AAI Limited and subsidiaries ABN 48 005 297 807

General purpose financial report

for the full year ended 30 June 2013

AAI Limited is a company limited by shares, incorporated and domiciled in Australia.
Its registered office is:

Level 18
36 Wickham Terrace
Brisbane, QLD 4000
Australia

A description of the nature of the Company's operations and its principal activities is included in the directors' report on pages 1 to 4, which is not part of the financial report.

One Company
Many Brands

SUNCORP GROUP

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Directors' report

The directors present their report together with the financial report of AAI Limited (the "Company", formerly known as Vero Insurance Limited) and of the Group, being the Company and its subsidiaries and the Group's interest in jointly controlled entities, for the financial year ended 30 June 2013 and the auditor's report thereon.

Directors

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

Non-executive	
Dr Zygmunt E Switkowski (Chairman)	Director since 2007, appointed Chairman 27 October 2011
Ilana R Atlas	Director since 2011
William J Bartlett	Director since 2007
Michael A Cameron	Director since 2012
Audette E Exel	Director since 2012
Ewoud J Kulk	Director since 2003
Dr Douglas F McTaggart	Director since 2012
Geoffrey T Ricketts	Director since 2003
Executive	
Patrick J R Snowball	Director since 2009

Principal activities

The principal activities of the Group during the course of the financial year were the underwriting of general insurance and managing the returns of insurance and non-insurance funds marketed. The Company uses a portfolio of brands strategy to distribute products directly and through intermediated channels, including market leading brands AAMI, GIO, Suncorp and Vero, as well as niche brands Apia, Bingle, CIL, Insure My Ride, Just Car Insurance, Shannons, Terri Scheer and Resilium.

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

Operating and financial review

Operations

Consolidated profit after tax for the year ended 30 June 2013 was $812.0 million compared to $438.0 million for the year ended 30 June 2012.

The consolidated insurance trading result (ITR) was $888.5 million for the year to 30 June 2013 compared to $461.8 million for the year to 30 June 2012, providing an insurance trading ratio for the current year of 13.4% (2012: 7.4%).

Net earned premium increased by $366.7 million or 5.9%. This was primarily attributed to continued growth in gross written premium, achieving 7.1% growth for the year with increases across all product lines. Slightly offsetting this growth was an increase in outwards reinsurance expense, primarily attributed to the purchase of the Queensland Home Quota Share Treaty and additional coverage of the main catastrophe programme.

Net incurred claims decreased by 10% and benefited from lower natural hazard events compared to the prior year as well as higher reinsurance recoveries as a result of the placement of the Queensland Home Quota Share Treaty.

Investment income on insurance funds was lower as a result of the low interest rate environment continuing to drive decreases in the underlying yield on the portfolio. Whilst narrowing of credit spreads and falls in the risk-free rate did provide some benefit to the result, the moves were not as large as in the prior year. Investment income on shareholder's funds benefited from the decision to invest in domestic and international equities.

Significant change in the state of affairs

On 2 May 2013, the Suncorp Group received Federal Court approval to consolidate the business of its five authorised general insurers. The Company entered into concurrent Schemes of Arrangement (under Division 3A of Part III of the Insurance Act) to transfer the insurance assets and liabilities of the following entities to the Company as at 1 July 2013:

- Suncorp Metway Insurance Limited ("SMIL")
- GIO General Limited ("GIOG")
- Australian Associated Motor Insurers Limited ("AAMI")
- Australian Alliance Insurance Company Limited ("AAIC")

The consolidation process has involved both the transfer of the Australian general insurance assets and liabilities to the Company at carrying value effective 1 July 2013, as well as an internal restructure of its general insurance operations to reduce the number of business entities operating and regulated in Australia.

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

Environmental regulation

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

Dividends and capital transactions

The directors have declared a final dividend in respect of 2013 financial year of $342.8 million to be paid on or before 26 September 2013. A final dividend of $348.0 million ($1.10 per share) was declared and paid in September 2012 in respect of the 2012 financial year. An interim dividend of $470.0 million ($1.48 per share) was paid in April 2013 (2012: $67.9 million or 22 cents per fully paid share).

Further details of dividends paid are set out in the note 29 to the financial statements.

In September 2012, the Company issued 16.5 million shares in return for cash of $165.0 million for capital management purposes (2012: nil). In the prior year, there was a repurchase of 10.4 million shares at a cost of $104.0 million as part of the Company's capital strategy to operate at a more efficient level of capital. There were no share repurchases during the current year.

Further details of equity transactions are set out in the note 28 to the financial statements.

Events subsequent to reporting date

Effective 1 July 2013, the Company executed the abovementioned court approved concurrent Schemes of Arrangement to consolidate the business of its five authorised general insurers. As a result of these transactions, the Australian general insurance assets and liabilities of SMIL, GIOG, AAMI and AAIC were transferred to the Company. This involved the repurchase of 105,664,124 shares totalling $1,056.6 million and dividends from the subsidiaries concerned totalling $1,260.9 million, effective 1 July 2013.

In conjunction with the declaration of the final dividend, on 21 August 2013, the directors approved the repurchase of $92.0 million in share capital to be paid on or before 26 September 2013.

Other than stated above, 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 Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely developments

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

Indemnification and insurance of officers

Indemnification

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

Insurance premiums

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

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the financial year ended 30 June 2013.

Rounding off

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998, and in accordance with the Class Order, amounts in the financial report and directors' report have been rounded to the nearest one hundred thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors.

Dr Zygmunt E Switkowski	Patrick J R Snowball
Director	Managing Director

21 August 2013

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

To: the directors of AAI Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 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

Paul Ruiz
Partner

Brisbane
21 August 2013

	Notes	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Premium revenue	8	7,440.9	6,832.6	1,652.4	1,464.3
Outwards reinsurance premium expense	17	(818.9)	(577.3)	(347.7)	(284.4)
Net premium revenue		6,622.0	6,255.3	1,304.7	1,179.9
Claims expense	9	(5,634.7)	(6,044.0)	(1,107.2)	(1,199.0)
Reinsurance and other recoveries revenue	8	1,092.5	996.4	322.5	194.1
Net claims incurred		(4,542.2)	(5,047.6)	(784.7)	(1,004.9)
Acquisition costs	17	(887.7)	(823.2)	(283.8)	(256.5)
Other underwriting expenses	10	(752.1)	(672.4)	(227.5)	(166.1)
Underwriting expenses		(1,639.8)	(1,495.6)	(511.3)	(422.6)
Other insurance income	8	128.5	44.2	57.0	43.5
Underwriting result		568.5	(243.7)	65.7	(204.1)
Investment income on insurance funds	8	320.0	705.5	56.5	184.9
Insurance trading result		888.5	461.8	122.2	(19.2)
Investment income on shareholders funds	8	296.9	197.3	776.7	326.0
Investment expense on shareholders funds		(25.4)	(19.8)	(6.8)	(5.2)
Other income	8	113.8	99.3	1.3	3.9
Share of net profit of joint venture entities		4.5	6.4	0.1	0.6
Finance costs	11	(37.3)	(66.0)	(29.1)	(27.0)
Other operating expenses	10	(90.2)	(82.8)	(7.8)	(1.0)
Profit before income tax		1,150.8	596.2	856.6	278.1
Income tax (expense) / benefit	12	(338.8)	(158.2)	(69.8)	5.1
Profit for the year		812.0	438.0	786.8	283.2
Other comprehensive income / (loss)					
Items that will not be reclassified to profit or loss:					
Actuarial gains/(losses) on defined benefit plans	23(b)	8.3	(23.9)	8.0	(22.9)
Items that may be reclassified subsequently to profit or loss:					
Net change in fair value of cash flow hedge	32(c)	(10.9)	(0.7)	(10.9)	(0.7)
Income tax benefit on other comprehensive income	12	0.8	7.4	0.9	7.1
Other comprehensive income / (loss) net of income tax		(1.8)	(17.2)	(2.0)	(16.5)
Total comprehensive income for the year		810.2	420.8	784.8	266.7
Profit for the year attributable to:					
Owners of the Company		812.0	436.7	786.8	283.2
Non-controlling interests		-	1.3	-	-
Profit for the year		812.0	438.0	786.8	283.2
Total comprehensive income for the year attributable to:					
Owners of the Company		810.2	419.5	784.8	266.7
Non-controlling interests		-	1.3	-	-
Total comprehensive income for the year		810.2	420.8	784.8	266.7

The statements of profit or loss and other comprehensive income are to be read in conjunction with the accompanying notes.

	Notes	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Current assets					
Cash and cash equivalents	13	123.3	98.0	46.5	51.4
Receivables	14	2,096.4	2,187.9	648.7	858.5
Derivative assets	31	39.4	50.3	22.4	9.5
Investment securities	15	11,579.5	10,904.3	2,971.0	2,836.6
Reinsurance and other recoveries receivable	16	750.2	766.6	270.5	277.3
Deferred insurance assets	17	1,236.0	1,177.1	465.9	411.3
Other assets	18	109.1	115.9	30.1	32.2
Total current assets		15,933.9	15,300.1	4,455.1	4,476.8
Non-current assets					
Receivables	14	200.5	228.2	22.3	22.3
Reinsurance and other recoveries receivable	16	746.1	753.5	225.0	183.6
Investments in joint ventures	19	18.7	20.6	5.7	6.1
Investments in controlled entities		-	-	2,268.5	1,822.2
Deferred tax assets	12	-	-	-	0.4
Investment property	20	-	126.6	-	-
Goodwill and intangible assets	21	1,111.4	1,111.4	11.3	11.3
Total non-current assets		2,076.7	2,240.3	2,532.8	2,045.9
Total assets		18,010.6	17,540.4	6,987.9	6,522.7
Current liabilities					
Derivative liabilities	31	115.6	124.0	77.8	82.3
Payables and financial liabilities	22	1,331.1	1,036.5	640.9	499.3
Employee benefit obligations	23	65.6	76.6	34.8	48.7
Outstanding claims liabilities	24	3,011.6	3,081.7	776.9	782.5
Unearned premium liabilities	25	4,034.9	3,826.8	873.6	981.0
Total current liabilities		8,558.8	8,145.6	2,404.0	2,393.8
Non-current liabilities					
Payables and financial liabilities	22	14.3	41.5	199.2	185.8
Employee benefit obligations	23	20.6	18.3	11.8	11.1
Outstanding claims liabilities	24	5,122.4	5,186.5	1,073.5	1,061.9
Subordinated notes	27	719.8	707.5	487.6	195.2
Deferred tax liabilities	12	22.6	46.2	5.0	-
Total non-current liabilities		5,899.7	6,000.0	1,777.1	1,454.0
Total liabilities		14,458.5	14,145.6	4,181.1	3,847.8
Net assets		3,552.1	3,394.8	2,806.8	2,674.9
Equity					
Share capital		2,409.1	2,244.0	2,408.6	2,243.5
Reserves		(3.3)	4.3	(3.3)	4.3
Retained profits		1,146.3	1,146.5	401.5	427.1
Total equity attributable to owners of the Company		3,552.1	3,394.8	2,806.8	2,674.9
Non-controlling interests		-	-	-	-
Total equity		3,552.1	3,394.8	2,806.8	2,674.9

The statements of financial position are to be read in conjunction with the accompanying notes.

	Notes	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Share capital					
Issued capital					
Balance at the beginning of the financial year		2,243.1	2,347.1	2,243.1	2,347.1
Shares issued		165.0	-	165.0	-
Share buyback		-	(104.0)	-	(104.0)
Balance at the end of the financial year		2,408.1	2,243.1	2,408.1	2,243.1
Share based payments					
Balance at the beginning of the financial year		0.9	0.7	0.4	0.3
Share-based remuneration		0.1	0.2	0.1	0.1
Balance at the end of the financial year		1.0	0.9	0.5	0.4
Total share capital		2,409.1	2,244.0	2,408.6	2,243.5
Reserves					
Hedging reserve					
Balance at the beginning of the financial year		4.3	4.8	4.3	4.8
Effective portion of changes in fair value, net of tax		(7.6)	(0.5)	(7.6)	(0.5)
Balance at the end of the financial year	**32(c)**	(3.3)	4.3	(3.3)	4.3
Retained profits					
Balance at the beginning of the financial year		1,146.5	952.0	427.1	386.7
Profit for the year		812.0	438.0	786.8	283.2
Actuarial gains/(losses) on defined benefit plans, net of tax		5.8	(16.7)	5.6	(16.0)
Dividends to owners	**29**	(818.0)	(226.8)	(818.0)	(226.8)
Balance at the end of the financial year		1,146.3	1,146.5	401.5	427.1

The statements of changes in equity are to be read in conjunction with the accompanying notes.

	Notes	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Cash flows from operating activities					
Premiums received		8,786.3	8,112.2	1,749.9	1,713.7
Reinsurance and other recoveries received		1,297.6	2,040.6	344.7	412.7
Interest received		664.5	526.4	164.7	164.6
Dividends received		-	-	625.9	235.2
Other revenue received		111.7	89.6	-	-
Claims paid		(6,345.8)	(6,716.4)	(1,211.3)	(1,529.9)
Outwards reinsurance premiums paid		(896.5)	(849.5)	(428.5)	(221.7)
Acquisition costs paid		(834.1)	(1,012.0)	(48.0)	(238.7)
Income tax paid		(188.4)	43.8	(87.1)	37.7
Finance costs paid		(37.3)	(66.0)	(29.1)	(27.0)
Underwriting and other operating expenses paid		(1,279.6)	(1,693.2)	(153.8)	(327.1)
Net cash from operating activities	**30**	1,278.4	475.5	927.4	219.5
Cash flows from investing activities					
Recapitalisation of controlled entities		-	-	(446.3)	189.9
Payments for investment securities		(16,979.6)	(22,853.4)	(4,739.4)	(7,674.6)
Proceeds from sale of investment securities		16,325.3	22,653.5	4,634.8	7,614.8
Proceeds from sale of investment properties		96.0	-	-	-
Proceeds from / (advances to) controlled or related entities		-	-	13.4	(33.5)
Net cash from / (used in) investing activities		(558.3)	(199.9)	(537.5)	96.6
Cash flows from financing activities					
Shares buyback		165.0	(104.0)	165.0	(104.0)
Assumption of subordinated notes from controlled entity		-	-	292.5	-
Dividends paid	**29**	(818.0)	(226.8)	(818.0)	(226.8)
Net cash used in financing activities		(653.0)	(330.8)	(360.5)	(330.8)
Net increase / (decrease) in cash and cash equivalents		67.1	(55.2)	29.4	(14.7)
Cash and cash equivalents at beginning of financial year		52.7	107.9	(10.8)	3.9
Cash and cash equivalents at end of financial year	**13**	119.8	52.7	18.6	(10.8)

The statements of cash flows are to be read in conjunction with the accompanying notes.

Note 1. Reporting entity

AAI Limited (the "Company", formerly known as Vero Insurance Limited) is a company domiciled in Australia. The Company's name was changed to AAI Limited with effect from 1 October 2012. Its registered office is at Level 18, 36 Wickham Terrace, Brisbane, QLD 4000. The consolidated financial statements of the Company as at and for the financial year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities. The Group is a for-profit entity and is involved in the underwriting of general insurance and managing the returns of insurance and non-insurance funds.

On 2 May 2013, the Suncorp Group received Federal Court approval to consolidate the business of its five authorised general insurers. The Company entered into a concurrent Schemes of Arrangement (under Division 3A of Part III of the Insurance Act) to transfer the insurance assets and liabilities of the following entities to the Company as at 1 July 2013:

- Suncorp Metway Insurance Limited (SMIL)
- GIO General Ltd (GIO)
- Australian Associated Motor Insurers Limited (AAMI)
- Australian Alliance Insurance Company Ltd (AAIC)

The consolidation process has involved both the transfer of the Australian general insurance assets and liabilities to the Company at carrying value effective 1 July 2013 as well as an internal restructure of its general insurance operations to reduce the number of business entities operating and regulated in Australia.

Note 2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) and interpretations as issued by the International Accounting Standards Board (IASB).

The Company has applied ASIC Class Order 10/654 *Inclusion of parent entity financial statements in financial reports*, dated 29 July 2010 and, as permitted by that Class Order, has continued to include parent entity financial statements in the financial report.

The consolidated financial statements were authorised for issue by the Board of Directors on 21 August 2013.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except that the following assets and liabilities are measured at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments held to back General Insurance liabilities and investment property. The defined benefit asset (liability) is measured as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

(c) Functional and presentation currency

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

(d) Rounding

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

(e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and amounts reported in the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Where revisions are made to accounting estimates, any financial impact is recognised in the period in which the estimate is revised.

Critical accounting estimates, judgements and assumptions are discussed in note 4.

Note 2. Basis of preparation (continued)

(f) Restatement of comparatives

Where necessary, comparatives have been restated to conform to changes in presentation in the current year.

Note 3. Significant accounting policies

The Group's significant accounting policies set out below have been consistently applied by all Group entities to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

The Group's consolidated financial statements are financial statements of the Company and all its subsidiaries presented as those of a single economic entity. Intra-group transactions and balances are eliminated on consolidation.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group which includes companies, managed funds and trusts. Subsidiaries are consolidated from the date when control commences until the date when control ceases. Control is the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

(ii) Non-controlling interests and managed funds units on issue

Non-controlling interests and managed funds units on issue are recognised when the Group does not hold 100% of the shares or units in a subsidiary. They represent the external equity or liability interests in non-wholly owned subsidiaries of the Group. Where shares or units issued are classified as equity in the subsidiary, non-controlling interests are recognised as equity. Where such shares or units issued are classified as liability in the subsidiary (eg investment trusts), managed funds units on issue are recognised as liability.

(iii) Joint venture entities

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

Interests in joint venture entities are accounted for using the equity method. Interests are initially recognised at cost and adjusted to recognise the Group's share of profit or loss after the date of acquisition.

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

(iv) Insurance managed funds

Certain subsidiaries of the Company are licensed to maintain statutory insurance funds for external clients. The application of the statutory funds by the subsidiaries was restricted to the collection of premiums and the payment of claims, related expenses and other payments authorised under the relevant Acts. The subsidiaries are not liable for any deficiency in the funds, or entitled to any surplus. For these reasons, the directors are of the opinion that the subsidiaries do not have control over, nor have the capacity to control, the statutory funds. The statutory funds are of a separate and distinct nature. Therefore the statutory funds are not consolidated into the Group's financial statements.

Note 3. Significant accounting policies (continued)

(b) Business combinations

The acquisition method of accounting is used to account for business combinations by the Group.

The cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred, and equity instruments issued by the Group at the acquisition date. Acquisition related costs are expensed in the period in which they are incurred. Where equity instruments are issued in an acquisition, their fair value is the published market price at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

The acquiree's identifiable assets acquired, liabilities assumed, contingent liabilities, and any non-controlling interests are measured at their fair values at the acquisition date. If the consideration transferred and any non-controlling interest in the acquiree is greater than the fair value of the net amounts of the identifiable assets acquired and liabilities assumed, the excess is recorded as goodwill, otherwise, the difference is recognised immediately in profit or loss, after a reassessment of the identification and measurement of the net assets acquired.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions.

(c) Foreign currency transactions

Transactions denominated in foreign currencies are translated into the functional currency using the spot exchange rates ruling at the date of the transaction. Foreign currency monetary assets and liabilities at reporting date are translated into the functional currency using the spot exchange rates current on that date. The resulting differences on monetary items are recognised in the profit or loss as exchange gains/losses in the financial year in which the exchange rates difference arises. 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 using exchange rates at the dates the fair value was determined.

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

(d) Revenue

(i) Premium revenue

Premium revenue comprises amounts charged to policyholders or other insurers and includes applicable levies and charges but excludes stamp duty collected on behalf of state governments and is recognised net of goods and services tax.

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

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

(ii) Reinsurance and other recoveries revenue

Reinsurance and other recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

(iii) Reinsurance commission revenue and expenses

Reinsurance commission revenue and expenses are recognised in profit or loss as they accrue.

Note 3. Significant accounting policies (continued)

(d) Revenue (continued)

(iv) Investment revenue

Interest

Interest income is recognised in profit or loss using the effective interest method.

Dividends

Dividends from listed companies are recognised as income on the date the shares are quoted ex-dividend. Dividends from subsidiaries are recognised when they are declared in the financial reports of the subsidiaries. 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.

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

Changes in the fair value of financial and investment property assets are recognised in profit or loss as they occur.

(v) Insurance managed funds income

The Group manages statutory insurance funds for external clients and earns income from the provision of services such as premium collection and claims processing (base fee) as well as an incentive fee based on performance results. Income for the base fee is recognised as the service is provided and for the incentive fee, as the income is earned.

Fees receivables are based on management's best estimate of the likely fee at balance date. There is a significant amount of judgement involved in the estimation process of the fees receivable which may not be finalised for a number of years.

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

(vi) Fees and other income

Fees and other items of income are recognised in profit or loss as the services are rendered.

(e) Underwriting expenses

Underwriting expenses include acquisition costs and other underwriting expenses.

Costs associated with obtaining and recording insurance business are referred to as acquisition costs and include commissions and other selling and underwriting costs incurred in obtaining general insurance premiums. These costs are recognised in profit or loss as discussed in note 3(o)*(i)*.

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

(f) Levies and charges

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

(g) Claims expense

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

(h) Outwards reinsurance premium expense

Premiums ceded to reinsurers are recognised as an expense from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk.

Note 3. Significant accounting policies (continued)

(i) Finance costs

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

Interest on subordinated notes

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

(j) Income tax

Income tax expense comprises current and deferred tax and is recognised in the profit or loss except to the extent it relates to items recognised in equity or in other comprehensive income.

Current tax consists of the expected tax payable on the taxable income for the year, after any adjustments in respect of previous years, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes or interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities may impact tax expense in the period that such a determination is made.

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.

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

Tax consolidation

Suncorp Group Limited is the head entity in the tax-consolidated group comprising all its Australian wholly-owned subsidiaries. Consequently, all members of the tax-consolidated group are taxed as a single entity.

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

The head entity in conjunction with members of the tax-consolidated group has entered into a tax sharing agreement and a tax funding agreement. The tax funding agreement requires wholly owned subsidiaries to make contributions to the head entity for current tax liabilities arising from external transactions. The contributions are calculated as if the subsidiary was a separate tax payer, reasonably adjusted for certain intergroup transactions. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities, at call.

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

Note 3. Significant accounting policies (continued)

(j) Income tax (continued)

Taxation of financial arrangements ("TOFA")

Compliance with the TOFA legislation is mandatory for the tax consolidated group for the current year. The Group applies the default method of accruals or realisation and has not made any elections regarding transitional financial arrangements or other elective timing methods.

Goods and services tax ("GST")

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

Receivables, payables and the provision for outstanding claims are stated with the amount of GST included.

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

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash on deposit and money at short call. They are measured at face value or the gross value of the outstanding balance which is considered a reasonable approximation of fair value. Bank overdrafts are shown within financial liabilities in the statement of financial position unless there is a right of offset.

(l) Non-derivative financial assets

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

Financial assets at fair value through profit or loss are classified as either held for trading or are designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. They are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Transaction costs are recognised in the profit or loss as incurred. The assets are measured at fair value each reporting date based on the quoted market price where available. Where quoted prices are not available, alternative valuation techniques are used. Movements in the fair value are taken immediately to the profit or loss. The Group's financial assets at fair value through profit or loss include: investment securities and financial assets backing general insurance liabilities.

(ii) Loans and receivables

Loans and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised on the date that they originated at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment losses.

(iii) General insurance activities

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

Financial assets backing general insurance liabilities

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

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

Note 3. Significant accounting policies (continued)

(l) Non-derivative financial assets (continued)

(iii) General insurance activities (continued)

Financial assets not backing general insurance liabilities

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

Investment securities have been designated at fair value through profit or loss as they are managed and their performance evaluated on a fair value basis.

Receivables related to investment securities are measured at each reporting date at amortised cost using the effective interest rate method less impairment.

(iv) Disclosures

All investment securities held to back general insurance liabilities and held for trading are highly liquid securities. Despite some of these securities having maturity dates beyond the next 12 months, as they are highly liquid in nature and are actively traded, they have been classified in the statement of financial position as current.

(v) Derecognition

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

(m) Derivative financial instruments

The Group holds derivative financial instruments to manage the Group's assets and liabilities or as part of the Group's investment activities. Derivatives include exchange rate related contracts, interest rate related contracts and equity contracts.

All derivatives are initially recognised at fair value on trade date and transaction costs are recognised in profit or loss as incurred. Fair values are determined from quoted market prices where available, else discounted cash flow models, broker and dealer price quotations or option pricing models as appropriate. They are classified and accounted for as financial assets at fair value through profit or loss (refer note 3(l)*(i)*) unless they qualify as a hedging instrument in an effective hedge relationship under hedge accounting (note 3(n)).

(n) Hedge accounting

The Group applies hedge accounting to offset the effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. On entering into a hedging relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness. On an ongoing basis, hedges are assessed for whether they are highly effective in achieving offsetting changes in fair values or cash flows of hedged items. A hedge is considered highly effective when the actual results of the hedge are within a range of 80-125 percent.

(i) Cash flow hedges

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

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

Changes in the fair value associated with the effective portion of a hedging instrument designated as a cash flow hedge are recognised in the hedging reserve within equity as the lesser of the cumulative fair value gain or loss on the hedging instrument and the cumulative change in fair value on the hedged item from the inception of the hedge. Ineffective portions are immediately recognised in the profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting expires or is sold, terminated or exercised or, the hedge relationship is revoked then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction affects profit or loss. When a forecast transaction is no longer expected to occur, the amounts accumulated in equity are released to profit or loss immediately. In other cases the cumulative gain or loss previously recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Note 3. Significant accounting policies (continued)

(n) Hedge accounting (continued)

(ii) Fair value hedges

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

- a recognised asset or liability;
- an unrecognised firm commitment; or
- an identified portion of such an asset, liability or firm commitment

that is attributable to a particular risk and could affect profit or loss.

Where an effective hedge relationship is established, fair value gains or losses on the hedging instrument are recognised in the profit or loss as are any changes in the fair value of the hedged item that are attributable to the hedged risk. The hedged item is recognised at fair value, for the risk being hedged, in the statement of financial position.

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

(o) Deferred insurance assets

(i) Deferred acquisition costs

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

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

(ii) Deferred reinsurance premiums

The amount deferred represents the future economic benefit to be received from reinsurance contracts. The amortisation of deferred reinsurance premium is in accordance with the pattern of reinsurance service received.

(p) Investment property

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

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

(q) Goodwill and intangible assets

(i) Goodwill

Goodwill is recognised at cost from business combinations as described in note 3(b) and is subsequently measured at cost less accumulated impairment loss. Goodwill on equity accounted investees is included in the carrying value of the investment.

(ii) Other intangible assets

Intangible assets other than goodwill are recognised at cost less any accumulated amortisation and any accumulated impairment losses. Where an intangible asset is acquired in a business combination, the cost of that asset is its fair value at the acquisition date.

Note 3. Significant accounting policies (continued)

(r) Impairment

(i) Financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed at each reporting date to determine whether there is any objective evidence of impairment. If impairment has occurred, the carrying amount of the asset is written down to its estimated recoverable amount.

An impairment loss is recognised in respect of financial assets measured at amortised cost when the carrying amount of the asset exceeds the present value of its estimated discounted future cash flows calculated based on the asset's original effective interest rate. When impairment losses are recognised, the carrying amount of the relevant asset or group of assets is reduced by the balance of the provision for impairment. If a subsequent event causes the amount of the impairment loss to decrease, the impairment loss is reversed through profit or loss.

The amount necessary to bring the impairment provisions to their assessed levels, after write-offs, is charged to profit or loss. All known bad debts are written off in the period in which they are identified. Where not previously provided for, they are written off directly to profit or loss.

(ii) Non-financial assets

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

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.

Impairment losses are recognised in profit or loss. 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.

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

An impairment loss recognised for goodwill is not reversed. An impairment loss for an asset other than goodwill is reversed in following periods if there are indications that the impairment loss previously recognised no longer exists or has decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

(s) Non-derivative financial liabilities

(i) Financial liabilities at amortised cost

Financial liabilities carried at amortised cost are initially measured at fair value plus any directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. This includes short-term borrowings and subordinated notes that are not a hedged item in an effective hedging relationship.

Non-derivative liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.

Note 3. Significant accounting policies (continued)

(t) Leases

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

(i) Lease receivables

Finance leases, including leveraged leases, where the Group is the lessor, are recognised in the statement of financial position as receivables. They are recognised on the commencement of the lease and measured at the net investment in the lease, being the present value of the minimum lease payments receivable and any unguaranteed residual value, plus any initial direct costs.

The revenue attributable to finance leases is brought to account in profit or loss based on a constant periodic rate of return on the Group's net investment in the finance lease.

(ii) Operating leases

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

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

(u) Employee benefits

(i) Superannuation

The Group contributes to both defined contribution and defined benefit superannuation schemes.

Defined contribution schemes

Contributions made to defined contribution plans are charged to the profit or loss as the obligation to pay is incurred. The defined contribution plans receive fixed contributions and the Group's legal or constructive obligation is limited to these contributions.

Defined benefit schemes

A defined benefit liability is recognised in the consolidated statement of financial position as a net total of the present value of the defined benefit obligation at the balance date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

If the defined benefit liability resulted in negative balance, a defined benefit asset is recognised as the lower of the negative defined benefit liability and the total of cumulative unrecognised net actuarial losses and past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised directly to equity. Past service costs are recognised immediately in profit or loss.

(ii) Short-term employee benefits

Liabilities for employee benefits are those due to be paid within 12 months of providing service and are measured at their nominal amounts using pay rates expected to be effective when the liability is to be paid. Related on-costs such as workers' compensation and payroll tax are also included in the liability.

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

(iii) Long service leave (LSL)

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

Note 3. Significant accounting policies (continued)

(u) Employee benefits (continued)

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(v) Share-based payments

The Suncorp Group operates several share-based payment transactions with its non-executive directors and employees which may be equity settled or equity settled with cash alternative at the Company's choice.

For equity settled transactions, the fair value is recognised as an expense on a straight line basis over the vesting period, with a corresponding increase in equity. The fair value is calculated as the fair value of each share granted multiplied by the expected number of shares to eventually vest. The fair value of each share granted is measured on grant date and does not change throughout the vesting period unless the terms and conditions of the grant are modified. The fair value of the share-based payments is based on the market price of the shares, dividend entitlements, and market vesting conditions (e.g. performance criteria) upon which the shares were granted. Non-market vesting conditions (e.g. service conditions) are taken into account by adjusting the number of shares which will eventually vest and are not taken into account the determination of the grant date fair value. On a cumulative basis, no expense is recognised for shares granted that do not vest due to a non-market vesting condition not being satisfied.

Cash settled transactions are recognised as a liability at fair value. Until the liability is settled, the fair value of the liability is remeasured at each reporting date, and at the date of settlement, with the changes in fair value recognised in profit or loss for the period.

Equity settled transactions with cash alternative (Company's choice) are accounted for as a cash settled share-based payment transaction to the extent that the Company has a present obligation to settle in cash. Otherwise, the transaction is accounted for as an equity-settled arrangement.

(v) Outstanding claims liabilities

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date and includes an additional risk margin to allow for the inherent uncertainty in the central estimate. The details of risk margin applied and the process of determining the risk margin is set out in note 5.

Standard actuarial methods are applied to all classes of business to assess the net central estimate of outstanding claims liabilities. The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and the direct and indirect costs of settling those claims.

(w) Liability adequacy test

At each reporting date, the Group assesses whether the unearned premium liability is sufficient to cover all expected future cash flows relating to future claims against current insurance contracts. This assessment is referred to as the liability adequacy test and is performed separately for each group of contracts subject to broadly similar risks and managed together as a single portfolio.

If the present value of the expected future cash flows relating to future claims plus an additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less any related deferred acquisition costs, then the unearned premium liability is deemed to be deficient.

Any deficiency is recognised immediately in profit or loss. The deficiency is recognised first by writing down any deferred acquisition costs, with the excess being recorded in the balance sheet as an unexpired risk liability.

Note 3. Significant accounting policies (continued)

(x) Share capital

Ordinary shares are classified as equity.

(i) Repurchase of share capital

When share capital is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total equity.

(ii) Dividends

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

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

(iii) Transaction costs

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

(y) Contingent liabilities and contingent assets

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

Contingent assets are not recognised 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.

(z) New accounting pronouncements not yet adopted

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

- AASB 10 *Consolidated Financial Statements*, when it becomes mandatory for the Group's 30 June 2014 financial statements, will supersede AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation – Special Purposes Entities*. It introduces a new single control model to assess whether to consolidate an investee. Adoption of this standard will have an immaterial effect to the Group.
- AASB 11 *Joint Arrangements* provides guidance on the treatment of joint arrangements on the basis of the rights and obligations attaching to the underlying assets and liabilities. This standard becomes mandatory for the Group's 30 June 2014 financial statements. Adoption of this standard will have an immaterial effect to the Group.
- AASB 13 *Fair Value Measurement* provides a definition of the term, fair value, and introduces additional disclosure requirements. This is applicable for all assets and liabilities measured at fair value, including non-financial assets and liabilities. This standard becomes mandatory for the Group's 30 June 2014 financial statements. Adoption of this standard will have an immaterial effect to the Group.
- AASB 119 *Employee Benefits* is amended for changes in accounting and disclosures on defined benefit superannuation plans; definitions of short-term and other long-term employee benefits affecting the measurement of the obligations; and the timing for recognition of termination benefits. The amendments become mandatory for the Group's 30 June 2014 financial statements with specific transitional requirements. Adoption of this standard will have an immaterial effect to the Group.
- AASB 9 *Financial Instruments* was issued and introduced changes in the classification and measurement of financial assets and financial liabilities. This standard becomes mandatory for the Group's 30 June 2016 financial statements. The potential effects on adoption of the amendments are yet to be determined.

Note 4. Critical accounting estimates and judgements

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

The key areas of significant estimates and judgements and the methodologies used to determine key assumptions are set out below as well as note 23 Employee benefit obligations, note 26 Liability adequacy test, note 31 Financial instruments and note 32 Derivative financial instruments.

(a) Outstanding claims liability

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

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

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

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

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

(b) Assets arising from reinsurance contracts and other recoveries

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

(c) Impairment of goodwill

The Group assesses whether goodwill is impaired at least annually. The assessment involves estimations of the recoverable amount of the cash-generating units to which the goodwill is allocated. Refer to note 21.

(d) Assets arising from insurance managed funds contracts

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

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

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

Note 5. Actuarial assumptions and methods

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

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

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

(a) Assumptions

The following assumptions (using weighted averages) have been made in determining the outstanding claims liabilities:

Consolidated	**2013 Personal**	**2013 Commercial**	**2012 Personal**	**2012 Commercial**
Weighted average term to settlement (years)	0.5	4.7	0.6	4.6
Economic inflation rate	4.0%	4.0%	4.0%	4.0%
Superimposed inflation rate	0.4%	2.5%	n/a	2.5%
Discount rate	2.7%	3.6%	2.6%	2.9%
Claims handling expense ratio	6.2%	4.4%	6.0%	4.3%
Risk margin	8.8%	18.3%	9.0%	18.8%

Company	**2013 Personal**	**2013 Commercial**	**2012 Personal**	**2012 Commercial**
Weighted average term to settlement (years)	0.4	7.1	0.4	6.6
Economic inflation rate	4.0%	4.0%	4.0%	4.0%
Superimposed inflation rate	0.4%	1.6%	n/a	1.9%
Discount rate	2.7%	3.9%	2.6%	3.2%
Claims handling expense ratio	5.7%	4.9%	5.8%	5.5%
Risk margin	8.4%	25.8%	8.9%	27.1%

(i) Weighted average term to settlement

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

(ii) Economic and superimposed inflation

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

(iii) Discount rate

Projected payments are discounted at a risk-free rate to allow for the time value of money. Discount rates are derived from market yields on Commonwealth Government securities at the balance date.

(iv) Claims handling expense ratio

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

Note 5. Actuarial assumptions and methods (continued)

(a) Assumptions (continued)

(v) Risk margin

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

The assumptions regarding uncertainty for each class were applied to the net central estimates, and the results were aggregated allowing for diversification in order to arrive at an overall position which is intended to have approximately a 90% probability of sufficiency (2012: 90%).

The Company probability of sufficiency is slightly lower, at 89% (2012: 88%). This difference reflects the Company not gaining from diversification effects between the Group's five different insurers.

The overall risk margin applied, allowing for diversification was 17.0% (2012: 17.3%) for the Group, and 22.7% (2012: 24.0%) for the Company.

(b) Sensitivity analysis

(i) Summary

The Group conducts sensitivity analyses to quantify the exposure to the risk of changes in the key underlying actuarial assumptions. Sensitivity analysis is conducted on each variable, whilst holding all other variables constant.

