

Suncorp Life and Superannuation Limited and subsidiaries

ABN 87 073 979 530

**CONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2008**

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Your directors present their report together with the financial report for Suncorp Life & Superannuation Limited ("the Company") and the consolidated entity consisting of Suncorp Life & Superannuation Limited and its controlled entities ("the consolidated entity") for the year ended 30 June 2008.

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 1 December 1996)
William J Bartlett	(appointed 1 July 2003)
Dr Ian D Blackburne	(appointed 3 August 2000)
Paula J Dwyer	(appointed 26 April 2007)
Dr Cherrell Hirst AO	(appointed 8 February 2002)
Martin D E Kriewaldt	(appointed 14 June 1996)
Ewoud J Kulk	(appointed 20 March 2007)
Geoffrey T Ricketts	(appointed 20 March 2007)
Dr Zygmunt E Switkowski	(appointed 19 September 2005)
Leo E Tutt	(appointed 20 March 2007)

Executive

John F Mulcahy (Managing Director)	(appointed 6 January 2003)
Christopher Skilton (Chief Financial Officer and Executive Director)	(appointed 13 November 2002)

Principal activities

The principal activities of the consolidated entity during the course of the year were the provision of life insurance, superannuation and funds management products and related services to the retail, corporate and commercial sectors. There were no significant changes in the nature of the activities carried out by the consolidated entity during the year.

Operating and financial review

Overview of the Company

Consolidated profit from ordinary activities after income tax attributable to equity holders of the parent for the year ended 30 June 2008 was \$67.8 million (2007: \$78.4 million). Current year profit was impacted by the downturn in the market.

Premiums for the year were relatively stable at \$1,183.6 million (2007: \$1,186.1 million), which included \$271.7 million (2007: \$138.7 million) of policy conversions transferring between statutory funds.

Total consolidated assets decreased from \$7,591.2 million to \$6,061.8 million largely due to a decrease in investment values.

The financial strength of our business is reflected by the coverage of the Solvency Reserve as set by the Life Insurance Actuarial Standards Board (LIASB). The coverage of the Solvency Reserve for the Statutory Funds at 2.5 times at 30 June 2008 (2007: 2.1 times) has been maintained at a high level throughout the year.

Total distributions of profits to participating policyowners decreased over the year. The prospects for participating policyowners remain sound given the financial position of our Capital Guaranteed Fund and the current and prospective profitability of the fund. The capital adequacy position of the fund remains sound and provides appropriate security for the guarantees being offered.

Operating and financial review (continued)

Significant changes in state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

Environmental regulation

The operations of the consolidated entity are not subject to any particular and significant environmental regulation under any law of the Commonwealth of Australia or any of the States or Territories.

The consolidated entity has not incurred any liability (including rectification costs) under any environmental legislation.

Dividends

Since the end of the year the directors have recommended the payment of a final dividend as follows:

A 2008 final dividend of \$0.179 per ordinary share (2007: \$1.564), amounting to \$7 million (2007: \$61 million).

The aggregate amount of the proposed dividend expected to be paid at a date to be set is not recognised in the balance sheets.

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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

Likely developments

There has been no substantial change in business operations and none are expected in the coming financial year.

Further information on the likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Directors' interests

Directors' benefits are set out in note 36.

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 controlled entities, 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

Since the end of the previous financial year the ultimate parent entity of the Company has paid insurance premiums 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. The Directors have not included details of the nature of the liabilities covered or the amount of premium paid in respect of the insurance contract as disclosure is prohibited under the terms of the contract.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 5 and forms part of the director's report for the year ended 30 June 2008.

Rounding off

The consolidated entity is of a kind referred to in ASIC Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest one hundred thousand dollars unless otherwise stated.

This report is made in accordance with a resolution of directors.



John D Story
Chairman



John F Mulcahy
Managing Director

Brisbane
26 August 2008



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

To: the directors of Suncorp Life & Superannuation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 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

Dr Andries B Terblanche
Partner

Brisbane
26 August 2008

Suncorp Life and Superannuation Limited

ABN 87 073 979 530

Consolidated financial report

30 June 2008

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Suncorp Life & Superannuation Limited
Balance Sheets
as at 30 June 2008

	Note	Company		Consolidated	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m
Assets					
Cash and cash equivalents	13	16.2	98.9	19.7	110.5
Outstanding premiums		12.7	9.8	12.7	9.8
Other financial assets					
Equity security investments	14	1,974.5	3,146.8	2,150.0	4,091.1
Debt security investments	14	2,378.5	1,363.0	3,312.6	2,316.0
Property investments	14	271.1	470.0	341.7	633.0
Other investments	14	(0.3)	(0.7)	0.3	(0.8)
Loans, advances and other receivables	15	104.3	318.8	76.7	286.7
Gross policy liabilities ceded under reinsurance	20(d)	78.1	77.8	78.1	77.8
Deferred acquisition costs	16	50.5	48.9	50.5	48.9
Other assets	17	0.8	0.4	19.5	18.2
Total assets		4,886.4	5,533.7	6,061.8	7,591.2
Liabilities					
Payables and other liabilities	18	77.1	74.8	100.6	360.8
Premiums in advance		3.3	3.2	3.3	3.2
Deposits and short term borrowings	19	70.0	55.6	68.3	54.3
Deferred tax liabilities	12	17.1	128.1	17.1	128.1
Gross insurance contract liabilities	20(b)	2,553.2	2,879.9	2,553.2	2,879.9
Gross investment contract liabilities	20(c)	1,591.0	1,902.1	1,591.0	1,902.1
Unvested policy owner benefits	20(e)	296.9	222.0	296.9	222.0
Managed fund units on issue	21	-	-	1,145.2	1,761.4
Total liabilities		4,608.6	5,265.7	5,775.6	7,311.8
Net assets		277.8	268.0	286.2	279.4
Equity					
Parent entity interest					
Share capital	22	39.0	39.0	39.0	39.0
Shareholder's retained profits	22	238.8	229.0	247.2	240.4
Total equity		277.8	268.0	286.2	279.4

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

Suncorp Life & Superannuation Limited
Income Statements
for the year ended 30 June 2008

	Note	Company		Consolidated	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m
Revenue					
Premium revenue	6	224.7	170.6	224.7	170.6
Outwards reinsurance premium expense		(46.0)	(40.3)	(46.0)	(40.3)
		178.7	130.3	178.7	130.3
Investment revenue	7	(386.5)	672.2	(558.4)	976.9
Other operating revenue	8	41.3	29.1	37.2	42.5
		(166.5)	831.6	(342.5)	1,149.7
Expenses					
Claims expense	9	(119.9)	(105.5)	(119.9)	(105.5)
Reinsurance recoveries revenue	8	30.2	28.2	30.2	28.2
		(89.7)	(77.3)	(89.7)	(77.3)
Operating expenses	10	(142.3)	(124.9)	(161.5)	(139.9)
Decrease (Increase) in net insurance contract liabilities	20(b),(d)	256.2	(283.7)	256.2	(283.7)
Decrease (Increase) in investment contract liabilities	20(c)	237.3	(236.9)	237.3	(236.9)
(Increase) Decrease in unvested policy owner benefits	20(e)	(74.9)	48.2	(74.9)	48.2
Outside beneficial interests in managed funds		-	-	193.9	(296.7)
		186.6	(674.6)	361.3	(986.3)
Profit before tax		20.1	157.0	18.8	163.4
Income tax credit (expense)	12	50.7	(83.1)	49.0	(85.0)
Profit for the year		70.8	73.9	67.8	78.4
Attributable to:					
Equity holders of the company	22	70.8	73.9	67.8	78.4
Profit for the year		70.8	73.9	67.8	78.4

Suncorp Life & Superannuation Limited
Statements of Recognised Income and Expense
for the year ended 30 June 2008

	Company		Consolidated	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Profit for the year	70.8	73.9	67.8	78.4
Total recognised income and expense for the year	70.8	73.9	67.8	78.4
Total recognised income and expense for the year attributable to:				
Equity holders of the parent	70.8	73.9	67.8	78.4
Total recognised income and expense for the year	70.8	73.9	67.8	78.4

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

Suncorp Life & Superannuation Limited
Statements of Cash Flows
for the year ended 30 June 2008

	Note	Company		Consolidated	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m
Cash flows from operating activities					
Premiums received		902.6	1,042.5	902.6	1,042.5
Fee income received		46.4	29.7	46.4	29.4
Other operating income received		0.8	0.5	2.2	1.9
Reinsurance premiums paid		(45.6)	(41.0)	(45.6)	(41.0)
Claims payments under policies		(951.2)	(646.9)	(951.2)	(646.9)
Reinsurance and other recoveries received		28.9	9.5	28.9	9.5
Operating expenses paid		(145.8)	(111.9)	(229.5)	(219.2)
Interest received		115.9	73.5	167.1	129.6
Equity distributions received		328.6	376.5	134.9	159.2
Property income received		66.4	33.8	42.8	33.5
Other investments paid		(0.9)	(13.1)	3.1	(7.8)
Tax paid		(53.7)	(39.4)	(55.3)	(41.9)
Net cash inflow from operating activities	24	290.4	713.7	46.4	448.8
Cash flows from investing activities					
Payments for purchase of investments		(4,140.5)	(1,475.7)	(11,721.9)	(6,885.7)
Proceeds from disposal of investments		3,887.6	861.0	12,319.5	6,207.1
Net (decrease) increase in loans, advances and other receivables		(4.0)	0.3	(4.3)	-
Net cash inflow (outflow) from investing activities		(256.9)	(614.4)	593.3	(678.6)
Cash flows from financing activities					
Net increase (decrease) in deposits and other borrowings		(0.5)	6.3	(617.2)	337.4
Dividends paid		(61.0)	(50.0)	(61.0)	(50.0)
Net cash inflow (outflow) from financing activities		(61.5)	(43.7)	(678.2)	287.4
Net (decrease) increase in cash and cash equivalents		(28.0)	55.6	(38.5)	57.6
Cash at beginning of the financial year		166.4	110.8	202.6	145.0
Cash at the end of the financial year	24	138.4	166.4	164.1	202.6

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

1. Reporting entity

Suncorp Life & Superannuation 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 year ended 30 June 2008 comprises the Company and its subsidiaries (together referred to as "the consolidated entity") and the consolidated entity's interest in associates and jointly controlled entities.

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 financial report of the consolidated entity and the financial report of the Company complies with the International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board.

The financial report was authorised for issue by the directors on 26 August 2008.

(b) Basis of measurement

The financial report is 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 life insurance policy liabilities and life investment contract liabilities.

(c) Functional and presentation currency

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

(d) Rounding

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005) and in accordance with the Class Order, amounts in the financial report and the Director's Report have been rounded to the nearest 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 policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of 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.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Insurance contract liabilities

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

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

- mortality and morbidity experience on life insurance products, including enhancements to policyholder benefits;
- the cost of providing the benefits and administering these insurance contracts; and
- discontinuance experience, which affects the Company's ability to recover the cost of acquiring new business over the lives of the contracts.

In addition, factors such as regulation, competition, interest rates, taxes, security market conditions and general economic conditions affect the level of these liabilities. In some contracts, the Company shares experience on

2. Basis of preparation (continued)

(e) Use of estimates and judgements (continued)

mortality, morbidity, persistency and investment results with its customers, which can offset the impact of these factors on profitability from those products. Details of specific actuarial policies and methods are set out in note 4.

(ii) Assets arising from reinsurance contracts

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

(iii) Investment contracts – deferred acquisition costs and deferred revenue

The assessment of recoverability and amortisation of deferred acquisition costs is an inherently uncertain process. There is no reliable measure of the future economic benefits that will arise from the acquisition costs incurred. This is largely due to the uncertainty surrounding continuance or surrender of certain policies. The acquisition costs are capitalised and separately disclosed in the Balance Sheets and amortised over the period to which the costs provide income.

The amortisation of deferred revenue is an inherently uncertain process, involving assumptions about factors related to the period a policy will be in force. This is largely due to uncertainty surrounding continuance or surrender of particular policies. The deferred revenue is capitalised and separately disclosed as an other liability in the Balance Sheets and amortised over the period to which the costs are expected to provide income.

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 the 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 consolidated entity adopted Australian Accounting Standards and Interpretations which were mandatory for annual reporting periods beginning on or after 1 July 2007. There has been no effect on the financial performance or position of the consolidated entity 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 consolidated entity in these financial reports:

- *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 consolidated entity's 30 June 2010 financial statements and will primarily impact disclosures in the financial report. The consolidated entity has not yet determined the potential effect of the new standard on the consolidated entity's disclosures.
- *Revised AASB 101 Presentation of Financial Statements* introduces the "statement of comprehensive income" and becomes mandatory for the consolidated entity's 30 June 2010 financial statements. This standard only impacts disclosures in the financial report. It does not change the recognition, measurement or disclosure of transactions and events required by other AASBs. The consolidated entity has not yet determined the potential effect of the new standard on the consolidated entity'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 unless early adopted.
- *Revised AASB 127 Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the re-measurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised

3. Significant accounting policies (continued)

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 consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the revised standard on its financial report.

- AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation* changes the classification of some debt instruments to equity instruments. It becomes mandatory for the Group's 30 June 2010 financial statements, with retrospective application required. The adoption of this amendment is not expected to have a material impact on the Group.

(a) Principles underlying conduct of the life insurance business

Suncorp Life & Superannuation Limited is registered under the *Life Insurance Act 1995* ("Life Act").

The life insurance operations of the Company are conducted within two separate statutory funds, as required by the *Life Act*, and are reported in aggregate with the shareholder's fund in the Company's income statements, balance sheets and statements of cash flows. The life insurance operations consist of insurance contract and investment contract business.

Insurance contract business relates to the transfer of significant insurance risks from the policyholder to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The compensation, referred to as insured benefits, is payable on death, or on the occurrence of a contingency dependent on the termination or continuance of human life, or on the occurrence of injury or disability caused by accident or illness, and the financial risk of the occurrence of the event which crystallises the payment of the insured benefit is borne by the Company. The insured benefit is not directly linked to the market value of the investments held. Participating business is treated as insurance contract business under AASB 1038 *Life Insurance Contracts*.

Participating policy owner benefits in relation to insurance contract business, both vested and unvested, are treated as expenses when incurred and liabilities until paid. Eighty percent of the participating business profits, before allocation of bonuses, is allocated to policy owners and expensed in the income statements. The remaining twenty percent is allocated to the shareholder. All profits and losses from non-participating business are allocated to the shareholder.

Investment contract business relates to wealth management products in which the Company issues a contract where, except for fixed income policies, the resulting liability to policyholders is linked to the performance and value of the assets that back those liabilities. Whilst the underlying assets are registered in the name of the Company and the policyowner has no direct access to the specific assets, the contractual arrangements are such that the policyholder bears the risks and rewards of the fund's investment performance. For fixed income policies the resulting liability to policyholders is linked to the fair value of the policy cashflows. Such contracts, which do not meet the definition of an insurance contract, are referred to as life investment contracts when issued by a registered life insurance entity and administered through Life statutory funds in accordance with the requirements of the *Life Act*. The Company derives fee income from the administration of the underlying assets.

Assets and liabilities held in the life insurance funds are subject to the distribution and transfer restrictions and other requirements of the *Life Act*.

(b) Principles 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 investment schemes or trusts controlled by the Company.

The consolidated financial reports incorporate the assets, liabilities and profit and loss of all subsidiaries. The Company and its subsidiaries together are referred to as the consolidated entity. 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.

(ii) Transactions eliminated on consolidation

The effects of all transactions between entities in the consolidated entity are eliminated from the balance sheet and income statement in full.

(iii) Managed funds

Where the company has controlling interests in managed funds, the total amount of each underlying asset and liability of the controlled entities is recognised in the consolidated Balance Sheet. When a controlled unit trust, in

3. Significant accounting policies (continued)

(b) Principles of consolidation (continued)

(iii) *Managed funds (continued)*

which the units have been classified as debt in accordance with AASB 132 *Financial Instruments: Presentation*, is consolidated, the share of the unitholder liability attributable to the company is eliminated but amounts due to external unit holders remain as liabilities in the consolidated Balance Sheet. Managed funds units on issue represents the liability to minority interest unitholders in funds which have been consolidated by the company.

Related items of income and expense are recognised in the Income Statement at their gross amounts, with the offsetting amount attributable to outside interests recognised as a separate expense, outside beneficial interests in managed funds.

The company has amended its accounting policy in its application of AASB 127 *Consolidated and Separate Financial Statements* to consolidate managed investment schemes where ownership is greater than 50%. Previously the policy was to consolidate these schemes when ownership was greater than 75%.

The change in accounting policy has been applied retrospectively and comparatives have been restated. The change in accounting policy had the following impact on the consolidated financial statements.

	2007
	\$m
Increase/(decrease) in Total assets	114.8
(Increase)/decrease in Total liabilities	<u>(114.8)</u>
Net impact	<u>-</u>
	2007
	\$m
Increase/(decrease) in Total income	22.5
(Increase)/decrease in Total expenses	<u>(22.5)</u>
Net impact	<u>-</u>

There was no impact to reported profit, retained earnings and equity as a result of the change in accounting policy.

(c) Foreign currency

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 balance 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 Statements as exchange gains and losses in the financial year 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.

(d) Derivative financial Instruments

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

The consolidated entity utilises derivative financial instruments to hedge underlying exposures in investments backing insurance contract liabilities and investment contract liabilities. Derivative financial instruments are not held for speculative purposes. Interest rate derivatives are used to hedge interest rate risks inherent in the business. Equity options and futures are purchased to hedge exposures arising from equity investments.

Derivative financial instruments are initially recognised at trade date at fair value excluding transaction costs and are subsequently remeasured at their fair value as at the reporting date. 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.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash on deposit and highly liquid investments, net of outstanding bank overdrafts. They are carried at the gross value of the outstanding balance. Bank overdrafts are shown with financial liabilities in the Balance Sheets unless there is a right of offset.

3. Significant accounting policies (continued)

(f) Financial assets

A financial asset is recognised on the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

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 Company 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 Company has transferred substantially all risks and rewards of ownership.

