a) List of all controlled entities (continued)

	Note A	Country of incorporation	Class of share	2009 %	2008 %
Controlled entities (continued)					
Suncorp Metway Insurance Limited and its controlled entities		Australia	Ordinary	100	-
GIO General Limited and its controlled entities		Australia	Ordinary	100	-
GIO Australia Pty Limited and its controlled entity		Australia	Ordinary	100	-
GIO Technical Services Pty Limited		Australia	Ordinary	100	-
GIO Workers Compensation (NSW) Pty Limited		Australia	Ordinary	100	-
GIO Workers Compensation (VIC) Limited		Australia	Ordinary	100	-
Suncorp Metway Risk Management Pte Limited	D	Australia	Ordinary	100	-
Suncorp Property Development Equity Fund Pty Limited and its controlled entity		Australia	Ordinary	100	-
Suncorp Property Development Equity Fund	E	Australia	Ordinary	100	-
Terri Scheer Insurance Pty Limited	F	Australia	Ordinary	100	-
The Park Road Property Trust		Australia	Ordinary	47	-
Tyndall Quality Income Fund		Australia	Ordinary	82	100
Vero Workers Compensation Pty Limited		Australia	Ordinary	100	100
Vero Workers Compensation (NSW) Pty Limited		Australia	Ordinary	100	100
Vero Workers Compensation (SA) Pty Limited		Australia	Ordinary	100	100
Vero Workers Compensation Services Pty Limited		Australia	Ordinary	100	100
Wiwaka Holdings Pty Limited and its controlled entity		Australia	Ordinary	100	100
APUA Pty Limited		Australia	Ordinary	100	100

Notes

- A Names indented in this table indicate a direct subsidiary of entity appearing above.
- B Skilled Drivers of Australia Limited ABN 71 005 918 301 (incorporated in Australia) is a controlled entity of Australian Associated Motor Insurers Limited but is not consolidated as it is a company limited by guarantee and members are not entitled to dividends or capital distributions.
- C The company is also registered as an Overseas Company in New Zealand.
- D Suncorp Metway Risk Management Pty Ltd was incorporated in and conducted business in Singapore. The entity reinsured lenders' mortgage insurance. The entity was incorporated in May 2000 with a capital of AUD1 million. The entity ceased trading during the 2006 financial year.
- E Suncorp Metway Insurance Ltd holds 39,401,285 units (2007: 38,443,737 units) in the Suncorp Property Development Equity Fund.
- F The company was acquired on 30 April 2007.

Note 35. Controlled entities (continued)

(b) Acquisition of business

The Company acquired the following controlled entities and businesses:

2009

On 1 December 2008, the Suncorp-Metway Ltd Group rearranged the legal entity structure of its general insurance businesses. As part of this restructure the Company paid dividends up to the ultimate parent entity of \$200.0m. The Company also received dividends from two of its subsidiaries totalling \$14.0m. The Company then acquired Suncorp Metway Insurance Limited (SMIL) and its subsidiaries at book value. The details of this transaction can be found in the table below. Subsequent to the purchase, the Company was recapitalised through the issue of an additional \$2,433.0m in ordinary share capital. Finally, the Company recapitalised SMIL and other subsidiaries by transferring \$635.0m.

2008

Terri Scheer Insurance Pty Limited (acquired 30 April 2007).

Terri Scheer Insurance Pty Limited (TSIB) is an agency that specialises in insurance for landlords of residential investment properties and the policies.