(ii) Impact of changes in key variables on net outstanding claims liabilities

The information below summarises the sensitivity of profit/(loss) before tax and equity reserves to changes in key variables. All variables are weighted averages.

		Financial Impact [1]			
		Consolidated		Company	
		2013	2012	2013	2012
	Movement in variable %	Profit / (loss) before tax $m	Profit / (loss) before tax $m	Profit / (loss) before tax $m	Profit / (loss) before tax $m
Weighted average term to settlement (years)	+0.5	(90.5)	(108.1)	(10.7)	(17.1)
	-0.5	89.3	106.3	10.6	16.8
Inflation rate	+1	(218.6)	(220.6)	(58.5)	(55.5)
	-1	201.4	209.4	52.2	57.9
Discount rate	+1	202.5	208.3	54.1	54.8
	-1	(223.9)	(230.6)	(62.1)	(63.0)
Claims handling expense ratio	+1	(54.2)	(55.0)	(9.7)	(9.8)
	-1	54.2	55.0	9.7	9.8
Risk margin	+1	(56.7)	(57.5)	(10.2)	(10.3)
	-1	56.7	57.5	10.2	10.3

(1) Determined net of reinsurance

There is no impact on equity reserves.

Note 6. Risk management

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

(a) General risk management objectives and structure

The Group is part of the Suncorp Group Limited group of companies ("Suncorp Group" or "Suncorp").

The Board and management recognise that effective risk management is considered to be critical to the achievement of the Group's objectives. The Board Risk Committee has delegated authority from the Board to carry out the oversight of the adequacy and effectiveness of the risk management frameworks and processes within the Suncorp Group.

An Enterprise Risk Management Framework ("ERMF") is in place for the Suncorp Group. It is subject to an annual review, updated for material changes as they occur and is approved by the Board Risk Committee. The ERMF comprises:

- Suncorp's risk appetite framework and its link to strategic business and capital plans,
- Accountabilities and governance arrangements for the management of risk within the Three Lines of Defence model,
- Suncorp's Policy and Compliance Frameworks, and
- The risk management process.

The Three Lines of Defence model of accountability involves:

Line of Defence	Responsibility of	Accountable for
First – Manage risk and comply with Group frameworks, policies and risk appetite	All business functions and staff	• Identifying and managing the risks inherent in their operations; • Ensuring compliance with all legal and regulatory requirements and Suncorp policies; and • Promptly escalating any significant actual and emerging risks for management attention.
Second – Independent functions own and monitor the application of risk frameworks, and measure and report on risk performance and compliance	Suncorp Chief Risk Officer, Line of Business Chief Risk Officers, risk management staff, and risk policy owners	• Design, implement and manage the ongoing maintenance of Suncorp risk frameworks and related policies; • Advise and partner with the business in design and execution of risk frameworks and practices; • Develop, apply and execute Line of Business risk frameworks that are consistent with Group for the respective business areas; and • Facilitate the reporting of the appropriateness and quality of risk management.
Third – Independent assurance over internal controls and risk management practices	Board Audit Committee, internal and external auditors	• Decides the level and extent of independent testing required to verify the efficacy of internal controls; • Validates the overall risk framework; and • Provides assurance that the risk management practices are functioning as intended.

In addition to the accountabilities as described above, the Senior Leadership Team, consisting of the Suncorp Chief Executive Officer and all Suncorp Executives, provide executive oversight and direction-setting across Suncorp's internal control environment and risk management frameworks. The Suncorp Chief Risk Officer, a member of the Senior Leadership Team, is charged with the overall accountability for the Risk Management Framework and overall risk management capability.

Note 6. Risk management (continued)

(i) General risk management objectives and structure (continued)

The General Insurance line of business also has an Asset and Liability Committee ("ALCO") and a Risk & Governance Committee ("RGC"). The ALCO provides effective governance over aspects of the risk framework designed to optimise the long-term returns achieved by asset portfolios within any risk appetite or parameters established by the Board. The primary role of the RGC is to oversee the management of governance and other non-financial aspects of selected risks arising from the activities of the business within the Board approved risk parameters: Insurance Risk, Compliance Risk, Operational Risk and Strategic Risk.

The Group includes entities subject to APRA regulation and consequently prepares a Risk Management Strategy approved by the Board Risk Committee and submitted to APRA annually. The Risk Management Strategy describes the strategy adopted by the Board for managing risk, including the risk appetite, policies, procedures, management responsibilities and controls.

The key risks addressed by the ERMF are defined below.

Key risks	Definition
Credit risk	The risk that a counterparty will not meet its obligations in accordance with agreed terms.
Liquidity risk	The risk that the Group will be unable to service its cash flow obligations today or in the future.
Market risk	The risk of unfavourable changes in foreign exchange rates, interest rates, equity prices, credit spreads, commodity prices, and market volatilities.
Asset and liability risk	The risk to earnings and capital from mismatches between assets and liabilities with varying maturity and repricing profiles and from mismatches in term.
Insurance risk	The risk of financial loss and the inability to meet liabilities due to inadequate or inappropriate insurance product design, pricing, underwriting, concentration risk, reserving, claims management /or reinsurance management.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
Compliance risk	The risk of legal or regulatory sanctions, financial loss, or loss to reputation which the Group may suffer as a result of its failure to comply with all applicable regulations, codes of conduct and good practice standards.
Strategic risk	The risk of loss arising from uncertainty about the future operating environment, including reputation, industry, economic and regulatory environment, branding, crisis management, and partners and suppliers.

The Group is exposed to mainly the following categories of market risks:

Categories of market risk	Definition
Foreign exchange ("FX") risk	The risk of an asset or liability's value changing unfavourably due to changes in currency exchange rates.
Interest rate risk	The risk of loss of current and future earnings and unfavourable movements in the value of interest bearing assets and liabilities from changes in interest rates.
Equity risk	The risk of loss in current and future earnings and unfavourable movement in the value of investments in equity instruments from adverse movements in equity prices.
Credit spread risk	Credit spread is the difference in yield due to difference in credit quality. This is the risk of loss in current and future earnings and unfavourable movement in the value of investments from changes in the credit spread as determined by capital market sentiment or factors affecting all issuers in the market and not necessarily due to factors specific to an individual issuer.

Note 6. Risk management (continued)

(a) Insurance risk management

(i) Policies for mitigating insurance risk

The risk management activities include licensing, prudent underwriting, product design and pricing, acceptance and management of risks, together with claims management and reserving.

A governance framework exists with linkages to the Suncorp Group Board Policy and Risk Appetite Statement that manages accountability for delegation of authority with oversight by management committees.

The key controls in place to mitigate insurance risk include the following:

- an internal licensing regime within the business;
- pricing strategies aligned to the business strategy, with clearly defined pricing mechanisms sourced from technical pricing models and actuarial overview;
- the setting and adherence to underwriting guidelines that determine processes and procedures for acceptance of risk;
- the setting of formal claims acceptance limits, loss estimation and investigation processes, and the regular review and updating of claims experience data;
- the reduction in the concentration of insurance risk through diversification;
- entering into reinsurance and ceding arrangements to preserve capital and manage earnings volatility from large individual or catastrophic claims;
- the maintenance of appropriate actuarial reserves, including reserves to cover claims incurred but not yet reported and for claims incurred but not enough reserved;
- procedures to manage risk when introducing or changing a product;
- the identification and consistent monitoring against budget projections derived from the actuarial projection models of external variables which impact claims cash flow such as claims frequency and severity;
- managing of risk exposures using various analyses and valuation techniques, including stochastic modelling, to calculate the capital required under adverse risk scenarios; and
- the monitoring of natural disasters such as floods, storms, earthquakes and other catastrophes. Exposures to such risks are monitored using externally developed catastrophe models.

In addition, the Board receives the Financial Condition Report and Insurance Liabilities Valuation Report from the Appointed Actuary who also provides advice in relation to premium and reinsurance arrangements in accordance with APRA Prudential Standards.

Concentration of insurance risk is mitigated through diversification over classes of insurance business, industry segments, geographical segments and the use of reinsurer coverage. Catastrophe insurance is also purchased to ensure that any accumulation of losses from one area is protected.

(ii) Terms and conditions of insurance business

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

Note 6. Risk management (continued)

(b) Credit risk

The Group is exposed to and manages the following key sources of credit risk.

Key sources of credit risk	How are these managed
Premiums receivable	For direct business, outstanding premiums on policies arise on those policies which are generally paid on a monthly instalment basis. Late payments will result in the cancellation of insurance contract with the policy owner as provided by law, eliminating both the credit risk and insurance risk for the unpaid balance. Where business is written through intermediaries, limited credit is provided under the terms and conditions of the agreement with the respective intermediary, with debtor control ensuring constant attention is paid to minimise overdue debts.
Investments in financial instruments	Investments in financial instruments in the investment portfolios are held in accordance with the investment mandates. Credit limits have been established within these guidelines to ensure counterparties have appropriate credit ratings and limitations on exposures to a single issuer and certain industries.
Reinsurance recoveries	Reinsurance arrangements are monitored and managed internally and by specialised reinsurance brokers operating in the international reinsurance market. Concentration of credit risk is mitigated by placement of cover with a number of reinsurers with Standard and Poor's (or equivalent) credit ratings of A– or better, with participation limits and minimum security requirements imposed. Collateral on outstanding reinsurance recoveries is also obtained for non-APRA regulated reinsurers in certain circumstances.

The carrying amount of the relevant asset classes in the statement of financial position represents the maximum amount of credit exposures as at the end of the financial year, except for derivatives. The fair value of derivatives recognised in the statement of financial position represents the current risk exposure, but not the maximum risk exposure. The notional value and fair value of derivatives are illustrated in note 32.

The following table provides information regarding credit risk exposure of financial assets, classified according to Standard & Poor's counterparty credit ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as non-investment grade.

Consolidated	Credit Rating						
	AAA $m	AA $m	A $m	BBB $m	Non-investment Grade $m	Not Rated $m	Total $m
2013							
Cash and cash equivalents	-	32.3	91.0	-	-	-	123.3
Premiums outstanding	-	-	-	-	-	2,024.6	2,024.6
Other receivables	27.0	17.6	214.4	0.2	-	13.1	272.3
Derivative assets	-	21.1	18.3	-	-	-	39.4
Reinsurance and other recoveries receivable	394.8	374.8	129.8	4.0	-	592.9	1,496.3
Investment securities	4,631.8	3,290.5	1,957.7	274.3	-	869.5	11,023.8
Accrued interest	30.4	40.1	30.4	4.9	-	-	105.8
	5,084.0	3,776.4	2,441.6	283.4	-	3,500.1	15,085.5

Note 6. Risk management (continued)

(c) Credit risk (continued)

Consolidated	Credit Rating						
	AAA $m	AA $m	A $m	BBB $m	Non-investment Grade $m	Not Rated $m	Total $m
2012							
Cash and cash equivalents	-	45.7	41.1	10.8	-	0.4	98.0
Premiums outstanding	-	-	-	-	-	1,864.1	1,864.1
Other receivables	25.1	263.1	229.0	-	-	34.8	552.0
Derivative assets	0.2	21.8	28.3	-	-	-	50.3
Reinsurance and other recoveries receivable	405.6	306.2	219.1	1.3	1.3	586.6	1,520.1
Investment securities	4,040.5	3,591.3	1,759.2	142.9	-	908.5	10,442.4
Accrued interest	26.3	50.3	32.8	2.5	-	-	111.9
	4,497.7	4,278.4	2,309.5	157.5	1.3	3,394.4	14,638.8

Company	Credit Rating						
	AAA $m	AA $m	A $m	BBB $m	Non-investment Grade $m	Not Rated $m	Total $m
2013							
Cash and cash equivalents	-	9.6	36.9	-	-	-	46.5
Premiums outstanding	-	-	-	-	-	523.1	523.1
Other receivables	5.3	6.8	124.1	0.1	-	11.6	147.9
Derivative assets	-	5.6	16.8	-	-	-	22.4
Reinsurance and other recoveries receivable	72.5	245.1	106.3	3.6	-	68.0	495.5
Investment securities	941.4	809.0	692.9	99.9	-	154.6	2,697.8
Accrued interest	5.9	10.6	10.5	1.7	-	-	28.7
	1,025.1	1,086.7	987.5	105.3	-	757.3	3,961.9

Note 6. Risk management (continued)

(c) Credit risk (continued)

Company	Credit Rating						
	AAA $m	AA $m	A $m	BBB $m	Non-investment Grade $m	Not Rated $m	Total $m
2012							
Cash and cash equivalents	-	38.3	12.8	-	-	0.3	51.4
Premiums outstanding	-	-	-	-	-	459.9	459.9
Other receivables	0.6	77.2	341.0	-	-	2.1	420.9
Derivative assets	-	4.9	4.6	-	-	-	9.5
Reinsurance and other recoveries receivable	57.6	191.4	165.4	-	1.4	45.1	460.9
Investment securities	879.7	921.2	581.9	52.6	-	173.6	2,609.0
Accrued interest	5.5	13.7	10.7	0.8	-	-	30.7
	943.4	1,246.7	1,116.4	53.4	1.4	681.0	4,042.3

Note

1 Only includes components of General Insurance assets that are classified as financial assets.

2 Receivables neither past due nor impaired in the above table are not rated according to the Standard & Poor's counterparty credit ratings. General Insurance does not expect any counter parties to fail to meet their obligations given their credit ratings and therefore does not require security to support credit risk exposures.

The following table provides information regarding those financial assets which have balances which have been impaired or are past due but not impaired at balance date. All other receivables are neither past due nor impaired. An amount is considered 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 below.

Consolidated		Past due but not impaired					
	Neither past due nor impaired $m	0-3 mths $m	3-6 mths $m	6-12 mths $m	> 12 mths $m	Impaired $m	Total $m
2013							
Premiums outstanding	1,910.1	25.4	62.4	19.6	0.9	6.2	2,024.6
Other receivables	255.8	11.0	3.4	0.6	1.0	0.5	272.3
	2,165.9	36.4	65.8	20.2	1.9	6.7	2,296.9

Consolidated		Past due but not impaired					
	Neither past due nor impaired $m	0-3 mths $m	3-6 mths $m	6-12 mths $m	> 12 mths $m	Impaired $m	Total $m
2012							
Premiums outstanding	1,782.5	15.2	46.9	7.8	3.6	8.1	1,864.1
Other receivables	521.1	28.3	0.2	1.2	0.7	0.5	552.0
	2,303.6	43.5	47.1	9.0	4.3	8.6	2,416.1

Receivables neither past due nor impaired in the above table are either intercompany receivables rated AA or A, or not rated according to Standard and Poor's counterparty credit ratings. Collateral arrangements exist for non-APRA regulated reinsurers and certain derivative positions.

Note 6. Risk management (continued)

(c) Credit risk (continued)

Company		Past due but not impaired					
	Neither past due nor impaired $m	0-3 mths $m	3-6 mths $m	6-12 mths $m	> 12 mths $m	Impaired $m	Total $m
2013							
Premiums outstanding	457.8	2.3	47.5	12.9	0.3	2.3	523.1
Other receivables	133.4	9.2	3.3	0.6	1.0	0.4	147.9
	591.2	11.5	50.8	13.5	1.3	2.7	671.0

Company		Past due but not impaired					
	Neither past due nor impaired $m	0-3 mths $m	3-6 mths $m	6-12 mths $m	> 12 mths $m	Impaired $m	Total $m
2012							
Premiums outstanding	415.1	-	38.3	2.7	-	3.8	459.9
Other receivables	390.8	27.6	0.2	1.1	0.7	0.5	420.9
	805.9	27.6	38.5	3.8	0.7	4.3	880.8

Receivables neither past due nor impaired in the above table are either intercompany receivables rated AA or A, or not rated according to Standard and Poor's counterparty credit ratings.

The Company does not generally expect any counter party to fail to meet their obligations given their credit ratings but does obtain collateral in the form of letters of credit or other security types for certain amounts due from reinsurers recoveries in order to meet regulatory capital requirements.

Note 6. Risk management (continued)

(c) Market risk

(i) Interest rate risk

Interest rate risk exposure arises mainly from investment in interest-bearing securities and from ongoing valuation of insurance liabilities. The investment portfolios hold significant interest-bearing securities in support of corresponding outstanding claims liabilities and are invested in a manner consistent with the expected duration of claims payments. Interest rate risk is also managed by the controlled use of interest rate derivative instruments.

The tables below present a sensitivity analysis showing the impact on profit or loss after tax to movements in interest rates in relation to interest-bearing financial assets held at the reporting date. 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 balance date and there are concurrent movements in interest rates and parallel shifts in the yield curves.

The movements in the interest rates used in the sensitivity analysis for 2013 have been revised to reflect an updated assessment of the reasonable possible changes in interest rates over the next twelve months given renewed observations and experience in investment markets during the financial year.

Consolidated	2013			2012		
	Carrying amount at Jun-13 $m	Movement in variable bp	Profit / (loss) after tax [1] $m	Carrying amount at Jun-12 $m	Movement in variable bp	Profit / (loss) after tax [1] $m
Interest bearing investment securities	10,947.6	+125	(270.8)	10,421.0	+150	(282.2)
(incl. derivative financial instruments)		-50	114.9		-100	188.1
Other loan	-	+125	-	30.2	+150	0.6
		-50	-		-100	(0.4)
Subordinated notes	601.8	+125	(5.3)	589.8	+150	(6.2)
(incl. derivative financial instruments)		-50	2.1		-100	4.1

[1] Calculated using a corporate tax rate of 30%

There is no impact on equity reserves.

Company	2013			2012		
	Carrying amount at Jun-13 $m	Movement in variable bp	Profit / (loss) after tax [1] $m	Carrying amount at Jun-12 $m	Movement in variable bp	Profit / (loss) after tax [1] $m
Interest bearing investment securities	2,642.4	+125	(66.2)	2,607.9	+150	(68.6)
(incl. derivative financial instruments)		-50	28.2		-100	45.8
Subordinated notes	369.6	+125	(3.2)	77.1	+150	(0.8)
(incl. derivative financial instruments)		-50	1.3		-100	0.5

[1] Calculated using a corporate tax rate of 30%

There is no impact on equity reserves.

The effect of interest rate movements on the Group's provision for outstanding claims is included in note 5.

Note 6. Risk management (continued)

(d) Market risk (continued)

(ii) Foreign exchange risk

The Group is exposed to foreign exchange risk through its outstanding claims liability from previously written offshore reinsurance business, predominantly denominated in United States dollars (“USD”). This exposure is managed using a USD forward exchange contract. The Group is also exposed to foreign exchange risk through our investments in foreign securities, which is managed via the use of cross-currency swaps. The Group also carries subordinated notes with a foreign currency exposure in GBP. The Group utilises a qualifying hedge to significantly reduce this exposure.