The assets of the Life Insurance business are assessed under AASB 1038 *Life Insurance Contracts* to be assets that are held to back life insurance and life investment contracts or other assets.

(i) Financial assets backing life insurance and life investment liabilities

The Company has determined that all assets within its statutory funds are assets backing policy liabilities. These assets are designated as fair value through profit and loss, and are measured on a basis that is consistent with the measurement of the liabilities. These assets include:

- Investment securities comprise holdings in unlisted managed investment schemes, futures and forward foreign exchange contracts. Movements in the fair values between each reporting date, being the last price on those dates, are recognised in the Income Statements.
- Receivables comprise premium debtors, reinsurance and other recoveries, investment related receivables, distributions receivable and loans. Receivables are recognised at fair value which is approximated by taking the initially recognised amount and reducing it for credit risk as appropriate. Given the short term nature of most receivables, the recoverable amount approximates fair value.

(ii) Financial assets not backing life insurance or life investment liabilities

Financial assets held within the shareholder fund and subsidiaries do not back life insurance contract liabilities or life investment contract liabilities, and include investment securities and loans and other 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 and in accordance with the investment strategy.

Investments in subsidiary companies are recorded at cost less any accumulated impairment losses. On consolidation, the investment in subsidiaries is eliminated.

Loans and other receivables are measured at amortised cost less accumulated impairment losses.

(g) Deferred acquisition costs

Acquisition costs that are available for deferral on life investment contracts are the incremental variable distribution costs incurred when acquiring new business.

For life insurance business, the costs of acquiring new business include commissions, certain advertising, policy issue and underwriting costs, agency expenses and other sales costs. All such costs are implicitly deferred through Margin on Services ("MoS") accounting. The amount deferred is subject to an overall limit such that the value of future profits at inception cannot be negative.

For investment contracts, all incremental acquisition costs are deferred and recognised as an asset in the balance sheets. The amount of the deferred acquisition costs are assessed at each reporting date and the asset is amortised as the revenue to which those costs relate is recognised. All other acquisition costs are expensed as incurred.

The acquisition costs deferred for investment contracts are determined as the lower of actual incremental costs incurred and the allowance for the recovery of those costs from the premiums or policy charges (as appropriate for each policy class).

(h) Impairment

Assets 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.

An impairment loss is recognised whenever the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the Income Statements 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 Statements.

3. Significant accounting policies (continued)

(h) Impairment (continued)

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.

(i) Calculation of recoverable amount

The recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate being the effective interest rate computed at initial recognition of these financial assets. Receivables with a short duration are not discounted. The recoverable amount of other 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.

(ii) Reversal of impairment

An impairment loss for an asset can be reversed in following periods if there are indications that the impairment loss previously recognised no longer exists or has decreased. The impairment loss can be reversed, in the Income Statements, only to the extent that it increases the asset back to its original carrying amount before impairment was recorded.

(i) 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 on the chosen classification.

(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 Company as at fair value through profit or loss.

The Company has designated the deposits and borrowings of the statutory funds as being at fair value through profit or loss and are determined using the transaction price where available. Movements in the fair value are recognised in the income statements.

Financial liabilities arising from life insurance investment contracts are measured at fair value based on the 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, are subsequently measured at amortised cost using the effective interest method.

The consolidated entity has classified the deposits and borrowings of the shareholder fund and consolidated entities as being loans and receivables and measured at amortised cost.

(iii) Other liabilities

Other liabilities are measured at net present values and changes in their net present values are recognised in the income statements as revenues or expenses in the financial year in which the changes occur.

(j) Deferred revenue

The Company has determined that upfront fees are financial service revenues on investment contracts that are not fully earned when the sale is made. These fees are deferred and recognised as a liability. The amount of the deferred revenue is assessed at each reporting date and the liability is amortised over the life of the contract and recognised in the income statements. All other financial service fees are recognised as revenues as the service is provided.

3. Significant accounting policies (continued)

(k) Provisions

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

- the Company 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.

(l) Policy liabilities

Contracts entered into by the Company are classified as either insurance or investment. A life insurance contract is an insurance contract or a financial instrument with a discretionary participation feature, regulated under the *Life Act* and includes risk business, lifetime annuities, traditional and participating business. A life investment contract is a contract which is regulated under the *Life Act* but which does not meet the definition of a life insurance contract and includes non-participating investment business and immediate term certain annuities.

The life insurance policy liability valuation determines the capital and retained profits of the statutory funds and the shareholder fund. The components for life insurance contracts and life investment contracts are reported on the Balance Sheets as gross policy liabilities, current period bonuses, policy liabilities ceded to reinsurers and unvested policy owner benefits. Movements in these balances drive the profit emergence and are reported in the Income Statements, including the proposed transfer to the shareholder fund in respect of participating business.

(i) Insurance contracts

The financial reporting methodology used to determine the fair value of life insurance contract liabilities is referred to as MoS. Under MoS, the excess of premium received over claims and expenses (the margin) is recognised over the life of the contract in a manner that reflects the pattern of risk accepted from the policyholder (the service). The movement in life insurance contract liabilities recognised in the income statements reflects the release of this margin.

Life insurance contract liabilities are usually determined using a projection method, whereby estimates of policy cash flows (premiums, benefits, expenses and profit margins to be released in future periods) are projected into the future. The liability is calculated as the net present value of these projected cash flows using best estimate assumptions about the future. When the benefits under the life insurance contract are linked to the assets backing it, the discount rate applied is based on the expected future earnings rate of those assets. Where the benefits are not linked to the performance of the backing assets, a risk-free discount rate is used. The risk-free discount rate is determined by the Appointed Actuary based on the Commonwealth government bond rate, having regard to the nature, structure and term of the contract liabilities.

An accumulation method may be used if it produces results that are not materially different from those produced by a projection method. This method has been used for some Group risk business, where the liability is based on an unearned premium reserve, less an explicit allowance for deferred acquisition costs, and a reserve for incurred but not reported claims.

Participating policies are entitled to share in the profits that arise from participating business. This profit sharing is governed by the *Life Act* and the life insurance company's constitution. The participating policy owner profit sharing entitlement is treated as an expense in the financial statements.

Allocation of operating profit and unvested policyholder benefits

The operating profit arising from discretionary participating contracts is allocated between shareholders and participating policyholders by applying the MoS principles in accordance with the *Life Act*. Once profit is allocated to participating policyholders it can only be distributed to these policyholders.

Profit allocated to participating policyholders is recognised in the income statements as an increase in policy liabilities. Both the element of this profit that has not yet been allocated to specific policyholders (ie unvested), and that which has been allocated to specific policyholders by way of bonus distributions (ie vested), are included within life insurance contract liabilities.

Bonus distributions to participating policyholders are a change in the nature of the liability from unvested to vested and, as such do not alter the amount of profit attributable to shareholders.

3. Significant accounting policies (continued)

(l) Policy liabilities (continued)

(ii) Investment contracts

Life investment contracts consist of a financial instrument and a management services element. The financial instrument element represents the unit liability to the policyholder and is measured at fair value, with a minimum equal to the amount payable on demand. Movements in fair value are recognised through the income statements. The management services element refers to activities and cashflows arising from management services provided, representing the deferral of fees yet to be earned and expenses yet to be recognised and is measured at fair value, refer notes 3(g) and 3(j).

(m) Liability adequacy test

The adequacy of the insurance and investment contract liabilities is evaluated each year. The insurance contract test considers current estimates of all contractual and related cash flows. The investment contract test initially considers the recoverability of associated deferred acquisition cost assets. If it is determined using best estimate assumptions that a shortfall exists, it is immediately recognised in the income statements.

(n) Unvested policy owner benefits

Unvested policy owner benefits are policy owner retained profits as defined in the *Life Act*. These are amounts that have been allocated to participating policy owners generally, but have not been included in policy liabilities as at the reporting date. These amounts are shown as a separate liability due to policy owners.

(o) Share capital

Ordinary shares are classified as equity.

(i) 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 year, but not distributed at reporting date.

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

(p) Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the Balance Sheets 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, a provision is recognised.

Contingent assets are not recognised in the Balance Sheets 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.

(q) Commitments

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

Commitments to extend credit, letters of credit, guarantees, warranties and indemnities are classed as financial instruments and attract fees in line with market prices for similar arrangements and reflect the probability of default. They are not sold or traded. They are disclosed as contingent liabilities at their face value.

(r) Revenue

(i) Life insurance premium revenue

Premiums received include premiums for life insurance contracts and life investment contracts. The premium recorded as revenue in the income statements relates to life insurance contracts. The components of premium that relate to life investment contracts are in the nature of deposits and are recognised as liabilities. These amounts are treated as a movement in policy liabilities.

Premiums with no due date are recognised as revenue on a cash received basis. Premiums with a regular due date are recognised as revenue on an accruals basis. Unpaid premiums are only recognised as revenue during the days of grace or where secured by the surrender value of the policy and are included as outstanding premiums in the balance sheets. Premiums due after but received before the end of the financial year are shown as premiums in advance in the balance sheets.

3. Significant accounting policies (continued)

(r) Revenue (continued)

(ii) *Life insurance reinsurance and other recoveries receivable:*

Policy claims recoverable from reinsurers are recognised as revenue at the time they come into effect in accordance with the reinsurance treaties.

(iii) *Investment revenue*

Investment revenue and expenses

All investment revenue and expenses are brought to account on an accrual basis in the period earned or incurred which may differ from when cash is transferred.

Interest

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

Dividends

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.

(iv) *Fees and other revenue*

Fees are charged to customers in connection with investment contracts and other financial services contracts. Revenue is recognised as services are provided. In some cases services are provided at the inception of the contract while other services are performed over the life of the contract.

Investment contracts consist of a financial instrument and a management services element. The payment by the policyholder includes the amount to fund the financial instrument and a fee for the origination of the contract. In many cases, that entry fee is based on commission paid to financial planners for providing initial advice. Entry fees from investment contracts are deferred and recognised over the average expected life of investment contracts. Deferred entry fees are presented as an "Other Liability" on the balance sheets. The financial instrument is classified as an investment contract and is measured at fair value (see note 3(f)).

The revenue that can be attributed to the origination service is recognised at inception. Any commission paid related to that fee is also recognised as an expense at that time.

Fees of the shareholder fund including ongoing investment management services and other services provided are charged on a regular basis, usually daily, and are recognised as income as the service is provided.

Other income is recognised as revenue in the accounting period in which the services are rendered.

(s) Acquisition costs

(i) *Life insurance contracts*

The value and future recovery of life insurance contracts acquisition costs are determined according to MoS techniques.

Acquisition costs are amortised over the period that they will be recovered and the deferral and amortisation is recognised in the Income Statements as an increase/decrease in net life insurance contract liabilities.

Acquisition losses are recognised at inception in the Income Statements.

(ii) *Life investment contracts*

Incremental costs incurred in selling new life investment contracts are deferred. Deferred acquisition costs for life investment contracts are amortised in the Income Statements in accordance with the expected earning pattern of the associated revenue.

(s) Claims expense

(i) *Life insurance contracts*

Life insurance contract claims are separated into their expense and withdrawal components. The component that relates to the bearing of risks is treated as an expense. Other claim amounts, which are in the nature of withdrawals, are recognised as a decrease in life insurance contract liabilities.

3. Significant accounting policies (continued)

(s) Claims expense (continued)

Claims are recognised when the liability to the policyholder under the policy contract has been established or upon notification of the insured event, depending on the type of claim.

(ii) Life investment contracts

There is no claims expense in respect of investment contracts. Amounts paid to policyholders in respect of investment contracts are withdrawals and are recognised as a decrease in investment contract liabilities (see note 3(l)).

(t) Outwards reinsurance premium expense

Where portions of the policy are reinsured the ceded premiums are recognised in the income statements as outwards reinsurance premium expense.

Premiums ceded to reinsurers are recognised as expenses in accordance with the pattern of gross premium received, being for facultative, proportional and non-proportional reinsurance.

(u) Basis of expense apportionment

Expenses are incurred in relation to the acquisition and maintenance of life insurance and life investment contracts, in addition to expenses incurred with respect to investment management and other administrative activities. Expenses have been apportioned in accordance with Division 2 of Part 6 of the *Life Act* as follows:

- (i) Expenses excluding investment management fees, which are directly identifiable, have been apportioned between policy acquisition and policy maintenance on the basis of the objective when incurring each expense, and the outcome achieved.
- (ii) Where allocation is not feasible between the disclosure categories, expenses have been allocated as maintenance expenses.
- (iii) Expenses which are directly attributable to an individual policy or product are allocated directly to the statutory fund within which the class of business to which that policy or product belongs.
- (iv) All indirect expenses charged to the income statements are equitably apportioned to each class of business.

The expense apportionment basis is in line with the principles set out in the Life Insurance Actuarial Standards Board Valuation Standard (APRA Prudential Standard LPS 1.04: *Valuation of Policy Liabilities*).

Statistics such as policy counts, annual premiums, funds under management and claims payments are used to apportion the expenses to individual life insurance and life investment products.

(v) Income tax

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. For life insurance business, income tax expense is determined after segregating the operations into classes of business which are taxed at different rates and on different bases according to the rules relating to each class.

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 consolidated financial report. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet 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 revaluation of certain assets and liabilities, including derivative contracts, and tax losses carried forward. The rates enacted or substantially enacted at the balance sheet date are used to determine deferred income tax.

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.

3. Significant accounting policies (continued)

(v) Income tax (continued)

Accounting Standard AASB 1038 *Life Insurance Contracts* requires shareholder and policy owner tax to be included in income tax expense in the income statements. The majority of life insurance tax is allocated to policy liabilities and does not affect profit attributable to equityholders of the Company.

(i) Tax consolidations

The Company and its wholly owned subsidiaries are wholly owned subsidiaries in a tax consolidated group, with Suncorp-Metway Ltd as the head entity. The implementation date for the tax consolidated group was 1 July 2002.

The company and each of its own wholly-owned subsidiaries recognises the current and deferred tax amounts 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 Company as an equity contribution to, or distribution from, the head entity.

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 statements in respect of this component of the agreement as this outcome is considered remote.

(w) 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 Australian Tax Office ("ATO"). In these circumstances the GST is recognised in the cost of acquisition of the asset or in the amount of the expense. Receivables, payables and provision for outstanding claims are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the balance sheets.

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 ATO are classified as operating cash flows.

(x) Changes in accounting estimates and errors

(i) Changes in accounting estimates

If a change in an accounting estimate gives rise to a change in an asset or liability, or relates to equity, it is recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change. Otherwise, it is recognised prospectively by including it in the income statements in the period of the change and future periods, as applicable.

(ii) Errors

Material prior period errors are corrected retrospectively (to the earliest date practicable) in the next issued financial report by:

- restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

For retrospective application comparative information presented for a particular prior period need not be restated if restating the information would require undue cost or effort. When comparative information for a particular prior period is not restated, the opening balance of retained earnings for the next period shall be restated for the cumulative effect of the error before the beginning of that period.

Significant disclosures relating to the nature and amount of the prior period error must be included in the next issued financial report.

4. Summary of significant actuarial methods and assumptions

Policy liabilities

Policy liabilities are amounts which, when taken together with future premiums and investment earnings, are required to meet the payment of future benefits and expenses and for life insurance contracts, may incorporate profit margins on existing business to be released when earned in future periods.

The effective date of the actuarial report on policy liabilities and solvency reserves is 30 June 2008. The actuarial report was prepared by Mr Rowan Ward, Appointed Actuary BSc FIAA, and indicates that the Appointed Actuary is satisfied as to the accuracy of the data upon which policy liabilities have been determined.

The amount of policy liabilities has been determined in accordance with methods and assumptions disclosed in this financial report, the *Life Act* and with the Prudential Standards issued by APRA.

Policy liabilities have been calculated in accordance with APRA Prudential Standard LPS 1.04 *Valuation of Policy Liabilities* issued under Section 230A(1) of the *Life Act*.

For life insurance contracts, the Prudential Standard requires the policy liabilities to be calculated in a way which allows for the proper and timely release of profits over the life of the business, as services are provided to policy owners and premiums are received. For life investment contracts, the Prudential Standard requires the policy liabilities to be calculated as the fair value of liabilities in accordance with accounting standards.

The methods and profit carriers for the major policy types of life insurance contracts are as follows:

Business Type	Method	Profit Carrier
<i>Individual</i>		
Conventional	Projection	Participating business – Bonuses Non-participating business – Expected claim payments
Investment account	Projection	Interest credits
Accidental cash back	Projection	Expected payments
Allocated pension	Projection	Interest credits
Lump sum risk	Projection	Expected claim payments
Disability income	Projection	Expected claim payments
Annuity	Projection	Annuity payments
<i>Group</i>		
Investment account	Projection	Interest credits
Lump sum risk	Accumulation	-
Disability income	Accumulation	-

Under the projection method, estimates of policy cash flows (premiums, benefits, expenses and profit margins to be released in future periods) are projected into the future. The projected profit margins are expressed as a percentage of the relevant profit carrier. The policy liability is calculated as the net present value of these projected cash flows. Under the accumulation method for risk business the policy liability is equal to the sum of reserves for incurred but not reported claims, unearned premiums and open disability income claims.

The following table sets out key assumptions used in the calculation of policy liabilities:

Assumption	Basis of assumption	Significant changes since 2007
Investment earnings	For participating business, assumed earning rates are determined having regard to the asset mix of the investment portfolio backing the benefits, the assumed earning rates for each sector, market conditions at the valuation date and tax on investment earnings appropriate to the class of business and asset sector. Pre-tax rates varied from 5.60% (2007: 5.30%) for the cash sub-funds to 10.30% (2007: 9.20%) for the balanced sub-funds and 11.60% (2007: 11.30%) for the equity sub-funds. All non-participating business uses an investment earnings and discount rate assumption of the risk free rate. This has been determined from the government bond curve and varied (before tax) between 6.4% and 7.0% (2007: 6.2% and 6.5%).	None.