	Consolidated and Company	
	2009	2008
	\$m	\$m
Recognised fair value of net assets on acquisition		
Cash and cash equivalents	259.3	0.9
Receivables	782.7	0.3
Reinsurance and other recoveries receivable	483.7	-
Deferred insurance assets	245.6	-
Investments	5,747.3	-
Investment in joint ventures	169.5	-
Deferred tax assets	64.8	-
Goodwill and intangible assets	1,034.1	6.5
Other assets	153.5	0.7
Payable and financial liabilities	(280.1)	(6.9)
Dividend payable to ultimate parent	(250.0)	-
Outstanding claims liabilities	(4,579.2)	-
Unearned premium liabilities	(1,446.5)	-
Deferred tax liabilities	(42.4)	-
Subordinated notes	(310.5)	(1.3)
Net identifiable assets and liabilities	2,031.8	0.2
Goodwill on consolidation	-	19.1
Common control reserve created	48.8	-
Purchase consideration	1,983.0	19.3
Purchase consideration	1,983.0	19.3
Less additional consideration payable	-	(5.0)
Less cash acquired	(259.3)	(0.9)
Net cash outflow	1,723.7	13.4

Note 35. Controlled entities (continued)

(b) Acquisition of business (continued)

The methods and key assumptions used in determining the values of intangible assets are discussed in note 22. The goodwill recognised on the acquisition of TSIB is attributable mainly to the skills and technical talent of the acquired business' workforce and the synergies expected to be achieved from integrating the Company into the Group's existing business.

The costs directly attributable to the acquisition of TSIB were \$0.3 million. During the period 1 May 2007 – 30 June 2008, TSIB contributed net profit of \$2.0 million to the consolidated net profit for the period.

If the acquisition had occurred on 1 January 2007, Group revenue would have been \$5,873.4 million and net profit would have been \$136.7 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 January 2007. The pro-forma amounts represent the historical operating results of TSIB, reported in accordance with their pre-acquisition accounting policies. It includes 18 months of amortisation of intangibles as if the acquisition occurred on 1 January 2007.

(c) Disposal of business

2009

In May 2009, the Company sold Secure Sentinel Pty Limited, a wholly owned subsidiary resulting in a gain of \$2.4m. The gain on sale of this subsidiary is recorded as fee for service and other income in the accompanying income statements.

2008

There was no disposal of business in the financial period ended 30 June 2008.

Details of the profit and loss arising from the sale during the period are as follows:

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Proceeds received from the sale of controlled entity	4.4	-	4.4	-
Carrying value of net assets sold	0.3	-	-	-
Investment in controlled entity at cost	-	-	(1.4)	-
Liability assumed	(0.6)	-	(0.6)	-
Sale of preacquisition loss	(2.1)	-	-	-
Profit / (loss) on sale of controlled entity	2.0	-	2.4	-

The carrying value of net assets sold:

	Consolidated and Company	
	2009	2008
	\$m	\$m
Assets		
Cash and cash equivalents	2.7	-
Receivables	1.0	-
Total assets	3.7	-
Liabilities		
Payables	4.0	-
Total liabilities	4.0	-
Net assets	(0.3)	-

Note 36. Contingent liabilities

There are claims and possible claims against the Group, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The Group does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, is likely to have a material effect on its operations or financial position. Details of material contingent liabilities for which no provisions are included in these financial reports are as follows:

Tax consolidation

Suncorp-Metway Ltd elected to form a tax consolidated group from 1 July 2002. On 20 March 2007 Suncorp-Metway Ltd acquired 100% of Promgroup Ltd (formerly Promina Group Limited) which had previously formed a tax consolidated group on 1 July 2002.

From 1 July 2007, all wholly-owned entities of Suncorp-Metway Ltd entered into a single tax sharing agreement which is consistent with the current Suncorp-Metway Ltd tax sharing agreement.

Under the tax consolidation legislation, tax consolidation entities are jointly and severally liable for the tax liability of the consolidated tax group unless a Tax Sharing Agreement has been entered into by member entities. A Tax Sharing Agreement was executed as a part of the process of entering into the tax consolidation regime and is current at the date of signing this financial report.

The contingent liability represents the tax liability of the consolidated group. The ultimate parent entity has the financial resources to pay this tax debt when it falls due.

