

**SUNCORP LIFE & SUPERANNUATION LIMITED**  
**and its controlled entities**  
**ABN 87 073 979 530**

**Consolidated financial report – 30 June 2004**

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Your directors present their report together with the financial report of the consolidated entity consisting of Suncorp Life & Superannuation Limited ("the Company") and the entities it controlled for the year ended 30 June 2004 and the auditor's report thereon.

## **DIRECTORS**

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

John D <b>Story</b> (Chairman)	(Appointed 1 December 1996)
John F <b>Mulcahy</b> (Managing Director)	(Appointed 6 January 2003)
William John <b>Bartlett</b>	(Appointed 1 July 2003)
Dr Ian D <b>Blackburne</b>	(Appointed 3 August 2000)
Rodney F <b>Cormie</b>	(Appointed 1 December 1996)
Dr Cherrell <b>Hirst</b> AO	(Appointed 8 February 2002)
James J <b>Kennedy</b> AO, CBE	(Appointed 1 August 1997)
Martin D E <b>Kriewaldt</b>	(Appointed 14 June 1996)
Christopher <b>Skilton</b> (Executive Director)	(Appointed 13 November 2002)

## **PRINCIPAL ACTIVITIES**

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

## **REVIEW OF OPERATIONS**

Consolidated profit from ordinary activities after income tax for the year ended 30 June 2004 was \$53.8 million (2003: \$32.1 million). Current year profit benefited from the increase in equity markets.

Premiums for the year were \$550.9 million (2003: \$569.2 million), which included \$101.6 million (2003: \$63.8 million) of policy conversions transferring between statutory funds. The decline in premium is due to the lower new business in the current year and increases in new business in the prior year.

Total consolidated assets increased from \$3,235.8 million to \$3,958.6 million. This is due to increased investment earnings as well as the inclusion of controlled unit trusts in the current year with assets of \$473.1 million, that were not consolidated in the prior year refer note 1(A).

Changes to the market value of the Company's investment in controlled entities are brought to account in accordance with accounting standard *Life Insurance Business* (AASB 1038). The market value is based on the embedded value, which includes the net assets of the entity and present value of future profits from inforce business. The controlled entity Suncorp Financial Services Pty Ltd (SFS) (formerly Suncorp Financial Planning Pty Ltd) operates the customer service activities of the retail unit trusts business. The increase in embedded value of \$1.6 million before tax (2003 decreased by \$3.2 million) was driven by growth in funds under management and greater than expected investment earnings.

The financial strength of our business is reflected by the coverage of the Solvency Reserve as set by the Life Insurance Actuarial Standards Board (LIASB). The coverage of the Solvency Reserve has been maintained for the Statutory Funds at a high level throughout the year, being 3.4 at 30 June 2004 (2003: 3.0).

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

## DIVIDENDS

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

### *Ordinary Shares*

A 2004 final dividend of \$0.82 per ordinary share, amounting to \$8.2 million.

### *Redeemable Preference Shares*

A 2004 final dividend of \$0.82 per redeemable preference share, amounting to \$23.8 million.

The aggregate amount of the proposed dividend expected to be paid at a date to be set is not recognised as a liability at year end as a result of the change in accounting standards for providing for dividends.

## BOARD COMMITTEES

### *Audit, Business Risk and Compliance Committee*

The primary role of this committee is to monitor and review, the effectiveness of the Company's control environment in the areas of operational risk, legal/regulatory compliance and financial reporting.

To enhance the independence of the audit functions (both internal and external) there are no management representatives on the committee, however the Managing Director, the Chief Financial Officer, and the internal and external auditors are invited to committee meetings at the discretion of the committee. The committee also holds discussions with the auditors in the absence of management on a regular basis.

Membership: Dr ID Blackburne (Chairman), WJ Bartlett, JJ Kennedy, MDE Kriewaldt.

### *Board Credit Committee*

The primary role of this committee is to monitor the effectiveness of the credit function of the Company to control and manage the credit risks within the Company, including the investments and insurance portfolios and to identify and monitor the Company's balance sheet risk (interest rate risk and liquidity risk) within limits set by the Board.

Membership: RF Cormie (Chairman), WJ Bartlett, Dr C Hirst, JJ Kennedy, C Skilton.

### *Investment Committee*

The primary role of this committee is to monitor the effectiveness of the investment processes of the Company in achieving optimum return relative to risk.

Membership: MDE Kriewaldt (Chairman), RF Cormie, Dr C Hirst, C Skilton.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year the Company and its controlled entities Suncorp Financial Services Pty Ltd and Suncorp Superannuation Pty Ltd were granted their Australian Financial Services Licence under the Financial Services Reform Act (FSRA) and opted into the FSRA regime from 1 September 2003. From this date the Company's subsidiary Suncorp Financial Planning Pty Ltd changed its name to Suncorp Financial Services Pty Ltd. There was no adverse impact on the Company as a result of this change.

## EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen between the end of the financial year and the date of this report which have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future years.

## ENVIRONMENTAL REGULATION

The operations of the consolidated entity are not subject to any particular and significant environmental regulation under any law of the Commonwealth of Australia or any of the States or Territories. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

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

## LIKELY DEVELOPMENTS

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

## INDEMNIFICATION OF OFFICERS

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

## INSURANCE OF OFFICERS

During the financial year ended 30 June 2004, the ultimate parent entity of the Company has paid insurance premiums in respect of a Directors' and Officers' Liability insurance contract. The contract insures each person who is or has been a Director or executive officer (as defined in the Corporations Act 2001) of the Company against certain liabilities arising in the course of their duties to the Company. The Directors have not included details of the nature of the liabilities covered or the amount of premium paid in respect of the insurance contract as disclosure is prohibited under the terms of the contract.

## DIRECTORS' INTERESTS AND BENEFITS

Directors' benefits are set out in notes 28 and 29.

## ROUNDING OF AMOUNTS

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

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



**John D Story**  
Chairman



**John F Mulcahy**  
Managing Director

Brisbane  
27 August 2004

SUNCORP LIFE & SUPERANNUATION LIMITED  
 STATEMENTS OF FINANCIAL PERFORMANCE  
 For the year ended 30 June 2004

	Note	Company		Consolidated	
		2004 \$m	2003 \$m	2004 \$m	2003 \$m
Premium revenue	5	104.1	86.6	104.1	86.6
Outwards reinsurance expense		(27.4)	(16.8)	(27.4)	(16.8)
		76.7	69.8	76.7	69.8
Investment revenue	6	396.7	118.6	443.4	117.4
Other revenue	4	20.7	19.0	27.0	19.6
Total revenue		494.1	207.4	547.1	206.8
Claims expense	7	(70.6)	(60.4)	(70.6)	(60.4)
Reinsurance recoveries revenue	4	16.6	15.8	16.6	15.8
		(54.0)	(44.6)	(54.0)	(44.6)
Operating expenses	8	(91.3)	(86.9)	(99.9)	(85.8)
(Increase) decrease in net policy liabilities	35(A)	(221.5)	15.7	(221.5)	15.7
(Increase) in policy owner retained profits	35(B)	(29.3)	(48.6)	(29.3)	(48.6)
Total operating expenses		(396.1)	(164.4)	(404.7)	(163.3)
<b>Operating profit before income tax</b>		98.0	43.0	142.4	43.5
Income tax expense attributable to operating profit	11	44.2	10.9	44.5	11.4
<b>Net profit</b>		53.8	32.1	97.9	32.1
Net profit attributable to outside equity interests		-	-	44.1	-
<b>Net profit attributable to members of the parent entity</b>		53.8	32.1	53.8	32.1
<b>Total changes in equity from non-owner related transactions attributable to parent entity</b>		53.8	32.1	53.8	32.1

*The above statements of financial performance should be read in conjunction with the accompanying notes.*

**SUNCORP LIFE & SUPERANNUATION LIMITED**  
**STATEMENTS OF FINANCIAL POSITION**  
*As at 30 June 2004*

	Note	Company		Consolidated	
		2004 \$m	2003 \$m	2004 \$m	2003 \$m
<b>ASSETS</b>					
Cash		16.8	11.6	21.9	13.1
Outstanding premiums		4.8	3.1	4.8	3.1
Receivables	16	75.2	58.4	43.1	59.1
Other financial assets					
Equity security investments	17	1,582.9	1,218.2	1,790.3	1,200.5
Debt security investments	17	1,246.3	1,410.3	1,513.1	1,410.3
Property investments	17	536.8	522.7	536.8	522.7
Other investments	17	(0.6)	(1.3)	(0.6)	(1.3)
Excess of net market value of interests in controlled entities over their recognised net amounts		-	-	15.1	12.4
Other assets					
Gross policy liabilities ceded under reinsurance	35(A)	24.3	13.9	24.3	13.9
Deferred tax assets	11	-	1.3	-	1.4
Other assets	18	2.5	0.6	9.8	0.6
<b>TOTAL ASSETS</b>		<u>3,489.0</u>	<u>3,238.8</u>	<u>3,958.6</u>	<u>3,235.8</u>
<b>LIABILITIES</b>					
Payables	19	38.5	36.2	166.3	36.3
Premiums in advance		2.6	2.4	2.6	2.4
Tax liabilities	11	-	11.7	-	11.9
Deposits and short term borrowings	20	44.3	12.1	43.7	8.8
Gross policy liabilities	35(A)	2,804.9	2,660.8	2,804.9	2,660.8
Policy owner retained profits	35(B)	348.8	319.5	348.8	319.5
<b>TOTAL LIABILITIES</b>		<u>3,239.1</u>	<u>3,042.7</u>	<u>3,366.3</u>	<u>3,039.7</u>
<b>NET ASSETS</b>		<u>249.9</u>	<u>196.1</u>	<u>592.3</u>	<u>196.1</u>
<b>EQUITY</b>					
Parent entity interest					
Contributed equity	21	39.0	39.0	39.0	39.0
Shareholder's retained profits	31	210.9	157.1	210.9	157.1
Total parent entity interest		<u>249.9</u>	<u>196.1</u>	<u>249.9</u>	<u>196.1</u>
Outside Equity Interests	13	-	-	342.4	-
<b>TOTAL EQUITY</b>		<u>249.9</u>	<u>196.1</u>	<u>592.3</u>	<u>196.1</u>

*The above statements of financial position should be read in conjunction with the accompanying notes.*