4. Summary of significant actuarial methods and assumptions (continued)

Policy liabilities (continued)

Assumption	Basis of assumption	Significant changes since 2007
Maintenance expenses	Per policy expense rates are based upon expected costs to service existing contracts in the period following the reporting date. Expense rates vary by product line and class of business. Tax deductibility of expenses is allowed for at rates appropriate to the taxation basis of the business.	None.
Inflation	The inflation assumption is reviewed at each valuation. For this valuation 3.0%pa (2007: 3.0%pa) was assumed, taking into account the difference between long-term government bonds and indexed government bonds for Australia.	No changes in approach.
Benefit indexation	Where the increase in future benefits increases in line with inflation, the Company has used an assumption of 3.0%pa.	None.
Voluntary discontinuance	Rates are based upon recent internal investigations and industry experience. Rates may vary by product, class of business, policy value, age and duration in force. Allowance is also made for cash withdrawals. Future long-term rates of discontinuance assumed vary between 2% and 30% (2007: between 2% and 30%).	Some minor changes for risk products. Reductions for corporate superannuation business. Increases for personal superannuation (including traditional) business.
Surrender values	Surrender values are determined by applying the surrender bases current at the reporting date.	None.
Rates of taxation	The rates of taxation assumed are based on current income tax legislation applicable to the type of product.	None.
Mortality – individual risk products	Mortality rates for risk products have been determined using the standard mortality table (IA95-97) with adjustments for smoking status and also to allow for Suncorp Life & Superannuation Limited's experience. Adjustments range from 76% (2007: 76%) to 180% (2007: 160%). Table IA95-97 was developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995 to 1997.	Mortality rate for smokers increased.
Mortality – annuitants	Mortality rates for annuitants have been determined using the standard table IMIF80 with adjustments, being 55% for males and 65% for females. Tables IMIF80 were developed by the Institute of Actuaries and Faculty of Actuaries based on UK annuitant lives experience from 1979 to 1982.	None.
Disability - lump sum	Disability rates on lump sum Total and Permanent Disablement (TPD) policies have been based on industry and population experience with adjustments to reflect Suncorp Life & Superannuation Limited's experience. For trauma policies, assumed incidence rates are based on Australian population statistics with adjustments to reflect Suncorp Life & Superannuation Limited's experience and policy conditions.	None.
Disability – income	Disability rates on income policies have been determined using the IAD89-93 table with adjustments to reflect Suncorp Life & Superannuation Limited's experience. IAD89-93 was developed by the Institute of Actuaries of Australia based on Australian industry experience from 1989 to 1993.	None.

4. Summary of significant actuarial methods and assumptions (continued)

Policy liabilities (continued)

Assumption	Basis of assumption	Significant changes since 2007
Future supportable bonuses and interest credits to participating policies	<p>Future bonus rates and interest credits assumed are those supported by the policy liabilities and the assumed future experience, including allowance for the shareholder's right to participate in distributions. Using these rates the net present value of expected future cashflows equals the value of assets supporting the business.</p> <p>For participating whole of life and endowment business, the Company's policy is to set bonus rates such that, over long periods, the returns to policy owners (as a group, but not necessarily individually) are commensurate with the investment returns achieved on relevant assets, together with other sources of profit arising from this business. For participating investment account business crediting rates are set such that over long periods policy owners (as a group, but not necessarily individually) receive full investment earnings on their accounts less a deduction of explicit fees and charges. Distributions are split between policy owners and shareholder with the valuation allowing for the shareholder to participate in distributions at the maximum allowable rate of 20%. In determining policyowner distributions consideration is given to equity between generations of policy owners and equity between the various classes and sizes of policies in force.</p>	No changes in approach

Other requirements

The *Life Act* requires companies to meet prudential standards of solvency. The solvency requirements are determined in accordance with APRA Prudential Standard LPS 2.04 *Solvency Standard*, as required under the *Life Act*. For the purposes of note 30, minimum termination values have been determined in accordance with APRA Prudential Standards LPS 4.02 *Minimum Surrender Values and Paid Up Values* and LPS 2.04.

Sensitivity analysis – insurance contracts

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

Variable	Impact of movement in underlying variable
Expense	An increase in the level or inflationary growth of expenses over assumed levels would decrease profit and shareholders' equity.
Mortality, TPD and trauma rates	For lump sum risk business other than lifetime annuities, greater mortality, TPD or trauma rates would lead to higher levels of claims occurring, increasing associated claim cost and therefore reducing profit and shareholders' equity. For lifetime annuities greater mortality rates would lead to a shorter duration of regular payments, and therefore increasing profit and shareholders' equity.
Morbidity (disability income)	The cost of health-related claims depends on both the incidence of policyholders becoming disabled and the duration which they remain disabled. Higher than expected incidence and longer durations would increase claim costs, reducing profit and shareholders' equity.
Discontinuance	An increase in discontinuance rates at earlier durations has a negative effect, reducing profit and shareholders' equity as it affects the ability to recover acquisition expenses and commissions.

For life insurance contracts which are accounted for under LPS 1.04, amounts of liabilities, income or expense recognised in the period are unlikely to be sensitive to changes in variables even if those changes may have an impact on future profit margins.

4. Summary of significant actuarial methods and assumptions (continued)

Policy liabilities (continued)

Sensitivity analysis – insurance contracts (continued)

The table below illustrates how changes in key assumptions would impact the current period reported profit, equity and policy liabilities at 30 June 2008 of the Company.

Variable	Change	Change in insurance contract liabilities before tax		Profit/(loss) after tax	
		(net)	(gross)	(net)	(gross)
		\$m	\$m	\$m	\$m
Maintenance expenses	+ 10% increase	0.1	0.1	(0.1)	(0.1)
Mortality and lump sum morbidity	+ 10% increase	(0.4)	0.3	0.3	(0.2)
Morbidity – disability income	+ 10% increase in incidence and decrease in recovery rates	0.1	0.1	(0.1)	(0.1)
Discontinuance rates	+ 10% increase	-	-	-	-

Notes

- (1) Sensitivity changes are relative to current best estimate assumptions.
- (2) Change in liability and profit/(loss) are shown both net and gross of reinsurance.
- (3) Change in profit/(loss) after tax is the same as change in equity.

The table below illustrates the effects of changes in actuarial assumptions from 30 June 2007 to 30 June 2008.

Assumption Category	Effect on future profit margins (shareholder) increase/(decrease)	Effect on policy liabilities increase/(decrease)
	\$m	\$m
	Discount and earning rate (risk business)	-
Discount and earning rate (participating business)	(1.7)	-
Mortality and morbidity	(4.7)	0.1
Lapse and surrender rates	7.3	-
Maintenance expenses	1.2	0.1
Other changes	0.2	-

Notes

- (1) Effects for risk business are shown gross of tax (the changes in the components of policy liability note are net of tax).

We note that part of the effect of the change in variables above may have been absorbed into profit margins implicit within policy liabilities, and is therefore not apparent from the table above.

5. Risk management

A structured risk management framework has been implemented throughout the consolidated entity in respect of all risks. The framework comprises organisational structure, policies, methodologies, processes, and delegation of authority to assume and approve risk, monitoring and reporting requirements. The universe of risks includes credit, market, liquidity, insurance, compliance, operational and strategic risks. The risk management framework comprises the language, accountabilities, principles, policies and practices, systems and tools, and reporting processes used to enable the delivery of fast, effective and profitable business to the Group's customers in a safe environment.

The Executive General Manager Group Risk appointed for Suncorp Metway Limited and its controlled entities ("the Suncorp Group") owns the enterprise risk management framework, as a central risk management function with a strong mandate remains the cornerstone of the framework. Chief Risk Officers (CROs) exist across the Suncorp Group, supported by Risk and Compliance Managers embedded in the business to create a greater ownership, understanding and awareness of risk. A Risk Council comprising the Executive General Manager Group Risk and all CRO's has been charged with the development of consistent policies and reporting across the Suncorp Group and brings these policies and frameworks to the Executive Risk Committee before being presented to the Board Risk Committee.

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 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 Group. 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.

Management is required as part of the monthly Due Diligence process to identify and report any risk events which have occurred and any breaches in authorities, policies or legislative requirements. These reports are endorsed through management and executives and included in the Chief Executive Officer's Due Diligence Report to the Board Risk Committee.

The Company's approved Risk Management Statement which has been accepted by the Australian Prudential Regulation Authority ("APRA") provides appropriate guidelines for the investment of the entities' funds including the use of derivatives. More detailed discussion on this is contained in note 25.

The Company has a shareholder fund and two statutory funds, being a Capital Guaranteed Fund and an Investment Linked Fund. Within the Capital Guaranteed Fund there are five sub-funds: Life Capital Guaranteed Funds No's 1 and 4, and Superannuation Capital Guaranteed No's 1, 4 and 5. Within the Investment Linked Fund there are thirteen sub-funds: the Life Capital Stable Fund, the Balanced Life Fund, the Superannuation Stable Fund, the Balanced Superannuation Fund, the MS Cash Pool Fund, the MS Balanced Fund, the MS Capital Stable Fund, the MS High Equity Fund, the Suncorp Metway Australian Equities Superannuation Fund, the Suncorp Metway International Equities Superannuation Fund, the Suncorp Imputation Fund, the Suncorp Metway Bonds Fund and the Suncorp Metway Property Fund. Each of these sub-funds has an investment mandate.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The main categories of operational risk are internal and external fraud, processing failure, system failure, disasters and business interruption and risk associated with products, clients and business practices, vendors, suppliers and service providers, employment practices and workplace safety.

Board policy requires Managers to understand the operational risks to which the business is exposed, assess the exposures and implement necessary mitigators. Suncorp has designed a Group Operational Risk Management Framework for use across the Group. The framework comprises an accountability model and risk management methodology and standard for the identification, assessment, monitoring and reporting of operational risk. The methodology adopted is based on a structured approach to risk profiling.

The business completes an end-to-end risk profile covering operational risks within the business. Recognising that risk profiles change over time, management are required to monitor and manage these on an ongoing basis.

These risk profiles are required to be reviewed and signed off at least semi-annually by the Executive General Manager and their Group Executives. Group Operational Risk reviews the completed risk profiles for currency, consistency and completeness from a Group perspective. A consolidated Operational Risk Profile is prepared based on these risk profiles and reviewed by the Executive Risk Committee for submission to the Board Risk Committee which authorises the limits of acceptable risk. This declaration process supports the execution of the annual Risk Management Declaration required by APRA.

5. Risk management (continued)

Operational risk (continued)

Operational loss experience is monitored and tracked to enable identification and correction of deficiencies in policies, processes and procedures for managing operational risk. Risk events are regularly reported to the Executive Risk Committee and the Board Risk Committee. The operational loss data accumulated over time is used for Group monitoring and reporting, and for analysis and identification of trends and potential systemic issues.

As part of the new framework, Key Risk Indicators are being developed and will be tracked across the Suncorp Group to provide early indication of any unacceptable increase in operational risk trends.

Risks which cross the Suncorp Group 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 coordinated centrally.

Capital management

The capital management strategy of the Suncorp Group is to optimise shareholder value by managing the level, mix and use of capital resources. The main objectives are to support the Suncorp 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 Group's ability to continue as a going concern. The Suncorp Group's capital policy is to hold all surplus capital in Suncorp Metway Limited as it is the holding company of the Suncorp Group.

The Company's capital management strategy forms part of the Suncorp Group plan that uses both internal and external measures of capital.

The Company is subject to regulatory capital requirements which prescribe the amount of capital to be held depending on the policy liabilities, investments and reinsurance assets held on the Balance Sheet. The Company holds a target surplus of capital in excess of the prescribed minimum. Where capital falls below this target surplus, the Company undertakes a series of predetermined actions to improve the capital position. In addition to the tests required by regulatory standards, sensitivity tests are performed at least annually to ascertain the ability of the statutory funds to withstand various adverse scenarios.

The solvency requirements and ratios in respect of those requirements for the life insurance business are set out in note 30.

The Company has at all times during the current and prior financial year complied with these capital requirements.

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

Other than the abovementioned requirement imposed, being a life insurance business operating in Australia, the company is not subject to any other externally imposed capital requirements.

Insurance risk

Insurance risk is the risk that inadequate or inappropriate product design, pricing, underwriting, reserving, claims management or reinsurance management will expose an insurer to financial loss and consequent inability to meet its liabilities.

Risk management objectives and policies for mitigating insurance risk

The Company's objective is to satisfactorily manage these risks in line with the risk management strategy approved by the Board. Various procedures are put in place to control and mitigate the risks faced by the Company depending on the nature of the risk. The Company's exposure to all material risks is overseen by the Board Risk Committee.

In an effort to protect and improve shareholder value, the Company manages its exposure to risks so that it can react in a timely manner to changes in financial markets, insurance cycles, and economic and political environments. Risk exposures are managed using various analysis and valuation techniques, including stochastic modelling, to calculate the capital required under adverse risk scenarios, along with prudent underwriting and diversified investing.

Insurance risks are controlled through adherence to underwriting procedures, adequate premium rates and sufficient reinsurance arrangements. In relation to premium rates and reinsurance arrangements, the Company receives advice from the Appointed Actuary, in accordance with APRA Prudential Standard LPS 310 *Audit and Actuarial Requirements*. Controls are also maintained over claims management practices to ensure the correct and timely payment of insurance claims.

5. Risk management (continued)

Insurance risk (continued)

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

The financial and operating results, mortality and morbidity experience, claims frequency, persistency and expenses are monitored monthly against budget projections derived from the actuarial projection models. In addition, detailed annual investigations are performed into the mortality, morbidity and persistency experience of the business.

Underwriting procedures

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. Individual policies carrying insurance risk are underwritten on their merits and are generally not issued without having been examined and underwritten individually. Group risk insurance policies meeting certain criteria are underwritten on the merits of the employee group as a whole.

Solvency

Solvency margin requirements established by local and Australian actuarial professional standards and by Australian regulators and local regulations are in place to reinforce safeguards for policyholders' interests, being primarily the ability to meet future claims payments. The solvency requirement establishes the required excess of the value of the insurers' assets (at a Statutory Fund level) over the value of its liabilities, each element being determined in accordance with the applicable valuation rules. This margin must be maintained throughout the period, not just at the period end. These solvency requirements also take into account specific risks faced by the Group.

Terms and conditions of insurance business

The nature and terms of the insurance contracts written is such that certain external variables can be identified on which related cash flows for claim payments depend.

The table provides an overview of the key variables upon which the timing and uncertainty of future cash flows of the various life insurance and investment contracts issued by the Company depend.

Type of contract	Details of contract workings	Nature of compensation for claims	Key variables affecting the timing and uncertainty of future cashflows
Long-term non participating insurance contracts with fixed and guaranteed terms (Term Life and Disability)	Guaranteed benefits paid on death, ill health or maturity which are fixed and are not at the discretion of the issuer.	Benefits, defined by the insurance contract, are not directly affected by the performance of underlying assets or the performance of the contracts as whole.	Mortality, morbidity, lapses, expenses and market earning rates on the assets backing the liabilities.
Conventional life insurance contracts with discretionary participating benefits (Endowment and Whole of Life)	These policies combine life insurance and savings. The policyholder pays a regular premium and receives the specified sum assured plus any accruing bonuses on death or maturity. The sum insured is specified at inception and guaranteed. Reversionary bonuses are added annually, which once added (vested) are guaranteed. A further terminal bonus may be added on surrender, death or maturity.	Operating profit arising from these contracts is allocated 80:20 between the policyholders and shareholders in accordance with the Life Act. The amount allocated to policyholders is held as an unvested policy liability until it is distributed to specific policyholders as bonuses.	Mortality, surrenders, expenses and market earning rates on the assets backing the liabilities.

5. Risk management (continued)

Insurance risk (continued)

Terms and conditions of insurance business (continued)

Type of contract	Details of contract workings	Nature of compensation for claims	Key variables affecting the timing and uncertainty of future cashflows
Investment account contracts with discretionary participating features	The gross value of premiums received is invested in the investment account with fees and premiums for any associated insurance cover being deducted from the account balance. Interest is credited regularly.	The payment of the account balance is guaranteed. Operating profit arising from these contracts is allocated between the policyholders and shareholders in accordance with the <i>Life Act</i> . The amount allocated to policyholders is held as an unvested policy liability until it is distributed to specific policyholders as interest credits.	Surrenders, expenses and market earning rates on the assets backing the liabilities.
Unit Linked Investment Contracts	The gross value of premiums received is invested in units and the policyholder investment account is the value of the units. Investment management fees are deducted from policyholders annually based on the average value of funds under management.	The investment return is equal to the earnings on assets backing the investment contracts less any applicable management fees.	Market risk, expenses and withdrawals.
Lifetime annuity	In exchange for an initial single premium, these policies provide a guaranteed regular income for the life of the insured.	The amount of guaranteed regular income is set at inception of the policy, including any indexation.	Longevity, expenses and market earning rates on assets backing liabilities.

Claims management

Claims are managed through dedicated claims management teams, with formal claims acceptance limits and appropriate training and development of staff to ensure payment of all genuine claims. Claims experience is assessed regularly and appropriate actuarial reserves are established to reflect up-to-date experience and any anticipated future events. This includes reserves for claims incurred but not yet reported.

Concentrations of insurance risk

The company writes a mixture of individual and group insurance business providing mortality, morbidity and annuity benefit payments. The mix of business is monitored and managed to avoid inappropriate concentrations of risk.

Exposure to risk of large claims for individual lives is managed through the use of surplus reinsurance arrangements whereby the Company's maximum exposure to any individual life is capped.

Concentrations of risk by product type are managed through monitoring of the Company's inforce life insurance business and the mix of new business written each year.

The Company's group life portfolio includes an industry fund that offers death and TPD protection to employers, some with large workforces. Although a 33% (2007: 50%) quota share arrangement is in place for this policy, the concentration of such workforces in single locations remains a factor that exposes the Company to a higher risk of loss in the event of an accident affecting the location where the insured employees work. The Company examines its exposure to such employers on a case by case basis to ascertain the need for 'catastrophe' excess of loss reinsurance.