Note 37. Financing arrangements

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
External funding facilities				
Total facilities available:				
Bank overdraft	30.0	-	-	-
	30.0	-	-	-
Facilities utilised at balance date:				
Bank overdraft	-	-	-	-
	-	-	-	-
Facilities not utilised at balance date:				
Bank overdraft	30.0	-	-	-
	30.0	-	-	-

The Company has arrangements with an external institution to allow for the overdraft of certain cash accounts. At 30 June 2009 the Company was \$30.5 million overdrawn.

Group overdraft limit

The Group also has an unlimited borrowing facility with the ultimate parent entity. At year end, \$35.4 million (2008: nil) had been drawn down against this facility (refer note 23). As these facilities are unlimited, no disclosures have been made above.

Note 37. Financing arrangements (continued)

Standby letter of credit

The standby letter of credit facility is a USD facility which is subject to annual review. Annual draw downs are not permitted to exceed AUD 1 million.

The value of the facility in force at reporting date is based on an exchange rate of USD 0.8064 (2008: USD 0.8484).

Note 38. Commitments for expenditure

Operating lease

Aggregate future operating lease rentals contracted for but not provided in the financial statements are payable as follows:

Within one year

Later than one year but no later than five years

Later than five years

Representing:

Non-cancellable operating leases

Consolidated		Company	
2009	2008	2009	2008
\$m	\$m	\$m	\$m
50.3	46.7	27.4	21.9
118.7	100.0	66.2	46.8
31.6	17.0	20.0	5.9
200.6	163.7	113.6	74.6
200.6	163.7	113.6	74.6
200.6	163.7	113.6	74.6

The Group leases property under operating leases expiring from 1-10 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

Capital commitments

Commitments for capital expenditure contracted for at the reporting date but not recognised as liabilities:

Within one year

Later than one year but no later than five years

Later than five years

Consolidated		Company	
2009	2008	2009	2008
\$m	\$m	\$m	\$m
5.8	6.0	1.0	1.0
9.6	6.3	-	-
-	-	-	-
15.4	12.3	1.0	1.0

Note 39. Managed funds

As explained in note 3(ad), the Group does not control or have the capacity to control the statutory funds in terms of AASB 3 *Business Combinations* and for this reason the funds are not consolidated in the Income Statement or Balance Sheet of the Group.

Note 40. Capital adequacy

A minimum capital requirement (MCR) is calculated by assessing the risks inherent in the business, as outlined in note 6(a).

These risks are quantified to determine the minimum capital required under the prudential standards. This requirement is compared with the capital held in the General Insurance companies. Any provisions for outstanding claims and insurance risk in excess of the amount required to provide a level of sufficiency at 75% is classified as capital.

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
<i>Tier 1 Capital</i>				
Issued capital	2,918.1	616.6	2,918.1	616.6
Reserves	0.3	6.2	0.3	6.2
Retained profits at end of reporting period	167.6	254.9	176.2	254.9
Technical provision in excess of liability valuation (net of tax)	462.6	92.9	105.2	92.9
Less: Tax effect of excess technical provisions	(90.6)	-	-	-
	3,458.0	970.6	3,199.8	970.6
Less:				
Goodwill	1,111.4	134.3	1,111.4	134.3
Other Intangible Assets	1.7	-	1.7	-
Deferred tax asset (net of deferred tax liabilities)	183.5	-	32.4	-
Defined benefit surplus/(deficit)	-	-	-	-
RI recoveries related to RI contracts - do not meet RI doc test	0.5	-	0.5	-
RI assets under RI contracts that do not meet gov law require.	1.5	-	1.5	-
Total deductions from Tier 1 capital	1,298.7	134.3	1,147.5	134.3
Total Tier 1 Capital	2,159.4	836.3	2,052.3	836.3
<i>Tier 2 Capital</i>				
Lower tier 2 capital - subordinated debt	784.1	662.5	502.4	662.5
Less: excess over Tier 2 capital limit	-	(244.3)	-	(244.3)
Total Tier 2 Capital	784.1	418.2	502.4	418.2
Total capital base	2,943.5	1,254.5	2,554.7	1,254.5
Outstanding claims risk charge	769.5	276.2	141.8	276.2
Premium liabilities risk charge	422.4	192.9	75.1	192.9
Investments risk charge	225.3	213.9	42.4	213.9
Balance sheet risk charge	227.6	-	404.1	-
Maximum event retention risk charge	200.0	20.0	200.0	20.0
Variation in capital charges as approved by APRA	-	(26.6)	-	(26.6)
Minimum capital requirement	1,844.7	676.4	863.3	676.4
Capital Adequacy Multiple	1.60	1.85	2.96	1.85