The tables below present a sensitivity analysis showing the impact on profit or loss after tax for changes in foreign exchange rates for exposure as at the reporting date, with all other variables including interest rates remaining constant.

The movement in the foreign exchange used in the sensitivity analysis for 2013 have been revised to reflect updated assessment of the reasonable possible changes in foreign exchange rates over the next twelve months given renewed observations and experience in the investment markets during the financial year.

Note 6. Risk management (continued)

(d) Market risk (continued)

(iii) Foreign exchange risk (continued)

Consolidated	2013 Carrying amount at Jun-13 $m	2013 Movement in variable %	2013 Profit / (loss) after tax [1] $m	2012 Carrying amount at Jun-12 $m	2012 Movement in variable %	2012 Profit / (loss) after tax [1] $m
USD	160.0	+10	10.6	116.3	+15	10.4
		-10	(11.7)		-15	(14.6)
Euro	41.6	+15	4.1	38.4	+15	3.5
		-15	(4.5)		-15	(4.7)
JPY	21.7	+15	2.3	25.0	+15	2.3
		-15	(2.3)		-15	(3.1)
GBP	23.0	+15	2.3	21.9	+15	2.0
		-15	(2.5)		-15	(2.7)
Other	20.4	+15	2.1	-	+15	-
		-15	(2.1)		-15	-

[1] Calculated using a corporate tax rate of 30%

Company	2013 Exposure at Jun-13 $m	2013 Movement in variable %	2013 Profit / (loss) after tax [1] $m	2012 Exposure at Jun-12 $m	2012 Movement in variable %	2012 Profit / (loss) after tax [1] $m
USD	84.4	+10	5.6	69.0	+15	6.3
		-10	(6.2)		-15	(8.5)
Euro	20.4	+15	2.0	19.1	+15	1.7
		-15	(2.2)		-15	(2.4)
GBP	11.3	+15	1.1	10.9	+15	1.0
		-15	(1.2)		-15	(1.3)
JPY	10.6	+15	1.1	12.4	+15	1.1
		-15	(1.1)		-15	(1.5)
Other	10.1	+15	1	-	+15	-
		-15	(1)		-15	-

[1] Calculated using a corporate tax rate of 30%

There is no impact on equity reserves.

Note 6. Risk management (continued)

(d) Market risk (continued)

(iii) Equity risk

The Group is exposed to equity risk through investments in international and domestic equity trusts. The tables below present a sensitivity analysis showing the impact on profit or loss after tax for price movements for exposures as at the reporting date, with all other variables remaining constant.

The movement in the prices used in the sensitivity analysis for 2013 have been revised to reflect updated assessment of the reasonable possible changes in prices over the next twelve months given renewed observations and experience in the investment markets during the financial year.

Consolidated		**2013**			**2012**	
	Carrying amount at Jun-13 $m	**Movement in variable %**	**Profit / (loss) after tax [1] $m**	**Carrying amount at Jun-12 $m**	**Movement in variable %**	**Profit / (loss) after tax [1] $m**
Australian equities	268.5	+15	28.2	233.1	+20	33.0
		-15	(28.2)		-20	(33.0)
International equities	287.2	+15	30.2	228.8	+20	32.0
		-15	(30.2)		-20	(32.0)

[1] Calculated using a corporate tax rate of 30%

There is no impact on equity reserves.

Company		**2013**			**2012**	
	Carrying amount at Jun-13 $m	**Movement in variable %**	**Profit / (loss) after tax [1] $m**	**Carrying amount at Jun-12 $m**	**Movement in variable %**	**Profit / (loss) after tax [1] $m**
Australian equities	132.1	+15	13.9	114.0	+20	16.0
		-15	(13.9)		-20	(16.0)
International equities	141.1	+15	14.8	113.6	+20	16.0
		-15	(14.8)		-20	(16.0)

[1] Calculated using a corporate tax rate of 30%

There is no impact on equity reserves.

Note 6. Risk management (continued)

(d) Market risk (continued)

(iv) Credit spread risk

The Group is exposed to credit spread risk through its investments in interest bearing securities. This risk is mitigated by incorporating a diversified investment portfolio, establishing maximum exposure limits for counterparties and minimum limits on credit ratings and managing to a minimum credit risk diversity score.

The tables below present a sensitivity analysis on how credit spread movements could affect the Group's profit or loss after tax for its exposure as at the reporting date.

The movement in the credit spread used in the sensitivity analysis for 2013 have been revised to reflect updated assessment of the reasonable possible changes in credit spread over the next twelve months given renewed observations and experience in the investment markets during the financial year.

Consolidated	**2013**			**2012**		
	Carrying amount at Jun-13 $m	**Movement in variable bp**	**Profit / (loss) after tax [1] $m**	**Carrying amount at Jun-12 $m**	**Movement in variable bp**	**Profit / (loss) after tax [1] $m**
Credit exposure (excl. semi-government)	6,636.5	+75	(87.2)	5,317.8	+100	(95.5)
		-50	59.5		-75	71.6
Credit exposure (semi-government)	1,729.7	+50	(35.6)	1,419.4	+40	(25.4)
		-30	22.3		-40	25.4

[1] Calculated using a corporate tax rate of 30%

Company	**2013**			**2012**		
	Carrying amount at Jun-13 $m	**Movement in variable bp**	**Profit / (loss) after tax [1] $m**	**Carrying amount at Jun-12 $m**	**Movement in variable bp**	**Profit / (loss) after tax [1] $m**
Credit exposure (excl. semi-government)	1,887.4	+75	(27.2)	1,600.6	+100	(28.9)
		-50	18.6		-75	21.6
Credit exposure (semi-government)	335.6	+50	(6.8)	280.7	+40	(5.0)
		-30	4.3		-40	5.0

[1] Calculated using a corporate tax rate of 30%

There is no impact on equity reserves.

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Note 6. Risk management (continued)

(d) Liquidity risk

To ensure payments are made when they fall due, the Group has the following key facilities and arrangements in place to mitigate liquidity risks:

- Investment portfolio mandates provide sufficient cash deposits to meet day-to-day obligations;
- Investment funds set aside within the portfolio that can be realised to meet significant claims payment obligations;
- In the event of a major catastrophe, immediate cash access is available under the terms of reinsurance arrangements; and
- Mandated liquidity limits applied to each legal entity within the Group.

The following tables summarise the maturity profile of financial liabilities based on the remaining undiscounted contractual obligations. It also includes the maturity profile for outstanding general insurance claims liabilities based on the discounted estimated timing of net cash outflows.

Consolidated	**Carrying amount $m**	**1 year or less $m**	**1 to 5 years $m**	**Over 5 years $m**	**Total Cash Flows $m**
2013					
Payables	1,341.9	1,342.9	-	-	1,342.9
Financial liabilities	3.5	3.5	-	-	3.5
Subordinated notes	723.5	39.9	752.5	-	792.4
Net discounted outstanding claims liabilities	6,637.7	2,261.5	3,193.5	1,182.7	6,637.7
Unearned premium liabilities	4,034.9	4,034.9	-	-	4,034.9
	12,741.5	7,682.7	3,946.0	1,182.7	12,811.4
Derivative financial liabilities					
Net settled derivatives	52.5	27.2	33.4	9.6	70.2
Gross settled derivatives:					
Amounts receivable	-	(12.5)	(237.2)	-	(249.7)
Amounts payable	63.1	11.7	330.6	-	342.3
	115.6	26.4	126.8	9.6	162.8

Consolidated	**Carrying amount $m**	**1 year or less $m**	**1 to 5 years $m**	**Over 5 years $m**	**Total Cash Flows $m**
2012					
Payables	987.6	987.6	-	-	987.6
Financial liabilities	90.4	70.9	25.0	1.2	97.1
Subordinated notes	711.5	39.7	776.4	-	816.1
Net discounted outstanding claims liabilities	6,748.1	2,315.1	3,185.0	1,248.0	6,748.1
Unearned premium liabilities	3,826.8	3,826.8	-	-	3,826.8
	12,364.4	7,240.1	3,986.4	1,249.2	12,475.7
Derivative financial liabilities					
Net settled derivatives	52.3	9.2	38.2	19.0	66.4
Gross settled derivatives:					
Amounts receivable	-	(11.6)	(232.8)	-	(244.5)
Amounts payable	71.7	12.1	342.4	-	354.5
	124.0	9.7	147.8	19.0	176.4

Note 6. Risk management (continued)

(e) Liquidity risk (continued)

Company	**Carrying amount $m**	**1 year or less $m**	**1 to 5 years $m**	**Over 5 years $m**	**Total Cash Flows $m**
2013					
Payables	613.0	613.0	-	-	613.0
Financial liabilities	227.1	40.4	237.0	-	277.4
Subordinated notes	491.3	27.4	515.3	-	542.7
Net discounted outstanding claims liabilities	1,354.9	506.5	503.0	345.4	1,354.9
Unearned premium liabilities	873.6	873.6	-	-	873.6
	3,574.6	2,069.1	1,264.0	349.8	3,682.9
Derivative financial liabilities					
Net settled derivatives	14.7	8.2	8.7	4.4	21.3
Gross settled derivatives:					
Amounts receivable	-	(12.5)	(237.2)	-	(249.7)
Amounts payable	63.1	11.7	330.6	-	342.3
	77.8	7.4	102.1	4.4	113.9

Company	**Carrying amount $m**	**1 year or less $m**	**1 to 5 years $m**	**Over 5 years $m**	**Total Cash Flows $m**
2012					
Payables	437.1	437.1	-	-	437.1
Financial liabilities	248.0	73.8	232.0	-	305.8
Subordinated notes	198.8	10.5	224.3	-	234.8
Net discounted outstanding claims liabilities	1,383.5	505.2	528.2	350.1	1,383.5
Uearned premium liabilties	981.0	981.0	-	-	981.0
	3,248.4	2,007.6	984.5	350.1	3,342.2
Derivative financial liabilities					
Net settled derivatives	10.6	1.8	7.5	3.7	13.0
Gross settled derivatives:					
Amounts receivable	-	(11.6)	(232.8)	-	(244.5)
Amounts payable	71.7	12.1	342.4	-	354.5
	82.3	2.3	117.1	3.7	123.1

Note 7. Segment reporting

Operating segments are identified based on separate financial information which is regularly reviewed by the Suncorp Group Chief Executive Officer and his immediate executive team (representing the Suncorp Group's Chief Operating Decision Maker) in assessing performance and determining the allocation of resources. The Group's operating segments are based on the types of products and services provided to customers.

Revenues and expenses occurring between segments are subject to arm's length transfer pricing arrangements. Inter-segment transactions which are eliminated on consolidation are reported on a gross basis for the purposes of segment reporting.

The Group comprises the following operating segments:

Segment	Products and services
Personal insurance	Home and contents insurance, motor insurance, boat insurance, travel insurance and personal effects cover.
Commercial insurance	Commercial motor insurance, commercial property insurance, marine insurance, industrial special risks insurance, public liability and professional indemnity insurance, workers' compensation insurance and compulsory third party insurance.

(a) Segment information

	Personal		Commercial		Total	
	2013 $m	2012 $m	2013 $m	2012 $m	2013 $m	2012 $m
Revenue from external customers	5,582.9	5,163.0	3,474.2	3,328.2	9,057.1	8,491.3
Inter-segment revenue	-	-	-	-	-	-
Total segment revenue	5,582.9	5,163.0	3,474.2	3,328.2	9,057.1	8,491.3
Segment profit before tax	672.5	219.9	514.2	404.6	1,186.7	624.5
Segment income tax expense	(198.1)	(58.6)	(151.5)	(107.9)	(349.6)	(166.5)
Segment profit after income tax	474.4	161.3	362.7	296.7	837.1	458.0
Other segment disclosures						
Interest income	152.9	164.2	351.0	377.1	503.9	541.3
Interest expense	(23.7)	(42.9)	(13.6)	(23.1)	(37.3)	(66.0)
Depreciation and amortisation	(8.3)	(8.7)	(7.6)	(7.9)	(15.9)	(16.6)
Impairment losses	-	(2.7)	-	(6.3)	-	(9.0)

Note 7. Segment reporting (continued)

(b) Reconciliation of segment profit before tax

	2013 $m	2012 $m
Segment profit before income tax	1,186.7	624.5
Share of profit of equity accounted investees	4.5	6.4
Other corporate expenses	(40.4)	(34.7)
Profit before income tax	1,150.8	596.2

(c) Reconciliation of segment revenue

	2013 $m	2012 $m
Segment revenue	9,057.1	8,491.3
Share of profit of equity accounted investees	4.5	6.4
Fire service levies	323.0	272.0
Other corporate adjustments	8.0	105.6
Total income	9,392.6	8,875.3

(d) Geographical segments

Whilst some business activities took place in New Zealand, the Group's revenue from external customers is predominantly attributed to Australia. There are no significant assets located in foreign countries.

(e) Major customers

The Group is not reliant on any external customers for ten per cent or more of the Group's revenue.

Note 8. Income

	Consolidated		Company	
	2013	2012	2013	2012
	$m	$m	$m	$m
Insurance income				
Premium revenue	7,440.9	6,832.6	1,452.4	1,247.0
Inwards reinsurance premium revenue	-	-	200.0	217.3
	7,440.9	6,832.6	1,652.4	1,464.3
Reinsurance and other recoveries revenue	1,092.5	996.4	322.5	194.1
Other income	128.5	44.2	57.0	43.5
Total insurance income	8,661.9	7,873.2	2,031.9	1,701.9
Investment income				
Interest income	503.9	541.3	131.3	150.6
Dividend income:				
Related entities	-	-	625.9	235.2
Changes in fair value of financial assets and liabilities designated as fair value through profit or loss:				
Realised	153.4	(10.1)	56.5	29.3
Unrealised	(124.1)	271.4	(7.1)	61.8
Other investment income	83.7	100.2	26.6	34.0
Total investment income	616.9	902.8	833.2	510.9
Investment income on insurance funds	320.0	705.5	56.5	184.9
Investment income on shareholders funds	296.9	197.3	776.7	326.0
	616.9	902.8	833.2	510.9
Other income				
Insurance managed fund income	106.3	84.1	-	0.1
Other income	7.5	15.2	1.3	3.8
Total other income	113.8	99.3	1.3	3.9
Total income	9,392.6	8,875.3	2,866.4	2,216.7

Note 9. Incurred claims

(a) Gross incurred claims

	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Direct	5,639.3	6,046.3	958.9	934.6
Inwards reinsurance	(4.6)	(2.3)	148.3	264.4
	5,634.7	6,044.0	1,107.2	1,199.0

(b) Net incurred claims

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

Consolidated	2013 Current Period $m	2013 Prior Years $m	2013 Total $m	2012 Current Period $m	2012 Prior Years $m	2012 Total $m
Direct business						
Gross claims incurred and related expenses						
Undiscounted	6,368.4	(537.7)	5,830.7	6,211.3	(763.8)	5,447.5
Discount and discount movement	(205.1)	13.7	(191.4)	(168.5)	767.3	598.8
Gross claims incurred discounted	6,163.3	(524.0)	5,639.3	6,042.8	3.5	6,046.3
Reinsurance and other recoveries						
Undiscounted	(1,275.7)	157.7	(1,118.0)	(1,083.4)	171.7	(911.7)
Discount and discount movement	29.8	(5.3)	24.5	23.5	(109.3)	(85.8)
Reinsurance and other recoveries discounted	(1,245.9)	152.4	(1,093.5)	(1,059.9)	62.4	(997.5)
Net incurred claims - direct business	4,917.4	(371.6)	4,545.8	4,982.9	65.9	5,048.8

Consolidated	2013 Current Period $m	2013 Prior Years $m	2013 Total $m	2012 Current Period $m	2012 Prior Years $m	2012 Total $m
Inwards reinsurance						
Gross claims incurred and related expenses						
Undiscounted	-	(3.3)	(3.3)	7.5	(17.2)	(9.7)
Discount and discount movement	-	(1.3)	(1.3)	-	7.4	7.4
Gross claims incurred discounted	-	(4.6)	(4.6)	7.5	(9.8)	(2.3)
Reinsurance and other recoveries						
Undiscounted	0.1	1.1	1.2	-	2.2	2.2
Discount and discount movement	-	(0.2)	(0.2)	-	(1.1)	(1.1)
Reinsurance and other recoveries discounted	0.1	0.9	1.0	-	1.1	1.1
Net incurred claims - inwards reinsurance	0.1	(3.7)	(3.6)	7.5	(8.7)	(1.2)
Total net incurred claims	4,917.5	(375.3)	4,542.2	4,990.4	57.2	5,047.6

Note 9. Incurred claims (continued)

(b) Net incurred claims (continued)

Company	2013 Current Period $m	2013 Prior Years $m	2013 Total $m	2012 Current Period $m	2012 Prior Years $m	2012 Total $m
Direct business						
Gross claims incurred and related expenses						
Undiscounted	1,008.9	40.8	1,049.7	821.4	(35.8)	785.6
Discount and discount movement	(29.5)	(61.3)	(90.8)	(21.4)	170.4	149.0
Gross claims incurred discounted	979.4	(20.5)	958.9	800.0	134.6	934.6
Reinsurance and other recoveries						
Undiscounted	(265.5)	(72.8)	(338.3)	(150.8)	(24.4)	(175.2)
Discount and discount movement	7.0	8.7	15.7	3.4	(22.3)	(18.9)
Reinsurance and other recoveries discounted	(258.5)	(64.1)	(322.6)	(147.4)	(46.7)	(194.1)
Net incurred claims - direct business	720.9	(84.6)	636.3	652.6	87.9	740.5

Company	2013 Current Period $m	2013 Prior Years $m	2013 Total $m	2012 Current Period $m	2012 Prior Years $m	2012 Total $m
Inwards reinsurance						
Gross claims incurred and related expenses						
Undiscounted	148.9	(0.5)	148.4	264.2	(0.2)	264.0
Discount and discount movement	-	(0.1)	(0.1)	-	0.4	0.4
Gross claims incurred discounted	148.9	(0.6)	148.3	264.2	0.2	264.4
Reinsurance and other recoveries						
Undiscounted	0.1	-	0.1	-	-	-
Discount and discount movement	-	-	-	-	-	-
Reinsurance and other recoveries discounted	0.1	-	0.1	-	-	-
Net incurred claims - inwards reinsurance	149.0	(0.6)	148.4	264.2	0.2	264.4
Total net incurred claims	869.9	(85.2)	784.7	916.8	88.1	1,004.9

(c) Explanation of material variances – Direct business

The impact of movements in prior year consolidated net provisions on the net incurred cost for 2013 amounted to a decrease of $371.6 million. This was primarily due to the release of risk margins as claims were paid and valuation releases arising from favourable claims experience.