A product pricing and re-rating process ensures that any cross subsidies between insurance rates for groups of policyholders of different sex and age are minimised such that profitability is not materially impacted by changes to the age and sex profile of the in-force business.

5. Risk management (continued)

Insurance risk (continued)

Methods to limit or transfer life insurance risk exposures

(i) Ceding of risk and reinsurance security

Suncorp Life & Superannuation Limited cedes to specialist reinsurance companies a proportion of its portfolio or certain types of insurance risk. This serves primarily to reduce the net liability on large risks (related to either an individual or group exposure), obtain greater diversification of insurance risks and provide protection against large losses. The reinsurers have strong Standard & Poor's credit ratings from AAA to AA-. The Company reviews its reinsurance management strategy annually, with the strategy approved by the Board Risk Committee.

(ii) Interest rate risk arising from life insurance contracts

Some of the life insurance and investment product groups are interest sensitive. These contribute to the Company's result primarily from the spread between investment income received and interest credited to policyholder accounts, which may be a guaranteed rate of return for certain products. The Company strives to maintain this spread by adjusting the interest crediting rates at contractually specified intervals. The Company's ability to adjust interest crediting rates may be constrained by competitive forces and minimum guaranteed crediting rates, if any.

Credit risk

Credit risk is the likelihood of future financial loss resulting from the failure of clients or counterparties to meet contractual obligations as they fall due. Credit risk arises as a result of placement of reinsurance programs with counterparties and investments in financial instruments. The Board Risk Committee monitors the effectiveness of credit risk management in relation to life insurance activities, including the investments and insurance portfolios, and reviews exposure to reinsurers. 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.

The consolidated entity has no specific concentration of credit risk with a single counterparty arising from the use of financial instruments in managing the investment portfolio other than that normally arising through dealings on recognised exchanges and off exchange dealings (over the counter contracts). The counterparties to over the counter contracts are limited to companies with strong credit ratings from a recognised credit rating agency. These counterparties are normally banks operating in Australia. The consolidated entity does not expect any counterparties to fail to meet their obligations given their high credit ratings and therefore does not require collateral or other security to support credit risk exposures.

Credit risk from the use of financial instruments in investment management is controlled both by credit management (credit rating and credit limit controls) and by counterparty diversification policies to limit exposure to any one counterparty as a proportion of the investment portfolio.

The following tables provide information regarding the aggregate credit risk exposure of the consolidated entity at the balance 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.

5. Risk management (continued)

Credit risk (continued)

	Credit Rating						Investment Linked Business Not Rated ⁽¹⁾	Total \$m																																																																								
	AAA \$m	AA \$m	A \$m	BBB \$m	Non Investment grade \$m	Other Not Rated \$m																																																																										
Consolidated 2008																																																																																
Cash and cash equivalents	-	(4.2)	24.9	-	-	(2.4)	1.4	19.7																																																																								
Interest bearing financial assets at fair value through profit or loss	650.9	605.6	1,648.6	55.2	-	13.2	49.3	3,022.6																																																																								
Loans, advances and other receivables	1.5	18.4	27.6	3.1	-	(9.2)	31.3	72.7																																																																								
Gross policy liabilities ceded under reinsurance	23.4	54.7	-	-	-	-	-	78.1																																																																								
Other assets	6.5	5.2	6.5	0.4	-	0.3	0.2	19.1		682.3	679.7	1,707.6	58.7	-	1.9	62.2	3,212.4	2007									Cash and cash equivalents	-	-	110.5	-	-	-	-	110.5	Interest bearing financial assets at fair value through profit or loss	657.9	497.9	899.3	58.9	-	13.1	26.3	2,143.4	Loans, advances and other receivables	2.1	52.3	214.4	1.8	-	(110.3)	126.2	266.5	Gross policy liabilities ceded under reinsurance	23.0	54.8	-	-	-	-	-	77.8	Other assets	4.4	6.3	5.8	0.5	-	0.1	-	17.1		687.4	611.3	1,220.0	61.2	-	(97.1)	152.5	2,635.3
	682.3	679.7	1,707.6	58.7	-	1.9	62.2	3,212.4																																																																								
2007																																																																																
Cash and cash equivalents	-	-	110.5	-	-	-	-	110.5																																																																								
Interest bearing financial assets at fair value through profit or loss	657.9	497.9	899.3	58.9	-	13.1	26.3	2,143.4																																																																								
Loans, advances and other receivables	2.1	52.3	214.4	1.8	-	(110.3)	126.2	266.5																																																																								
Gross policy liabilities ceded under reinsurance	23.0	54.8	-	-	-	-	-	77.8																																																																								
Other assets	4.4	6.3	5.8	0.5	-	0.1	-	17.1		687.4	611.3	1,220.0	61.2	-	(97.1)	152.5	2,635.3																																																															
	687.4	611.3	1,220.0	61.2	-	(97.1)	152.5	2,635.3																																																																								

	Credit Rating						Investment Linked Business Not Rated ⁽¹⁾	Total \$m																																																																								
	AAA \$m	AA \$m	A \$m	BBB \$m	Non Investment grade \$m	Other Not Rated \$m																																																																										
Company 2008																																																																																
Cash and cash equivalents	-	-	17.3	-	-	(2.4)	1.3	16.2																																																																								
Interest bearing financial assets at fair value through profit or loss	-	66.1	17.7	-	-	13.2	49.3	146.3																																																																								
Loans, advances and other receivables	1.5	9.6	15.4	-	-	42.5	31.3	100.3																																																																								
Gross policy liabilities ceded under reinsurance	23.4	54.7	-	-	-	-	-	78.1																																																																								
Other assets	-	-	-	-	-	0.3	0.2	0.5		24.9	130.4	50.4	-	-	53.6	82.1	341.4	2007									Cash and cash equivalents	-	-	98.9	-	-	-	-	98.9	Interest bearing financial assets at fair value through profit or loss	-	26.9	34.7	-	-	13.1	26.3	101.0	Loans, advances and other receivables	2.1	7.9	13.0	-	-	169.6	126.2	318.8	Gross policy liabilities ceded under reinsurance	23.0	54.8	-	-	-	-	-	77.8	Other assets	-	-	-	-	-	0.1	-	0.1		25.1	89.6	146.6	-	-	182.8	152.5	596.6
	24.9	130.4	50.4	-	-	53.6	82.1	341.4																																																																								
2007																																																																																
Cash and cash equivalents	-	-	98.9	-	-	-	-	98.9																																																																								
Interest bearing financial assets at fair value through profit or loss	-	26.9	34.7	-	-	13.1	26.3	101.0																																																																								
Loans, advances and other receivables	2.1	7.9	13.0	-	-	169.6	126.2	318.8																																																																								
Gross policy liabilities ceded under reinsurance	23.0	54.8	-	-	-	-	-	77.8																																																																								
Other assets	-	-	-	-	-	0.1	-	0.1		25.1	89.6	146.6	-	-	182.8	152.5	596.6																																																															
	25.1	89.6	146.6	-	-	182.8	152.5	596.6																																																																								

Notes

(1) For investment linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any credit risk in those assets.

The carrying amount of the relevant asset 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 derivatives are illustrated in note 25.

5. Risk management (continued)

Credit risk (continued)

The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of those that are past due but not impaired at the balance 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. For investment linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any credit risk in those assets and the table below does not include any financial assets backing investment linked business.

	Neither past due nor impaired \$m	Past due but not impaired				Impaired \$m	Total \$m
		0-3 mths \$m	3-6 mths \$m	6-12 mths \$m	>12 mths \$m		
Consolidated							
2008							
Premiums outstanding	-	12.7	-	-	-	-	12.7
Investment revenue receivable	4.5	-	-	-	-	-	4.5
Investment settlements	4.1	-	-	-	-	-	4.1
Reinsurance recoveries receivable	4.1	5.9	0.7	-	0.3	-	11.0
Gross policy liabilities ceded under reinsurance	78.1	-	-	-	-	-	78.1
Other	20.1	0.2	-	-	0.2	-	20.5
	110.9	18.6	0.7	-	0.5	-	130.9
2007							
Premiums outstanding	-	9.8	-	-	-	-	9.8
Investment revenue receivable	(90.9)	-	-	-	-	-	(90.9)
Investment settlements	223.2	-	-	-	-	-	223.2
Reinsurance recoveries receivable	5.2	3.3	-	0.9	0.6	-	10.0
Gross policy liabilities ceded under reinsurance	77.8	-	-	-	-	-	77.8
Other	17.8	0.1	-	-	0.2	-	18.1
	233.1	13.2	-	0.9	0.8	-	248.0
	Neither past due nor impaired \$m	Past due but not impaired				Impaired \$m	Total \$m
		0-3 mths \$m	3-6 mths \$m	6-12 mths \$m	>12 mths \$m		
Company							
2008							
Premiums outstanding	-	12.7	-	-	-	-	12.7
Investment revenue receivable	35.2	-	-	-	-	-	35.2
Investment settlements	0.1	-	-	-	-	-	0.1
Reinsurance recoveries receivable	4.1	5.9	0.7	-	0.3	-	11.0
Gross policy liabilities ceded under reinsurance	78.1	-	-	-	-	-	78.1
Other	1.4	-	-	-	0.2	-	1.6
	118.9	18.6	0.7	-	0.5	-	138.7
2007							
Premiums outstanding	-	9.8	-	-	-	-	9.8
Investment revenue receivable	163.1	-	-	-	-	-	163.1
Investment settlements	0.1	-	-	-	-	-	0.1
Reinsurance recoveries receivable	5.2	3.3	-	0.9	0.6	-	10.0
Gross policy liabilities ceded under reinsurance	77.8	-	-	-	-	-	77.8
Other	1.0	-	-	-	0.2	-	1.2
	247.2	13.1	-	0.9	0.8	-	262.0

5. Risk management (continued)

Market risk

Market risk is the risk of loss of current and future consolidated entity earnings from adverse moves in interest rates, foreign exchange rates, equity prices, property prices and prices of other financial contracts including derivatives.

Market risk in the life insurance business arises from mismatches between asset returns and guaranteed liability returns, adverse movements in market prices affecting fee income on investment-linked policies and from returns obtained from the investment of shareholders' capital held in the life Company.

For non participating insurance products, such as unit-linked products, market risks are passed on to the policyholder, although as noted, the shareholders' fee revenue may be adversely affected by market falls.

Management of market risk is generally less critical for risk insurance products as the amounts and timing of claims do not vary significantly with interest rates or other market changes that affect the underlying investments.

Solvency margin requirements established by APRA are in place to reinforce safeguards for policyholders' interests, which are primarily the ability to meet future claims payments to policyholders. The solvency margins measure the excess of the value of the insurers' assets over the value of its liabilities, each element being determined in accordance with the applicable valuation rules. This margin must be maintained throughout the year, and takes into account the specific risks faced by the Company.

The Company maintains a level of capital adequacy in accordance with APRA Prudential Standards.

The management of the risks associated with investments undertaken by life statutory funds and the shareholder fund, including market risks, is subject to the relevant regulatory requirements, which are governed by the *Life Act*.

Interest rate risk

Interest rate risk is the risk of a loss of current and future earnings from adverse moves in interest rates. Interest rate risk arises from the investments in interest bearing securities. Any change in fair value of investments in interest bearing securities are immediately reflected in the income statements in accordance with the accounting policies discussed in note 3(f).

Interest rate risk arises in respect of financial assets held in the shareholders' fund and the life statutory funds over liabilities. This is combined with an economic mismatch between the timing of payments to life insurance and life investment contract holders and the duration of the assets held in the statutory funds to back these liabilities. Where the liability to the investment contract holder is directly linked to the value of assets held to back that liability there is no residual interest rate exposure to the shareholder. Accordingly, investment linked business is excluded from the analysis below.

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 and methods used for deriving sensitivity information and significant variables did not change from previous periods.

	Exposure at Jun-08 \$m	Exposure at Jun-07 \$m	Movement in variable %	2008		2007	
				Profit (Loss) \$m	Equity \$m	Profit (Loss) \$m	Equity \$m
Consolidated							
Cash	22.5	110.5	+1	0.2	-	0.8	-
	(22.5)	(110.5)	-1	(0.2)	-	(0.8)	-
Interest bearing investment assets	2,969.3	2,117.3	+1	(15.1)	-	(15.3)	-
	(2,969.3)	(2,117.3)	-1	15.1	-	15.3	-
Loans, advances and receivables	41.4	160.5	+1	0.3	-	1.1	-
	(41.4)	(160.5)	-1	(0.3)	-	(1.1)	-
Derivative financial instruments	711.7	312.7	+1	(5.7)	-	13.5	-
	(711.7)	(312.7)	-1	5.9	-	(15.9)	-

5. Risk management (continued)

Market risk (continued)

Interest rate risk (continued)

Company	Exposure at Jun-08 \$m	Exposure at Jun-07 \$m	Movement in variable %	2008		2007	
				Profit (Loss) \$m	Equity \$m	Profit (Loss) \$m	Equity \$m
Cash	14.9 (14.9)	98.9 (98.9)	+1 -1	0.1 (0.1)	-	0.7 (0.7)	-
Interest bearing investment assets	97.1 (97.1)	74.7 (74.7)	+1 -1	0.7 (0.7)	-	0.5 (0.5)	-
Loans, advances and receivables	68.9 (68.9)	192.6 (192.6)	+1 -1	0.5 (0.5)	-	1.3 (1.3)	-
Derivative financial instruments	57.7 (57.7)	185.0 (185.0)	+1 -1	1.5 1.4	-	4.5 4.5	-

Foreign exchange risk

The statutory funds of the Company invest in overseas assets. In the Investment Linked Fund any investment returns, whether positive or negative, are passed on to the policyholders. The Capital Guaranteed Fund provides guarantee over capital and declared interest. The Funds maintain reserves in accordance with APRA Prudential Standards to meet the risk associated with diminution of value associated with foreign exchange risk.

The Life Company invests a portion of investment assets in global equities. Two controlled trusts, Suncorp Investment Management Global Macro Trust and Suncorp Investment Management World Equities Trust, enter into forward foreign exchange and futures contracts to provide capital appreciation by actively timing global currency, bond and equity markets using quantitative models to generate the trade positions. The terms and conditions of the forward foreign exchange contracts do not exceed one year.

The consolidated entity'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 is performed on the same basis for 2007.

Consolidated	Exposure at Jun-08 \$m	Exposure at Jun-07 \$m	Movement in variable %	2008		2007	
				Profit (Loss) ¹ \$m	Equity \$m	Profit (Loss) ¹ \$m	Equity \$m
Euro	63.0 (63.0)	142.6 (142.6)	+10 -10	3.2 (2.5)	-	1.0 0.1	-
GBP	(52.1) 52.1	120.0 (120.0)	+10 -10	(4.1) 4.7	-	2.5 (1.5)	-
JPY	115.3 (115.3)	86.8 (86.8)	+10 -10	(0.4) 0.8	-	(9.7) 10.6	-
USD	372.7 (372.7)	548.1 (548.1)	+10 -10	(21.8) 28.1	-	(43.2) 52.0	-
Other	110.1 (110.1)	177.4 (177.4)	+10 -10	1.3 (0.5)	-	2.2 (1.2)	-

Company	Exposure at Jun-08 \$m	Exposure at Jun-07 \$m	Movement in variable %	2008		2007	
				Profit (Loss) ¹ \$m	Equity \$m	Profit (Loss) ¹ \$m	Equity \$m
Euro	(49.1) 49.1	(0.7) 0.7	+10 -10	3.2 (3.4)	-	- -	-
GBP	(25.4) 25.4	0.5 (0.5)	+10 -10	1.6 (1.8)	-	- -	-
JPY	(29.9) 29.9	- -	+10 -10	1.9 (2.1)	-	- -	-
USD	(123.4) 123.4	0.8 (0.8)	+10 -10	7.6 (8.6)	-	(0.1) 0.1	-
Other	(21.0) 21.0	- -	+10 -10	1.3 (1.5)	-	- -	-

Notes

(1) After tax impact on profit/(loss) using corporate tax rate of 30%. Actual after tax impact for life insurance business may differ.

5. Risk management (continued)

Market risk (continued)

Other market risks

In addition to cash and interest bearing securities, the investment portfolios contain exposures to equity and property markets. The investment mandates, while providing higher returns, must also consider the volatility of investment returns and the impact of volatility on both the capital adequacy and profitability of the business. In accordance with the accounting policy discussed in note 3(f), these investments are measured at fair value at each balance date and changes in fair value are immediately reflected in the Income Statements. These principles also apply to investments through unithised vehicles.

Any overall downturn in the equities markets may impact on the future results of the consolidated entity. The impact of any significant movement is managed by utilising a diverse holding of Australian and overseas companies (whether direct or through unithised vehicles) and through the limited use of derivative financial instruments, as discussed in note 25.

The potential impact of movements in the market value of listed entities at balance date on the consolidated entity's profit after tax and equity reserves is shown in the sensitivity analysis below. The price risk in relation to unlisted securities is immaterial in terms of the possible impact on profit or loss and has not been included in the sensitivity analysis. The analysis is performed on the same basis for 2007. Where the liability to the investment contract holder is directly linked to the value of the asset held to back that liability (ie investment linked business) there is no residual price risk exposure to the shareholder and this has not been included in the analysis.

	Exposure		Movement in variable %	2008		2007	
	at Jun-08	at Jun-07		Profit (Loss)	Equity	Profit (Loss)	Equity
	\$m	\$m		\$m	\$m	\$m	\$m
Consolidated							
Australian equities	1,812.9	3,267.8	+10	126.9	-	228.8	-
	(1,812.9)	(3,267.8)	-10	(126.9)	-	(228.8)	-
International equities	752.2	991.0	+10	52.6	-	69.3	-
	(752.2)	(991.0)	-10	(52.6)	-	(69.3)	-
	Exposure		Movement in variable %	2008		2007	
Company	at Jun-08	at Jun-07		Profit (Loss)	Equity	Profit (Loss)	Equity
	\$m	\$m		\$m	\$m	\$m	\$m
Australian equities	47.8	(573.9)	+10	3.4	-	(40.2)	-
	(47.8)	573.9	-10	(3.4)	-	40.2	-
International equities	3.9	3.6	+10	0.3	-	0.2	-
	(3.9)	(3.6)	-10	(0.3)	-	(0.2)	-

Notes

(1) After tax impact on profit/(loss) using corporate tax rate of 30%. Actual after tax impact for life insurance business may differ.