**SUNCORP LIFE & SUPERANNUATION LIMITED**  
**STATEMENTS OF CASH FLOWS**  
*For the year ended 30 June 2004*

	Note	Company		Consolidated	
		2004 \$m	2003 \$m	2004 \$m	2003 \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Premiums received		447.1	504.0	447.1	504.0
Fee income received		20.6	18.3	15.8	13.9
Other operating income received		0.2	0.7	49.4	0.1
Reinsurance premiums paid		(31.1)	(14.2)	(31.1)	(14.2)
Claims payments under policies		(498.5)	(588.5)	(498.5)	(588.5)
Reinsurance and other recoveries received		5.4	11.4	5.4	11.4
Operating expenses paid		(91.6)	(67.8)	(124.6)	(61.3)
Income taxes paid - operating activities		-	(15.1)	-	(15.1)
Interest received		53.7	114.2	25.3	114.2
Dividends received		71.8	36.0	539.6	36.0
Property income received		21.6	36.1	156.3	36.2
Other investment income received		(1.3)	(1.0)	(15.0)	(1.0)
<b>Net cash inflow from operating activities</b>	<b>22</b>	<b>(2.1)</b>	<b>34.1</b>	<b>569.7</b>	<b>35.7</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for purchase of investments		(845.2)	(2,522.0)	(5,495.9)	(2,520.0)
Proceeds from disposal of investments		869.3	2,542.3	4,704.4	2,540.3
Net (decrease)/increase in loans advances and other receivables		(2.9)	(0.2)	(2.9)	(0.2)
Income taxes paid - investing activities		-	(15.5)	-	(15.8)
<b>Net cash outflow from investing activities</b>		<b>21.2</b>	<b>4.6</b>	<b>(794.4)</b>	<b>4.3</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Net increase (decrease) in deposits and other borrowings		(7.3)	0.5	(5.0)	(0.5)
Proceeds from issue of units		-	-	344.0	-
Distributions paid to outside equity interests		-	-	(44.1)	-
Dividends paid		-	(29.0)	-	(29.0)
<b>Net cash outflow from financing activities</b>		<b>(7.3)</b>	<b>(28.5)</b>	<b>294.9</b>	<b>(29.5)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>					
Cash at beginning of the financial year		11.8	10.2	70.2	10.5
Cash at the end of the financial year	<b>22</b>	<b>70.3</b>	<b>60.1</b>	<b>71.8</b>	<b>61.3</b>
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>		<b>82.1</b>	<b>70.3</b>	<b>142.0</b>	<b>71.8</b>

*The above statements of cash flows should be read in conjunction with the accompanying notes.*



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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, and the Corporations Act 2001. Additional disclosures have been made so that the financial report also complies with the requirements of the returns required under Prudential Rules No 35 of the Life Insurance Act 1995 ("the Life Act").

### *Principles underlying conduct of the life insurance business*

The life insurance operations of the Company are conducted within two separate statutory funds, as required by the Life Act, and are reported in aggregate with the shareholder's fund in the Company's statements of financial performance, statements of financial position and statements of cash flows. The life insurance operations consist of investment-linked business and non-investment-linked business.

Investment-linked business is business in which the Company issues a contract where the benefit amount is directly linked to the market value of the investments held in the particular investment-linked fund. While the underlying assets are registered in the name of the Company and the investment-linked policy owner has no direct access to the specific assets, the contractual arrangements are such that the investment-linked policy owner bears the risk and rewards of the fund's investment performance. The Company derives fee income from the administration of the investment-linked policies and funds.

Non-investment-linked business is business in which the Company issues a policy contract where the insured benefit is not directly linked to the market value of the investments held. It is payable on death, or the occurrence of a contingency dependent on the termination or continuance of human life. Alternatively, the benefit is payable on the occurrence of injury or disability caused by accident or illness. The financial risk of the occurrence of injury or disability caused by accident or illness, and the financial risk of the occurrence of the event, which crystallises the payment of the insured benefit, is borne by the Company.

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

The accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

### **(A) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Suncorp Life & Superannuation Limited ("the Company") as at 30 June 2004 and the results of all controlled entities for the year then ended. Suncorp Life & Superannuation Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

The consolidated entity consolidates all of the assets, liabilities, revenues and expenses of managed fund investment schemes where the consolidated entity's life insurance statutory funds have the capacity to control schemes in which they are the majority investor. The consolidated entity did not consolidate managed investment schemes in the prior year.

The financial effect of consolidating registered schemes has been to: increase investment securities by \$493.2 million; decrease receivables by \$29.4 million; increase other assets by \$9.3 million; increase payables by \$130.7 million; with a corresponding increase in outside equity interest of \$342.4 million in the statement of financial position. In the statement of financial performance, the current year impact is to increase life insurance investment revenue by \$47.2 million; increase other income by \$6.6 million; increase operating expenses by \$9.7 million and net profit attributable to outside equity interest by \$44.1 million. This change has no impact on net profit attributable to members of the Company.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(A) Principles of consolidation (Continued)**

If the consolidated entity had consolidated managed investment schemes at June 2003, the financial effect would have been to: increase investment securities by \$367.2 million; decrease other receivables by \$14.0 million; increase other assets by \$10.4 million; increase payables by \$19.6 million; with a corresponding increase in outside equity interest of \$344.0 million in the statement of financial position. There would have been no impact on net profit. In the statement of financial performance, life insurance investment revenue would have increased by \$7.3 million; increase other income by \$21.5 million; increase operating expenses by \$8.9 million and net profit attributable to outside equity interest would have increased by \$19.9 million.

**(B) Shareholder's entitlements**

The shareholder's entitlement to monies held in the statutory funds is subject to the distribution and transfer restrictions and other requirements of the Life Act (refer note 15).

**(C) Premiums and claims**

The Company adopts AASB 1038 which requires components of premiums that are not revenues (i.e. amounts akin to deposits and which qualify for recognition as liabilities) and components of claims (i.e. amounts akin to withdrawals from deposits and which qualify for recognition as reductions in liabilities) that are not expenses are removed from reported changes in policy liabilities in note 35. Application of this accounting policy has no impact on the financial results.

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

Claims under investment-linked business are recognised when the policy ceases to participate in the earnings of the fund. Claims on non-investment-linked business are recognised when the liability to the policy owner under the policy contract has been established.

**(D) Other revenue recognition**

*Investment income*

All investment revenue is brought to account on an accruals basis.

Dividends are recognised as income on the date the shares are quoted ex-dividend. Distributions from unlisted unit trusts are recognised on the date the unit value is quoted ex-distribution.

Net realised and unrealised gains and losses are included in the statements of financial performance and are determined as the difference between the net market value at year end or consideration received (if sold during the period), and the net market value as at the prior year end or cost (if the investment was acquired during the period).

*Fees and commissions*

Fees and commissions are taken to income in the financial year in which they are earned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) **Acquisition costs**

Acquisition costs, being the fixed and variable costs of acquiring new business, include commission, certain advertising, policy issue and underwriting costs, agency expenses and other sales costs. The actual acquisition costs incurred are recorded in the statements of financial performance.

*Policy Acquisition Costs*

Policy liabilities are determined by the Appointed Actuary after taking into account the value and future recovery of acquisition costs resulting in policy liabilities being lower than otherwise, and those costs being amortised over the period that they will be recoverable. The deferral and amortisation of acquisition costs are recognised in the statements of financial performance within 'increase/decrease in net policy liabilities'.

The acquisition costs deferred are determined as the lower of actual costs incurred and the allowance for the recovery of those costs from the premiums or policy charges (as appropriate for each policy class). The amount deferred is subject to an overall limit such that the value of future profits at inception cannot be negative. Acquisition losses are recognised at inception to the extent this situation arises.

*Other Acquisition Costs*

Where acquisition costs are recouped through on-going management fees charged to the investors on products that are recorded in the Shareholder Fund, they are deferred and recognised in the statement of financial position.

The deferred acquisition costs are measured at the lower of cost and recoverable amount and are amortised over the expected life of the policy. The amortisation is recognised in the statement of financial performance within 'operating expenses'.

(F) **Basis of expense apportionment**

Expenses have been apportioned in accordance with Division 2 of Part 6 of the Life Act as follows:

- i. All expenses, excluding investment management fees which are directly identifiable, have been apportioned between policy acquisition and policy maintenance on the basis of the objective when incurring each expense, and the outcome achieved.
- ii. Where allocation is not feasible between the disclosure categories, expenses have been allocated as maintenance expenses.
- iii. Expenses which are directly attributable to an individual policy or product are allocated directly to the statutory fund within which the class of business to which that policy or product belongs.
- iv. All indirect expenses charged to the statements of financial performance are equitably apportioned to each class of business.
- v. The expense apportionment basis is in line with the principles set out in the Life Insurance Actuarial Standards Board Valuation Standard (Actuarial Standard AS1.03: Valuation Standard).

Apportionment of expenses between the different classes of business required under Division 2 of Part 6 of the Life Act has been made as follows:

*Direct allocation*

A significant number of expenses are directly attributable to specific products and are allocated directly to the statutory fund within which that class of business is conducted. These expenses include commission, medical fees and claim investigation.

*Salary ratios*

Ratios based on salary surveys are used to allocate certain costs. These include management expenses of support departments.

*Statistical ratios*

Inforce policy statistics and other product statistics, such as claim numbers are used to allocate costs that cannot be attributed directly to products or activities performed by staff.

*New business sales and commission*

New business sales numbers and commission payable are used to allocate distribution and sales related costs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(G) Foreign currency translation**

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated into Australian currency at rates of exchange current at that date. The resulting gains and losses on translation of investments denominated in foreign currencies are recorded as a component of changes in the net market value of investments (refer Note 1(I)).

Hedge transactions are initially recorded at the spot rates ruling at the dates of the transactions. Hedges outstanding at balance date are translated at the rates of exchange current on that date and any exchange differences are brought to account in the statements of financial performance as a component of changes in net market value of investments. Where a hedge transaction is terminated early, the resulting gains and losses are recorded as a component of realised changes in the net market value of investments.

**(H) Income tax**

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

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

*Tax Consolidations*

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

The head entity recognises all of the current and deferred tax balances and liabilities of the tax-consolidated group (after elimination of intragroup transactions).

The Company and its wholly owned controlled entities have entered into tax sharing agreements that require them to make contributions to the head entity for tax liabilities arising from external transactions occurring after the implementation of tax consolidations. The Company's statutory funds' contribution will be calculated as a recharge of their "notional" tax expense for the period and are payable in accordance with the tax sharing agreement. The Company's shareholders funds' contributions are calculated as a percentage of the group's current tax liability (excluding that referable to the statutory funds) and are payable quarterly.

The assets and liabilities arising under the tax sharing agreements are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expenses/revenue.

**(I) Assets**

All assets are measured at net market values as at the reporting date and changes in their net market values are recognised in the statements of financial performance as revenues or expenses in the financial year in which the changes occur.

Net market values for listed investments and government securities are determined by reference to market quotations. Unlisted investments are determined by reference to independent valuations based on the latest available information on the investments. These principles also apply to investments through unitised vehicles.

Shares in controlled entities have been valued by directors at their net market value. Net market value has been determined based on embedded value.