The impact of movements in prior year Company net provisions on the net incurred cost for 2012 amounted to a decrease of $85.2 million. This was primarily due to the release of risk margins as claims were paid.

Quantification of the financial effect of changes in claims assumptions, experience and risk margins, are set out in note 5(b)*(ii)*.

Note 10. Underwriting and other operating expenses

	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Other underwriting expenses				
Equipment and occupancy expenses				
Operating lease rentals	6.6	6.9	2.0	2.8
Other occupancy costs	21.3	17.0	4.0	1.0
Total equipment and occupancy costs	27.9	23.9	6.0	3.8
Staff expenses				
Staff expenses	273.6	250.7	112.6	80.2
Total staff expenses	273.6	250.7	112.6	80.2
Other expenses				
Levies and charges	304.6	281.5	71.7	66.5
Technology	15.4	13.3	6.9	3.5
Marketing	40.6	35.8	4.3	2.4
Communications	17.1	15.6	5.2	2.9
Other	72.9	51.6	20.8	6.8
Total other expenses	450.6	397.8	108.9	82.1
Total other underwriting expenses	752.1	672.4	227.5	166.1
Other operating expenses				
Insurance managed fund expenses	80.0	72.0	0.2	1.0
Other	10.2	10.8	7.6	-
Total other operating expenses	90.2	82.8	7.8	1.0

Note 11. Finance costs

	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Interest expense	34.0	62.6	17.8	15.9
Other finance costs	3.3	3.4	11.3	11.1
	37.3	66.0	29.1	27.0

Note 12. Income tax

(a) Income tax expense / (benefit)

	Consolidated		Company	
	2013 $m	2012 $m	2013 $m	2012 $m
Recognised in profit or loss				
Current tax expense				
Current period	364.1	103.0	64.6	(8.4)
Adjustments for prior years	(1.7)	(13.0)	(0.2)	(15.8)
	362.4	90.0	64.4	(24.2)
Deferred tax expense				
Origination and reversal of temporary differences	(23.6)	68.2	5.4	19.1
Total income tax expense / (benefit)	338.8	158.2	69.8	(5.1)
Attributable to continuing operations	338.8	158.2	69.8	(5.1)
Numerical reconciliation between income tax expense and profit before tax				
Profit before tax	1,150.8	596.2	856.6	278.1
Income tax using the domestic corporation tax rate of 30% (2012: 30%)	345.2	178.8	257.0	83.4
Movement in income tax expense due to:				
Non-deductible expenses	0.2	0.3	0.3	0.2
Non-deductible write-downs	-	-	2.3	-
Imputation gross-up on dividends received	2.0	0.5	0.6	0.1
Intercompany dividend elimination	-	-	(187.8)	(70.6)
Income tax offsets and credits	(7.5)	(2.0)	(2.6)	(0.4)
Other	(1.5)	(3.2)	-	(1.6)
	338.4	174.4	69.8	11.1
Under / (over) provision in prior years	0.4	(16.2)	-	(16.2)
Income tax expense / (benefit)	338.8	158.2	69.8	(5.1)

	Consolidated		Company	
	2013 $m	2012 $m	2013 $m	2012 $m
Deferred tax (benefit) / expense recognised directly in other comprehensive income				
Relating to other	(0.8)	(7.4)	(0.9)	(7.1)
	(0.8)	(7.4)	(0.9)	(7.1)

(b) Current tax liabilities

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

Note 12. Income tax (continued)

(c) Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets 2013 $m	Assets 2012 $m	Liabilities 2013 $m	Liabilities 2012 $m	Net 2013 $m	Net 2012 $m
Property, plant and equipment	-	-	-	0.4	-	0.4
Other investments	-	-	(97.9)	(115.2)	(97.9)	(115.2)
Employee benefits	26.0	18.6	-	-	26.0	18.6
Provisions	78.6	88.2	-	-	78.6	88.2
Other items	5.0	12.2	(34.3)	(50.4)	(29.3)	(38.2)
Tax assets / (liabilities)	109.6	119.0	(132.2)	(165.2)	(22.6)	(46.2)
Set-off of tax	(109.6)	(119.0)	109.6	119.0	-	-
Net tax assets/(liabilities)	-	-	(22.6)	(46.2)	(22.6)	(46.2)

Movements	Assets 2013 $m	Assets 2012 $m	Liabilities 2013 $m	Liabilities 2012 $m
Balance at the beginning of the financial year	119.0	112.4	(165.2)	(97.1)
Credited (charged) to profit or loss	(7.0)	7.1	29.8	(75.3)
Credited (charged) to equity	(2.4)	-	3.2	7.2
Transfer of Assets/Liabilities Group Companies	-	(0.5)	-	-
Balance at the end of the financial year	109.6	119.0	(132.2)	(165.2)

Company	Assets 2013 $m	Assets 2012 $m	Liabilities 2013 $m	Liabilities 2012 $m	Net 2013 $m	Net 2012 $m
Other investments	-	-	(26.7)	(26.0)	(26.7)	(26.0)
Employee benefits	14.0	12.4	-	-	14.0	12.4
Provisions	15.9	23.5	-	-	15.9	23.5
Other items	-	0.8	(8.2)	(10.3)	(8.2)	(9.5)
Tax assets / (liabilities)	29.9	36.7	(34.9)	(36.3)	(5.0)	0.4
Set-off of tax	(29.9)	(36.3)	29.9	36.3	-	-
Net tax assets/(liabilities)	-	0.4	(5.0)	-	(5.0)	0.4

Movements	Assets 2013 $m	Assets 2012 $m	Liabilities 2013 $m	Liabilities 2012 $m
Balance at the beginning of the financial year	36.7	30.3	(36.3)	(17.8)
Credited / (charged) to profit or loss	(4.4)	6.4	(1.9)	(25.5)
Credited / (charged) to equity	(2.4)	-	3.3	7.0
Balance at the end of the financial year	29.9	36.7	(34.9)	(36.3)

There are no unrecognised deferred tax assets and liabilities for the Group or the Company.

Note 12. Income tax (continued)

(d) Tax consolidation

Suncorp Group Limited is the head company of a tax-consolidated group comprising of all Australian wholly-owned entities within the Suncorp Group. In the opinion of the directors, this limits the joint and severable liability of the wholly-owned subsidiaries in the case of default by the head company of the tax-consolidated group. Under the tax funding agreement, the wholly-owned entities fully compensate Suncorp Group Limited for any current tax payable assumed.

Note 13. Cash and cash equivalents

	Consolidated		Company	
	2013 $m	2012 $m	2013 $m	2012 $m
Cash at bank and in hand	115.5	93.1	45.8	51.1
Deposits at call	7.8	4.9	0.7	0.3
Cash and cash equivalents	123.3	98.0	46.5	51.4
Bank overdrafts	(3.5)	(45.3)	(27.9)	(62.2)
Total cash and cash equivalents in the statement of cash flows	119.8	52.7	18.6	(10.8)

Note 14. Receivables

	Consolidated		Company	
	2013 $m	2012 $m	2013 $m	2012 $m
Trade receivables				
Premiums outstanding	2,024.6	1,864.1	523.1	459.9
Amounts due from reinsurers	37.5	100.8	17.8	43.3
Insurance managed funds receivable	4.1	24.4	-	-
Amounts due from related bodies corporate	199.1	218.1	82.5	96.1
	2,265.3	2,207.4	623.4	599.3
Other receivables				
Amounts due from controlled entities	-	-	34.7	198.3
Amounts due from controlling entity	0.2	0.1	0.2	0.1
Amounts due from ultimate parent entity	-	31.6	-	50.5
Other receivables	31.4	177.0	12.7	32.6
	31.6	208.7	47.6	281.5
Total receivables	2,296.9	2,416.1	671.0	880.8
Current	2,096.4	2,187.9	648.7	858.5
Non-current	200.5	228.2	22.3	22.3
	2,296.9	2,416.1	671.0	880.8
Trade receivables designated at fair value through profit or loss				
Book value of trade receivables	2,272.0	2,216.0	626.1	603.6
Change in fair value due to credit risk	(6.7)	(8.6)	(2.7)	(4.3)
Carrying value at end of financial year	2,265.3	2,207.4	623.4	599.3

Note 15. Investment securities

	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Debentures and corporate bonds	5,768.5	5,820.9	1,732.7	1,703.2
Government and semi-government securities	4,385.8	3,409.3	810.4	672.5
Discounted securities	-	303.7	-	59.8
Unit trusts, equities	555.7	461.9	273.2	227.6
Other interest bearing securities	869.5	908.5	154.7	173.5
Total investment securities	11,579.5	10,904.3	2,971.0	2,836.6
Current	11,579.5	10,904.3	2,971.0	2,836.6
Non Current	-	-	-	-
Total investment securities	11,579.5	10,904.3	2,971.0	2,836.6

Note 16. Reinsurance and other recoveries receivable

	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Expected future reinsurance and other recoveries undiscounted	1,615.9	1,615.1	528.9	478.5
Discount to present value	(119.6)	(95.0)	(33.4)	(17.6)
Total reinsurance and other recoveries receivable	1,496.3	1,520.1	495.5	460.9
Current	750.2	766.6	270.5	277.3
Non-current	746.1	753.5	225.0	183.6
	1,496.3	1,520.1	495.5	460.9
Reconciliation of movements in reinsurance and other recoveries receivable				
Balance at beginning of financial year	1,520.1	2,212.3	460.9	645.2
Reinsurance and other recoveries revenue	1,092.5	996.4	322.5	194.1
Reinsurance and other recoveries received	(1,116.3)	(1,688.6)	(287.9)	(378.4)
Balance at end of financial year	1,496.3	1,520.1	495.5	460.9

Note 17. Deferred insurance assets

	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Deferred acquisition costs	487.9	429.8	182.4	155.2
Reconciliation of movements in deferred acquisition costs				
Balance at beginning of financial year	429.8	414.5	155.2	142.2
Acquisition costs deferred	945.8	838.5	311.0	269.5
Amortisation charged to profit or loss	(887.7)	(823.2)	(283.8)	(256.5)
Balance at end of financial year	487.9	429.8	182.4	155.2
Deferred reinsurance assets	629.6	593.1	257.2	223.6
Reconciliation of movements in deferred reinsurance assets				
Balance at beginning of financial year	593.1	547.9	223.6	212.9
Reinsurance premiums paid during the year	855.4	622.5	381.3	295.1
Reinsurance premiums charged to profit or loss	(818.9)	(577.3)	(347.7)	(284.4)
Balance at end of financial year	629.6	593.1	257.2	223.6
Other deferred expenses	118.5	154.2	26.3	32.5
Reconciliation of movements in other deferred expenses				
Balance at beginning of financial year	154.2	123.7	32.5	23.9
Other expenses deferred	268.9	312.0	65.5	75.1
Amortisation charged to profit or loss	(304.6)	(281.5)	(71.7)	(66.5)
Balance at end of financial year	118.5	154.2	26.3	32.5
Total deferred insurance assets	1,236.0	1,177.1	465.9	411.3

Note 18. Other assets

	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Accrued interest	105.8	111.9	28.7	30.7
Prepayments	3.3	4.0	1.4	1.5
Total other assets	109.1	115.9	30.1	32.2
Current	109.1	115.9	30.1	32.2

Note 19. Investments in joint ventures

Information relating to the joint ventures entities is set out below.

(a) Investments in joint venture entities

Name of entity	Principal Activity	Ownership interest 2013 %	Ownership interest 2012 %	Consolidated Carrying amount 2013 $m	Consolidated Carrying amount 2012 $m	Company Carrying amount 2013 $m	Company Carrying amount 2012 $m
Joint venture entities							
NTI Limited	Management Services	50%	50%	5.7	6.1	5.7	6.1
RACT Insurance Pty Ltd [1]	Insurance	50%	50%	13.0	14.5	-	-
				18.7	20.6	5.7	6.1

		2013 %	2012 %
Joint venture operations			
National Transport Insurance	Facilitation of insurance arrangements	50%	50%

[1] Investment held by GIO Insurance Investment Holdings A Pty Limited.

	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Summary financial information of joint venture entities				
Selected profit or loss data				
Revenues (100%)	154.5	131.3	52.0	53.2
Expenses (100%)	(145.4)	(118.6)	(52.0)	(52.1)
Profit (100%)	9.1	12.7	-	1.0
Share of joint venture entities' profit after tax	4.5	6.4	0.1	0.6
Selected balance sheet data				
Current assets (100%)	97.4	63.1	15.0	3.1
Non-current assets (100%)	15.3	34.2	13.0	12.5
Current liabilities (100%)	70.1	51.3	9.0	(2.7)
Non-current liabilities (100%)	7.3	7.0	7.0	6.1
Net assets as reported by joint venture entities (100%)	35.3	38.9	11.0	12.2
Share of joint venture entities' net assets equity accounted	18.7	20.6	6.0	6.1
Joint venture entities expenditure commitments				
Lease commitments	12.0	12.1	7.9	8.2

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

Note 19. Investments in joint ventures (continued)

(b) Disposal of joint venture entities

There were no disposals in the current financial year.

(c) Interest in joint venture operations

AAI Limited is involved in a joint venture partnership called National Transport Insurance Joint Venture, the principal activity of which is to facilitate a co-insurance arrangement of commercial motor vehicle business. AAI Limited holds a 50% (2012: 50%) interest in the joint venture. Information relating to the joint venture, presented in accordance with the accounting policy described in note 3(a), is set out below.

	Consolidated		Company	
	2013	2012	2013	2012
	$m	$m	$m	$m
Share of operation's assets and liabilities				
Current & total assets	95.0	90.7	95.0	90.7
Current & total liabilities	(95.0)	(90.7)	(95.0)	(90.7)
Net assets	-	-	-	-
Share of operation's revenues, expenses and results				
Revenues	97.1	94.4	97.1	94.4
Expenses	(84.1)	(90.1)	(84.1)	(90.1)
Profit before income tax	13.0	4.3	13.0	4.3

Note 20. Investment property

	Consolidated		Company	
	2013	2012	2013	2012
	$m	$m	$m	$m
Freehold land and buildings				
Balance at the beginning of the financial year	126.6	137.0	-	-
Disposal of property	(96.0)	-	-	-
Fair value adjustments	(30.6)	(10.4)	-	-
Balance at the end of the financial year	-	126.6	-	-
Non-current	-	126.6	-	-
	-	126.6	-	-

As part of the Group's simplification strategy, investment in direct property assets no longer fit within the investment strategy. The following sales were undertaken during 2013:

- The Park Road property was sold for $31.0 million on 13 August 2012 and the trust was wound up and liquidated on 30 November 2012. A pre-tax gain of $0.4 million was recognised in the statement of profit or loss and other comprehensive income.
- Health House and Forestry House were sold for a combined price of $65.0 million on 31 May 2013, resulting in a $30.6 million pre-tax loss recognised in the statement of profit or loss and other comprehensive income.

(a) Amounts recognised in profit or loss for investment property

	Consolidated		Company	
	2013	2012	2013	2012
	$m	$m	$m	$m
Rental income	12.2	14.9	-	-
Direct operating expenses	(2.7)	(1.1)	-	-
	9.5	13.8	-	-

(b) Valuation basis

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

(c) Restrictions

The Group entered into lease securitisation and defeasance transactions in May 1993 under which the Group has agreed not to sell or create a security interest in certain investment properties. As part of the sale process for Health House and Forestry House, the obligations under these transactions were released and unwound during 2013.

Note 21. Goodwill and intangible assets

	Consolidated Goodwill $m	Company Goodwill $m
2013		
Cost	1,353.9	12.0
Less: accumulated amortisation and impairment losses	(242.5)	(0.7)
Balance at the end of the financial year	1,111.4	11.3
Movements in intangible assets		
Balance at the beginning of the financial year	1,111.4	11.3
Balance at the end of the financial year	1,111.4	11.3
2012		
Cost	1,353.9	12.0
Less: accumulated amortisation and impairment losses	(242.5)	(0.7)
Balance at the end of the financial year	1,111.4	11.3
Movements in intangible assets		
Balance at the beginning of the financial period	1,111.4	9.4
Other acquisitions	-	1.9
Balance at the end of the financial period	1,111.4	11.3

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

For the purpose of the annual impairment test, goodwill is allocated to significant cash generating units ("CGU") which represent the Group's operating segments. The carrying amount of goodwill allocated to each CGU is then compared to its recoverable amount. For the year ended 30 June 2013, no impairment loss has been recognised (2012: nil).

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

	Consolidated 2013 $m	Consolidated 2012 $m
Personal	603.1	603.1
Commercial	508.3	508.3
	1,111.4	1,111.4

The recoverable amount of each CGU is based on its value in use. The values assigned to key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources of data.

Note 21. Goodwill and intangible assets (continued)

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

Value in use was determined by discounting the future cash flows generated from the continuing use of units and was based on the following key assumptions, for which the values have been obtained on the basis of past experience:

- Cash flows being projected from the financial forecasts prepared by the business units covering a five year period from 1 July 2013 (2012: five year period from 1 July 2012). Cash flows beyond the next five years (2012: five years) are extrapolated using a constant growth rate of 3.0% (2012: 3.0%), which does not exceed the long-term average growth rate for the industry.
- A post-tax discount rate of 9.3% (2012: 9.2%), representing each CGU's weighted average cost of capital. This is equivalent to 12.8% (2012: 11.9%) on a pre-tax basis.

At 30 June 2013, the recoverable amount of each CGU is considerably in excess of its carrying amount and, as a result, no impairment loss has been recognised in the consolidated statements of profit or loss and other comprehensive income. Based on information available and market conditions at 30 June 2013, a reasonably possible change to any of the key assumptions made in this assessment would not cause either CGU's recoverable amount to be less than its carrying amount.