Liquidity risk

Liquidity risk is the risk that payment of obligations may not be honoured as they fall due. The ability to make claims payments in a timely manner is critical to the business of life insurance.

The investment portfolio mandates require that sufficient cash deposits are available to meet day-to-day obligations. This combined with premiums received provides substantial liquidity to meet claims payments and associated expenses as they arise. Consequently, there is greater flexibility in investment strategies while managing investments to provide sufficient liquidity to meet the claims as they become due, based on actuarial assessments.

The tables on the following page summarise the maturity profile of financial liabilities of the consolidated entity based on the remaining undiscounted contractual obligations. They also include the maturity profile for insurance and investment contract policy liabilities determined based on the discounted estimated timing of net cash outflows.

5. Risk management (continued)

Liquidity risk (continued)

	1 year or less \$m	1 to 5 years \$m	Over 5 years \$m	No term \$m	Investment Linked ⁽¹⁾ \$m	Total \$m
Consolidated						
2008						
Policy claims in process of settlement	21.5	-	-	-	-	21.5
Amounts due to reinsurers	4.9	-	-	-	-	4.9
Trade creditors and accrued expenses	45.3	-	-	-	-	45.3
Investment settlements	11.0	-	-	-	2.9	13.9
Interest rate swap and futures - net settled	9.1	2.7	-	-	3.9	15.7
Deposits and short term borrowings	68.1	-	-	-	-	68.1
Other	-	-	-	(1.9)	1.9	-
Insurance contract policy liabilities	258.7	879.7	1,336.7	-	-	2,475.1
Investment contract policy liabilities	3.5	0.1	-	-	1,587.4	1,591.0
Unvested policy owner benefits	-	-	-	296.9	-	296.9
Managed funds units on issue	1,145.2	-	-	-	-	1,145.2
	1,567.3	882.5	1,336.7	295.0	1,596.1	5,677.6
2007						
Policy claims in process of settlement	21.0	-	-	-	-	21.0
Amounts due to reinsurers	4.5	-	-	-	-	4.5
Trade creditors and accrued expenses	144.7	-	-	-	-	144.7
Investment settlements	177.9	-	-	-	1.7	179.6
Interest rate swap and futures - net settled	1.1	2.0	-	-	0.8	3.9
Deposits and short term borrowings	50.1	-	-	-	4.4	54.5
Other	5.2	-	-	(1.9)	0.2	3.5
Insurance contract policy liabilities	289.7	929.4	1,583.0	-	-	2,802.1
Investment contract policy liabilities	1.5	0.1	-	-	1,900.5	1,902.1
Unvested policy owner benefits	-	-	-	222.0	-	222.0
Managed funds units on issue	1,761.4	-	-	-	-	1,761.4
	2,457.1	931.5	1,583.0	220.1	1,907.6	7,099.3

	1 year or less \$m	1 to 5 years \$m	Over 5 years \$m	No term \$m	Investment Linked ⁽¹⁾ \$m	Total \$m
Company						
2008						
Policy claims in process of settlement	21.5	-	-	-	-	21.5
Amounts due to reinsurers	4.9	-	-	-	-	4.9
Trade creditors and accrued expenses	29.7	-	-	-	-	29.7
Investment settlements	1.3	-	-	-	2.9	4.2
Interest rate swap and futures - net settled	4.9	2.4	-	-	3.9	11.2
Deposits and short term borrowings	70.1	-	-	-	-	70.1
Other	-	-	-	-	1.9	1.9
Insurance contract policy liabilities	258.7	879.7	1,336.7	-	-	2,475.1
Investment contract policy liabilities	3.5	0.1	-	-	1,587.4	1,591.0
Unvested policy owner benefits	-	-	-	296.9	-	296.9
	394.6	882.2	1,336.7	296.9	1,596.1	4,506.5
2007						
Policy claims in process of settlement	21.0	-	-	-	-	21.0
Amounts due to reinsurers	4.5	-	-	-	-	4.5
Trade creditors and accrued expenses	34.5	-	-	-	-	34.5
Investment settlements	0.3	-	-	-	1.7	2.0
Interest rate swap and futures - net settled	0.9	1.8	-	-	0.8	3.5
Deposits and short term borrowings	51.3	-	-	-	4.3	55.6
Other	5.2	-	-	-	0.2	5.4
Insurance contract policy liabilities	289.7	929.4	1,583.0	-	-	2,802.1
Investment contract policy liabilities	1.5	0.1	-	-	1,900.5	1,902.1
Unvested policy owner benefits	-	-	-	222.0	-	222.0
	408.9	931.3	1,583.0	222.0	1,907.5	5,052.7

Notes

- (1) For investment linked business the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any risk in those assets. Therefore the tables in this section show the policyholder liability separately without any maturity profile analysis.

6. Premiums

	Company		Consolidated	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Direct insurance premiums	911.3	1,046.6	911.3	1,046.8
Direct consideration for deferred annuities - rollover amounts	0.6	0.6	0.6	0.6
policy conversions	271.7	138.7	271.7	138.7
Total insurance premium received or receivable	<u>1,183.6</u>	<u>1,186.1</u>	<u>1,183.6</u>	<u>1,186.1</u>
Insurance premiums recognised as a change in gross policy liabilities (note 20(b),(c))	(958.9)	(1,015.5)	(958.9)	(1,015.5)
Total insurance premium revenue	<u>224.7</u>	<u>170.6</u>	<u>224.7</u>	<u>170.6</u>

7. Investment revenue

	Company		Consolidated	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Interest, dividend and similar revenue and (losses) sourced from:				
equity securities	109.2	452.1	133.5	155.5
debt securities	120.1	85.6	177.6	132.4
property	51.6	45.2	42.8	33.5
other	(1.9)	(1.8)	(1.2)	0.8
	<u>279.0</u>	<u>581.1</u>	<u>352.7</u>	<u>322.2</u>
Investment gains and (losses) sourced from:				
equity securities	(449.5)	41.9	(671.3)	571.9
debt securities	(27.9)	(12.0)	(53.9)	(25.4)
property	(181.3)	61.8	(197.2)	107.7
other	(6.8)	(0.6)	11.3	0.5
	<u>(665.5)</u>	<u>91.1</u>	<u>(911.1)</u>	<u>654.7</u>
Total investment income	<u>(386.5)</u>	<u>672.2</u>	<u>(558.4)</u>	<u>976.9</u>

8. Revenue from operating activities

	Company		Consolidated	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Revenue from operating activities				
Premium revenue (note 6)	224.7	170.6	224.7	170.6
Investment revenue including realised and unrealised gains and losses:				
Equity	(340.3)	494.0	(537.8)	727.4
Debt	92.2	73.6	123.7	107.0
Property	(129.7)	107.0	(154.4)	141.2
Other net investment revenue including realised and unrealised gains and (losses)	(8.7)	(2.4)	10.1	1.3
Total investment revenue (note 7)	(386.5)	672.2	(558.4)	976.9
Fees	46.4	29.7	46.4	29.4
Amortisation of deferred entry fees	(5.9)	(1.1)	(5.9)	(1.1)
Total fee revenue	40.5	28.6	40.5	28.3
Commissions	0.8	0.5	2.2	1.9
Interest income	-	-	0.4	0.4
Non life insurance operating income	-	-	(5.9)	11.9
Total other revenue	41.3	29.1	37.2	42.5
Rinsurance recoveries	30.2	28.2	30.2	28.2
Total revenue	(90.3)	900.1	(266.3)	1,218.2

9. Claims

	Company		Consolidated	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Death and disability claims	106.8	82.5	106.8	82.5
Maturities	178.5	199.3	178.5	199.3
Annuities	66.3	46.9	66.3	46.9
Surrenders and terminations	600.1	315.7	600.1	315.7
Policy conversions	271.7	138.8	271.7	138.8
	1,223.4	783.2	1,223.4	783.2
Claims recognised as a change in gross policy liabilities (note 20(b),(c))	(1,103.5)	(677.7)	(1,103.5)	(677.7)
Total claims expense	119.9	105.5	119.9	105.5
Interim & terminal bonuses paid, included in total claims paid or payable	4.7	6.4	4.7	6.4

10. Operating expenses

	Company		Consolidated	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Policy acquisition expenses:				
commission	15.8	14.6	13.7	12.6
other	41.8	45.0	41.8	45.0
Policy maintenance expenses:				
commission	7.4	5.6	7.4	5.6
other	62.0	52.3	54.1	43.3
Amortisation of deferred acquisition costs	(2.5)	(8.1)	(2.5)	(8.1)
Investment management expenses	16.8	16.3	16.8	16.3
Total administration expenses - life insurance activities	141.3	125.7	131.3	114.7
Amortisation of non-life deferred acquisition costs	0.9	(0.9)	0.9	(0.9)
Administration expenses - non-life insurance activities	0.1	0.1	29.3	26.1
	<u>142.3</u>	<u>124.9</u>	<u>161.5</u>	<u>139.9</u>

11. Operating results

	Company		Consolidated	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Profit from operating activities before income tax expense has been arrived at after charging the following items:				
Employee expenses	11.7	5.3	11.7	5.3
Total employee expenses	<u>11.7</u>	<u>5.3</u>	<u>11.7</u>	<u>5.3</u>
Occupancy costs				
Office rental	3.5	3.5	3.5	3.5
Other	1.5	1.1	1.5	1.1
Total occupancy costs	<u>5.0</u>	<u>4.6</u>	<u>5.0</u>	<u>4.6</u>
Other expenses				
Communications	3.4	3.7	3.4	3.7
Technology	2.8	2.1	2.8	2.1
Financial	11.7	9.8	11.7	9.8
Marketing	6.2	5.2	6.2	5.2
Client service charges	3.6	3.4	3.6	3.4
Intra group expenses	69.3	74.6	65.5	69.6
Other	2.2	1.1	2.2	1.1
Total other	<u>99.2</u>	<u>99.9</u>	<u>95.4</u>	<u>94.9</u>

All employees of Suncorp Life & Superannuation Limited and its controlled entities are employed by an entity not within the consolidated entity and their associated costs are recharged to the Company through intra-group expenses.

12. Taxation

(a) Income tax expense

	Company		Consolidated	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Recognised in the Income Statement				
Current tax expense				
Current year	58.8	49.5	60.5	51.4
Adjustments for prior years	1.6	1.4	1.6	1.4
	<u>60.4</u>	<u>50.9</u>	<u>62.1</u>	<u>52.8</u>
Deferred tax expense				
Origination and reversal of temporary differences	(111.1)	32.2	(111.1)	32.2
Total income tax (credit) expense in income statement	<u>(50.7)</u>	<u>83.1</u>	<u>(49.0)</u>	<u>85.0</u>
Numerical reconciliation between income tax expense and pre-tax net profit				
Profit before tax	<u>20.1</u>	<u>157.0</u>	<u>18.8</u>	<u>163.4</u>
Income tax using the domestic corporation rate of 30%	6.0	47.1	5.6	49.0
Increase in income tax expense due to:				
Imputation gross up on dividends received	-	0.1	-	0.1
Non-deductible expenses	-	36.4	-	36.4
Decrease in income tax expense due to:				
Intercompany dividend elimination	(2.1)	-	-	-
Non-assessable income	(54.2)	-	(54.2)	-
Income tax offsets and credits	(0.2)	(0.2)	(0.2)	(0.2)
	<u>(50.5)</u>	<u>83.4</u>	<u>(48.8)</u>	<u>85.3</u>
Under (over) provision in prior years	(0.2)	(0.3)	(0.2)	(0.3)
Income tax (credit) expense on pre-tax net profit	<u>(50.7)</u>	<u>83.1</u>	<u>(49.0)</u>	<u>85.0</u>

Income tax (credit) expense in the income statements includes an amount of (\$51.4) million (2007: \$82.9 million) attributable to the life insurance company statutory funds. The income tax expense is partly determined on a product basis and partly determined on a profit basis. The income tax expense has been determined after aggregating various classes of business, each with different tax rates. The rates of taxation applicable to the taxable income of significant classes of business are as follows:

Class of business	2008 %	2007 %
Complying superannuation business ⁽¹⁾	15	15
Ordinary class of business	30	30
Shareholder funds	30	30
Annuity and pension business ⁽²⁾	Exempt	Exempt

Notes

(1) Includes Virtual Pooled Superannuation Trust (VPST)

(2) Segregated Exempt Assets (SEA)

12. Taxation (continued)

(a) Income tax expense (continued)

Basis of income tax apportionment

A notional income tax expense is calculated for each product as if the product was invested within a stand-alone statutory fund. The difference between this and the actual tax expense is apportioned to products having regard to their contribution to the difference.

(b) Current tax liabilities

In accordance with the tax consolidation legislation, Suncorp-Metway Ltd 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.

(c) Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Consolidated						
Intangible assets	-	-	15.2	14.7	15.2	14.7
Other investments	-	-	8.4	118.2	8.4	118.2
Deferred revenue	4.2	2.5	-	-	(4.2)	(2.5)
Other	2.3	2.3	-	-	(2.3)	(2.3)
Tax (assets)/liabilities	6.5	4.8	23.6	132.9	17.1	128.1
Set off of tax	(6.5)	(4.8)	(6.5)	(4.8)	-	-
Tax (assets)/liabilities	-	-	17.1	128.1	17.1	128.1
Company						
Intangible assets	-	-	15.2	14.7	15.2	14.7
Other investments	-	-	8.4	118.2	8.4	118.2
Deferred revenue	4.2	2.5	-	-	(4.2)	(2.5)
Other	2.3	2.3	-	-	(2.3)	(2.3)
Tax (assets)/liabilities	6.5	4.8	23.6	132.9	17.1	128.1
Set off of tax	(6.5)	(4.8)	(6.5)	(4.8)	-	-
Tax (assets)/liabilities	-	-	17.1	128.1	17.1	128.1

(d) Tax consolidation

Suncorp-Metway Ltd and its wholly-owned Australian controlled entities elected to form a tax consolidated group from 1 July 2002. The accounting policy in relation to this legislation is set out in note 3(v).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a 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 Suncorp-Metway Ltd for any current tax payable assumed. The amounts receivable/payable under the agreement are at call.

13. Cash and cash equivalents

	Company		Consolidated	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Cash and balances with the central bank	16.2	98.9	19.7	110.5
	<u>16.2</u>	<u>98.9</u>	<u>19.7</u>	<u>110.5</u>

The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows:

Balances as above	16.2	98.9	19.7	110.5
Add: Receivables due from other banks	122.2	67.5	144.4	92.1
	<u>138.4</u>	<u>166.4</u>	<u>164.1</u>	<u>202.6</u>

14. Other financial assets

	Company		Consolidated	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Equity security investments				
Directly held	-	-	1,480.7	3,087.2
Unit trusts	1,974.4	3,146.7	669.3	1,003.9
Investments in controlled entities	0.1	0.1	-	-
Total equities	<u>1,974.5</u>	<u>3,146.8</u>	<u>2,150.0</u>	<u>4,091.1</u>
Debt security investments				
Interest bearing securities				
private sector - unsecured	133.1	87.9	2,486.4	1,802.5
public sector	-	-	-	-
semi public sector	-	-	168.5	47.5
Loans and advances:				
loans on policies	4.9	5.1	4.9	5.1
non-forfeiture loans	8.3	8.0	8.3	8.0
Unit trusts	2,232.2	1,262.0	644.5	452.9
Total debt	<u>2,378.5</u>	<u>1,363.0</u>	<u>3,312.6</u>	<u>2,316.0</u>
Property investments				
Unit trusts	271.1	470.0	341.7	633.0
Total property	<u>271.1</u>	<u>470.0</u>	<u>341.7</u>	<u>633.0</u>
Other investments	(0.3)	(0.7)	0.3	(0.8)
Total other financial assets	<u>4,623.8</u>	<u>4,979.1</u>	<u>5,804.6</u>	<u>7,039.3</u>

The investment in controlled entities (excluding controlled unit trusts) is \$97,471 (2007: \$97,471).

Amounts expected to be recovered or settled no more than 12 months after the reporting date

Investment assets of the life statutory funds comprising cash, equity securities, debt securities, property securities and other financial assets are held to back investment contract liabilities amounting to \$1,590.0 million (2007: \$1,902.1 million) and life insurance contract liabilities amounting to \$2,553.2 million (2007: \$2,879.9 million). Investment assets are traded on a regular basis taking into account the movements in liabilities as well as incoming cash flows.