**(J) Excess of net market value**

The excess of net market value is calculated as the excess of the net market values of interests in controlled entities over their recognised net asset amounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(J) Excess of net market value (Continued)**

All investment assets including controlled entities are stated at net market value. On consolidation the investment in controlled entities is eliminated and the excess of market value of controlled entities over their underlying net assets is separately recognised in the statements of financial position. This amount is assessed periodically as part of the valuation of investments. Changes in net market value of controlled entities are recorded as investment revenue in the statements of financial performance.

**(K) Receivables**

Loans and other receivables are carried at net market value and settled regularly. Net market value is the present value of amounts due, subject to specific provision for any doubtful amounts. Receivables include outstanding settlements on investment sales and prepayment of policy premium.

**(L) Liabilities**

**Policy Liabilities**

Policy liabilities in the statements of financial position and change in policy liabilities disclosed in the statements of financial performance, have been calculated using Margin on Services ("MoS") methodology in line with guidance provided by Actuarial Standard 1.03 "Valuation Standard" issued by the Life Insurance Actuarial Standards Board.

Policy liabilities are measured at net present values of estimated future cash flows (the projection method) or, where the result would not be materially different, as the accumulated benefits available to policy owners (the accumulation method).

**Other liabilities**

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

**(M) Unvested policy owner benefits**

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

**(N) Creditors**

These amounts represent liabilities for goods and services provided to the economic entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(O) Deposits and borrowings**

Borrowings comprise loans, deposits and advances owing to the parent entity, controlled entities, controlled entities of the parent entity and between funds. Transactions between the entities are on a normal commercial basis.

**(P) Derivative financial instruments**

Derivative financial instruments used by the consolidated entity are swaps, forwards, futures and options in the foreign exchange, interest rate and equity markets. Derivative financial instruments that are used to hedge underlying exposures are accounted for in a manner consistent with the accounting treatment of the respective exposures. As such, derivative financial instruments are marked to market and the resulting gains and losses are reported in the statements of financial performance.

Foreign exchange derivatives are entered into in order to hedge exchange rate risks arising from offshore liabilities. Interest rate derivatives are used to hedge interest rate risks inherent in the business. Equity options and futures are purchased to hedge exposures arising from equity investments.

**(Q) Goods and services tax**

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised in the cost of acquisition of the asset or in the amount of the expense.

Gross written premium and net earned premium are net of the GST component of premium.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(Q) Goods and services tax (Continued)**

Receivables, payables and provision for outstanding claims are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the statements of financial position.

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

**(R) Revisions of accounting estimates**

Revisions to accounting estimates are recognised prospectively in current and future periods only.

**(S) Comparative amounts**

Comparative amounts have been reclassified to accord with the changes in presentation made in 2004, except where otherwise stated.

## 2. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Australian reporting entities will be required to comply with Australian Accounting Standards equivalent to International Financial Reporting Standards and their related pronouncements (IFRS) for reporting periods beginning on or after 1 January 2005.

The consolidated entity will report for the first time in accordance with Australian equivalents to IFRS when the results and interim financial report for the half-year ending 31 December 2005 are released. Entities complying with IFRS for the first time must restate their comparative financial information using all IFRS except AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 4 *Insurance Contracts*. This means that the consolidated entity's opening IFRS statement of financial position will be restated at 1 July 2004, with most IFRS transition adjustments made against opening retained earnings on 1 July 2004. However, IFRS transition adjustments relating to those standards where comparative financial information is not required will only be made on 1 July 2005. Comparatives restated in accordance with IFRS will not be disclosed in the financial report until the half-year ending 31 December 2005.

The consolidated entity's ultimate parent entity, Suncorp-Metway Ltd, has established a formal project, monitored by a Steering Committee chaired by the Chief Financial Officer, to monitor and plan for the transition to IFRS reporting for the Suncorp Group. The IFRS project resources consist of teams that are responsible for investigating the impact on specific accounting policies or business processes, and comprises three phases of work as described below:

- Technical investigation – this phase identified the impacts of implementing IFRS on our products, customers, business processes and financial reporting policies and procedures;
- Detailed planning and design – this phase will formulate the changes required to existing business and financial reporting policies and procedures, including changes to financial reporting and business source systems; and
- Implementation – this phase will implement the identified changes to business and financial reporting processes and conduct training for staff.

The Suncorp Group has substantially completed the technical investigation phase and commenced the detailed planning and implementation phases for significant areas.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial position and performance are summarised below. This summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

Acquisition costs	Under Australian GAAP, all acquisition costs relating to Contracts of Life Insurance and Life Investment Contracts can be deferred and recognised as a reduction in policy liabilities at the inception of a policy, and are amortised over the life of the policy. Under IFRS, there will be no significant change to acquisition costs relating to Contracts of Life Insurance. However, only incremental acquisition costs that are directly attributable to securing Life Investment Contracts are recognised as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered. The consolidated entity is yet to determine the amount of acquisition costs that may be deferred and recognised as an asset under IFRS.
Debt/equity classification	The consolidated entity's redeemable preference shares, which are currently classified as equity, are likely to be reclassified as debt and dividends paid on these preference shares will be treated as interest expense rather than as dividends.
Excess of net market value of interests in controlled entities over their recognised net amounts	Under Australian GAAP, AASB 1038 <i>Life Insurance Business</i> allows a Life Insurer to recognise the excess of net market value of an interest in a subsidiary over the net assets of the subsidiary in its consolidated financial report. Under IFRS, revised AASB 1038 in conjunction with AASB 3 <i>Business Combinations</i> and AASB 138 <i>Intangible Assets</i> , does not allow this asset to be recognised.



2. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Life insurance business Under Australian GAAP, AASB 1038 *Life Insurance Business* deals with the accounting for all aspects of a life insurance business. Under IFRS, revised AASB 1038 designates products into either Contracts of Life Insurance or Life Investment Contracts. Under Phase I of this standard (Phase II is not due before 2007), Life Insurance contracts will continue to use the Margin on Services valuation for policy liabilities. Life Investment contracts liabilities will be treated as financial instruments and measured at fair value under AASB 139. Revised AASB 1038 requires that all assets of the Life Company which support these contracts will be measured at fair value with gains and losses recognised through the statement of financial performance in accordance with AASB 139.

Receivables Under Australian GAAP, receivables are initially measured at their nominal amounts. Under IFRS, receivables will initially be measured at their fair value, represented by the present value of future cash flows. Depending on the nature of the receivables outstanding at each reporting date, the fair value may be less than the nominal amount.

Many of the above changes will impact on the consolidated entity's assets and equity, which are central to the minimum capital requirements set by prudential regulators. The consolidated entity anticipates that APRA will revise the measurement rules in its prudential standards in response to these changes. However, it is not clear at present whether regulatory capital measurement will be fully immunised from the IFRS changes.

The consolidated entity has not reliably quantified the effects of these significant differences. Accordingly, the consolidated financial position and performance as disclosed in this financial report may be significantly different if determined in accordance with IFRS.

The potential impacts on the consolidated entity's financial position and performance from the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between the finalisation of the IFRS and the date of preparing this report.

### 3. SUMMARY OF SIGNIFICANT ACTUARIAL METHODS AND ASSUMPTIONS

#### Policy Liabilities

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

The effective date of the actuarial report on policy liabilities and solvency reserves is 30 June 2004. The actuarial report was prepared by Mr Rowan Ward, Appointed Actuary B Sc. FIAA, and indicates that the Appointed Actuary is satisfied as to the accuracy of the data upon which policy liabilities have been determined.

The amount of policy liabilities has been determined in accordance with methods and assumptions disclosed in this financial report and with the standards of the Life Insurance Actuarial Standards Board (LIASB).

Policy liabilities have been calculated using the Margin on Services (MoS) method in accordance with Actuarial Standard 1.03 "Valuation Standard" issued by the LIASB under Section 114 of the Life Act. The Actuarial Standard requires the policy liabilities to be calculated in a way which allows for the systematic release of planned margins as services are provided to policy owners and premiums are received.

The methods and profit carriers for the major policy types are as follows:

<u>Business Type</u>	<u>Method</u>	<u>Profit Carrier</u>
<i>Individual</i>		
Conventional	Projection	Bonuses
Investment account	Projection	Interest credits
Investment linked	Projection	Assets under management
Allocated pension	Projection	Assets under management
Lump sum risk	Projection	Expected claim payments
Income stream risk	Projection	Expected claim payments
Annuity	Projection	Annuity payments
<i>Group</i>		
Investment account	Projection	Interest credits
Investment linked	Accumulation	-
Lump sum risk	Projection	Expected claim payments
Income stream risk	Projection	Expected claim payments

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

<u>Assumption</u>	<u>Basis of Assumption</u>	<u>Significant Changes</u>
Investment earnings	Assumed earning rates are determined having regard to the asset mix of the investment portfolio backing the product, the assumed earning rates for each sector, market conditions at the valuation date and tax on investment earnings appropriate to the class of business and asset sector. Pre-tax rates varied from 4.95% (2003: 4%) for the cash sub-funds to 8.5% (2003: 8.25%) for the balanced sub-funds and 9.95% (2003: 9%) for the equity sub-funds.	No changes in approach.
Maintenance expenses	Per policy expense rates are based upon expected maintenance expenses in the period following the reporting date. Expense rates vary by product line and class of business. Tax deductibility of expenses is allowed for, at rates appropriate to the taxation basis of the business.	None

3. SUMMARY OF SIGNIFICANT ACTUARIAL METHODS AND ASSUMPTIONS (Continued)

**Policy Liabilities (Continued)**

<u>Assumption</u>	<u>Basis of Assumption</u>	<u>Significant Changes</u>
Inflation	The inflation assumption is reviewed at each valuation. For this valuation 2.5%pa (2003: 2%pa) was assumed.	No changes in approach.
Voluntary discontinuance	Rates are based upon recent internal investigations and industry experience. Rates vary by product, class of business, policy value and duration in force. Allowance is also made for cash withdrawals. Future long term rates of discontinuance assumed vary between 3% and 30% (2003: between 5% and 25%).	Assumed long term discontinuance rates for ordinary Whole of Life, Endowment and older investment account policies reduced to reflect improvements in experience.
Surrender values	Surrender values are determined by applying the surrender bases current at the reporting date.	None
Rates of taxation	The rates of taxation assumed are based on those applicable to the type of product.	None
Mortality - risk products	Mortality rates for risk products have been determined using the standard mortality table (IA95-97) with adjustments to allow for Suncorp Life & Superannuation Limited experience. Adjustments range from 76% (2003: 75%) to 160% (2003: 155%). Table IA95-97 was developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995 to 1997.	None
Mortality – Annuitants	Mortality rates for annuitants have been determined using the standard table IM/IF80 with adjustments for expected mortality improvement. Tables IM/IF80 were developed by the Institute of Actuaries and Faculty of Actuaries based on UK annuitant lives experience from 1979 to 1982.	None
Disability - lump sum	Disability rates on lump sum policies have been based on industry experience with adjustments to reflect Suncorp Life & Superannuation Limited's experience.	Adjustments updated to reflect recent experience with no overall change in assumed disability incidence.
Disability – income	Disability rates on income policies have been determined using the IAD89-93 table with adjustments to reflect Suncorp Life & Superannuation Limited's experience. IAD89-93 was developed by the Institute of Actuaries of Australia based on Australian industry experience from 1989 to 1993.	Adjustments updated to reflect recent experience, with a decrease in assumed incidence rates.