Note 22. Payables and financial liabilities

	Consolidated		Company	
	2013	2012	2013	2012
	$m	$m	$m	$m
Payables				
Trade and other creditors	336.0	389.3	118.1	115.4
Amounts due to reinsurers	510.1	469.7	238.9	247.1
Unearned income	64.6	61.5	29.0	27.3
Amounts due to controlled entities	-	-	141.1	32.7
Amounts due to ultimate parent entity	201.9	-	27.9	-
Amounts due to related entities	229.3	67.1	58.0	14.6
	1,341.9	987.6	613.0	437.1
Financial liabilities				
Secured				
Other loan	-	30.2	-	-
Unsecured				
Bank overdrafts	3.5	45.3	27.9	62.2
Loans from related entities	-	-	199.2	185.8
Managed funds units on issue	-	14.9	-	-
	3.5	90.4	227.1	248.0
Total payables and financial liabilities	1,345.4	1,078.0	840.1	685.1
Current	1,331.1	1,036.5	640.9	499.3
Non-current	14.3	41.5	199.2	185.8
	1,345.4	1,078.0	840.1	685.1

Note 23. Employee benefit obligations

(a) Employee benefit obligations

	Consolidated		Company	
	2013	2012	2013	2012
	$m	$m	$m	$m
Other employee entitlements	78.4	78.2	38.8	43.2
Defined benefit fund deficit	7.8	16.7	7.8	16.6
Employee entitlements	86.2	94.9	46.6	59.8
Current	65.6	76.6	34.8	48.7
Non-current	20.6	18.3	11.8	11.1
	86.2	94.9	46.6	59.8

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

	Consolidated		Company	
	2013	2012	2013	2012
Weighted average rate of increases in annual employee benefits to settlement	3.0%	3.5%	3.0%	3.5%
Weighted average discount rate	2.6%	2.5%	2.6%	2.5%
Weighted average term to settlement of liabilities (years)	3.9	3.6	3.8	3.7

(b) Defined benefits superannuation contributions

The Group sponsors two defined benefit superannuation plans for employees. Each superannuation fund administered on behalf of employees of the Group provides benefits to members on retirement, disability or death. All defined benefit funds are closed to new members with new employees now being given membership to defined contribution funds.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuaries use the Projected Unit Cost ("PUC") method to determine the present value of the defined benefit obligations. The amount of expected contributions to be paid to the plans during the next financial year is $2.4 million in line with the actuaries' latest recommendations.

(i) Surplus / (deficit) position

	Surplus/(Deficit)	Surplus/(Deficit)
	2013	2012
	$m	$m
Suncorp Defined Benefit Fund	(7.8)	(16.6)
AAMI Staff Superannuation Fund	0.2	(0.1)
Total surplus/(deficit)	(7.6)	(16.7)

Note 23. Employee benefit obligations (continued)

(b) Defined benefits superannuation contributions (continued)

(ii) Current financial summary

	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Fair value of plan assets	65.1	60.7	62.6	58.4
Present value of defined benefit obligations	(72.7)	(77.4)	(70.4)	(75.0)
Surplus/(deficit) recognised in the statements of financial position	(7.6)	(16.7)	(7.8)	(16.6)

(iii) Reconciliation of movements

	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Changes in the present value of the defined benefit obligations:				
Balance at the beginning of the financial year	77.4	67.6	75.0	65.4
Current service cost	3.2	2.3	3.1	2.2
Interest cost	2.2	3.3	2.1	3.2
Actuarial (gains) / losses in other comprehensive income	(1.0)	15.4	(1.0)	14.7
Benefits paid	(8.0)	(9.4)	(7.7)	(8.7)
Other costs	(1.1)	(1.8)	(1.1)	(1.8)
Balance at the end of the financial year	72.7	77.4	70.4	75.0

	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Changes in the fair value of plan assets:				
Balance at the beginning of the financial year	60.7	69.5	58.4	66.5
Expected return on plan assets	4.0	4.7	3.8	4.5
Actuarial gains / (losses) in other comprehensive income	7.3	(8.5)	7.0	(8.2)
Contributions	2.1	6.3	2.1	6.2
Benefits paid	(7.8)	(9.4)	(7.6)	(8.7)
Other costs	(1.2)	(1.9)	(1.1)	(1.9)
Transfers out	-	-	-	-
Balance at the end of the financial year	65.1	60.7	62.6	58.4

(iv) Categories of plan assets

	Consolidated 2013 %	Consolidated 2012 %	Company 2013 %	Company 2012 %
Major categories of plan assets as a percentage of total fund assets:				
Cash	10.6	9.7	11.0	10.0
Equities	58.1	68.7	58.0	69.0
Listed property	5.0	4.0	5.0	4.0
Debt instruments	26.1	17.4	26.0	17.0
Other	0.2	0.2	-	-

Note 23. Employee benefit obligations (continued)

(b) Defined benefits superannuation contributions (continued)

(v) Expense recognised in statements of profit or loss and other comprehensive income

	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Current service cost	(3.2)	(2.4)	(3.1)	(2.3)
Interest cost	(2.2)	(3.3)	(2.1)	(3.2)
Expected return on plan assets	4.0	4.7	3.8	4.5
Total expense recognised	(1.4)	(1.0)	(1.4)	(1.0)
The expense is recognised in the following line items in the statements of profit or loss and other comprehensive income:				
Other underwriting expenses	(1.4)	(1.0)	(1.4)	(1.0)
	(1.4)	(1.0)	(1.4)	(1.0)
Actual return on plan assets	11.2	(3.8)	10.8	(3.7)
Actuarial gains (losses) recognised in other comprehensive income				
Actuarial gains/(losses)	8.3	(23.9)	8.0	(22.9)
Cumulative actuarial (losses) recognised in other comprehensive income	(27.6)	(35.9)	(22.8)	(30.8)

(vi) Principal actuarial assumptions and employer contributions

	Consolidated 2013 %	Consolidated 2012 %	Company 2013 %	Company 2012 %
Employer contribution rate (1)	19.8	19.7	21.0	21.0
Discount rate at 30 June (net of tax)	2.7	3.0	2.7	3.0
Expected return on plan assets at 30 June (net of tax) (2)	7.0	7.0	7.0	7.0
Future salary increases	3.5	4.0	3.5	4.0

(1) Not all funds are contributing for members.

(2) The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of investment tax and investment fees.

Note 23. Employee benefit obligations (continued)

(b) Defined benefits superannuation contributions (continued)

(vii) Historic summary

	Consolidated				
	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m
Fair value of plan assets	65.1	60.7	69.5	76.9	70.4
Present value of defined benefit obligations	(72.7)	(77.4)	(67.6)	(68.6)	(71.8)
Surplus / (deficit)	(7.6)	(16.7)	1.9	8.3	(1.4)
Experience gains / (losses) arising on plan liabilities	0.8	(8.5)	(2.3)	(0.3)	5.9
Experience gains / (losses) arising on plan assets	7.3	(1.5)	(2.2)	10.9	(18.6)

(c) Defined contribution superannuation fund

Employer contributions to the Promina Staff Superannuation Plan, AAMI Staff Superannuation Fund and other funds recognised as an expense during the year ended 30 June 2013 were $22.2 million (2012: $23.2 million).

(d) Share-based payments

AAI Limited is a wholly owned subsidiary of Suncorp Group Limited ("Suncorp"). Eligible employees of the Group have the right to participate in the Suncorp share plans. Shares offered in these share plans are granted by Suncorp over its own shares to employees of Suncorp subsidiaries.

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

Features of the plans currently in operation are as follows:

Share Plans	Executive Performance Share Plan (EPSP)	Exempt Employee Share Plan (EESP)
Method of settlement	Equity-settled. Cash-settled in limited circumstances as elected by the Board.	Equity-settled
Eligible plan participant	Executives	Employees not part of the EPSP
Basis of share grant / issue	Value of shares granted (offered) is determined by the Board based on the executive's level of remuneration and individual performance.	Market value of shares up to $1,000 per employee per year may be offered by the Board based on the Suncorp Group's overall performance.
Vesting	Subject to satisfaction of performance criteria over the performance period.	Fully vested, not subject to forfeiture.
Performance criteria	Refer below.	None.
Minimum holding period	None after shares are vested.	Earlier of three years or upon cessation of employment.
Plan maximum limit	Shares can only be issued under the Plans if the number to be granted will not exceed 5% of total shares on issue for Suncorp Group Limited when aggregated with the number of shares granted or issued during the previous five years for all share plans operated by Suncorp Group Limited.	
Dividend entitlements	Vested shares carry full entitlement to dividend from the grant date (less any taxes paid by the Plan Trustee in respect of such dividends).	Full entitlement from when the shares are allocated to the participating employee and held in the Plan.
Voting rights	Voting rights are held by the Plan Trustee until shares are vested.	Participating employees have the right to vote from when the shares are allocated to them in the Plan.

Note 23. Employee benefit obligations (continued)

(d) Share-based payments (continued)

The performance criteria for the EPSP is as follows:

<table>
<tr><th>Grant date</th><th>1 October 2007 – 3 May 2010</th><th>From 1 October 2010</th></tr>
<tr><td>Performance criteria</td><td colspan="2">The criteria is based on total shareholder returns (TSR) achieved by Suncorp Group Limited over a performance period compared to the TSR of a comparator group</td></tr>
<tr><td>Comparator group</td><td>Top 50 Industrial companies in the S&P/ASX 100, excluding listed property trusts</td><td>Top 50 Industrial companies in the S&P/ASX 100, excluding mining companies and listed property trusts</td></tr>
<tr><td>Performance results and vesting rules</td><td colspan="2">Shares granted under this plan will vest and allocated based on Suncorp Group Limited's TSR performance results:
<table>
<tr><th>Company performance (TSR percentile ranking)</th><th>% of offered shares available for vesting</th></tr>
<tr><td>< 50th percentile</td><td>Nil</td></tr>
<tr><td>50th percentile</td><td>50%</td></tr>
<tr><td>> 50th but < 75th percentile</td><td>an additional 2% of the shares will vest for each 1% increase (on a straight line basis) in Suncorp Group Limited's TSR ranking above the 50th percentile</td></tr>
<tr><td>75th percentile or above</td><td>100%</td></tr>
</table></td></tr>
<tr><td>Initial performance period</td><td colspan="2">The initial performance period commences on the grant date and ends on the initial vesting date which is generally three years after the grant date.</td></tr>
<tr><td>At initial vesting date</td><td>The Executive has the right to elect to receive an allocation of shares, based on the performance result described above, or extend the performance period a further two years. If the Executive elects to accept the year three performance result, any shares subject to that same offer that are not allocated are forfeited.</td><td>Shares are vested and allocated based on the performance result described above. Any shares offered that are not allocated are forfeited. No extension of performance period is permitted.</td></tr>
<tr><td>During the extended performance period (Period from the initial vesting date to the end of the end of the extended performance period (generally at the end of year five))</td><td>Performance measurements are undertaken during the extended performance period on a six monthly basis. Executives electing to extend the performance period waive their right to make any further election in regard to acceptance of a performance result (and therefore cannot have shares allocated) until the end of year five. The executives' entitlement to an allocation of shares at the end of year five will be based on the highest performance measurement result recorded at any of the prescribed performance measurement points over the extended performance period. Shares not allocated at the end of the extended performance period are forfeited.</td><td>Not applicable.</td></tr>
</table>

The amount included in the income statement in relation to the deferred ordinary shares allocated under EPSP and EESP for the year ended 30 June 2013 for the Group was $3.0 million (2012: $4.0 million) and for the Company was $1.2 million (2012: $1.6 million).

Note 24. Outstanding claims liabilities

(a) Outstanding claims liabilities

	Consolidated		Company	
	2013 $m	2012 $m	2013 $m	2012 $m
Gross central estimate - undiscounted	7,729.5	7,694.4	1,795.4	1,702.4
Risk margin	1,161.1	1,148.0	337.9	332.9
Claims handling expenses	286.8	276.5	62.3	63.4
	9,177.4	9,118.9	2,195.6	2,098.7
Discount to present value	(1,043.4)	(850.7)	(345.2)	(254.3)
Gross outstanding claims liabilities - discounted	8,134.0	8,268.2	1,850.4	1,844.4
Current	3,011.6	3,081.7	776.9	782.5
Non-current	5,122.4	5,186.5	1,073.5	1,061.9
	8,134.0	8,268.2	1,850.4	1,844.4

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

	Consolidated		Company	
	2013 $m	2012 $m	2013 $m	2012 $m
Opening net outstanding claims liabilities	6,748.1	6,117.7	1,383.5	1,391.0
Prior periods				
Claims payments	(2,025.0)	(1,757.8)	(390.0)	(543.1)
Discount unwind	105.7	196.7	20.0	35.5
Margin release on prior periods	(257.0)	(226.7)	(56.0)	(36.5)
Incurred claims due to changes in assumptions and experience	(139.3)	(253.8)	(15.4)	(7.5)
Change in discount rate	(84.7)	341.0	(33.8)	96.6
Current period				
Incurred claims	4,917.5	4,990.4	869.9	916.8
Claims payments	(2,627.6)	(2,659.4)	(423.3)	(469.3)
Closing net outstanding claims liabilities	6,637.7	6,748.1	1,354.9	1,383.5
Discounted reinsurance recoveries on outstanding claims liabilities and other recoveries	1,496.3	1,520.1	495.5	460.9
Gross outstanding claims liabilities - discounted	8,134.0	8,268.2	1,850.4	1,844.4

Note 24. Outstanding claims liabilities (continued)

(c) Claims development tables

The following tables show the development of undiscounted outstanding claims relative to the ultimate expected claims for the ten most recent accident years.

Consolidated

Accident year	**Prior $m**	**2004 $m**	**2005 $m**	**2006 $m**	**2007 $m**	**2008 $m**	**2009 $m**	**2010 $m**	**2011 $m**	**2012 $m**	**2013 $m**	**Total $m**
Estimate of ultimate claims cost:												
At end of accident year		1,024.0	1,149.1	1,186.1	1,223.8	1,267.9	1,272.0	1,312.8	1,306.6	1,286.9	1,374.4	12,403.6
One year later		1,039.8	1,042.6	1,099.6	1,162.0	1,128.3	1,259.9	1,216.2	1,201.8	1,276.0		10,426.2
Two years later		906.4	923.2	1,022.1	1,056.4	1,092.4	1,153.0	1,131.3	1,141.9			8,426.7
Three years later		818.3	884.0	948.1	1,026.4	1,048.9	1,133.0	1,103.0				6,961.7
Four years later		748.2	832.4	895.8	974.2	989.1	1,121.6					5,561.3
Five years later		707.5	804.4	862.2	947.5	975.7						4,297.3
Six years later		710.2	797.6	870.3	927.0							3,305.1
Seven years later		679.6	799.8	858.6								2,338.0
Eight years later		674.5	786.3									1,460.8
Nine years later		670.1										670.1
Current estimate of cumulative claims cost		670.1	786.3	858.6	927.0	975.7	1,121.6	1,103.0	1,141.9	1,276.0	1,374.4	
Cumulative payments		(636.1)	(703.7)	(760.8)	(793.0)	(768.9)	(792.4)	(617.8)	(438.5)	(238.1)	(69.7)	
Outstanding claims - undiscounted	696.2	34.0	82.6	97.8	134.0	206.8	329.2	485.2	703.4	1,037.9	1,304.7	5,111.8
Discount to present value	(252.3)	(3.7)	(10.2)	(11.5)	(14.5)	(21.7)	(30.6)	(40.3)	(58.5)	(91.6)	(136.2)	(671.1)
Outstanding claims - long tail	443.9	30.3	72.4	86.3	119.5	185.1	298.6	444.9	644.9	946.3	1,168.5	4,440.7
Outstanding claims - short tail												981.1
Claims handling expenses												249.9
Risk margin												966.0
Total net outstanding claims liabilities												6,637.7
Reinsurance and other recoveries on outstanding claims liabilities												1,496.3
Total gross outstanding claims												8,134.0

Note 24. Outstanding claims liabilities (continued)

(c) Claims development tables (continued)

Company

Accident year	**Prior $m**	**2004 $m**	**2005 $m**	**2006 $m**	**2007 $m**	**2008 $m**	**2009 $m**	**2010 $m**	**2011 $m**	**2012 $m**	**2013 $m**	**Total $m**
Estimate of ultimate claims cost:												
At end of accident year		167.9	168.0	147.5	135.4	136.0	163.2	167.5	164.9	148.8	148.7	1,547.9
One year later		154.3	155.6	124.5	110.8	138.1	152.9	157.7	159.8	126.1		1,279.8
Two years later		131.9	121.4	100.5	114.3	125.2	144.2	158.0	132.6			1,028.1
Three years later		95.9	102.3	97.2	103.5	118.4	148.7	161.4				827.4
Four years later		90.2	96.4	94.4	104.9	114.5	152.7					653.1
Five years later		83.1	90.6	102.7	104.9	112.1						493.4
Six years later		81.2	92.3	103.6	107.3							384.4
Seven years later		81.2	85.6	102.3								269.1
Eight years later		82.2	95.0									177.2
Nine years later		84.0										84.0
Current estimate of cumulative claims cost		84.0	95.0	102.3	107.3	112.1	152.7	161.4	132.6	126.1	148.7	
Cumulative payments		(75.5)	(83.5)	(86.6)	(78.9)	(81.5)	(93.1)	(73.9)	(48.5)	(29.5)	(11.6)	
Outstanding claims - undiscounted	363.1	8.5	11.5	15.7	28.4	30.6	59.6	87.5	84.1	96.6	137.1	922.7
Discount to present value	(150.3)	(0.6)	(0.9)	(1.0)	(2.0)	(2.6)	(5.1)	(8.1)	(8.8)	(9.8)	(14.7)	(204.0)
Outstanding claims - long tail	212.8	7.9	10.6	14.7	26.4	28.0	54.5	79.4	75.3	86.8	122.4	718.8
Outstanding claims - short tail												336.6
Claims handling expenses												48.5
Risk margin												251.0
Total net outstanding claims liabilities												1,354.9
Reinsurance and other recoveries on outstanding claims liabilities												495.5
Total gross outstanding claims												1,850.4

The reconciliation of the movement in outstanding claims liabilities and the claims development table have been presented on a net of reinsurance and other recoveries basis to give the most meaningful insight into the impact on profit or loss. Short-tail claims are disclosed separately as they are generally subject to less uncertainty since they are normally reported soon after the incident and are generally settled within twelve months following the reported incident.

Note 25. Unearned premium liabilities

	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Unearned premium liabilities	4,034.9	3,826.8	873.6	981.0
Reconciliation of movements in unearned premium liabilities				
Balance at beginning of financial year	3,826.8	3,506.5	981.0	895.9
Premiums written during the year	7,649.0	7,152.9	1,545.0	1,549.4
Premiums earned during the year	(7,440.9)	(6,832.6)	(1,652.4)	(1,464.3)
Balance at end of financial year	4,034.9	3,826.8	873.6	981.0
Current	4,034.9	3,826.8	873.6	981.0

Note 26. Liability adequacy test

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

As at 30 June 2013, no deficiency arose from the test (2012: no deficiency)

The risk margin included in the test as a percentage of the central estimate is 2.4% (2012: 2.2%). The risk margin was determined to give a probability of adequacy in the range of 57% - 64% (2012: 57% - 64%) and differs from the 90% (2012: 90%) probability of adequacy adopted in determining the outstanding claims liability.