15. Loans, advances and other receivables

	Company		Consolidated	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Loans, deposits and advances:				
parent entity	12.6	-	12.6	-
controlled entities of the ultimate parent entity	16.0	17.0	16.0	17.0
controlled entities	1.0	1.3	-	-
	<u>29.6</u>	<u>18.3</u>	<u>28.6</u>	<u>17.0</u>
Reinsurance recoveries receivable	11.0	10.0	11.0	10.0
Investment income accrued	58.3	289.4	31.6	258.5
Other debtors	5.4	1.1	5.5	1.2
	<u>104.3</u>	<u>318.8</u>	<u>76.7</u>	<u>286.7</u>
Expected to be realised within 12 months	101.5	318.3	73.9	286.2
Expected to be realised in more than 12 months	2.8	0.5	2.8	0.5
	<u>104.3</u>	<u>318.8</u>	<u>76.7</u>	<u>286.7</u>

16. Deferred acquisition costs

	Company		Consolidated	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Deferred acquisition costs at beginning of financial year	48.9	39.8	48.9	39.8
Acquisition costs deferred	18.8	23.3	18.8	23.3
Amortisation charged to income statement	(17.2)	(14.2)	(17.2)	(14.2)
Deferred acquisition costs at end of financial year	<u>50.5</u>	<u>48.9</u>	<u>50.5</u>	<u>48.9</u>
Expected to be realised within 12 months	16.6	15.2	16.6	15.2
Expected to be realised in more than 12 months	33.9	33.7	33.9	33.7
	<u>50.5</u>	<u>48.9</u>	<u>50.5</u>	<u>48.9</u>

17. Other assets

	Company		Consolidated	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Accrued interest	0.6	0.1	27.3	16.3
Other	0.2	0.3	(7.8)	1.9
	<u>0.8</u>	<u>0.4</u>	<u>19.5</u>	<u>18.2</u>
Expected to be realised within 12 months	0.8	0.4	19.5	18.2
	<u>0.8</u>	<u>0.4</u>	<u>19.5</u>	<u>18.2</u>

18. Payables

	Company		Consolidated	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Policy claims in process of settlement	21.5	21.0	21.5	21.0
Sundry creditors and accrued expenses	34.6	39.0	50.3	149.2
Deferred service fees	14.1	8.1	14.1	8.1
Other	6.9	6.7	14.7	182.5
	<u>77.1</u>	<u>74.8</u>	<u>100.6</u>	<u>360.8</u>
Expected to be settled within 12 months	66.8	69.1	90.3	355.1
Expected to be settled in more than 12 months	10.3	5.7	10.3	5.7
	<u>77.1</u>	<u>74.8</u>	<u>100.6</u>	<u>360.8</u>

19. Deposits and short term borrowings

	Company		Consolidated	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Unsecured				
parent entity	67.4	54.2	67.7	54.3
controlled entities of the ultimate parent entity	0.6	-	0.6	-
controlled entities	2.0	1.4	-	-
	<u>70.0</u>	<u>55.6</u>	<u>68.3</u>	<u>54.3</u>
Expected to be settled within 12 months	68.0	54.2	68.3	54.3
Expected to be settled in more than 12 months	2.0	1.4	-	-
	<u>70.0</u>	<u>55.6</u>	<u>68.3</u>	<u>54.3</u>

20. Policy liabilities

	Company and Consolidated	
	2008	2007
	\$m	\$m
(a) Policy liabilities		
Gross policy liabilities	4,144.2	4,782.0
Gross policy liabilities ceded under reinsurance	(78.1)	(77.6)
Net policy liabilities	4,066.1	4,704.2
Expected to be realised within 12 months	492.4	454.5
Expected to be realised in more than 12 months	3,651.8	4,327.5
	4,144.2	4,782.0
(b) Life insurance contract policy liabilities		
Gross policy liabilities at the beginning of the year	2,879.9	2,347.6
Insurance premiums recognised as a change in gross policy liabilities (Note 6)	474.3	606.7
Claims expense recognised as a change in gross policy liabilities (Note 9)	(545.1)	(375.3)
(Decrease) Increase in life insurance contract policy liabilities reflected in the income statement	(255.9)	300.9
(Decrease) Increase in gross policy liabilities	(326.7)	532.3
Gross policy liabilities at the end of the year	2,553.2	2,879.9
(c) Life investment contract policy liabilities		
Gross policy liabilities at the beginning of the year	1,902.1	1,558.8
Life investment contract contributions recognised in policy liabilities (Note 6)	484.6	408.8
Life investment contract withdrawals recognised in policy liabilities (Note 9)	(558.4)	(302.4)
(Decrease) Increase in life investment contract policy liabilities reflected in the income statement	(237.3)	236.9
(Decrease) Increase in gross policy liabilities	(311.1)	343.3
Gross policy liabilities at the end of the year	1,591.0	1,902.1
(d) Gross policy liabilities ceded		
Gross policy liabilities ceded at the beginning of the year	77.8	60.6
Increase (Decrease) in gross policy liabilities ceded	0.3	17.2
Gross policy liabilities ceded at the end of the year	78.1	77.8
Expected to be realised within 12 months	2.7	3.1
Expected to be realised in more than 12 months	75.4	74.7
	78.1	77.8
(e) Unvested policyowner benefits liability		
Unvested policyowner benefits at the beginning of the year	222.0	270.2
Increase (Decrease) in unvested policyowner benefits	74.9	(48.2)
Unvested policyowner benefits at the end of the year	296.9	222.0

20. Policy liabilities (continued)

	Current Basis ⁽⁵⁾		Previous
	2008	2007	Basis ⁽⁴⁾
	\$m	\$m	2008
			\$m
(f) Components of net policy liabilities - insurance contracts			
Best estimate liability			
Value of future policy benefits ⁽¹⁾	2,534.0	2,254.3	2,470.6
Value of future expenses	248.8	249.3	241.5
Value of unrecouped acquisition expenses	(149.2)	(127.2)	(149.2)
Balance of future premiums	(1,495.9)	(1,388.1)	(1,412.9)
Total best estimate liability	<u>1,137.7</u>	<u>988.3</u>	<u>1,150.0</u>
Value of future profits			
Policy owner bonuses ⁽⁴⁾	934.7	1,222.4	924.8
Shareholder profit margins	338.5	405.9	336.1
Total value of future profits	<u>1,273.2</u>	<u>1,628.3</u>	<u>1,260.9</u>
Total value of declared bonuses ⁽³⁾	64.2	185.5	64.2
Total net policy liabilities	<u>2,475.1</u>	<u>2,802.1</u>	<u>2,475.1</u>

Notes

- (1) Future policy benefits include bonuses credited to policy owners in prior periods but exclude current period bonuses (as set out in the income statements) and future bonuses (as set out in (2)). Where business is valued by other than projection techniques, future policy benefits includes the account balance.
- (2) Future bonuses exclude current period bonuses.
- (3) Current year declared bonuses valued in accordance with the Actuarial Standard.
- (4) Using the actuarial methods and assumptions relevant at the previous reporting date, but on current in force business.
- (5) Using the actuarial methods and assumptions relevant at the current reporting date on current in force business.

Capital guarantees

Included in life insurance contract liabilities are amounts in respect of contracts with discretionary participation features. The amount of policy liabilities that relates to the guaranteed element of these contracts is \$1,300 million.

Amounts expected to be recovered or settled no more than 12 months after the reporting date

For the majority of the investment contract and life insurance contract liabilities, there is no fixed settlement date. Settlement amounts are based on Suncorp Life & Superannuation Limited's assumptions as to likely withdrawal patterns in the various product groups.

21. Managed fund units on issue

	Company		Consolidated	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Managed fund units on issue	-	-	1,145.2	1,761.4

Managed fund units on issue represent unit holder funds held and managed in controlled managed investment schemes by parties other than Suncorp Life & Superannuation Limited and presented as a liability in accordance with AASB 132 *Financial Instruments: Disclosure and Presentation*.

22. Capital and reserves

(a) Reconciliation of movement in capital and reserves attributable to equity holders of the parent

	Issued capital \$m	Retained profits \$m	Total \$m	Minority interests \$m	Total equity \$m
2008					
Consolidated					
Balance at the beginning of the financial year	39.0	240.4	279.4	-	279.4
Total recognised income and expense	-	67.8	67.8	-	67.8
Dividends to shareholders	-	(61.0)	(61.0)	-	(61.0)
Balance at the end of the financial year	39.0	247.2	286.2	-	286.2

2007

Consolidated					
Balance at the beginning of the financial year	39.0	212.0	251.0	-	251.0
Total recognised income and expense	-	78.4	78.4	-	78.4
Dividends to shareholders	-	(50.0)	(50.0)	-	(50.0)
Balance at the end of the financial year	39.0	240.4	279.4	-	279.4

	Issued capital \$m	Retained profits \$m	Total \$m
2008			
Company			
Balance at the beginning of the financial year	39.0	229.0	268.0
Total recognised income and expense	-	70.8	70.8
Dividends to shareholders	-	(61.0)	(61.0)
Balance at the end of the financial year	39.0	238.8	277.8

2007

Company			
Balance at the beginning of the financial year	39.0	205.1	244.1
Total recognised income and expense	-	73.9	73.9
Dividends to shareholders	-	(50.0)	(50.0)
Balance at the end of the financial year	39.0	229.0	268.0

(b) Share capital

	Company		Consolidated	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Issued and paid up capital				
39,000,000 ordinary shares, each fully paid (2007: 39,000,000)	39.0	39.0	39.0	39.0
	39.0	39.0	39.0	39.0

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 all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

22. Capital and reserves (continued)

(c) Retained profits

	Company		Consolidated	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Retained profits at the beginning of the financial year	229.0	205.1	240.4	212.0
Net profit attributable to members of the parent entity	70.8	73.9	67.8	78.4
Dividends paid	(61.0)	(50.0)	(61.0)	(50.0)
Retained profits at the end of the financial year	<u>238.8</u>	<u>229.0</u>	<u>247.2</u>	<u>240.4</u>

23. Dividends

	Company		Consolidated	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Ordinary shares:				
Final dividend \$1.564 (2007: \$1.282) per fully paid share	61.0	50.0	61.0	50.0
	<u>61.0</u>	<u>50.0</u>	<u>61.0</u>	<u>50.0</u>

Dividends not recognised at year end

In addition to the above dividends, since year end the directors have recommended the payment of a dividend of \$7 million (\$0.179 per fully paid ordinary share). The aggregate of the proposed dividend amount expected to be paid at a date to be set is not recognised in the balance sheets.

Franking credits

The consolidated entity does not have any franking credits available to shareholders for subsequent financial years. On 1 July 2002, the consolidated entity adopted the Tax Consolidations legislation which requires a tax-consolidation group to keep a single franking account. Accordingly all franking credits are recognised in Suncorp-Metway Ltd as the head entity of the tax-consolidation group.

24. Reconciliation of cash flows from operating activities

	Company		Consolidated	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Profit for the year	70.8	73.9	67.8	78.4
Classified as investing activities				
Changes in net market value of investments realised and unrealised:				
equity securities	449.5	(41.9)	671.3	(571.9)
debt securities	27.9	12.0	53.9	25.4
property securities	181.3	(61.8)	197.2	(107.7)
other securities	6.8	0.6	(11.3)	(0.5)
Change in assets and liabilities				
<i>Decrease (increase) in:</i>				
Insurance and other recoveries receivable	(1.3)	(18.7)	(1.3)	(18.7)
Premiums outstanding	(2.9)	(3.6)	(2.9)	(3.6)
Interest receivable	(4.2)	(12.1)	(10.5)	(2.8)
Equity receivables	217.4	(75.6)	1.4	3.7
Property income receivable	14.8	(11.4)	-	-
Investment income receivables	1.0	(11.3)	4.3	(8.6)
Prepayments and deferred expenses	(1.6)	(9.1)	(1.6)	(9.1)
Other debtors	(4.2)	0.9	5.4	0.8
<i>Increase (decrease) in:</i>				
Net movement in tax balances	(104.4)	43.7	(104.3)	43.1
Premiums in advance	0.1	0.4	0.1	0.4
Claims outstanding	0.5	(2.4)	0.5	(2.4)
Reinsurance premiums paid	0.4	(0.7)	0.4	(0.7)
Policy liabilities	(637.8)	875.6	(637.8)	875.6
Policy owner retained profits	74.9	(48.2)	74.9	(48.2)
Deferred service fee income	6.0	1.1	6.0	1.1
Other payables	0.2	(10.2)	(167.8)	133.8
Other liabilities	(4.8)	12.5	(99.3)	60.7
Net cash inflow from operating activities	<u>290.4</u>	<u>713.7</u>	<u>46.4</u>	<u>448.8</u>
Reconciliation of cash				
Cash at bank	16.2	98.9	19.7	110.5
Cash deposits and short term securities included in investment assets - Interest bearing securities	122.2	67.5	144.4	92.1
	<u>138.4</u>	<u>166.4</u>	<u>164.1</u>	<u>202.6</u>

25. Derivative financial instruments

Risk Management Statement

The Risk Management Statement, approved by the Board and issued pursuant to the requirements of APRA, establishes the basis on which derivative financial instruments may be used within the investment portfolios. The preparation and enforcement of the statement is a critical requirement for registered life insurers that use derivative financial instruments. The Risk Management Statement forms the basis of the discussion in this note on derivative financial instruments.

Definition

A derivative financial instrument is defined as a financial contract whose value depends on or is derived from assets, liabilities, or indexes (the underlying asset). Derivatives include a wide assortment of instruments such as forwards, futures, options, share ratios, warrant, swaps and other composites. These instruments may be traded on recognised exchanges or directly between counterparties.

Objectives

The Company sees the use of derivatives as 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.

Limits on derivative usage

The Risk Management Statement and investment mandates strictly prohibit the use of derivatives for speculative purposes or for leveraged trading. Leverage is here 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 for each client portfolio. Within each asset class, derivative exposure limits are identified in the Risk Management Statement and limits have been established on daily transaction levels. For over the counter (OTC) derivatives authorised counter-parties must have a minimum Standard and Poor's rating of "A" or the equivalent credit rating by a recognised credit rating agency.

An independent compliance officer is responsible for monitoring these positions to ensure they do not exceed the authorities established in the investment mandate. Regular monitoring and control of these activities is the responsibility of the Risk Committee and internal audit.

Activities

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, OTC forward exchange contracts and interest rate and equity options.

Where the probability of exercising an option is less than one, a difference arises between notional principal and face value. For the years ended 2008 and 2007, notional principal amounts are equal to face value due to the absence of options in the investment portfolio. However, in future periods options may form part of the investment portfolio resulting in a difference between notional principal and face value amounts.

The 'face value' is the notional or contractual amount of the derivatives. This amount acts as 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.

Derivative financial instruments are measured at fair value. Changes in fair value are reflected in the income statements. The net fair values of the Company's derivative financial instruments at balance date are as follows:

25. Derivative financial instruments (continued)

	Company		Consolidated	
	Notional Principal Amount		Notional Principal Amount	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
Less than one year	539.3	1,384.4	2,268.6	3,857.3
	<u>539.3</u>	<u>1,384.4</u>	<u>2,268.6</u>	<u>3,857.3</u>

	Company		Consolidated	
	Face Value	Fair Value	Face Value	Fair Value
	\$m	\$m	\$m	\$m
2008				
Forward exchange contracts	323.6	(0.3)	607.7	3.0
Interest rate futures	104.6	0.4	1,374.6	42.5
Equity futures	111.1	(5.9)	286.3	(10.5)
	<u>539.3</u>	<u>(5.8)</u>	<u>2,268.6</u>	<u>35.0</u>
2007				
Forward exchange contracts	64.7	(0.6)	509.2	3.3
Interest rate futures	377.8	(0.3)	2,004.3	(0.8)
Equity futures	941.9	14.9	1,343.8	15.0
	<u>1,384.4</u>	<u>14.0</u>	<u>3,857.3</u>	<u>17.5</u>

26. Auditors' remuneration

	Company		Consolidated	
	2008	2007	2008	2007
	\$	\$	\$	\$
Audit services				
Auditors of the Company				
<i>KPMG Australia</i>				
Audit of financial reports	242,150	321,000	331,950	398,600
Other services				
Auditors of the Company				
<i>KPMG Australia</i>				
Other assurance services	62,125	58,283	73,525	69,193
Other auditors				
Audit of financial reports (managed funds)	108,193	112,197	108,193	112,197
	<u>412,468</u>	<u>491,480</u>	<u>513,668</u>	<u>579,990</u>

Fees for services rendered by the entity's auditor in relation to the statutory audit are borne by the ultimate parent company, Suncorp-Metway Ltd.

Fees for services rendered by the auditors in relation to the audit of the EasySuper and Superplan managed funds are paid by the Company.

27. Contingent assets and liabilities

(a) Contingent assets

There are claims and possible claims made by the Company against external parties, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The Company does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position. The directors are of the opinion that the receivables are not required in respect of these matters, as it is not probable that future economic benefits will eventuate or the amount is not capable of reliable measurement.

Litigation

The Company is making a claim for payments made to a third party for which the likely success of the claim is considered probable. In the directors' opinion, disclosure of any further information about the above matter would be prejudicial to the interests of the Company.

(b) Contingent liabilities

There are outstanding court proceedings, claims and possible claims against the Company, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The Company does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Details of contingent liabilities for which no provisions are included in these financial reports are as follows:

Derivative instruments

In the ordinary course of business, the Company enters into various types of investment contracts, including derivative positions, that can give rise to contingent liabilities. It is not expected that any significant liability will arise from these types of transactions as any losses or gains are offset by corresponding gains or losses on the underlying exposures.

Tax consolidation

The Company and its wholly owned controlled entities are members of a tax-consolidated group, and are jointly and severally liable for the income tax obligations of that group in the event that the head entity of the group defaults in its payment obligations to the Australian Tax Office. The tax sharing agreements have effect to limit this joint and several liability to an amount relative to its contribution to group profit. The head entity has not been in default of its payment obligations and the directors are of the opinion that the probability of default is remote.

Litigation

The Company has been advised of a potential claim by a third party for which a likely settlement by the Company is not considered remote. The directors do not expect the outcome of any such claim to have a material effect on the consolidated entity's financial position and, in the directors' opinion, disclosure of any further information about the above matter would be prejudicial to the interests of the Company.

28. Summary of shareholder's interests

	Statutory Funds		Shareholder Fund		Total Interests	
	2008	2007	2008	2007	2008	2007
	\$m	\$m	\$m	\$m	\$m	\$m
Operating profit after income tax	62.0	72.9	8.8	1.0	70.8	73.9
Shareholders' retained profits at the beginning of the financial year	168.9	143.9	60.1	61.2	229.0	205.1
Transfers of profits between funds	(17.3)	(47.9)	17.3	47.9	-	-
Dividends paid	-	-	(61.0)	(50.0)	(61.0)	(50.0)
Shareholders' retained profits at the end of the financial year	213.6	168.9	25.2	60.1	238.8	229.0
Share capital (note 22)	-	-	39.0	39.0	39.0	39.0
Capital transfers to statutory funds	29.8	29.8	(29.8)	(29.8)	-	-
Total shareholder's equity (note 34(d),(e))	243.4	198.7	34.4	69.3	277.8	268.0
<i>Components of shareholder's interests in statutory funds:</i>						
Shareholders' retained profits - participating business	74.1	55.5				
Shareholders' retained profits - non-participating business	139.5	113.4				
Shareholder's capital	29.8	29.8				
	<u>243.4</u>	<u>198.7</u>				

Shareholders' access to the retained profits and shareholder's capital in the statutory funds is restricted to the extent that these monies are required to meet Solvency and Capital Adequacy Standards under the *Life Act*.