3. SUMMARY OF SIGNIFICANT ACTUARIAL METHODS AND ASSUMPTIONS (Continued)

**Policy Liabilities (Continued)**

<u>Assumption</u>	<u>Basis of Assumption</u>	<u>Significant Changes</u>
Future supportable bonuses and interest credits to participating policies	<p>Future bonus rates and interest credits assumed are those supported by the policy liabilities and the assumed future experience, including allowance for the shareholder's right to participate in distributions. Using these rates the net present value of expected future cashflows equals the value of assets supporting the business. For traditional policies supportable bonus rates are set as a proportion of the latest declared rates, 86% (2003: 60%) for ordinary policies, 89% (2003: 49%) for superannuation policies. For investment account policies supportable rates vary between 3.8% (2003: 3.0%) and 9.9% (2003: 8.4%) after tax and fees.</p> <p>For participating whole of life and endowment business, the Company's policy is to set bonus rates such that, over long periods, the returns to policy owners are commensurate with the investment returns achieved on relevant assets, together with other sources of profit arising from this business. For participating investment account business crediting rates are set such that over long periods policy owners receive full investment earnings on their accounts less a deduction of explicit fees and charges. Distributions are split between policy owners and shareholder with the valuation allowing for the shareholder to share in distributions at the maximum allowable rate of 20%. In determining policyowner distributions consideration is given to equity between generations of policy owners and equity between the various classes and sizes of policies in force.</p>	No changes in approach
Unit price growth	Unit prices are assumed to grow at a rate consistent with assumed investment earnings, tax rates and policy fees.	None

**Other Requirements**

The Life Act requires companies to meet prudential standards of solvency and capital adequacy. The solvency requirements are determined in accordance with the Actuarial Standard 2.03 "Solvency Standard" issued by the LIASB under the Life Act. For the purposes of note 33, minimum termination values have been determined in accordance with Actuarial Standards 4.02 "Minimum Surrender Values and Paid Up Values" and 2.03. Capital adequacy is determined in accordance with Actuarial Standard 3.03.

SUNCORP LIFE & SUPERANNUATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 30 June 2004 (Continued)

	Company		Consolidated	
	2004	2003	2004	2003
	\$m	\$m	\$m	\$m
<b>4. REVENUE FROM OPERATING ACTIVITIES</b>				
Revenue from operating activities				
Premium revenue (note 5)	104.1	86.6	104.1	86.6
Investment revenue including realised and unrealised gains and losses:				
Equity:				
other persons	262.9	(33.6)	295.0	(34.5)
Debt:				
other persons	52.2	99.4	60.3	100.1
Property	89.6	61.5	96.0	59.7
Other net investment revenue including realised and unrealised gains and losses	(8.0)	(8.7)	(7.9)	(7.9)
Total investment revenue (note 6)	396.7	118.6	443.4	117.4
Fees	20.5	18.3	15.7	13.9
Commissions	0.2	0.5	4.6	5.4
Non life insurance operating income	-	-	6.5	-
Other income	-	0.2	0.2	0.3
Total other revenue	20.7	19.0	27.0	19.6
Reinsurance recoveries	16.6	15.8	16.6	15.8
<b>Total revenue</b>	<b>538.1</b>	<b>240.0</b>	<b>591.1</b>	<b>239.4</b>

	Statutory Funds		Company		Consolidated	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
<b>5. PREMIUM REVENUE</b>						
Direct insurance premiums:						
single	180.5	208.0	180.5	208.0	180.5	208.0
regular	268.1	296.4	268.1	296.4	268.1	296.4
	448.6	504.4	448.6	504.4	448.6	504.4
Direct consideration for deferred annuities - rollover amounts	0.7	1.0	0.7	1.0	0.7	1.0
Policy conversions	101.6	63.8	101.6	63.8	101.6	63.8
Total insurance premium received or receivable	550.9	569.2	550.9	569.2	550.9	569.2
Insurance premiums recognised as a change in gross policy liabilities (Note 35 (A))	(446.8)	(482.6)	(446.8)	(482.6)	(446.8)	(482.6)
Total insurance premium revenue	104.1	86.6	104.1	86.6	104.1	86.6

**SUNCORP LIFE & SUPERANNUATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the year ended 30 June 2004 (Continued)*

	Non-Investment Linked Business		Investment Linked Business		Total Statutory Funds	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
<b>5. PREMIUM REVENUE (Continued)</b>						
Direct insurance premiums:						
single	68.1	100.0	112.4	108.0	180.5	208.0
regular	178.1	229.4	90.0	67.0	268.1	296.4
	<u>246.2</u>	<u>329.4</u>	<u>202.4</u>	<u>175.0</u>	<u>448.6</u>	<u>504.4</u>
Direct consideration for deferred annuities - rollover amounts	0.3	0.5	0.4	0.5	0.7	1.0
Policy conversions	26.4	48.1	75.2	15.7	101.6	63.8
Total insurance premium received or receivable	<u>272.9</u>	<u>378.0</u>	<u>278.0</u>	<u>191.2</u>	<u>550.9</u>	<u>569.2</u>
Insurance premiums recognised as a change in gross policy liabilities (Note 35 (A))	(170.0)	(293.5)	(276.8)	(189.1)	(446.8)	(482.6)
Total insurance premium revenue	<u>102.9</u>	<u>84.5</u>	<u>1.2</u>	<u>2.1</u>	<u>104.1</u>	<u>86.6</u>

	Shareholder Fund		Company		Consolidated	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
<b>6. INVESTMENT REVENUE</b>						
Investment revenue including realised and unrealised gains and (losses):						
equity securities	8.2	(3.1)	262.4	(34.2)	294.6	(35.6)
debt securities	0.2	0.4	52.7	100.0	60.7	100.1
property	0.2	0.2	89.6	61.5	96.0	61.6
other	-	-	(8.0)	(8.7)	(7.9)	(8.7)
	<u>8.6</u>	<u>(2.5)</u>	<u>396.7</u>	<u>118.6</u>	<u>443.4</u>	<u>117.4</u>
Net realised and unrealised changes in net market value of investments included in investment revenue	<u>4.8</u>	<u>(3.3)</u>	<u>233.2</u>	<u>(74.8)</u>	<u>271.4</u>	<u>(77.3)</u>

	Non-Investment Linked Business		Investment Linked Business		Total Statutory Funds	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
Investment revenue including realised and unrealised gains and (losses):						
equity securities	156.0	(13.7)	98.2	(17.4)	254.2	(31.1)
debt securities	39.6	78.8	12.9	20.8	52.5	99.6
property	69.2	49.6	20.2	11.7	89.4	61.3
other	(4.6)	(4.1)	(3.4)	(4.6)	(8.0)	(8.7)
	<u>260.2</u>	<u>110.6</u>	<u>127.9</u>	<u>10.5</u>	<u>388.1</u>	<u>121.1</u>
Net realised and unrealised changes in net market value of investments included in investment revenue	<u>147.1</u>	<u>(38.3)</u>	<u>81.3</u>	<u>(33.2)</u>	<u>228.4</u>	<u>(71.5)</u>

Investment income from equity securities held in controlled entities is \$1.3m (2003: (\$1.9m))

**SUNCORP LIFE & SUPERANNUATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the year ended 30 June 2004 (Continued)*

	Statutory Funds		Company		Consolidated	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
<b>7. CLAIMS EXPENSE</b>						
Death and disability claims	64.2	46.7	64.2	46.7	64.2	46.7
Maturities	63.1	52.8	63.1	52.8	63.1	52.8
Annuities	26.2	28.0	26.2	28.0	26.2	28.0
Surrenders and terminations	350.1	460.2	350.1	460.2	350.1	460.2
Policy conversions	101.6	63.8	101.6	63.8	101.6	63.8
	<u>605.2</u>	<u>651.5</u>	<u>605.2</u>	<u>651.5</u>	<u>605.2</u>	<u>651.5</u>
Claims expense recognised as a change in gross policy liabilities (Note 35 (A))	(534.6)	(591.1)	(534.6)	(591.1)	(534.6)	(591.1)
	<u>70.6</u>	<u>60.4</u>	<u>70.6</u>	<u>60.4</u>	<u>70.6</u>	<u>60.4</u>
Interim & terminal bonuses paid, included in total claims paid or payable	3.5	3.8	3.5	3.8	3.5	3.8
	<u>3.5</u>	<u>3.8</u>	<u>3.5</u>	<u>3.8</u>	<u>3.5</u>	<u>3.8</u>
	Non-Investment Linked Business		Investment Linked Business		Total Statutory Funds	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
Death and disability claims	61.6	44.4	2.6	2.3	64.2	46.7
Maturities	47.0	34.6	16.1	18.2	63.1	52.8
Annuities	17.2	20.1	9.0	7.9	26.2	28.0
Surrenders and terminations	245.6	255.2	104.5	205.0	350.1	460.2
Policy conversions	40.0	16.5	61.6	47.3	101.6	63.8
	<u>411.4</u>	<u>370.8</u>	<u>193.8</u>	<u>280.7</u>	<u>605.2</u>	<u>651.5</u>
Claims expense recognised as a change in gross policy liabilities (Note 35 (A))	(340.8)	(310.4)	(193.8)	(280.7)	(534.6)	(591.1)
	<u>70.6</u>	<u>60.4</u>	<u>-</u>	<u>-</u>	<u>70.6</u>	<u>60.4</u>
Interim & terminal bonuses paid, included in total claims paid or payable	3.5	3.8	-	-	3.5	3.8
	<u>3.5</u>	<u>3.8</u>	<u>-</u>	<u>-</u>	<u>3.5</u>	<u>3.8</u>
	Shareholder Fund		Company		Consolidated	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
<b>8. OPERATING EXPENSES</b>						
Policy acquisition expenses:						
commission	-	-	7.7	7.8	7.7	7.8
other	(0.1)	-	29.6	28.4	29.6	28.4
Policy maintenance expenses:						
commission	-	-	3.6	2.9	3.6	3.0
other	15.6	15.4	41.7	39.7	32.6	30.0
Investment management expenses	-	-	8.7	8.1	8.7	8.1
Total administration expenses - life insurance activities	<u>15.5</u>	<u>15.4</u>	<u>91.3</u>	<u>86.9</u>	<u>82.2</u>	<u>77.3</u>
Administration expenses - non-life insurance activities	-	-	-	-	17.7	8.5
	<u>15.5</u>	<u>15.4</u>	<u>91.3</u>	<u>86.9</u>	<u>99.9</u>	<u>85.8</u>