The risk margin included in the Company's expected future cash flows for future claims as a percentage of the central estimate is 2.3% (2012: 2.8%). The risk margin was determined to give a probability of adequacy in the range of 57% - 64 % (2012: 57% - 64%) and differs from the 89% (2012: 88%) probability of adequacy adopted in determining the outstanding claims liability.

The reason for these differences is that the former is in effect an impairment test used only to test the sufficiency of net premium liabilities whereas the latter is a measurement accounting policy used in determining the carrying value of the outstanding claims liability recognised on the statement of financial position.

Note 27. Subordinated notes

	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Fixed rate notes due September 2024 with first call September 2014 [(1)]	135.0	136.4	135.0	-
Floating rate notes due September 2024 with first call September 2014	51.5	51.5	51.5	-
Fixed rate notes due September 2025 with first call September 2015	121.7	121.7	121.7	121.7
Floating rate notes due September 2025 with first call September 2015	77.1	77.1	77.1	77.1
Fixed rate notes due October 2026 with first call October 2016 [(1)]	106.0	106.9	106.0	-
Fixed rate notes due June 2027 with first call June 2017 (GBP) [(1)]	232.2	217.9	-	-
	723.5	711.5	491.3	198.8
Less transaction costs	(3.7)	(4.0)	(3.7)	(3.6)
Total subordinated notes	719.8	707.5	487.6	195.2

(1) These notes are carried at fair value and included in Financial instruments note 31.

The above subordinated notes were issued by AAI Limited, Suncorp Metway Insurance Limited and Suncorp Insurance Funding 2007 Limited with maturities of 20 years, first callable at the option of the issuer after 10 years. Notes issued by Suncorp Metway Insurance Limited include two Fixed rate notes with due dates of September 2024 and October 2026, and a Floating rate note with a due date of September 2024. These notes were transferred to AAI Limited on 24 July 2012.

The notes are unsecured obligations of the Company. Payments of principal and interest on the notes have priority over the issuing entity's dividend payments only, and in the event of the winding-up of the issuing entity, the rights of the note holders will rank in preference only to the rights of ordinary shareholders.

Note 28. Share capital and reserves

(a) Movement in number of issued shares

	Company 2013 Shares	Company 2012 Shares
Issued and fully paid shares		
Balance at beginning of financial year	300,577,465	310,977,465
Shares issued	16,500,000	-
Shares buyback	-	(10,400,000)
Balance at end of the financial year	317,077,465	300,577,465

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

(b) Ordinary shares

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

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

(c) Share-based payments

Share-based payments represent the grant date fair value of share-based payments provided to employees.

(d) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions.

Note 29. Dividends

	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Ordinary shares				
Dividend paid September 2011 $0.51 per fully paid share	-	158.9	-	158.9
Dividend paid March 2012 $0.22 per fully paid share	-	67.9	-	67.9
Dividend paid September 2012 $1.10 per fully paid share	348.0	-	348.0	-
Dividend paid April 2013 $1.48 per fully paid share	470.0	-	470.0	-
	818.0	226.8	818.0	226.8

The directors have declared a final dividend in respect of 2013 financial year of $342.8 million to be paid on or before 26 September 2013.

Note 30. Reconciliation of net cash flows from operating activities

	Consolidated 2013 $m	Consolidated 2012 $m	Company 2013 $m	Company 2012 $m
Profit after income tax	812.0	438.0	786.8	283.2
Movement in financial assets at fair value through profit or loss	41.5	(386.7)	(44.6)	(110.7)
Share of net (profit) / loss from joint venture entities	(4.5)	(6.4)	(0.1)	(0.6)
Depreciation and amortisation	-	-	-	(1.9)
Impairment of investments and property	30.6	10.5	-	-
Net movement in defined benefit funds	(9.1)	18.6	(8.8)	17.7
Amortisation of share-based payments	0.1	0.2	0.1	0.1
Change in assets and liabilities				
Change in receivables	(3.4)	(366.7)	185.4	(110.0)
Change in reinsurance and other recoveries receivable	23.8	692.1	(34.6)	184.3
Change in deferred reinsurance premiums	(36.5)	(45.2)	(33.6)	(10.7)
Change in deferred acquisition costs	(58.1)	(15.3)	(27.2)	(13.0)
Change in deferred other expenses	35.7	(30.5)	6.2	(8.6)
Change in other assets	22.0	(18.9)	16.4	(30.3)
Change in deferred tax assets	9.4	(6.6)	6.8	(6.4)
Change in payables	382.7	(155.1)	190.6	95.1
Change in outstanding claims liabilities	(134.2)	(61.8)	6.0	(191.8)
Change in unearned premium liabilities	208.1	320.2	(107.4)	85.1
Change in employee benefit obligations	(8.7)	21.0	(13.2)	19.5
Change in deferred tax liabilities	(33.0)	68.1	(1.4)	18.5
Net cash inflow from operating activities	1,278.4	475.5	927.4	219.5

Note 31. Financial instruments

Refer note 32 for specific discussion on derivative financial instruments.

(a) Fair values

The Group classifies fair values of financial instruments using the fair value hierarchy in order to reflect the most significant input used in their estimation:

Level 1 - inputs that are (unadjusted) quoted prices in active markets for identical financial instruments;
Level 2 - inputs other than quoted prices included within Level 1 that are observable for the financial instruments, either directly or indirectly; and
Level 3 - inputs for the financial instruments that are not based on observable market data.

The following methodologies and assumptions were used to determine the net fair value estimates.

(i) Financial assets

As cash and cash equivalents and receivables are short-term in nature their carrying value approximates their net fair value. Investment securities and investment property are determined based on quoted market price where available. Where quoted prices are not available, alternative valuation techniques are used. Valuation techniques employed include discounted cash flow analysis using expected future cashflows and a market-related discount rate. The carrying value of these investment securities equates to fair value.

For all other financial assets, the carrying value is measured at amortised cost and is considered to be a reasonable estimate of fair value.

(ii) Financial liabilities

Subordinated notes with qualifying interest rate hedges are carried at fair value which is calculated based on either the quoted market prices at balance date or, where quoted market prices were not available, a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instrument.

Subordinated notes that are not in a hedging relationship are carried at amortised cost. The fair value and amortised cost of such notes totalled $267.9 million (2012: $267.9 million) and $250.3 million (2012: $250.2 million) at 30 June, respectively for the Group. The fair value and amortised cost of such notes totalled $260.9 million (2012: $211.7 million) and $250.3 million (2012: 198.8 million) at 30 June, respectively for the Company.

For all other financial liabilities which are short-term in nature, the carrying value is measured at amortised cost and is considered to be a reasonable estimate of fair value.

(iii) Derivative financial instruments

The net fair value of derivative contracts was obtained from quoted market prices, discounted cash flow models, broker and dealer price quotations or option pricing models as appropriate.

Note 31. Financial instruments (continued)

(a) Fair values (continued)

Fair values of the Group's significant financial instruments at balance date, classified by fair value hierarchy level are as follows:

Consolidated

	Carrying amount	Fair value analysis			Total fair value
2013	$m	Level 1 $m	Level 2 $m	Level 3 $m	$m
Financial assets					
Investment securities	11,579.5	2,505.6	9,072.4	1.5	11,579.5
Derivative assets	39.4	-	39.4	-	39.4
	11,618.9	2,505.6	9,111.8	1.5	11,618.9
Financial liabilities					
Derivative liabilities	115.6	-	109.0	6.6	115.6
Subordinated notes at fair value	473.2	-	473.2	-	473.2
	588.8	-	582.2	6.6	588.8
	11,030.1	2,505.6	8,529.6	(5.1)	11,030.1
2012					
Financial assets					
Investment securities	10,904.3	1,792.2	9,098.5	13.6	10,904.3
Derivative assets	50.3	0.2	50.1	-	50.3
	10,954.6	1,792.4	9,148.6	13.6	10,954.6
Financial liabilities					
Derivative liabilities	124.0	-	124.0	-	124.0
Managed funds units on issue	14.9	-	14.9	-	14.9
Subordinated notes at fair value	461.2	-	461.2	-	461.2
	600.1	-	600.1	-	600.1
	10,354.5	1,792.4	8,548.5	13.6	10,354.5

There have been no significant transfers between Level 1 and Level 2 during the financial year (2012: nil).

Note 31. Financial instruments (continued)

(a) Fair values (continued)

The movements in Level 3 of the fair value hierarchy during the financial year are as follows:

Consolidated

2013	**Investment securities $m**	**Derivative liabilities $m**
Balance at the beginning of the financial year	13.6	-
General insurance investment revenue		
- insurance funds	-	6.6
- shareholder funds	0.1	-
Transfers out of level 3	(2.8)	-
Sales	(9.4)	-
Balance at the end of the financial year	1.5	6.6

Included within the above reconciliation are the following total gains or (losses) in respect of amounts held at the end of the financial year:

	Investment securities $m	**Derivative liabilities $m**
General insurance investment revenue		
- insurance funds	-	6.6
- shareholder funds	0.1	-

Consolidated

2012	**Investment securities $m**	**Derivative liabilities $m**
Balance at the beginning of the financial year	24.0	-
Total gains or losses included in profit or loss for the year:		
Investment revenue	(2.8)	-
Purchases	12.4	-
Sales	(20.0)	-
Balance at the end of the financial year	13.6	-

Included within the above reconciliation are the following total gains or (losses) in respect of amounts held at the end of the financial year:

	Investment securities $m	**Derivative liabilities $m**
General insurance investment revenue		
- shareholder funds	(2.3)	-

Note

All gains/losses included in the profit or loss relate to assets and liabilities held at the end of the financial year (i.e. unrealised).

For fair value measurements in Level 3 of the fair value hierarchy, there are no key inputs that, if adjusted to reasonably possible alternatives, would have a material effect on profit or loss.

Note 31. Financial instruments (continued)

(a) Fair values (continued)

Fair values of the Company's financial instruments at balance date, classified by fair value hierarchy level are as follows:

Company

2013	Carrying amount $m	Fair value analysis Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
Financial assets					
Investment securities	2,970.9	446.1	2,523.4	1.5	2,971.0
Derivative assets	22.4	-	22.4	-	22.4
	2,993.3	446.1	2,545.8	1.5	2,993.4
Financial liabilities					
Subordinated notes at fair value	241.0	-	241.0	-	241.0
Derivative liabilities	77.8	-	76.5	1.3	77.8
	318.8	-	317.5	1.3	318.8
	2,674.5	446.1	2,228.3	0.2	2,674.6
2012					
Financial assets					
Investment securities	2,836.6	352.8	2,477.4	6.4	2,836.6
Derivative assets	9.5	0.1	9.4	-	9.5
	2,846.1	352.9	2,486.8	6.4	2,846.1
Financial liabilities					
Derivative liabilities	82.3	-	82.3	-	82.3
	82.3	-	82.3	-	82.3
	2,763.8	352.9	2,404.5	6.4	2,763.8

Note 31. Financial instruments (continued)

(a) Fair values (continued)

The movements in Level 3 of the fair value hierarchy during the financial year are as follows:

Company

2013	**Investment securities $m**	**Derivative liabilities $m**
Balance at the beginning of the financial year	6.4	-
Total gains or losses included in profit or loss for the year:		
General insurance investment revenue		
- insurance funds	-	1.3
- shareholder funds	0.1	-
Transfers out of level 3	(2.7)	-
Sales	(2.3)	-
Balance at the end of the financial year	1.5	1.3

Included within the above reconciliation are the following total gains or (losses) in respect of amounts held at the end of the financial year:

	Investment securities $m	**Derivative liabilities $m**
General insurance investment revenue		
- insurance funds	-	1.3
- shareholder funds	0.1	-

Company

2012	**Investment securities $m**	**Derivative liabilities $m**
Balance at the beginning of the financial year	11.5	-
Total gains or losses included in profit or loss for the year:		
Investment revenue	(0.5)	-
Purchases	3.0	-
Sales	(7.6)	-
Balance at the end of the financial year	6.4	-

Included within the above reconciliation are the following total gains or (losses) in respect of amounts held at the end of the financial year:

	Investment securities $m	**Derivative liabilities $m**
General insurance investment revenue		
- shareholder funds	(0.5)	-

Note

All gains/losses included in the profit or loss relate to assets and liabilities held at the end of the financial year (i.e. unrealised).

For fair value measurements in Level 3 of the fair value hierarchy, there are no key inputs that, if adjusted to reasonably possible alternatives, would have a material effect on profit or loss.

Note 32. Derivative financial instruments

(a) Use of derivatives

Derivative financial instruments are used by the Group to manage interest rate, foreign exchange and equity price risks. They are also used to a limited degree within the insurance investment portfolios where it is more efficient to use derivatives rather than physical securities in managing investment portfolios.

The use of derivatives is consistent with the objectives of the overall investment strategies of the investment portfolios, and one of the means by which these strategies are implemented. Derivatives are used for position management purposes. Interest rate derivatives are a cost effective way to acquire the desired duration, curve or sector positioning for the investments backing the insurance liabilities. Foreign exchange derivatives are used to manage any foreign exchange risks.

The Risk Management Statements, approved by the Board of Directors, establish the basis on which derivative financial instruments may be used within the investment portfolios. The preparation and enforcement of the Risk Management Statements is a critical requirement for licensed insurers. The Risk Management Statements form the basis of the discussion in this note on derivative financial instruments. The Risk Management Statements and investment mandates prohibit the use of derivatives for speculative purposes or for leveraged trading. Leverage here is defined as creating a portfolio which would have sensitivity to an underlying economic or financial variable which is greater than could be achieved using only physical securities.

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

Management is responsible for ensuring that all investment mandates are within risk appetite and comply with all relevant Group policies and external laws and regulations. The investment manager is responsible for ensuring that derivative positions comply with investment mandates and any relevant law or policy. Management monitors the Investment Manager’s compliance with the investment mandates including the use of derivatives.

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

(b) Fair value of derivatives

Consolidated	2013			2012		
	Notional Value $m	Fair Value Asset $m	Fair Value Liability	Notional Value $m	Fair Value Asset $m	Fair Value Liability
Exchange rate related contracts						
Forward foreign exchange contracts	347.4	1.6	(10.5)	218.7	5.8	-
	347.4	1.6	(10.5)	218.7	5.8	-
Interest rate related contracts						
Interest rate options	150.0	1.7	(2.6)	50.0	0.2	-
Swaptions	127.6	0.3	(0.1)	-	-	-
Interest rate swaps	1,917.5	19.9	(39.3)	1,778.3	24.9	(52.3)
Interest rate futures	1,015.1	-	-	785.1	-	-
	3,210.2	21.9	(42.0)	2,613.4	25.1	(52.3)
Equity contracts						
Equity futures	-	-	-	57.7	-	-
	-	-	-	57.7	-	-
Total derivative exposure	3,557.6	23.5	(52.5)	2,889.9	30.9	(52.3)

Note 32. Derivative financial instruments (continued)

(b) Fair value of derivatives (continued)

Company	**2013**			**2012**		
	Notional Value $m	**Fair Value Asset $m**	**Fair Value Liability**	**Notional Value $m**	**Fair Value Asset $m**	**Fair Value Liability**
Exchange rate related contracts						
Forward foreign exchange contracts	139.8	0.6	(5.2)	114.4	3.1	-
	139.8	0.6	(5.2)	114.4	3.1	-
Interest rate related contracts						
Interest rate options	28.8	0.4	(0.5)	12.2	-	-
Swaptions	45.8	0.1	(0.0)	-	-	-
Interest rate swaps	409.6	5.5	(9.0)	414.8	6.4	(10.6)
Interest rate futures	414.4	-	-	267.1	-	-
	898.6	5.9	(9.5)	694.1	6.4	(10.6)
Equity contracts						
Equity futures	-	-	-	25.0	-	-
	-	-	-	25.0	-	-
Total derivative exposure	1,038.4	6.5	(14.7)	833.5	9.5	(10.6)

(c) Hedge accounting

Hedging of fluctuations in interest and foreign exchange rates

Interest rate swaps designated as hedges are classified as either cash flow hedges or fair value hedges and are measured at fair value in the statements of financial position.

At balance date the Group has interest rate swaps designated as hedges and classified as fair value hedges of fixed rate subordinated note issues. All other interest rate derivatives are accounted for as fair value through profit or loss.

Hedge accounting has been adopted by the Group for the interest rate swaps hedging the fair value translation risk arising on fixed rate subordinated note issues. All cross currency interest rate swaps entered into by the Group are designated as hedges using the split approach. Under this approach the benchmark rate component of the swap is accounted for as a fair value hedge and the margin component as a cash flow hedge.

Note 32. Derivative financial instruments (continued)

(c) Hedge accounting (continued)

Hedging of fluctuations in interest and foreign exchange rates (continued)

	Consolidated Split Approach 2013 $m	Consolidated Split Approach 2012 $m	Company Split Approach 2013 $m	Company Split Approach 2012 $m
Hedging of fluctuations in interest and foreign exchange rates				
Notional value of cross currency swaps designated as hedges	291.0	291.0	291.0	291.0
Notional value of interest rate swaps designated as hedges	228.7	228.7	228.7	-
Fair value:				
net pay cross currency swaps	(63.1)	(71.7)	(63.1)	(71.7)
net receive interest rate swaps	15.9	19.4	15.9	-
	(47.2)	(52.3)	(47.2)	(71.7)
Cashflow hedges - amounts recognised in other comprehensive income				
Balance at the beginning of the financial year	(4.3)	(4.8)	(4.3)	(4.8)
Cumulative gains and losses deferred to equity for current hedges:				
split approach across cross currency swap hedges	10.9	0.7	10.9	0.7
Income tax impact on cashflow hedges	(3.3)	(0.2)	(3.3)	(0.2)
Balance at the end of the financial year included in equity	3.3	(4.3)	3.3	(4.3)

Cash flows relating to the cash flow hedges are expected to impact profit or loss in the following periods:

	Consolidated 0 to 12 months $m	Consolidated 1 to 5 years $m	Consolidated Over 5 years $m	Consolidated Total expected cash flows $m	Company 0 to 12 months $m	Company 1 to 5 years $m	Company Over 5 years $m	Company Total expected cash flows $m
2013								
Forecast receivable cashflows	1.4	4.1	-	5.5	1.4	4.1	-	5.5
Forecast payable cashflows	(2.7)	(8.0)	-	(10.7)	(2.7)	(8.0)	-	(10.7)
	(1.3)	(3.9)	-	(5.2)	(1.3)	(3.9)	-	(5.2)
2012								
Forecast receivable cashflows	1.3	4.5	0.6	6.4	1.3	4.5	0.6	6.4
Forecast payable cashflows	(2.7)	(10.7)	-	(13.4)	(2.7)	(10.7)	-	(13.4)
	(1.4)	(6.2)	0.6	(7.0)	(1.4)	(6.2)	0.6	(7.0)

Note 33. Auditor's remuneration

	Consolidated		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Audit and review services				
Auditors of the Company - KPMG Australia				
Audit and review of financial reports	2,280.5	2,222.8	761.9	705.0
Other regulatory audits	599.8	489.8	183.0	140.5
	2,880.3	2,712.6	944.9	845.5
Other services				
In relation to other assurance, actuarial, taxation and non-audit services	404.4	393.1	71.1	85.1
	404.4	393.1	71.1	85.1

The above consolidated amounts only relate to those controlled entities within the Group which have been separately identifiable.