29. Reconciliation to *Life Act* operating profits and retained profit of statutory funds

(a) Allocation of operating profit

The general principles adopted in the allocation of operating profit to participating policy owners and the shareholder, which are in accordance with the *Life Act* and the Company's Articles of Association, are as follows:

Participating business

All profits, including net investment returns on policy owners' retained profits and shareholder participating retained profits are allocated 80 percent to policy owners and 20 percent to the shareholder.

Non-participating business

All profits, including net investment returns on shareholder capital and shareholder non-participating retained profits, are allocated to the shareholder.

(b) Distribution of retained profits

The general principles adopted in the distribution of retained profits to participating policy owners and the shareholder in accordance with the requirements in Section 62 of the *Life Act* are as follows:

Shareholder's retained profits in a statutory fund may be transferred to the shareholder fund subject to the statutory fund's capital requirements being maintained and the shareholder's retained profits from participating business being at least 25 percent of policy owners' retained profits.

Distributions of profits to participating policy owners are made in the form relevant to the type of policy. Conventional business profits are distributed by way of reversionary and terminal bonuses and investment account business profits are distributed by way of crediting interest to policy owners.

Bonuses and interest credits for individual product lines are determined by the Company on the principle of the equitable treatment of participating policy owners.

(c) Details of operating profits

	Policy owners' interests		Shareholder's interests		Total Statutory Funds	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Operating profit after income tax	-	-	62.0	72.9	62.0	72.9
Bonuses provided for or paid in the current period:						
interim & terminal bonus on claims paid	4.7	6.4	-	-	4.7	6.4
declared bonus on in force policies	64.1	185.5	-	-	64.1	185.5
Decrease in policy owner retained profits	74.9	(48.2)	-	-	74.9	(48.2)
Life Act operating profit after income tax	143.7	143.7	62.0	72.9	205.7	216.6
<i>Sources of the operating profit:</i>						
From non-investment linked business:						
participating business	143.7	143.7	35.9	35.9	179.6	179.6
non-participating business	-	-	21.9	26.1	21.9	26.1
From investment linked business:						
non-participating business	-	-	4.2	10.9	4.2	10.9
	143.7	143.7	62.0	72.9	205.7	216.6

29. Reconciliation to *Life Act* operating profits and retained profit of statutory funds
(continued)

(d) Details of retained profits

	Policy owners' interests		Shareholder's interests		Total Statutory Funds	
	2008	2007	2008	2007	2008	2007
	\$m	\$m	\$m	\$m	\$m	\$m
Retained profits at the beginning of the financial year	-	-	168.9	143.9	168.9	143.9
Liability for unvested policyowner benefits (note 20(e))	222.0	270.2	-	-	222.0	270.2
Life Act retained profits at the beginning of the financial year	222.0	270.2	168.9	143.9	390.9	414.1
Life Act operating profit after income tax	143.7	143.7	62.0	72.9	205.7	216.6
Transfer to shareholder's fund from participating business (note 28)	-	-	(17.3)	(47.9)	(17.3)	(47.9)
Provision for bonuses to participating policy owners	(68.8)	(191.9)	-	-	(68.8)	(191.9)
Life Act retained profits at the end of the financial year	296.9	222.0	213.6	168.9	510.5	390.9
Policy owner retained profits at the end of the financial year	(296.9)	(222.0)	-	-	(296.9)	(222.0)
Retained profits at the end of the financial year	-	-	213.6	168.9	213.6	168.9
<i>Components of Life Act retained profits at the end of the financial year:</i>						
Policy owners' interests	296.9	222.0	-	-	296.9	222.0
Shareholder's interests in participating business	-	-	74.1	55.5	74.1	55.5
Shareholder's interests in non-participating business	-	-	139.5	113.4	139.5	113.4
	296.9	222.0	213.6	168.9	510.5	390.9

30. Solvency requirements of the statutory funds

Distribution of the retained profits of the statutory funds is limited by the prudential capital requirements of Part 5 of the *Life Act*, the detailed provisions of which are specified by APRA Prudential Standards. The Solvency Standard prescribes a minimum level of assets, known as the solvency requirement, for each statutory fund of the Company. The solvency requirements, and the ratios in respect of those requirements, are as follows:

		Statutory Fund No.1		Statutory Fund No.2		Total Statutory Funds	
		2008	2007	2008	2007	2008	2007
		\$m	\$m	\$m	\$m	\$m	\$m
Solvency requirement	'A'	2,792.2	3,022.6	1,619.8	1,968.1	4,412.0	4,990.7
<i>Represented by:</i>							
Minimum termination value		2,369.7	2,334.6	1,578.8	1,885.8	3,948.5	4,220.4
Other liabilities		148.3	246.2	18.3	51.9	166.6	298.1
Solvency reserve	'B'	274.2	441.8	22.7	30.4	296.9	472.2
		2,792.2	3,022.6	1,619.8	1,968.1	4,412.0	4,990.7
Assets available for solvency reserve	'C'	679.0	898.4	57.0	83.9	736.0	982.3
<i>Comprising:</i>							
Excess of gross policy liabilities (includes policy owner bonuses) over minimum termination value		187.1	546.9	8.6	14.7	195.7	561.6
Net assets		195.0	129.5	48.4	69.2	243.4	198.7
Liability for policy owner retained profits at end of year		296.9	222.0	-	-	296.9	222.0
		679.0	898.4	57.0	83.9	736.0	982.3
Solvency reserve %	(B/(A-B)) x 100	10.9%	17.1%	1.4%	1.6%	7.2%	10.5%
Coverage of solvency reserve	C/B	2.5	2.0	2.5	2.8	2.5	2.1

The minimum termination value is determined in accordance with the Solvency Standard and is the base figure upon which reserves against liability and asset risks are layered in determining the solvency requirement. The minimum termination value represents the minimum obligation of the Company to policy owners at reporting date.

31. Statement of sources of operating profit

	Life Insurance Contracts 2008 \$m	Investment Linked Contracts 2008 \$m	Other Life Investment Contracts 2008 \$m	Total 2008 \$m	Total 2007 \$m
Life Act shareholder's profit in the statutory funds					
The shareholder's operating profit after income tax in the statutory funds is represented by:					
Investment earnings on shareholder's retained profits and capital	(4.3)	(3.9)	-	(8.2)	19.6
Emergence of shareholder's planned profits	47.3	-	-	47.3	36.6
Experience profit (loss)	17.8	-	0.1	17.9	11.6
(Losses Capitalised)/Reversal of capitalised loss	(0.1)	-	-	(0.1)	-
Management services profit	-	5.1	-	5.1	5.1
Life Act shareholders' operating profit after income tax	60.7	1.2	0.1	62.0	72.9
Cumulative losses carried forward at the end of the financial year	1.5	-	-	1.5	1.4
Life Act policy owners' operating profit in the statutory funds					
The Life Act policy owners' operating profit after income tax in the statutory funds is represented by:					
Investment earnings on retained profits	(4.5)			(4.5)	28.1
Emergence of policy owner planned profits	158.1			158.1	124.0
Experience profit/(loss)	(9.9)			(9.9)	(8.4)
Life Act policy owners' operating profit after income tax	143.7	-	-	143.7	143.7

32. Asset restrictions, managed assets and trustee activities

Restrictions on assets

Investments held in the life insurance statutory funds can only be used within the restrictions imposed under the *Life Act* and the Constitution of the Company. The main restrictions are that the assets in a fund can only be used to meet the liabilities and expenses of that fund, to acquire investments to further the business of the fund, or as distributions. Participating policy owners can receive a distribution when solvency requirements are met, whilst shareholders can only receive a distribution when the higher level of capital adequacy requirements are met.

Restrictions on managed investment schemes' funds

Restrictions exist on the ability of the consolidated entity to access funds of the controlled investment schemes. There are no restrictions on the rights of the unitholders to withdraw their investment.

Trustee activities

During the financial year Suncorp Superannuation Pty Ltd, a subsidiary of the Company, acted as licensed trustee in relation to various superannuation policies issued by the Company. Throughout the financial year and up to the date of this report, arrangements are in place to ensure that the activities of Suncorp Superannuation Pty Ltd are managed separately from the life operations of the Company.

33. Segment information

	Consolidated	
	2008	2007
	\$m	\$m
Total revenue (note 8)		
Life insurance activities	(90.3)	900.1
Non-life insurance activities	(803.6)	1,428.8
Elimination of controlled entities	627.6	(1,110.7)
	(266.3)	1,218.2
Operating profit before income tax		
Life insurance activities	20.1	157.0
Non-life insurance activities	5.7	6.4
Elimination of controlled entities	(7.0)	-
	18.8	163.4
Assets		
Life insurance activities	4,886.4	5,533.7
Non-life insurance activities	5,761.4	7,278.6
Elimination of controlled entities	(4,586.0)	(5,221.1)
	6,061.8	7,591.2

The Company operates predominantly within Queensland, New South Wales and Victoria. Non-life insurance activities include the provision of superannuation administration services and funds management products.

34. Statutory funds segment information

(a) Statutory funds information

Details of the separate Statutory Funds established to account for the different types of life insurance business written by the Company are as follows:

Types of Policies Written	Major Products	
<i>No. 1 Statutory Fund</i>		
Fully or partially capital guaranteed, ordinary and superannuation business	Individual:	Whole of Life, Endowment, Term Life, Investment Account, Crisis Care, Disability
	Group:	Group Life, Managed Fund
	Annuities:	Immediate, Deferred
<i>No. 2 Statutory Fund</i>		
Investment-linked ordinary and superannuation business	Individual:	Investment-linked products
	Group:	Investment-linked products
	Annuities:	Investment-linked: Deferred

All policies written and major products are offered within Australia only.

34. Statutory funds segment information (continued)

(b) Abbreviated Income Statement at fund and category level for the year ended 30 June 2008

	Non-Investment Linked Statutory Fund No 1 \$m	Investment Linked Statutory Fund No 2 \$m	Total Statutory Funds \$m	Shareholder Fund \$m
Premium revenue	221.6	3.1	224.7	-
Outwards reinsurance expense	(46.0)	-	(46.0)	-
	175.6	3.1	178.7	-
Investment revenue	(146.8)	(244.6)	(391.4)	4.9
Other revenue	17.8	(1.0)	16.8	24.5
Total revenue	46.6	(242.5)	(195.9)	29.4
Claims expense	(119.9)	-	(119.9)	-
Reinsurance recoveries	30.2	-	30.2	-
	(89.7)	-	(89.7)	-
Operating expenses	(95.2)	(27.2)	(122.4)	(19.9)
(Decrease) in net insurance contract liabilities	256.2	-	256.2	-
Increase (Decrease) in investment contract liabilities	(2.1)	239.4	237.3	-
Increase in policy owner retained profits	(74.9)	-	(74.9)	-
Total operating expenses	(5.7)	212.2	206.5	(19.9)
Operating profit (loss) before income tax	40.9	(30.3)	10.6	9.5
Income tax expense	16.9	34.5	51.4	(0.7)
Profit from ordinary activities after income tax	57.8	4.2	62.0	8.8

34. Statutory funds segment information (continued)

(c) Abbreviated Income Statement at fund and category level for the year ended 30 June 2007

	Non-Investment Linked Statutory Fund No 1 \$m	Investment Linked Statutory Fund No 2 \$m	Total Statutory Funds \$m	Shareholder Fund \$m
Premium revenue	167.7	2.9	170.6	-
Outwards reinsurance expense	(40.3)	-	(40.3)	-
	127.4	2.9	130.3	-
Investment revenue	379.7	287.5	667.2	5.0
Other revenue	14.4	(0.7)	13.7	15.4
Total revenue	521.5	289.7	811.2	20.4
Claims expense	(105.5)	-	(105.5)	-
Reinsurance recoveries	28.2	-	28.2	-
	(77.3)	-	(77.3)	-
Operating expenses	(80.7)	(25.0)	(105.7)	(19.2)
Increase in net insurance contract liabilities	(283.7)	-	(283.7)	-
Increase in investment contract liabilities	(0.6)	(236.3)	(236.9)	-
(Decrease) in policy owner retained profits	48.2	-	48.2	-
Total operating expenses	(394.1)	(261.3)	(655.4)	(19.2)
Operating profit (loss) before income tax	127.4	28.4	155.8	1.2
Income tax expense	(65.4)	(17.5)	(82.9)	(0.2)
Profit from ordinary activities after income tax	62.0	10.9	72.9	1.0

34. Statutory funds segment information (continued)

(d) Abbreviated Balance Sheet at fund and category level for the year ended 30 June 2008

	Non-Investment Linked Statutory Fund No 1 \$m	Investment Linked Statutory Fund No 2 \$m	Total Statutory Funds \$m	Shareholder Fund \$m
Unit trusts	3,024.5	1,585.8	4,610.3	13.5
Total investment assets	3,024.5	1,585.8	4,610.3	13.5
Policy liabilities ceded	78.1	-	78.1	-
Other assets	94.4	68.3	162.7	52.3
TOTAL ASSETS	3,197.0	1,654.1	4,851.1	65.8
Gross policy liabilities	2,556.8	1,587.4	4,144.2	-
Policy owner retained profits	296.9	-	296.9	-
Other liabilities	148.3	18.3	166.6	31.4
TOTAL LIABILITIES	3,002.0	1,605.7	4,607.7	31.4
NET ASSETS	195.0	48.4	243.4	34.4
Share capital	-	-	-	39.0
Capital transfers	5.2	24.6	29.8	(29.8)
Retained profits	189.8	23.8	213.6	25.2
TOTAL EQUITY	195.0	48.4	243.4	34.4

(e) Abbreviated Balance Sheet at fund and category level for the year ended 30 June 2007

	Non-Investment Linked Statutory \$m	Investment Linked \$m	Total Statutory \$m	Shareholder Fund \$m
Unit trusts	3,121.6	1,844.6	4,966.2	12.9
Total investment assets	3,121.6	1,844.6	4,966.2	12.9
Policy liabilities ceded	77.8	-	77.8	-
Other assets	279.8	177.0	456.8	87.9
TOTAL ASSETS	3,479.2	2,021.6	5,500.8	100.8
Gross policy liabilities	2,881.5	1,900.5	4,782.0	-
Policy owner retained profits	222.0	-	222.0	-
Other liabilities	246.2	51.9	298.1	31.5
TOTAL LIABILITIES	3,349.7	1,952.4	5,302.1	31.5
NET ASSETS	129.5	69.2	198.7	69.3
Share capital	-	-	-	39.0
Capital transfers	5.2	24.6	29.8	(29.8)
Retained profits	124.3	44.6	168.9	60.1
TOTAL EQUITY	129.5	69.2	198.7	69.3

35. Controlled entities

	Country of Incorporation	Class of Share	2008 %	2007 %
Suncorp Life & Superannuation Limited	Australia	Ordinary		
Subsidiaries ⁽¹⁾				
SIP Super Pty Ltd	Australia	Ordinary	100	100
Suncorp Financial Services Pty Ltd	Australia	Ordinary	100	100
Suncorp Superannuation Pty Ltd	Australia	Ordinary	100	100

Managed investment schemes

The company deems control to exist where it owns at least 50% of the issued units in managed investment schemes. The consolidated entity had recognised control for the following during the year ended 30 June 2007 and control continues to be recognised:

	2008 %	2007 %
Suncorp Investment Management Global Macro Tactical Asset Allocation Trust ⁽²⁾	66	65
Suncorp Investment Management Australian Property Trust ⁽³⁾	71	75
Suncorp Investment Management Australian Equities Trust ⁽⁴⁾	83	74
Suncorp Investment Management Australian Fixed Interest Trust	92	90
Suncorp Investment Management World Equities Trust ⁽⁵⁾	61	63
Suncorp Investment Management Australian Cash Trust ⁽⁶⁾	84	76
Suncorp Investment Management World Fixed Interest Trust	94	92
Controlled entities of Suncorp Investment Management World Fixed Interest Trust		
- Suncorp Investment Management Mortgage Backed Trust	91	88
Suncorp Investment Management Imputation Trust ⁽⁷⁾	53	55

Notes

(1) These investments form part of the investment assets.

(2) Suncorp Life & Superannuation Limited holds a 65.94% (2007: 65.40%) interest, GIO General Limited holds a 14.33% (2007: 13.57%) interest and Suncorp-Metway Insurance Ltd holds a 16.24% (2007: 17.49%) interest in the Suncorp Investment Management Global Macro Tactical Asset Allocation Trust.

(3) Suncorp Life & Superannuation Limited holds a 70.80% (2007: 74.97%) interest, GIO General Limited holds a 9.93% (2007: 6.83%) interest and Suncorp-Metway Insurance Ltd holds a 0.31% (2007: 0.60%) interest in the Suncorp Investment Management Australian Property Trust.

(4) Suncorp Life & Superannuation Limited holds a 83.31% (2007: 73.74%) interest, GIO General Limited holds a nil (2007: 2.36%) interest and Suncorp Metway Insurance Ltd holds a nil (2007: 2.81%) interest in the Suncorp Investment Management Australian Equities Trust.

(5) Suncorp Life & Superannuation Limited holds a 60.80% (2007: 63.41%) interest, GIO General Limited holds a 7.17% (2007: 6.98%) interest and Suncorp Metway Insurance Ltd holds a 7.96% (2007: 6.15%) interest in the Suncorp Investment Management World Equities Trust.

(6) Suncorp Life & Superannuation Limited holds a 83.69% (2007: 75.51%) interest, Suncorp Metway Insurance Ltd holds a 10.45% (2007: 17.37%) interest and Suncorp Metway Investment Management Limited holds a nil (2007: 0.1%) interest in the Suncorp Investment Management Australian Cash Trust.

(7) Suncorp Life & Superannuation Limited holds a 53.16% (2007: 54.52%) interest in the Suncorp Investment Management Imputation Trust.