SUNCORP LIFE & SUPERANNUATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 30 June 2004 (Continued)

	Non-Investment		Investment		Total	
	Linked Business		Linked Business		Statutory Funds	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
<b>8. OPERATING EXPENSES (Continued)</b>						
Policy acquisition expenses:						
commission	6.3	6.6	1.4	1.2	7.7	7.8
other	22.6	23.3	7.1	5.1	29.7	28.4
Policy maintenance expenses:						
commission	3.1	2.5	0.5	0.4	3.6	2.9
other	19.9	18.1	6.2	6.2	26.1	24.3
Investment management expenses	6.0	5.7	2.7	2.4	8.7	8.1
	<u>57.9</u>	<u>56.2</u>	<u>17.9</u>	<u>15.3</u>	<u>75.8</u>	<u>71.5</u>

	Company		Consolidated	
	2004	2003	2004	2003
	\$m	\$m	\$m	\$m
<b>9. OPERATING RESULTS</b>				
(a) Profit from operating activities before income tax expense has been arrived at after crediting the following significant item:				
Excess of net market value of interests in controlled entities over their recognised net amounts	-	-	2.7	(3.2)
	<u>-</u>	<u>-</u>	<u>2.7</u>	<u>(3.2)</u>
(b) Profit from operating activities before income tax expense has been arrived at after charging the following items:				
Employee expenses	3.4	1.8	3.4	1.8
<b>Total employee expenses</b>	<u>3.4</u>	<u>1.8</u>	<u>3.4</u>	<u>1.8</u>
<b>Occupancy costs</b>				
Operating lease rentals	3.9	0.4	3.9	0.4
Other	1.0	0.1	1.0	0.1
<b>Total occupancy costs</b>	<u>4.9</u>	<u>0.5</u>	<u>4.9</u>	<u>0.5</u>
<b>Other expenses</b>				
Communications	3.6	2.7	3.6	2.7
Technology	1.1	-	1.1	-
Financial	4.8	2.3	4.9	2.3
Marketing	4.6	0.8	4.6	0.8
Client service charges	1.3	1.6	1.3	1.6
Intra group expenses	55.4	66.4	54.4	74.9
Other	0.8	0.6	0.8	0.6
<b>Total other</b>	<u>71.6</u>	<u>74.4</u>	<u>70.7</u>	<u>82.9</u>

All employees are employed by the parent entity and their associated costs are recharged to the Company through intra group expenses.



	Consolidated	
	2004	2003
	\$m	\$m
<b>10. SEGMENT INFORMATION</b>		
<b>Total revenue</b> (note 4)		
Life insurance activities	538.1	240.0
Non-life insurance activities	18.7	10.4
Elimination of controlled entities	34.3	(11.0)
	591.1	239.4
<b>Operating profit before income tax</b>		
Life insurance activities	98.0	43.0
Non-life insurance activities	0.9	1.8
Elimination of controlled entities	43.5	(1.3)
	142.4	43.5
<b>Assets</b>		
Life insurance activities	3,489.0	3,238.8
Non-life insurance activities	549.3	2.3
Elimination of controlled entities	(79.7)	(5.3)
	3,958.6	3,235.8

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

Detailed segment reporting for life insurance activities of the Statutory Funds, as required under Prudential Rules No 35, is set out in Note 37.

## 11. TAXATION

The income tax expense is partly determined on a product basis and partly determined on a profit basis. The income tax expense has been determined after aggregating various classes of business, each with different tax rates. The rates of taxation applicable to the taxable income of significant classes of business are as follows:

Class of business	2004	2003
	%	%
Ordinary life insurance business	30	30
Complying superannuation	15	15
Controlled companies	30	30
Current pension business	Exempt	Exempt
Non-complying superannuation	47	47
Immediate annuity business	Exempt	Exempt
RSA business	15	15
Other business (including accident and disability)	30	30
Shareholder funds	30	30

Under the Government's changes to life insurance taxation which applied from 1 July 2000 (contained in the New Business Tax System (Miscellaneous) Act (No.2) 2000), life insurers are taxed on all the profit made from their different activities. That is:

- risk business is taxed on broadly the same basis as for general insurers;
- investment business is taxed on broadly the same basis as for other investment entities; and
- complying superannuation business held in a virtual pooled superannuation trust is taxed on broadly the same basis as for pooled superannuation trusts.

## 11. TAXATION (Continued)

### Taxation basis

The principal elements for the calculation of the taxable income for each class of business are as follows:

#### *Assessable income*

The assessable income for each taxable class of business in Australia includes:

- Complying superannuation business - taxable contributions transferred from superannuation funds, specified rollover amounts and investment income.
- Non-complying superannuation business - investment income.
- Other business - accident and disability premiums earned and investment income.
- Shareholder (general) funds and ordinary life insurance business - investment income.
- Retirement Savings Account business – taxable contributions and investment income credited to policyholders.

The gains and losses on sale of investments to the extent referable to the complying superannuation business, are determined under the capital gains tax provisions of the *Income Tax Assessment Act (ITAA)*. The exceptions are gains on fixed interest securities and foreign exchange gains or losses referable to the superannuation business which are taxed primarily under the ordinary income provisions.

The gains and losses on the sale of investments to the extent referable to other taxable classes of business, are taxed primarily under the ordinary income provisions with the capital gains tax provisions potentially applying depending on the circumstance.

#### *Allowable deductions*

The allowable deductions for each taxable class of business in Australia include:

- Acquisition costs (such as commissions) in relation to investment related life insurance business, superannuation business and “other business”.
- Other expenses referable to the business (such as investment expenses).
- An allocation of the general management expenses of the Company.

These deductions are then allocated to each class of business in accordance with the basis specified in the ITAA (which may or may not reflect the allocation of the expense for accounting purposes).

Allowable deductions in respect of “other business” within the life funds also include accident and disability claims and the movement during the period in the policy liability in respect of that business (which may differ from the policy liability recognised for accounting purposes).

### **Basis of income tax apportionment**

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

11. TAXATION (Continued)

	Statutory Funds		Shareholder Fund		Company		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:								
Profit from ordinary activities before income tax expense	88.6	44.4	9.5	1.4	98.1	43.0	142.5	43.5
Income tax calculated @ nil% (2003: 30%)	-	13.3	-	0.4	-	12.9	-	13.1
Tax effect of permanent differences								
Life insurance accounting	-	(2.1)	-	(0.7)	-	(2.0)	-	(1.7)
Income tax expense under a tax sharing agreement	41.3	-	2.8	-	44.1	-	44.4	-
Income tax adjusted for permanent differences	41.3	11.2	2.8	(0.3)	44.1	10.9	44.4	11.4
Under/(over) provision in prior year	0.1	-	-	-	0.1	-	0.1	-
<b>Income tax expense (benefit)</b>	<b>41.4</b>	<b>11.2</b>	<b>2.8</b>	<b>(0.3)</b>	<b>44.2</b>	<b>10.9</b>	<b>44.5</b>	<b>11.4</b>
<b>Income tax expense comprises:</b>								
Intercompany/interfund payable	41.3	-	2.8	-	44.1	-	44.4	-
Current income tax provision	-	34.6	-	-	-	34.6	-	35.1
Deferred income tax provision	-	(24.4)	-	(0.5)	-	(24.9)	-	(24.8)
Future income tax benefit (net of adjustment to retained earnings)	-	1.0	-	0.2	-	1.2	-	1.1
Under (over) provision in prior year	0.1	-	-	-	0.1	-	0.1	-
	<b>41.4</b>	<b>11.2</b>	<b>2.8</b>	<b>(0.3)</b>	<b>44.2</b>	<b>10.9</b>	<b>44.5</b>	<b>11.4</b>

**11. TAXATION (Continued)**

	Statutory Funds		Shareholder Fund		Company		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Provision for current income tax</b>								
Movements during the year were as follows:								
Balance at the beginning of the financial year	5.2	(13.6)	(1.6)	(1.9)	3.6	(15.5)	3.8	(15.5)
Income tax paid net of refunds:								
Prior year	-	1.4	-	0.3	-	(30.6)	-	(30.9)
Current year	-	(32.3)	-	-	-	-	-	-
Transfer to intercompany under tax sharing agreement	(5.2)	-	1.6	-	(3.6)	-	(3.8)	-
Current years income tax expense on operating profit	-	37.5	-	-	-	37.5	-	38.1
Transfers in	-	15.1	-	-	-	15.1	-	15.1
Under (over) provision in prior year	-	(2.9)	-	-	-	(2.9)	-	(3.0)
	<u>-</u>	<u>5.2</u>	<u>-</u>	<u>(1.6)</u>	<u>-</u>	<u>3.6</u>	<u>0.0</u>	<u>3.8</u>

**Provision for deferred income tax**

Provision for deferred income tax comprises the estimated expense at the applicable rate of nil% (2003: 30%) on the following items:

Income not currently assessable for tax purposes	-	2.6	-	5.5	-	8.1	-	8.1
	<u>-</u>	<u>2.6</u>	<u>-</u>	<u>5.5</u>	<u>-</u>	<u>8.1</u>	<u>-</u>	<u>8.1</u>

**Future income tax benefit**

Future income tax benefit comprises the estimated future benefit, at the applicable rate of nil% (2003: 30%) on the following items:

Other provisions, expenditure and accrued employee entitlements not currently deductible	-	1.2	-	0.1	-	1.3	-	1.4
	<u>-</u>	<u>1.2</u>	<u>-</u>	<u>0.1</u>	<u>-</u>	<u>1.3</u>	<u>-</u>	<u>1.4</u>

**11. TAXATION (Continued)**

**Revision of accounting estimates – tax balances**

As a consequence of the enactment of the Tax Consolidation legislation and the tax-consolidated group implementing tax consolidations from 1 July 2002, the Company has applied UIG 52 *Income Tax Accounting under the Tax Consolidation System* for the 2004 year. However, as at 30 June 2003, no decision had been made to tax-consolidate and UIG 39: *Effect of Proposed Tax Consolidation Legislation on Deferred Tax Balances* was applied. Accordingly, comparative tax balances for the year ended 30 June 2003 are included in the Statement of Financial Position and this note that are not comparable to those for the year ended 30 June 2004. This is by virtue of Suncorp-Metway Ltd having elected to tax-consolidate effective from 1 July 2002 and due to the effect and operation of the tax sharing agreement entered into by the Company.