The consolidated comparative for 2008 is similar to the Company MCR as a result of the internal treaty arrangement transferring the underwriting risk to the Company from its subsidiaries. During the current year this arrangement was unwound.

Note 41. Key management personnel disclosures

(a) Key management personnel compensation

Key management personnel ("KMP") compensation is provided by the ultimate parent entity, Suncorp-Metway Ltd (non-executive directors) and a related party of the ultimate parent company (executive directors and executives). The total of this compensation is as follows:

	Consolidated		Company	
	12 months to	18 months to	12 months to	18 months to
	30 Jun	30 Jun	30 Jun	30 Jun
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-term employee benefits	11,203,105	27,109,012	11,203,105	27,109,012
Long-term employee benefits	-	359,640	-	359,640
Post-employment benefits	873,202	1,109,675	873,202	1,109,675
Equity compensation benefits	3,470,454	6,546,355	3,470,454	6,546,355
Termination benefits	9,988,117	10,166,440	9,988,117	10,166,440
	<u>25,534,878</u>	<u>45,291,122</u>	<u>25,534,878</u>	<u>45,291,122</u>

The ultimate parent entity has determined the compensation of KMPs in accordance with their roles within the entire Suncorp-Metway Ltd Group. Employee service contracts do not include any compensation, including bonuses, specifically related to the role of KMP of the Company and to allocate a figure may in fact be misleading. There is no link between KMP compensation and the performance of the Company. Therefore, as there is no reasonable basis for allocating a KMP compensation amount to the Company, the entire compensation of the KMPs has been disclosed above.

(b) Other key management personnel transactions with the Company or its subsidiaries or jointly controlled entities

Mr Martin D E Kriewaldt provided advice to AON Holdings Australia Limited and Allens Arthur Robinson Lawyers throughout the year. Those firms provided insurance brokerage and legal services respectively to the Group. Mr Martin D E Kriewaldt provides advice to AON Corporation. AON Corporation provides management services to the Company. These services are provided under normal terms and conditions.

Mr Geoffrey T Ricketts is a director and Chairman of Spotless Group Limited, the parent entity of a company that provided catering services to the Group over the course of the year. The contractual arrangements between the Company and Spotless Services Australia Limited were in place prior to the date Mr Ricketts joined the Suncorp board. Goods and services purchased from Spotless Group Limited during the financial year amounted to \$293,325.60 (2008: \$41,593). Amount currently payable at reporting date to Spotless Group totalled \$nil.

Other transactions with directors, executives and their related parties are conducted on arm's length terms and conditions, and are deemed trivial or domestic in nature. These transactions are in the nature of general insurance policies.

Apart from the details disclosed in this note, no director, executive or their related parties has entered into a material contract with the Group during the reporting period, and there were no material contracts involving directors, executives or their related parties existing at the end of the reporting period

Note 42. Other related party disclosures

(a) Identity of related parties

The ultimate parent entity in the wholly owned group is Suncorp-Metway Ltd. The Company has a related party relationship with its subsidiaries (see note 35) and joint venture operations (see note 20), its key management personnel and other entities within the wholly owned group (which consists of Suncorp-Metway Ltd and its wholly owned subsidiaries).

Note 42. Other related party disclosures (continued)

(b) Other related party transactions with subsidiaries

Transactions between the Company and subsidiaries consisted of dividends received and paid, insurance premiums received and paid, fees received and paid for administrative, property and portfolio management services, and interest received and paid. All these transactions were on a normal commercial basis except that some advances may be interest free.