36. Related parties

(a) Key management personnel compensation

Key management personnel ("KMP") compensation is provided by the ultimate parent company, 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:

	Company		Consolidated	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employee benefits	18,309,773	18,620,419	18,309,773	18,620,419
Long-term employee benefits	314,940	106,953	314,940	106,953
Post-employment benefits	814,333	526,210	814,333	526,210
Termination benefits	1,050,000	1,225,000	1,050,000	1,225,000
Equity compensation benefits	7,182,809	7,315,349	7,182,809	7,315,349
	<u>27,671,855</u>	<u>27,793,931</u>	<u>27,671,855</u>	<u>27,793,931</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 financial results 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.

Other key management personnel transactions

Transactions with directors and executives are conducted on arm's length terms and conditions, and are deemed trivial or domestic in nature. These transactions are in the nature of personal investment and life 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 Company during the reporting period, and there were no material contracts involving directors or a director related entity subsisting at the end of the reporting period.

Identity of related parties

The consolidated entity has a related party relationship with its subsidiaries (see note 35), its key management personnel (refer to disclosures for key management personnel on preceding pages) and other entities within the wholly-owned group (which consists of Suncorp-Metway Ltd and its wholly owned subsidiaries). The immediate parent entity and the ultimate parent entity in the wholly-owned group is Suncorp-Metway Ltd.

Other related parties

Key management personnel related parties

A number of key management personnel hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with the other related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

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 Suncorp Group. These services are provided under normal terms and conditions.

36. Related parties (continued)

Other related party transactions

Transactions between the Company and related parties in the wholly owned group consisted of advances made and repaid, 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.

The aggregate amounts included in the determination of profit before tax that resulted from transactions with related parties are:

	Company	
	2008 \$m	2007 \$m
Distribution fee income:		
controlled entities	(1.7)	(1.4)
	<u>(1.7)</u>	<u>(1.4)</u>
Management fee income:		
controlled entities	(0.9)	(1.2)
controlled entities of the parent entity	(12.8)	(14.1)
distributions from controlled unit trusts	(281.3)	(577.7)
	<u>(295.0)</u>	<u>(593.0)</u>
Administration expenses:		
parent entity	48.8	53.1
controlled entity	3.8	5.0
controlled entities of the parent entity	20.1	19.2
	<u>72.7</u>	<u>77.3</u>
Investment expenses:		
parent entity	1.2	0.9
	<u>1.2</u>	<u>0.9</u>
Dividends paid or due and payable		
controlled entity	7.0	-
	<u>7.0</u>	<u>-</u>

The aggregate amounts receivable from, and payable to, in each class of related parties at balance date are as follows:

	Company	
	2008 \$m	2007 \$m
Loans, advances and other receivables:		
parent entity (note 15)	4.3	-
controlled entities of the ultimate parent entity (note 15)	16.0	17.0
controlled entities (note 15)	1.0	1.3
parent entity - transfer of provision of current income tax under tax sharing agreement (note 15)	8.3	-
controlled unit trusts - distributions receivable	58.1	278.3
	<u>87.7</u>	<u>296.6</u>
Deposits and short term borrowings:		
parent entity (note 19)	19.4	21.2
parent entity - transfer of provision of current income tax under tax sharing agreement (note 19)	48.0	33.0
controlled entities of the ultimate parent entity (note 19)	0.6	-
controlled entities (note 19)	2.0	1.4
	<u>70.0</u>	<u>55.6</u>

37. Subsequent events

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 consolidated entity, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

In the opinion of the Directors of Suncorp Life & Superannuation Limited ("the Company"):

- (a) the financial statements and notes, set out on pages 7 to 65, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2008 and of their performance, for the financial 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:

Dated at Brisbane this 26th August 2008



John D Story
Chairman



John F Mulcahy
Managing Director

In accordance with the requirements of the *Life Insurance Act 1995* ("the *Life Act*"), I state that in my opinion:

- (a) the value of the policy liabilities and the solvency of Suncorp Life & Superannuation Limited ("the Company") have been determined using methods and assumptions consistent with the Actuarial Standards;
- (b) the allocation and distribution of the profits of the statutory funds of the Company have been made in accordance with Division 5 and 6 of Part 4 of the *Life Act* and the Constitution of the Company; and
- (c) proper records have been kept by the Company from which its policy liabilities and solvency have been able to be properly determined.



Rowan T Ward
Appointed Actuary
Suncorp Life & Superannuation Limited

Brisbane
26 August 2008



Independent auditor's report to the members of Suncorp Life & Superannuation Limited

Report on the financial report

We have audited the accompanying financial report of Suncorp Life & Superannuation Limited ("the Company"), which comprises the balance sheets as at 30 June 2008, 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 1 to 37, and the directors' declaration set out on pages 7 to 66 of the Consolidated Entity 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, 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 Consolidated Entity'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 Suncorp Life & Superannuation Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2008 and of their performance for the financial 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.

KPMG

Dr Andries B Terblanché

Partner

Brisbane

26 August 2008



Suncorp Life and Superannuation Limited
A.B.N. 87 073 979 530
Level 18, 36 Wickham Terrace,
Brisbane, Qld 4000

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COPY

Andries Terblanché
KPMG
GPO Box 223
Brisbane, Qld 4001

26 August 2008

Dear Sir

Representation letter - audit of financial report for period to 30 June 2008

This representation letter is provided in connection with your audit of the annual financial report of Suncorp Life and Superannuation Limited (the Company) and the annual consolidated financial report of the group comprising Suncorp Life and Superannuation Limited and its controlled entities listed in Appendix One (the Group) for the purpose of expressing an opinion as to whether the financial report is prepared in accordance with Australian Accounting Standards, the Corporations Act 2001 and other mandatory reporting requirements in Australia. The financial report comprises the balance sheets as at 30 June 2008, and the income statements, statements of recognised income and expense and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes (financial report).

We acknowledge our responsibility for the preparation and true and fair presentation of the financial report in accordance with applicable Australian Accounting Standards and the Corporations Act 2001 and that this responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and true and fair presentation of financial reports which are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Certain representations in this letter are described as being limited to matters that are material. We understand that omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial report. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

We have made appropriate inquiries of directors and officers of the Group with the relevant knowledge and experience. Accordingly, we confirm, to the best of our knowledge and belief, the following representations:

General

- 1 The financial report referred to above is a true and fair presentation, in all material respects, in accordance with applicable Australian Accounting Standards, the Corporations Act 2001 and other mandatory professional reporting requirements in Australia.
- 2 In adopting the appropriate Australian Accounting Standards, accounting policies and disclosures for preparation of the financial report we have considered the substance of the underlying transactions as well as their form. All material and/or contentious issues which management or the directors have discussed in the course of preparing the financial report and the resolution of such issues have been discussed with you.
- 3 All financial records and related data have been made available for inspection. All material transactions have been properly recorded in the accounting records underlying the financial report.
- 4 We understand that the term "fraud" includes misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Misstatements resulting from fraudulent financial reporting involve intentional misstatements or omissions of amounts or disclosures in financial reports to deceive financial report users. Misstatements resulting from misappropriations of assets involve the theft of an entity's assets, often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.
- 5 We have disclosed to you the results of management's assessment of the risk that the financial report may be materially misstated as a result of fraud.
- 6 Except as disclosed to you, there have been no:
 - known actual or possible non-compliance with laws or regulations, that could have a material effect on the financial report in the event of non-compliance;
 - frauds or suspected frauds known to management that may have affected any entity in the Group involving:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial report;
 - allegations of fraud, or suspected fraud, affecting the Group's financial report communicated by employees, former employees, regulators or others;
 - communications from regulatory authorities concerning non-compliance with, or deficiencies in, financial reporting practices.

- 7 The estimated financial effect of pending or threatened litigation and claims against the Group has been properly recorded or disclosed in the financial report. Except as disclosed in the notes to the financial report, we are not aware of any additional claims that have been or are expected to be received that could have a material effect on the financial report.
- 8 We acknowledge that KPMG has advised management that there are no uncorrected misstatements that they became aware of as a result of their audit.
- 9 The financial report discloses all of the matters of which we are aware that are relevant to the Group's ability to continue as a going concern, including significant conditions and events and our plans.
- 10 Except as discussed with you, and disclosed in the financial report as appropriate, there have been no changes in the Group's operations subsequent to balance sheet date, through to the date of this letter that impact the financial report.
- 11 We confirm that significant assumptions used in forming the accounting estimates recorded in the financial report are reasonable.

Assets and liabilities

- 12 The Group has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities. We believe the carrying value of all material assets will be recoverable.
- 13 Presentation and disclosure of the fair value measurements are in accordance with Australian Accounting Standards. The assumptions used reflect our intent and ability to carry out specific courses of action on behalf of the Company and the Group where relevant to the fair value measurements or disclosures.
- 14 Receivables reported in the financial report represent valid claims against debtors for sales or other charges arising on or before reporting date and appropriate provisions have been made in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* for losses that have been incurred on uncollectible receivables.
- 15 The financial report includes all cash and bank accounts and all assets of the Group required to be included in accordance with Australian Accounting Standards. There were no material deficiencies or encumbrances attaching to the title of the Group's assets at year end other than those reflected in the financial report.
- 16 We have assessed the useful lives of all assets, and believe they are appropriate. We have considered whether there are any impairment indicators for other non-current assets. Where there is an impairment indicator we have estimated the recoverable amount of those assets. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is

written down to the lower value. In assessing recoverable amounts using a value in use calculation, the relevant cash flows have been discounted to their present value in accordance with AASB 136 *Impairment of Assets*.

- 17 We have recorded or disclosed, as appropriate, all known liabilities, both actual and contingent, in the financial report in accordance with AASB 139 and AASB 7 *Financial Instruments: Disclosures*. Financial guarantees have been recognised and disclosed in accordance with AASB 139 and AASB 7 and contingent non-financial guarantees have been disclosed in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.
- 18 Information relating to the Group's exposures to risk arising from financial instruments and how those exposures arise, including a description of our objectives, policies and processes for managing the risk arising from financial instruments and the methods used to measure this risk, has been appropriately disclosed in the financial report, as required by AASB 7.

In addition, the above disclosures include summary quantitative data on each type of risk arising from financial instruments, information on concentrations of risk and a description of how such concentrations are determined, including sensitivity analysis. Further, the quantitative data disclosed are representative of the Group's exposure to risks arising from financial instruments during the period.

- 19 Key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, including:
 - major assumptions concerning future events affecting classes of provisions, as required in specified circumstances by AASB 137; and
 - significant assumptions applied in estimating fair values of financial assets and liabilities that are carried at fair value, as required by AASB 7.
- 20 There were no material contractual commitments for capital or other expenditure at year end not included in the financial report.
- 21 The deferred tax asset recognised in respect of unused tax losses has been determined pursuant to the provisions of AASB 112 *Income Taxes*. The Group's estimation of future taxable income is adequate to support the probable recovery of this asset.
- 22 AASB 112 tax-planning opportunities used in supporting the probable recoverability of deferred tax assets arising from unused tax losses are prudent and feasible strategies that would, if necessary, be implemented.

- 23 The Group has the ability and the intent to recover, in a tax-free manner, assets (or liabilities) with book/tax basis differences for which no deferred taxes have been provided in accordance with the provisions of AASB 112.
- 24 Our intentions to use or sell our assets have been accurately reflected in the associated deferred tax asset and liability balances. Temporary differences that have not been tax-effected in accordance with the provisions of AASB 112 are not expected to reverse in the foreseeable future.
- 25 The calculations of current and deferred tax expense/benefit and related current and deferred tax assets and liabilities have been determined based on appropriate provisions of applicable enacted or substantively enacted tax laws and regulations.
- 26 We have not received any advice or opinion that contradicts the Group's accounting treatments and disclosures presented in the financial report including, but not limited to, matters related to income taxes or litigation.
- 27 When we have based our position on tax exposure items on an opinion issued by a qualified third-party tax advisor, we have provided you access to the third-party tax advisor's opinion.
- 28 Adequate provision has been made for any material loss to be sustained as a result of onerous contracts.
- 29 Except as disclosed in the financial report, there are no:
 - other gain or loss contingencies or other liabilities that are required to be recognised or disclosed in the financial report, including liabilities or contingencies arising from environmental matters, illegal or possible illegal acts, or possible violations of human rights legislation; or
 - other environmental or legal matters that may have a material impact on the financial report.

Other

- 30 Revenue has been appropriately recognised in accordance with AASB 118 *Revenue*. There are no side agreements or continuing management involvement that would indicate that the recognition of any revenues is inappropriate.
- 31 The following have been properly recorded and, when appropriate, adequately disclosed in the financial report either where required by Law or applicable Accounting Standards or where such disclosure is necessary for the true and fair presentation of the financial report:
 - Guarantees, whether written or oral, under which the entity is contingently liable;

- Agreements and options to buy back assets previously sold; and
- Related party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

We confirm the completeness of the information provided to you regarding the identification of related parties and regarding transactions with such parties that are material to the financial report.

- 32 The Group has not entered into any arrangement or agreement whereby it has directly or indirectly given financial assistance to another party for the purpose of, or in connection with, the acquisition of shares in the company, except as permitted by Section 260A and Part 2J.1 Division 2 of the Corporations Act 2001.
- 33 The Group has an established procedure whereby an officer reviews at least annually the adequacy of insurance cover on all assets and insurable risks. This review has been performed and, where it is considered appropriate, assets and insurable risks of the Group are adequately covered by insurance.
- 34 The financial report properly discloses the details of share capital in respect of which options are outstanding and that all movements in contributed equity have been appropriately accounted for and disclosed.
- 35 We have assessed our investments in subsidiaries and believe they have been appropriately recorded and disclosed in the financial report in accordance with AASB 127 *Consolidated and Separate Financial Statements*.
- 36 In accordance with AASB 121 *The Effects of Changes in Foreign Exchange Rates* we have considered which currency reflects the economic substance of the underlying events and circumstances relevant to the Company and each entity in the Group (the functional currency). We have considered the currency in which the financial report is presented (the presentation currency) and have chosen this to be Australian dollars.
- 37 The minutes of shareholders', directors', other board committees and audit committee meetings, and where applicable, summaries of actions of meetings held after period end for which minutes have not been prepared or made available to you are a complete and authentic record of all meetings since 1 July 2007 to the date of this letter.

All other statutory records were properly kept during the period. All matters arising from directors' meetings, audit committee meetings, other committee meetings and shareholders' meetings which impact on the financial report have been adequately disclosed therein.

- 38 Throughout the period the Group has conformed with the requirements of its debt agreements, including all financial and non-financial covenants.
- 39 Records maintained during the period were in accordance with the Australian Tax Office requirements and any other relevant legislative requirements.
- 40 There are no off-balance sheet activities, including transactions with special purpose entities, which have not been properly recorded and, where appropriate, adequately disclosed in the financial report.
- 41 The Group has accounted for its derivatives and hedging activities in accordance with Australian Accounting Standards including, where hedge accounting has been adopted, the requirement for contemporaneous documentation of the hedging relationship and the Group's risk management objectives and strategy for entering into the hedge as well as initial and periodic effectiveness assessments. The estimate of fair value of derivative instruments is in accordance with AASB 139. All derivatives have been identified and included in the accounting records.
- 42 There were no open put or call options related to assets or liabilities (or potential assets or liabilities) of material significance to the Group which could if exercised have a material effect on the carrying amount of assets and liabilities and the profit and loss result for the period.

Publication on website

- 43 We acknowledge that we will not publish the audit report on the financial report on our website.

Policyholders' interests

Life Insurance

- 44 We acknowledge our responsibility for the true and fair presentation of the financial report in accordance with applicable APRA Life Prudential Standards and the appropriate disclosures of all information required by statute.
- 45 There have been no changes in the design of the measures and internal controls relating to compliance with APRA Life Prudential Standards and other statutory requirements, or breakdowns in operation of those measures and policies that would have a material effect on the audit report, except as disclosed to KPMG.

Appendix 1: Controlled entities of Suncorp Life and Superannuation Limited

Controlled entities of Suncorp Life & Superannuation Limited

SIP Super Pty Ltd

Suncorp Financial Services Pty Ltd

Suncorp Superannuation Pty Ltd

Suncorp Investment Management Australian Cash Trust ⁽¹⁾

Suncorp Investment Management Australian Equities Trust ⁽¹⁾

Suncorp Investment Management Australian Fixed Interest Trust ⁽¹⁾

Suncorp Investment Management Global Macro Tactical Asset Allocation Trust ⁽¹⁾

Suncorp Investment Management Imputation Trust ⁽¹⁾

Suncorp Investment Management Property Securities Trust ⁽¹⁾

Suncorp Investment Management World Equities Trust ⁽¹⁾

Suncorp Investment Management World Fixed Interest Trust ⁽¹⁾

Controlled entities of Suncorp Investment Management World Fixed Interest Trust

Suncorp Investment Management Mortgage Backed Trust ⁽¹⁾

Notes

(1) Entities are not 100% owned by the Consolidated entity.

Assets

- 46 Adequate provision has been made for allowances which may be given and for losses which may be sustained in connection with the collection of premium debtors and amounts owing from reinsurance contracts.

Liabilities

- 47 Adequate provision has been made for claims notified and in the process of settlement.
- 48 All information relating to the performance of reinsurance contracts entered into by the insurers, whether or not included in the slip/contract and whether or not entered into by the insurers or another related entity, have been appropriately accounted for.
- 49 Policy liabilities have been valued in accordance with Actuarial Standard 1.04 "Valuation of Policy Liabilities".
- 50 Appropriate procedures have been undertaken to ensure that the data on which the policy liability valuation is based is materially accurate.

Other

- 51 All reinsurance arrangements have been accounted for in accordance with the substance of the transactions as agreed with the reinsurer and are supported by signed, up to date contracts. There is no reason to believe that any reinsurer will be unable to meet its obligations as they fall due. There are no side letters or other supplementary changes to the reinsurance agreements, which change the substance of how such agreements have been treated in the financial statements of the Insurers.

Yours faithfully



John D Story
Chairman



John F Mulcahy
Managing Director