As the Company and its wholly owned controlled entities are no longer taxable entities in accordance with the election made by the head company to tax-consolidate, the tax assets and liabilities of the Company and its wholly owned controlled entities as at 1 July 2003 have been transferred to the head entity, Suncorp-Metway Ltd, for consideration.

In the consolidated entity the effect at 1 July 2003 was:

- a decrease in deferred tax assets of \$1.4 million
- a decrease in current tax liabilities of \$3.8 million
- a decrease in deferred tax liabilities of \$8.1 million
- a corresponding increase in intercompany payable of \$10.5 million.

The effect for the year ended 30 June 2004 is:

- a net increase in intercompany payables of \$18.0 million, being \$44.4 payable under the tax sharing agreement less \$26.4 instalments already settled with the head entity;
- an increase in income tax expenses of \$44.4.

**12. RETAINED PROFITS**

	Company		Consolidated	
	2004	2003	2004	2003
	\$m	\$m	\$m	\$m
Retained profits at the beginning of the financial year	157.1	154.0	157.1	154.0
Net profit attributable to members of the parent entity	53.8	32.1	53.8	32.1
Dividends paid	-	(29.0)	-	(29.0)
Retained profits at the end of the financial year	210.9	157.1	210.9	157.1

**13. OUTSIDE EQUITY INTERESTS**

	Company		Consolidated	
	2004	2003	2004	2003
	\$m	\$m	\$m	\$m
Interest in:				
Retained profits at the end of the financial year	-	-	342.4	-
Share capital	-	-	-	-
Reserves	-	-	-	-
	-	-	342.4	-

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	Company		Consolidated	
	2004	2003	2004	2003
	\$m	\$m	\$m	\$m
<b>14. DIVIDENDS</b>				
Ordinary shares:				
2003 interim dividend franked to 62% Class C (62%) and 38% unfranked amount paid on 24 March 2003	-	7.4	-	7.4
Redeemable preference shares:				
2003 interim dividend franked to 62% Class C (62%) and 38% unfranked amount paid on 24 March 2003	-	21.6	-	21.6
	-	29.0	-	29.0
<b>Franking credits</b>				
Franking credits available to shareholders of the Company for subsequent financial years (2003: 30%)	-	2.1	-	3.3
	-	2.1	-	3.3

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
- (d) franking credits that may be prevented from being distributed in subsequent financial years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

*Change in measurement of dividend franking account*

*Tax Consolidations*

On 1 July 2002, the Company and its wholly owned controlled entities adopted the Tax Consolidations legislation which requires a tax-consolidated group to keep a single franking account. Accordingly all franking credits were automatically transferred to Suncorp-Metway Ltd as the head entity of the tax-consolidated group. The comparative information has not been restated for this change in measurement.

**15. DISCLOSURES ON ASSET RESTRICTIONS, MANAGED ASSETS AND TRUSTEE ACTIVITIES**

**Restrictions on assets**

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

**Trustee activities**

Suncorp Superannuation Pty Ltd, a controlled entity of the Company, acts as trustee in relation to various superannuation policies issued by the Company. Arrangements are in place to ensure that the activities of Suncorp Superannuation Pty Ltd are managed separately.

	Shareholder Fund		Company		Consolidated	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
Transfer from statutory funds (note 19) (i)	19.0	13.1	-	-	-	-
Loans, deposits and advances:						
parent entity	-	-	3.1	0.2	3.1	0.2
controlled entities of the parent entity	2.4	1.4	4.4	3.7	4.4	3.7
between funds (ii)	10.1	8.4	-	-	-	-
	<u>31.5</u>	<u>22.9</u>	<u>7.5</u>	<u>3.9</u>	<u>7.5</u>	<u>3.9</u>
Reinsurance recoveries receivable	-	-	7.1	6.3	7.1	6.3
Investment income accrued	0.9	0.2	59.2	44.2	26.9	44.1
Other debtors	0.9	0.6	1.4	4.0	1.6	4.8
	<u>33.3</u>	<u>23.7</u>	<u>75.2</u>	<u>58.4</u>	<u>43.1</u>	<u>59.1</u>
	Non-Investment Linked Business		Investment Linked Business		Total Statutory Funds	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
Loans, deposits and advances:						
parent entity	1.7	0.2	1.4	-	3.1	0.2
controlled entities of the parent entity	2.0	2.3	-	-	2.0	2.3
between funds (ii)	-	-	-	-	-	-
	<u>3.7</u>	<u>2.5</u>	<u>1.4</u>	<u>-</u>	<u>5.1</u>	<u>2.5</u>
Reinsurance recoveries receivable	7.1	6.3	-	-	7.1	6.3
Investment income accrued	37.6	30.8	20.7	13.2	58.3	44.0
Other debtors	0.5	3.4	-	-	0.5	3.4
	<u>48.9</u>	<u>43.0</u>	<u>22.1</u>	<u>13.2</u>	<u>71.0</u>	<u>56.2</u>

(i) Transfers from statutory funds to the shareholder fund are eliminated within the Company.

(ii) Loans, deposits and advances between funds are eliminated within the Company.

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17. INVESTMENT ASSETS

	Company		Consolidated	
	2004	2003	2004	2003
	\$m	\$m	\$m	\$m
<b>Equity security investments</b>				
Directly held	-	-	1,314.9	-
Unit trusts	1,563.9	1,200.5	475.4	1,200.5
Investments in controlled entities	19.0	17.7	-	-
<b>Total equities</b>	<u>1,582.9</u>	<u>1,218.2</u>	<u>1,790.3</u>	<u>1,200.5</u>
<b>Debt security investments</b>				
Interest bearing securities:				
private sector - unsecured	65.3	59.8	754.0	59.8
public sector	-	-	135.8	-
semi public sector	-	-	11.0	-
Loans and advances:				
other persons - on policies	4.5	4.5	4.5	4.5
other persons - secured	7.8	7.7	7.8	7.7
Unit trusts	1,168.7	1,338.3	600.0	1,338.3
<b>Total debt</b>	<u>1,246.3</u>	<u>1,410.3</u>	<u>1,513.1</u>	<u>1,410.3</u>
<b>Property investments</b>				
Directly held	-	17.9	-	17.9
Unit trusts	536.8	504.8	536.8	504.8
<b>Total property</b>	<u>536.8</u>	<u>522.7</u>	<u>536.8</u>	<u>522.7</u>
<b>Other investments</b>	<u>(0.6)</u>	<u>(1.3)</u>	<u>(0.6)</u>	<u>(1.3)</u>
<b>Total investment assets</b>	<u>3,365.4</u>	<u>3,149.9</u>	<u>3,839.6</u>	<u>3,132.2</u>
<b>Investments in controlled entities</b>	<u>19.0</u>	<u>17.7</u>	<u>-</u>	<u>-</u>

18. OTHER ASSETS

	Shareholder		Company		Consolidated	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
Accrued interest	-	-	0.3	0.1	8.8	0.1
Prepayments	-	0.4	-	0.4	-	0.4
Dividends Receivable	2.0	-	2.0	-	-	-
Other	0.1	-	0.2	0.1	1.0	0.1
	<u>2.1</u>	<u>0.4</u>	<u>2.5</u>	<u>0.6</u>	<u>9.8</u>	<u>0.6</u>
	Non-Investment		Investment		Total	
	Linked Business		Linked Business		Statutory Funds	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
Accrued interest	0.2	0.1	0.1	-	0.3	0.1
Other	0.1	0.1	-	-	0.1	0.1
	<u>0.3</u>	<u>0.2</u>	<u>0.1</u>	<u>-</u>	<u>0.4</u>	<u>0.2</u>



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19. PAYABLES

	Shareholder Fund		Company		Consolidated	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
Policy claims in process of settlement	-	-	17.1	12.0	17.1	12.0
Sundry creditors and accrued expenses	3.6	3.6	15.8	15.5	24.4	15.5
Other	-	0.1	5.6	8.7	124.8	8.8
	<u>3.6</u>	<u>3.7</u>	<u>38.5</u>	<u>36.2</u>	<u>166.3</u>	<u>36.3</u>

	Non-Investment Linked Business		Investment Linked Business		Total Statutory Funds	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
Transfer to shareholder's fund (note 16)(i)	19.0	13.1	-	-	19.0	13.1
Policy claims in process of settlement	17.1	12.0	-	-	17.1	12.0
Sundry creditors and accrued expenses	12.1	11.9	0.1	-	12.2	11.9
Other	5.6	6.0	-	2.6	5.6	8.6
	<u>53.8</u>	<u>43.0</u>	<u>0.1</u>	<u>2.6</u>	<u>53.9</u>	<u>45.6</u>

(i) Transfers from statutory funds to the shareholder fund are eliminated within the Company.

20. DEPOSITS AND SHORT TERM BORROWINGS

	Shareholder Fund		Company		Consolidated	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
Parent entity	19.6	8.8	43.7	8.8	43.7	8.8
Controlled entities	0.6	3.3	0.6	3.3	-	-
	<u>20.2</u>	<u>12.1</u>	<u>44.3</u>	<u>12.1</u>	<u>43.7</u>	<u>8.8</u>

	Non-Investment Linked Business		Investment Linked Business		Total Statutory Funds	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
Parent entity	24.1	-	-	-	24.1	-
Subsidiaries of the ultimate parent entity	-	-	0.1	-	0.1	-
Between funds (i)	7.8	5.0	2.3	3.4	10.1	8.4
	<u>31.9</u>	<u>5.0</u>	<u>2.4</u>	<u>3.4</u>	<u>34.3</u>	<u>8.4</u>

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21. CONTRIBUTED EQUITY	Company		Consolidated	
	2004	2003	2004	2003
	\$m	\$m	\$m	\$m
<b>Issued and paid up capital</b>				
10,000,000 ordinary shares, each fully paid (2003: 10,000,000)	10.0	10.0	10.0	10.0
29,000,000 redeemable preference shares, each fully paid (2003: 29,000,000)	29.0	29.0	29.0	29.0
	39.0	39.0	39.0	39.0
	39.0	39.0	39.0	39.0

***Ordinary Shares***

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

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

***Redeemable Preference Shares***

The preference shares are liable to be redeemed at any time at the option of the Company provided that the consent in writing of Suncorp-Metway Ltd has first been obtained.