Certain subsidiaries have entered into repurchase agreements with the Company. Securities sold under agreements to repurchase at a fixed price are retained on the subsidiaries' Balance sheet as the subsidiaries retain substantially all the risks and rewards of ownership. The subsidiaries recognise a liability to record the obligation to the Company for the amount of the cash collateral deposited with the subsidiaries.

	Company	
	2009	2008
	\$m	\$m
Current amounts receivable		
Current amounts receivable from subsidiaries	49.6	704.8
Current amounts payable		
Current amounts payable to subsidiaries	169.9	24.5
Financial liabilities	248.6	412.9
Reinsurance claims payable	74.7	-
	Company	
	2009	2008
	\$m	\$m
Revenue received		
Inwards reinsurance premium received	46.9	2,845.4
Reinsurance recoveries received	14.6	1,998.9
Dividend revenue	17.8	165.0
Interest revenue	-	35.5
Expenses paid		
Inwards reinsurance claims expense	74.7	443.7
Reinsurance expense	-	454.8
Interest expense	27.2	28.0
Management fees to related entity	140.6	115.5

(c) Other related party transactions with the ultimate parent entity

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Current amounts receivable				
Current amounts receivable	-	-	17.3	-
Current amounts payable				
Current amounts payable	293.8	52.3	50.4	50.2

Note 42. Other related party disclosures (continued)

(c) Other related party transactions with the ultimate parent entity (continued)

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Revenue received				
Interest revenue	11.3	0.4	11.3	0.4
Expenses paid				
Interest expense	-	-	-	-
Management fees to related entity	3.0	-	3.0	-
Dividends paid	-	-	-	-
Finance costs	22.2	-	-	-

(d) Other related party transaction with other related entities

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Current amounts receivable				
Current amounts receivable from other related parties	271.6	531.4	273.8	75.6
Current amounts payable				
Current amounts payable to other related parties	34.8	26.6	19.7	11.1
Financial liabilities	-	277.9	-	26.7

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Revenue received				
Inwards reinsurance premium received	34.5	-	-	-
Reinsurance recoveries received	14.6	-	14.6	-
Dividend revenue	(0.5)	-	(0.5)	-
Interest revenue	3.3	64.7	2.6	2.7
Expenses paid				
Reinsurance premium expense	20.3	-	20.3	-
Inwards reinsurance claims expense	0.8	-	-	-
Interest expense	12.4	34.3	(11.4)	1.4
Management fees to related entity	44.7	32.1	44.7	32.1

Note 42. Other related party disclosures (continued)

(e) Other related party transactions with joint venture entities

Transactions between the Group and associates and joint venture entities consisted of fees received and paid for information technology services, investment management services, overseas management services, property development finance facilities and reinsurance arrangements. All these transactions were on a normal commercial basis.

	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Current amounts receivable				
Current amounts receivable	5.0	10.1	2.6	10.1
Current amounts payable				
Current amounts payable	14.0	-	-	-
	Consolidated		Company	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Revenue received				
Inwards reinsurance premium revenue	31.0	3.5	0.1	3.5
Dividend revenue	0.5	12.6	0.5	12.6
IT service fees	8.9	-	-	-
Management fee	-	14.6	0.8	14.6
Expenses paid				
Inwards reinsurance claims expense	27.3	0.4	-	0.4
Management fees	2.7	-	2.7	-

Note 43. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

In the opinion of the directors of Vero Insurance Limited ('the Company'):

- (a) the financial statements and notes, set out on pages 5 to 98, are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of the directors.



John D Story
Chairman



Christopher Skilton
Executive Director

Brisbane
25 August 2009



Independent auditor's report to the members of Vero Insurance Limited

Report on the financial report

We have audited the accompanying financial report of Vero Insurance Limited (the Company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration set out on pages 5 to 99 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.



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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Vero Insurance Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

KPMG

KPMG

Andries B Terblanché
Partner

Brisbane

25 August 2009