Note 34. Controlled entities

(a) List of all controlled entities

	Note	Country of incorporation	Class of share	2013	2012
	A			%	%
Parent entity					
AAI Limited		Australia	Ordinary		
Controlled entities					
AMY Corporation Pty Ltd and its controlled entities		Australia	Ordinary	100	100
AAMI Car Rentals Pty Limited		Australia	Ordinary	100	100
All States Auto Management Pty Ltd		Australia	Ordinary	100	100
Just Car Insurance Agency Pty Ltd		Australia	Ordinary	100	100
Just Home Insurance Agency Pty Ltd		Australia	Ordinary	100	100
Australian Alliance Insurance Company Limited and its controlled entities		Australia	Ordinary	100	100
Australian Pensioners Insurance Agency Pty Limited		Australia	Ordinary	100	100
InsureMyRide Pty Limited		Australia	Ordinary	100	100
Shannons Limited		Australia	Ordinary	100	100
Shannons Auctions Limited		Australia	Ordinary	100	100
Australian Associated Motor Insurers Limited and its controlled entities		Australia	Ordinary	100	100
ABBi Pty Ltd		Australia	Ordinary	100	100
Bingle.com Pty Limited		Australia	Ordinary	100	100
Skilled Drivers of Australia Limited	B	Australia	N/A	N/A	N/A
Vero Surety Pty Limited (formerly known as Australian Surety Corporation Pty Limited) and its controlled entity		Australia	Ordinary	100	100
New Zealand Surety Corporation Limited		New Zealand	Ordinary	100	100
Aviation Office of Australia Pty Ltd		Australia	Ordinary	100	100
Certant Pty Limited		Australia	Ordinary	100	100
GIO Insurance Investment Holdings A Pty Ltd		Australia	Ordinary	100	100
National Marine Insurance Agency Pty Limited		Australia	Ordinary	100	100
Promequity Limited	C	Australia	Ordinary	100	100

Note 34. Controlled entities (continued)

(a) List of all controlled entities (continued)

	Note A	Country of incorporation	Class of share	2013 %	2012 %
Controlled entities (continued)					
Suncorp Insurance Funding 2007 Limited		Australia	Ordinary	100	100
Suncorp Metway Insurance Limited and its controlled entities		Australia	Ordinary	100	100
GIO General Limited and its controlled entities		Australia	Ordinary	100	100
GIO Australia Pty Limited		Australia	Ordinary	100	100
GIO Workers Compensation (NSW) Pty Limited		Australia	Ordinary	100	100
GIO Workers Compensation (VIC) Limited		Australia	Ordinary	100	100
SPDEF Trust		Australia	Ordinary	100	100
Terri Scheer Insurance Pty Ltd		Australia	Ordinary	100	100
The Park Road Property Trust	D	Australia	Ordinary	-	47
Vero Workers Compensation Pty Limited		Australia	Ordinary	100	100
Wiwaka Holdings Pty Limited and its controlled entity	E	Australia	Ordinary	-	100
APUA Pty Ltd		Australia	Ordinary	100	100

Notes

A Names indented in this table indicate a direct subsidiary of entity appearing above.

B Skilled Drivers of Australia Limited ABN 71 005 918 301 (incorporated in Australia) is a controlled entity of Australian Associated Motor Insurers Limited but is not consolidated as it is a company limited by guarantee and members are not entitled to dividends or capital distributions.

C The Company is also registered as an Overseas Company in New Zealand.

D The Group controlled this entity through common ownership with Suncorp Group Limited. This trust was liquidated in November 2012.

E Wiwaka Holdings Pty Limited was liquidated in June 2013.

(b) Acquisition of business

The Group did not acquire any entities in the current or prior financial year.

(c) Disposal of business

The Group did not dispose of any entities in the current or prior financial year.

Note 35. Contingent liabilities

There are claims and possible claims against the Group, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The Group does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, is likely to have a material effect on its operations or financial position. 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.

Joint and several liability – tax consolidation

The Company is a member of a tax-consolidated group, and is 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 Taxation Office. The tax sharing agreement has effect to limit this joint and several liability to an amount relative to the Company's contribution to the group tax liability. 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.

Note 36. Financing arrangements

	Consolidated		Company	
	2013	2012	2013	2012
External funding facilities	$m	$m	$m	$m
Total facilities available:				
Bank overdraft	-	30.0	-	-
	-	30.0	-	-
Facilities utilised at balance date:				
Bank overdraft	-	-	-	-
Standby letter of credit	-	-	-	-
	-	-	-	-
Facilities not utilised at balance date:				
Bank overdraft	-	30.0	-	-
	-	30.0	-	-

In prior periods, the Group had arrangements with an external institution to allow for the overdraft of certain cash accounts relating to investment operations. Changes to custody arrangements during the year resulted in the Group no longer being the legally contracting party.

Group overdraft limit

The Group uses several bank accounts with a subsidiary of the ultimate parent company and employs the use of a sweeping arrangement to maximise cash and avoid overdraft balances. Any overdraft balances are repaid when they arise, and as a result, no disclosures have been made above.

Note 37. Commitments for expenditure

(a) Operating lease expenditure commitments

	Consolidated		Company	
	2013	2012	2013	2012
	$m	$m	$m	$m
Aggregate future operating lease rentals contracted for but not provided in the financial statements are payable as follows:				
Within one year	18.4	26.9	4.9	8.7
Later than one year but no later than five years	20.8	43.3	2.5	8.5
Later than five years	-	0.6	-	-
	39.2	70.8	7.4	17.2
Representing:				
Non-cancellable operating leases	39.2	70.8	7.4	17.2
	39.2	70.8	7.4	17.2

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

(b) Capital and expenditure commitments

There was no capital and other expenditure contracted for but not provided in the consolidated financial statements (2012: $Nil).

Note 38. Capital adequacy

(a) Regulatory capital requirements

All general insurance entities that conduct insurance business in Australia are authorised by the Australian Prudential Regulatory Authority ("APRA") and are subject to new minimum capital requirements that became effective on 1 January 2013, commonly referred to as "LAGIC". The minimum level of capital that the regulator deems must be held to meet policyholder obligations is referred to as the prescribed capital requirement ("PCR") and takes into account the full range of risks to which a licensed general insurer is exposed. Licensed general insurance entities within the Suncorp Group use the standard framework for calculating the PCR in accordance with the relevant prudential standards.

The PCR for the Company is calculated by assessing the risks inherent in the business, which comprise:

- The risk that the value of the net insurance liabilities is insufficient to cover associated net claim payments and associated claim expenses as they fall due (insurance risk);
- The net financial impact from either a single large event, or a series of smaller events, within a one year period (insurance concentration risk);
- The risk of adverse movements in the value of on-balance sheet and off-balance sheet exposures (asset risk);
- The risk resulting from concentrations in individual assets or large exposures to individual counterparties or group of related counterparties (asset concentration risk);
- The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events (operational risk);
- Explicit allowance for diversification between asset risk and the sum of insurance risk and insurance concentration risk (aggregation benefit).

These risks are quantified to determine the prescribed capital required under the prudential standards. This requirement is compared with the regulatory capital held in the Company.

For capital adequacy purposes, a general insurer is required to hold capital in excess of the PCR to ensure solvency. For this purpose, a general insurer's capital base is expected to be adequate for its size, business mix, complexity and the risk profile of its business. The capital base is calculated as the sum of its Tier 1 and Tier 2 capital after all specified deductions and adjustments.

- Tier 1 capital represents the net assets of the general insurer plus any eligible hybrid equity instruments, less deductions such as goodwill and other intangible assets. It also includes any provisions (net of taxation impact) for outstanding claims and insurance risk in excess of the amount required to provide a level of sufficiency at 75% are classified as capital. The Company applies a risk margin to the central estimate of net outstanding claims intended to achieve a 89% (2012: 88%) probability of sufficiency.

- Tier 2 capital includes certain types of debt capital instruments, such as qualifying subordinated debt. Existing subordinated debt does not qualify under the new requirements and is subject to an amortisation charge of 10% per annum until date of first call, at which time the instrument ceases to count towards eligible capital.

Based on the unaudited June 2013 quarterly return submitted to APRA, the PCR of the Company under the new standards as at 30 June 2013 was 2.03 times.

The Company and each of its licensed subsidiaries satisfied all externally imposed capital requirements that it is subject to during both the current and the prior financial year.

The Company is not the parent entity for the consolidated general insurance group and as a result, does not prepare consolidated capital information for the consolidated Group.

(b) 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 within the constraints imposed by APRA as a licenced general insurance company.

The main objectives are to support the Suncorp Group's credit rating, ensure there are 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 Group Limited as it is the holding company of the Suncorp Group, whilst keeping the subsidiaries well capitalised.

Note 38. Capital adequacy (continued)

(b) Capital management (continued)

The Group's capital management strategy forms part of the Suncorp Group plan that uses both internal and regulatory measures of capital. Whilst there were no fundamental changes in the Group's general approach to capital management during the year, the Group has undertaken several initiatives in 2013 to ensure capital is used efficiently:

- Court approval to consolidate the general insurance licences of the Company's subsidiaries into one licence effective 1 July 2013
- Responding to the new APRA solvency requirements that become effective on 1 January 2013, including the use of reinsurance and the refinancing of subordinated debt instruments that will cease to be eligible capital between 2014 and 2017.

(c) Regulatory solvency requirements

	Company 2013 $m	Company 2012 $m
Tier 1 Capital		
Issued capital	2,408.1	2,243.1
Reserves	(2.8)	4.8
Retained profits at end of reporting period	401.5	360.9
Technical provision in excess of liability valuation (net of tax)	106.2	119.4
	2,913.0	2,728.2
Less:		
Goodwill	1,111.5	1,111.4
Deferred tax asset (net of deferred tax liabilities)	3.7	0.4
Capital required by subsidiaries	1,152.5	-
Other deductions	0.5	0.5
Total deductions from Tier 1 capital	2,268.2	1,112.3
Total Tier 1 Capital	644.8	1,615.9
Total Tier 2 Capital	643.3	485.2
Total capital base	1,288.1	2,101.1
LAGIC charges		
Insurance risk charge	237.2	-
Insurance concentration risk charge (1)	250.0	-
Asset risk charge	233.3	-
Operational risk charge	55.0	-
Aggregation benefit	(139.7)	-
Prescribed capital requirement (PCR)	635.8	-
PCR coverage ratio (times)	2.03	
Minimum capital requirement (MCR)	n/a	875.4
Minimum coverage ratio (times)	n/a	2.40

(1) Whilst the revised Insurance concentration risk charge under LAGIC does not become effective until 1 January 2014, the Company has purchased reinsurance coverage that complies with the new requirements.

Note 38. Capital adequacy (continued)

Prior year comparatives reflect the capital position of the General Insurance business area under the prudential standards in force at 30 June 2012. LAGIC introduced changes to capital instruments eligible for inclusion within the capital base and modified the calculation of Prescribed Capital Required. The main changes include the incremental phase out of subordinated notes as eligible capital, introduction of an operational risk charge offset by an aggregation benefit and changes in asset risk and insurance concentration risk charge methodology.

Subordinated notes were frozen at their transitional value at 31 December 2012 and will be phased out by 10% of this transitional value annually beginning 1 January 2013. An operational risk charge was introduced to ensure capital was set aside for the risk of loss resulting from inadequate or failed internal processes, people and systems. The asset risk charge has been amended to better reflect the risk of adverse movements in the value of on-balance sheet and off-balance sheet exposures by including a variety of asset stress scenarios. The insurance concentration risk charge will be broadened to consider the impacts of multiple smaller single-year losses. Finally, the aggregation benefit makes an explicit allowance for diversification between asset risk and the sum of insurance risk and insurance concentration risk in the calculation of the prescribed capital required. The cumulative impact of these changes to the capital ratios of the General Insurance business area has been minimal.

Note 39. Key management personnel disclosures

(a) Key management personnel compensation

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

	Consolidated		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Short-term employee benefits	19,537	17,484	19,537	17,484
Long-term employee benefits	5,624	5,553	5,624	5,553
Post-employment benefits	365	318	365	318
Share-based payments	4,767	5,199	4,767	5,199
Termination benefits	-	241	-	241
	30,293	28,795	30,293	28,795

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

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

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

No director, executive or their related parties has entered into a material contract with the Group during the reporting period, and there were no material contracts involving directors, executives or their related parties existing at the end of the reporting period.

Note 40. Related party disclosures

(a) Identity of related parties

The ultimate parent entity in the wholly owned group is Suncorp Group Limited. The immediate parent entity is Suncorp Insurance Holdings Limited. The Company has a related party relationship with its subsidiaries (see note 34) and joint venture operations (see note 19), its key management personnel and other entities within the wholly owned group (which consists of Suncorp Group Limited and its wholly owned subsidiaries).

(b) Related party transactions with controlled entities

Transactions between the Company and its controlled entities consisted of dividends received and paid, insurance premiums received and paid, insurance claims paid and received, fees received and paid for administrative, property and portfolio management services, and interest received and paid. Subordinated debt issued by Suncorp Metway Insurance Limited was transferred to the Company on 24 July 2012. All these transactions were on commercial terms, except that some advances may be interest free.

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

	Company	
	2013 $'000	2012 $'000
Current amounts receivable (unsecured)		
Current amounts receivable	34,748	198,344
Current amounts payable (unsecured)		
Current amounts payable	141,115	32,680
Sale of pre-acquisition loss		
Financial liabilities	199,215	185,820
Outstanding claims provision	83,190	82,475
Payable	36,623	-

	Company	
	2013 $'000	2012 $'000
Revenue received		
Inwards reinsurance premium received	190,389	201,957
Reinsurance recoveries received	-	-
Dividend revenue	625,900	235,200
Interest revenue	-	-
Expenses paid		
Claims expense	151,287	260,039
Reinsurance expense	-	-
Interest expense	11,602	11,633

Note 40. Related party disclosures (continued)

(c) Related party transactions with the controlling entity

Transactions between the Company and its parent entity consisted of dividends paid. Any loans advanced to or from the parent entity are on commercial terms, except that some advances may be interest free.

	Consolidated		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current amounts receivable (unsecured)				
Current amounts receivable	173	136	173	136
Current amounts payable (unsecured)				
Current amounts payable	-	-	-	-

	Consolidated		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Dividends paid	818,000	226,800	818,000	226,800

(d) Related party transactions with the ultimate parent entity

Transactions between the Company and the ultimate parent entity consisted of advances made and repaid. Any loans advanced to or from the ultimate parent are on commercial terms, except some advances may be interest-free.

	Consolidated		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current amounts receivable (unsecured)				
Current amounts receivable	-	31,613	-	50,530
Current amounts payable (secured)				
Current amounts payable	201,937	-	27,934	-

Note 40. Related party disclosures (continued)

(e) Related party transaction with other related entities

Transactions between the Group and other related entities consist of interest received on deposits and investment securities held, finance costs, fees received and paid for information technology services, investment management and custodian services, overseas management services, property development, finance facilities and reinsurance arrangements. All these transactions were on commercial terms, except that some advances may be interest free. The Group's primary banking facilities are held with Suncorp-Metway Limited.

	Consolidated		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current amounts receivable (unsecured)				
Investment securities	-	27,635	-	11,492
Current amounts receivable	69,174	91,271	60,305	76,887
Other assets	-	92	-	-
Current amounts payable (unsecured)				
Current amounts payable	229,304	67,514	57,970	14,618
Derivative liabilities net	47,221	52,352	47,221	71,746
Non current amounts receivable (unsecured)				
Non current amounts receivable	130,000	130,000	22,340	22,340
Reserves				
Cashflow hedges - amounts recognised in equity	(3,300)	4,301	(3,300)	4,301

	Consolidated		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Revenue received				
Inwards reinsurance premium received	12,757	12,344	12,757	12,344
Interest revenue	513	4,116	213	1,590
Trust distributions	69,696	43,335	25,239	16,395
Dividend revenue	3,200	3,240	400	375
IT service fees	624	551	-	-
Expenses paid				
Reinsurance premium expense	1,521	1,721	1,521	1,721
Claims expense	14,090	5,911	14,090	5,211
Interest expense	4,190	18,428	11,602	11,506
Investment management fees	6,904	1,528	1,805	-
Other management fees	1,142,728	890,671	228,186	158,251

Note 41. Subsequent events

Effective 1 July 2013, the Company executed the court approved concurrent Schemes of Arrangement (mentioned in Note 1) to consolidate the business of its five authorised general insurers. As a result of these transactions, the Australian general insurance assets and liabilities of SMIL, GIOG, AAMI and AAIC were transferred to the Company. This involved the repurchase of 105,664,124 shares totalling $1,056.6 million and dividends from the subsidiaries concerned totalling $1,260.9 million, effective 1 July 2013.

In conjunction with the declaration of the final dividend of $342.8 million (referred to in note 29), on 21 August 2013, the directors approved the repurchase of $92.0 million in share capital to be paid on or before 26 September 2013.

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

Directors' declaration

In the opinion of the directors of AAI Limited (the "Company"):

(a) the financial statements comprising the statements of profit or loss and other comprehensive income, financial position, changes in equity and cash flows and including notes thereto, set out on pages 5 to 84, are in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Company's and the Group's financial position as at 30 June 2013 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) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(c) the directors draw attention to note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.

Z. E. Switkowski

Dr Zygmunt E Switkowski
Director

Patrick J R Snowball
Managing Director

21 August 2013

Independent auditor's report to the members of AAI Limited

We have audited the accompanying financial report of AAI Limited (the Company), which comprises the statements of financial position as at 30 June 2013, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 41 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB *101 Presentation of Financial Statements*, that the financial statements comply 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 of the financial report that gives a true and fair view 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, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

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

Independence

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

Auditor's opinion

In our opinion:

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

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2013 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

KPMG

Paul Ruiz
Partner

Brisbane
21 August 2013