	Company		Consolidated	
	2004	2003	2004	2003
	\$m	\$m	\$m	\$m
<b>22. CASH FLOW INFORMATION</b>				
<b>Reconciliation of profit after income tax to net cash inflow from operating activities</b>				
<i>Profit after income tax</i>	53.8	32.1	97.9	32.1
<i>Add (deduct) items classified as investing activities:</i>				
Income taxes paid - investing activities	-	15.5	-	15.8
<i>Changes in net market value of investments realised &amp; unrealised:</i>				
equity securities	(188.6)	65.1	252.8	63.1
debt securities	1.2	14.0	(24.6)	14.0
property securities	(53.3)	(11.3)	53.3	(11.3)
other securities	7.4	8.2	(7.4)	8.2
<i>Non cashflow items</i>				
<i>(Increase in):</i>				
Excess of net market value of interest in subsidiaries	-	-	(2.7)	3.2
<i>Change in assets and liabilities:</i>				
<i>Decrease (increase) in:</i>				
Insurance and other recoveries receivable	(11.2)	(4.4)	(11.2)	(4.4)
Premiums outstanding	(1.7)	(0.1)	(1.7)	(0.1)
Interest receivable	(0.2)	0.1	(10.8)	0.1
Dividends receivable	(2.0)	4.2	(7.8)	4.2
Property income receivable	(14.7)	(12.3)	7.0	(12.2)
Investment income receivables	(0.7)	(1.4)	0.3	(1.4)
Prepayments and deferred expenses	0.4	(0.3)	0.4	(0.3)
Other debtors	2.5	(1.2)	2.3	(1.3)
<i>Increase (decrease) in:</i>				
Net movement in tax balances	4.7	(19.7)	4.6	(19.5)
Premiums in advance	0.2	(1.3)	0.2	(1.3)
Claims outstanding	5.1	(0.8)	5.1	(0.8)
Reinsurance premiums paid	(3.7)	2.6	(3.7)	2.6
Policy liabilities	144.1	(119.4)	144.1	(119.4)
Policy owner retained profits	29.3	48.6	29.3	48.6
Other payables	21.3	20.2	140.8	20.1
Other liabilities	4.0	(4.3)	(98.5)	(4.3)
<b>Net cash inflow from operating activities</b>	<b>(2.1)</b>	<b>34.1</b>	<b>569.7</b>	<b>35.7</b>
<b>Reconciliation of cash</b>				
Cash at bank	16.8	11.6	21.9	13.1
Cash deposits and short term securities included in investment assets - Interest bearing securities	65.3	58.7	120.1	58.7
	<b>82.1</b>	<b>70.3</b>	<b>142.0</b>	<b>71.8</b>

## 23. RISK MANAGEMENT

### **General framework**

Effective risk management is fundamental to the business of life insurance. The Company adopts as a key strategy the task of refining the risk management framework and specific procedures to more accurately define and manage exposures.

Management of risk throughout the Company is through a system of delegated limits. These limits govern the maximum amount and type of risk that can be assumed, severally by units within the Company, and within the framework of the overall risk position of the Suncorp-Metway Ltd group. The limits are delegated from the Board of Directors to executive management and then to relationship, investment and risk managers.

The risk management framework includes policies and procedures that detail a formal feedback process to the Audit, Business Risk and Compliance Committee and the Investment Committee of the Board. These committees are responsible for ensuring the consolidated entity has appropriate systems and policies and procedures to measure, monitor and report on risk management.

Feedback to Board and Executive Committees is supported by regular reporting and compliance monitoring from the independent compliance and risk management areas within the consolidated entity such as Credit Bureau, Investment Compliance and Risk Management, Financial Markets Risk Management, Operation Risk Management and Internal Audit.

The Company has an approved Risk Management Statement which has been accepted by the Australian Prudential Regulation Authority ("APRA") as appropriate guidelines for the use of derivatives. More detailed discussion on the Company's Risk Management Statement and use of derivative financial instruments is contained in note 24.

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

### **Liquidity risk**

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. The ability to make claims payments in a timely manner is critical to the business of life insurance. The investment portfolio mandates ensure that sufficient cash deposits are available to meet day-to-day obligations.

The Company maintains a level of capital adequacy in accordance with Actuarial Standards issued by the Life Insurance Actuarial Standards Board (LIASB).

### **Credit risk**

Credit risk is the likelihood of future financial loss resulting from the failure of other parties to meet contractual payment obligations to the consolidated entity as and when they fall due. Credit risk occurs as a result of investment in financial instruments.

The consolidated entity has no specific concentration of credit risk with a single counterparty arising from the use of financial instruments in managing the investment portfolio other than that normally arising through dealings on recognised exchanges and off exchange dealings (over the counter contracts). The counterparties to over the counter contracts are limited to companies with strong credit ratings from a recognised credit rating agency. These counterparties are normally banks operating in Australia.

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

**23. RISK MANAGEMENT (Continued)**

**Interest rate risk**

Interest rate risk in the statements of financial position arises from the potential for a change in interest rates to have an adverse effect on the revenue earnings in the current reporting period and in future years. Any change in market value of investments in interest bearing securities are immediately reflected in the statements of financial position in accordance with the accounting policies discussed in note 1(I).

	Balance Sheet Total \$m	Floating Interest Rate \$m	1 Year or less \$m	2 to 5 Years \$m	Over 5 Years \$m	Non- Interest Bearing \$m	Weighted Average Rate %
<b>Shareholder's fund and controlled entities</b>							
Cash and short term liquid assets	5.1	5.0	-	-	-	0.1	4.8%
Cash on deposit	0.3	0.3	-	-	-	-	5.2%
Margin deposits	0.1	0.1	-	-	-	-	4.2%
	0.4	0.4	-	-	-	-	5.0%
<b>Total shareholder's fund and controlled entities</b>	<b>5.5</b>	<b>5.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.1</b>	<b>4.8%</b>
Weighted average interest rate	3.4%	3.4%	0.0%	0.0%	0.0%		
<b>Statutory funds</b>							
Cash and short term liquid assets	16.7	-	-	-	-	16.7	0.0%
Cash on deposit	51.0	51.0	-	-	-	-	5.2%
Margin deposits	13.9	13.9	-	-	-	-	4.2%
	64.9	64.9	-	-	-	-	5.0%
<b>Total statutory funds</b>	<b>81.6</b>	<b>64.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16.7</b>	<b>4.0%</b>
Weighted average interest rate	4.0%	5.0%	0.0%	0.0%	0.0%		

**23. RISK MANAGEMENT (Continued)**  
**Interest rate risk (Continued)**

The repricing periods attributable to the consolidated entity at 30 June 2003 are:

	Balance Sheet Total \$m	Floating Interest Rate \$m	1 Year or less \$m	2 to 5 Years \$m	Over 5 Years \$m	Non- Interest Bearing \$m	Weighted Average Rate %
<b>Shareholder's fund and controlled entities</b>							
Cash and short term liquid assets	1.5	2.9	-	-	-	(1.4)	6.9%
Cash on deposit	1.0	1.0	-	-	-	-	4.7%
Margin deposits	0.2	0.2	-	-	-	-	2.8%
	1.2	1.2	-	-	-	-	4.4%
<b>Total shareholder's fund and controlled entities</b>	<b>2.7</b>	<b>4.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.4)</b>	<b>5.8%</b>
Weighted average interest rate	5.8%	3.9%	0.0%	0.0%	0.0%		
<b>Statutory funds</b>							
Cash and short term liquid assets	11.6	-	-	-	-	11.6	0.0%
Cash at bank	-	-	-	-	-	-	0.0%
Cash on deposit	41.9	41.9	-	-	-	-	4.7%
Margin deposits	16.7	16.7	-	-	-	-	2.8%
Fixed interest securities	-	-	-	-	-	-	0.0%
Other	-	-	-	-	-	-	0.0%
	58.6	58.6	-	-	-	-	4.2%
<b>Total statutory funds</b>	<b>70.2</b>	<b>58.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11.6</b>	<b>3.5%</b>
Weighted average interest rate	3.5%	4.2%	0.0%	0.0%	0.0%		

**Foreign exchange risk**

Foreign exchange risk arises from the effects of potential movements in exchange rates on open foreign currency positions.

The statutory funds of the Company invest in overseas assets. These assets back the liabilities within the funds. In the Investment Linked Fund, any investment returns, whether positive or negative, are passed on to the policyholders. In the Capital Guaranteed Fund, capital and declared interest are guaranteed. The Fund maintains reserves in accordance with the standards of the LIASB to meet the risk of diminution of value associated with foreign exchange risk.

**Other financial instruments risk**

In addition to cash and interest bearing securities, the investment portfolios contain exposures to equity and property markets. In accordance with the accounting policy discussed in note 1(I), these investments are measured at net market value at each balance date and changes in market value are immediately reflected in the statements of financial performance. These principles also apply to investments through unitised vehicles.

Any overall downturn in the equities markets may impact on the future results of the consolidated entity. The impact of any significant movement is managed by ensuring that the investment portfolio (whether direct or through unitised vehicles) consists of a diverse holding of Australian companies and through the limited use of derivative financial instruments, as discussed in note 24. Property investments are subject to regular valuations. The portfolios are actively managed to ensure that any adverse financial impacts are appropriately monitored.

## 23. RISK MANAGEMENT (Continued)

### Operational risk

Operational risk is the potential exposure to unexpected financial or non-financial losses arising from the way in which the consolidated entity conducts its business. Operational risk is managed through formal policies, documented procedures, business practices and compliance monitoring. An independent internal audit unit also conducts regular reviews to monitor compliance with policy and regulatory requirements, and examines the general standard of controls.

## 24. DERIVATIVE FINANCIAL INSTRUMENTS

### Risk management statement

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

### Definition

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

### Objectives

The Company sees the use of derivatives as consistent with the objectives of the overall investment strategies of the investment portfolios, and one of the means by which these strategies are implemented. Derivatives will only be used for the reasons of efficiency, arbitrage and risk reduction.

### Limits on derivative usage

The Risk Management Statement and investment mandates strictly prohibit the use of derivatives for speculative purposes or for leveraged trading. Leverage is here defined as creating a portfolio which would have sensitivity to an underlying economic or financial variable which is greater than could be achieved using only physical securities. Exposure limits have been established with respect to the various asset classes for each client portfolio. Within each assets class, derivative exposure limits are identified in the Risk Management Statement and limits have been established on daily transaction levels. For over the counter (OTC) derivatives authorised counter-parties must have a minimum Standard and Poors rating of "A" or the equivalent credit rating by a recognised credit rating agency.

The investment manager has an independent Risk Manager responsible for monitoring these positions to ensure they do not exceed the authorities established in the investment mandate. Regular monitoring and control of these activities is the responsibility of the Investments Board sub-committee and internal audit.

### Activities

The use of derivative financial instruments to mitigate market risk, interest rate risk and currency risk includes the use of exchange traded bill and bond futures, equity index futures, over the counter (OTC) forward exchange contracts and interest rate and equity options.

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

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

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

24. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	Statutory Funds		Shareholder Fund		Consolidated	
	Notional Principal Amount		Notional Principal Amount		Notional Principal Amount	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
Less than one year	795.6	485.9	3.4	5.9	799.0	491.8
	<u>795.6</u>	<u>485.9</u>	<u>3.4</u>	<u>5.9</u>	<u>799.0</u>	<u>491.8</u>

	Statutory Funds		Shareholder Fund		Consolidated	
	Face Value	Fair Value	Face Value	Fair Value	Face Value	Fair Value
	\$m	\$m	\$m	\$m	\$m	\$m
	2004 Financial year					
<i>Exchange rate related contracts</i>						
Forward exchange contracts	167.7	(0.7)	1.0	-	168.7	(0.7)
<i>Interest rate related contracts</i>						
Interest rate futures	259.4	(0.4)	-	-	259.4	(0.4)
<i>Equity related contracts</i>						
Equity futures	368.5	(5.1)	2.4	-	370.9	(5.1)
	<u>795.6</u>	<u>(6.2)</u>	<u>3.4</u>	<u>-</u>	<u>799.0</u>	<u>(6.2)</u>

	Statutory Funds		Shareholder Fund		Consolidated	
	Face Value	Fair Value	Face Value	Fair Value	Face Value	Fair Value
	\$m	\$m	\$m	\$m	\$m	\$m
	2003 Financial year					
<i>Exchange rate related contracts</i>						
Forward exchange contracts	89.1	(1.3)	0.2	-	89.3	(1.3)
<i>Interest rate related contracts</i>						
Interest rate futures	144.2	0.8	-	-	144.2	0.8
<i>Equity related contracts</i>						
Equity futures	252.6	-	5.7	(0.1)	258.3	(0.1)
	<u>485.9</u>	<u>(0.5)</u>	<u>5.9</u>	<u>(0.1)</u>	<u>491.8</u>	<u>(0.6)</u>

Where the probability of exercising an option is less than one, a difference arises between notional principal and face value. For the years ended 2004 and 2003, notional principal amounts are equal to face value due to the absence of options in the investment portfolio. However, in future periods options may form part of the investment portfolio resulting in a difference between notional principal and face value amounts.

25. DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments consist of investment assets which are measured at net market value at each balance date. Changes in market value are immediately reflected in the statements of financial performance. The statements of financial position, therefore, reflect the fair value of financial instruments. The methods adopted in valuation of investments and significant assumptions are discussed in note 1(I).



	Company		Consolidated	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>26. AUDITORS' REMUNERATION</b>				
<b>Audit services</b>				
Auditors of the Company - KPMG	170,000	165,000	185,000	180,000
Auditors of the managed funds - Deloitte	90,638	30,580	108,638	43,180
	260,638	195,580	293,638	223,180
<b>Other services</b>				
Auditors of the Company - KPMG	92,668	61,362	92,668	61,362
	92,668	61,362	92,668	61,362

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

**27. DETAILS OF CONTROLLED ENTITIES**

Name	Note	Country of Incorporation	Class of Share	2004 %	2003 %
Suncorp Life & Superannuation Limited	(ii)	Australia	Ordinary and Redeemable preference		
<b>Controlled entities</b>					
SIP Super Pty Ltd	(i)	Australia	Ordinary	100	100
Suncorp Financial Services Pty Ltd	(i)	Australia	Ordinary	100	100
Suncorp Superannuation Pty Ltd	(i)	Australia	Ordinary	100	100

The Company also holds investments in Suncorp Investment Management Australian Equities Trust, Suncorp Investment Management World Fixed Interest Trust and the Suncorp Investment Management Australian Fixed Interest Trust, which are not accounted for under the equity accounting method. Instead, the market values for these investments are calculated at balance date and are brought to account at this value in compliance with the requirements of AASB 1038: *Life Insurance Business*. These investments are classified as equity or fixed interest investments.

- (i) These investments form part of the investment assets.
- (ii) Suncorp Life & Superannuation Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:  
 Suncorp Life & Superannuation Limited  
 36 Wickham Terrace  
 Brisbane Qld 4000  
 A description of the nature of the Company's operations and its principal activities is included in the directors' report on page 1.

**28. RELATED PARTY INFORMATION**

**Directors**

The names of each person holding the position of director of the Company during the year were:

John D Story (Chairman)	(Appointed 1 December 1996)
John F Mulcahy (Managing Director)	(Appointed 6 January 2003)
William John Bartlett	(Appointed 1 July 2003)
Dr Ian D Blackburne	(Appointed 3 August 2000)
Rodney F Cormie	(Appointed 1 December 1996)
Dr Cherrell Hirst AO	(Appointed 8 February 2002)
James J Kennedy AO, CBE	(Appointed 1 August 1997)
Martin D E Kriewaldt	(Appointed 14 June 1996)
Christopher Skilton (Executive Director)	(Appointed 13 November 2002)

Details of directors' remuneration are set out in note 29.

**Transactions with directors and director- related entities.**

Mr J D Story is a partner in the firm of Corrs Chambers Westgarth, Solicitors, which from time to time renders legal services to the Company in the ordinary course of business. Fees paid to the firm during the financial year amounted to \$42,988 (2003: \$44,410).

Apart from the details disclosed in this note, no director or director related entity has entered into a material contract with the Company during the reporting period, and there were no material contracts involving directors or a director related entity subsisting at the end of the reporting period.

**Transactions with entities in the wholly owned group and other related parties**

The wholly owned group consists of Suncorp-Metway Ltd and its wholly owned and controlled entities.

Transactions between the Company and related parties in the wholly owned group during the year ended 30 June 2004 and 30 June 2003 consisted of advances made and repaid, insurance premiums received and paid, fees received and paid for administrative, property and portfolio management services and interest received and paid. All these transactions were on a normal commercial basis.

Other related party information is disclosed in notes 4, 16, 17 and 20.

The aggregate amounts resulting from transactions between the Company and members of the wholly owned group that have been included in the operating result before tax as disclosed in the statements of financial performance are as follows:

	Company	
	2004	2003
	\$m	\$m
Distribution fee income:		
controlled entities	(4.3)	(2.8)
	(4.3)	(2.8)
Management fee income:		
controlled entities	(2.0)	(0.7)
controlled entities of the parent entity	(9.8)	(10.9)
	(11.8)	(11.6)
Administration expenses:		
parent entity	44.3	55.8
controlled entity	11.3	1.2
controlled entities of the parent entity	-	9.4
	55.6	66.4

28. RELATED PARTY INFORMATION (Continued)

**Amounts receivable from and payable to entities in the wholly owned group and other related parties**

The aggregate amounts receivable from, and payable to, entities in the wholly owned group by the Company as disclosed in notes 11, 16 and 20 are as follows:

	Company	
	2004	2003
	\$m	\$m
Current amounts receivable:		
parent entity (note 16)	1.7	0.2
parent entity - tax recharge receivable (note 16)	1.4	-
controlled entities of the parent entity (note 16)	4.4	3.7
	7.5	3.9
Current amounts payable:		
parent entity (note 20)	13.7	8.8
parent entity - transfer of provision of current income tax under tax sharing agreement (note 20)	30.0	-
controlled entities (note 20)	0.6	3.3
	44.3	12.1

**Controlling entity**

The immediate parent entity and ultimate parent entity is Suncorp-Metway Ltd.

29. DIRECTORS' REMUNERATION

No director of the Company has received any remuneration from the Company or its controlled entities. No remuneration paid by the parent entity, Suncorp-Metway Ltd, is separately identified as relating to the management of the affairs of the Company.

30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

**Contingent liabilities considered remote**

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

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

*Derivative Instruments*

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

*Capacity as Trustee*

The Company acts as trustee for various trusts within the Suncorp-Metway Ltd group. In this capacity, the Company is liable for the debts of each of the trusts and is entitled to be indemnified out of the trusts' assets for all liabilities incurred on behalf of the trusts.

30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

*Joint and Several Liability*

*Tax Consolidation*

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

**Contingent assets**

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

Statutory Funds		Shareholder Fund		Total Interests	
2004	2003	2004	2003	2004	2003
\$m	\$m	\$m	\$m	\$m	\$m

31. SUMMARY OF SHAREHOLDER'S INTERESTS

<b>Operating profit after income tax</b>	47.2	33.2	6.6	(1.1)	53.8	32.1
Shareholders' retained profits at the beginning of the financial year	126.3	106.2	30.8	47.8	157.1	154.0
Transfers of profits between funds	(19.0)	(13.1)	19.0	13.1	-	-
Dividends paid	-	-	-	(29.0)	-	(29.0)
<b>Shareholders' retained profits at the end of the financial year</b>	<u>154.5</u>	<u>126.3</u>	<u>56.4</u>	<u>30.8</u>	<u>210.9</u>	<u>157.1</u>
Share capital (note 21)	-	-	39.0	39.0	39.0	39.0
Capital transfers to statutory funds	29.8	29.8	(29.8)	(29.8)	-	-
<b>Total shareholder's equity (note 37(C))</b>	<u><u>184.3</u></u>	<u><u>156.1</u></u>	<u><u>65.6</u></u>	<u><u>40.0</u></u>	<u><u>249.9</u></u>	<u><u>196.1</u></u>

*Components of shareholder's interests in statutory funds:*

Shareholders' retained profits - participating business	87.2	79.9
Shareholders' retained profits - non-participating business	67.3	46.4
Shareholder's capital	29.8	29.8
	<u>184.3</u>	<u>156.1</u>

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

**32. RECONCILIATION TO LIFE ACT OPERATING PROFITS & RETAINED PROFIT OF STATUTORY FUNDS**

**(A) Allocation of operating profit**

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

*Participating business*

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

*Non-participating business*

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

**(B) Distribution of retained profits**

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

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

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

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

Policy owners' interests		Shareholder's interests		Total Statutory Funds	
2004	2003	2004	2003	2004	2003
\$m	\$m	\$m	\$m	\$m	\$m

**(C) Details of operating profits**

Operating profit after income tax	-	-	47.2	33.2	47.2	33.2
Bonuses provided for or paid in the current period:						
interim & terminal bonus on claims paid	3.5	3.8	-	-	3.5	3.8
declared bonus on in force policies	72.5	48.7	-	-	72.5	48.7
Increase in policy owner retained profits	29.3	48.6	-	-	29.3	48.6
<b>Life Act operating profit after income tax</b>	<u>105.3</u>	<u>101.1</u>	<u>47.2</u>	<u>33.2</u>	<u>152.5</u>	<u>134.3</u>
<i>Sources of the operating profit:</i>						
From non-investment linked business:						
participating business	105.3	101.1	26.3	25.3	131.6	126.4
non-participating business	-	-	10.7	8.0	10.7	8.0
From investment linked business:						
non-participating business	-	-	10.2	(0.1)	10.2	(0.1)
	<u>105.3</u>	<u>101.1</u>	<u>47.2</u>	<u>33.2</u>	<u>152.5</u>	<u>134.3</u>

SUNCORP LIFE & SUPERANNUATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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	Policy owners' interests		Shareholder's interests		Total Statutory Funds	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
<b>32. RECONCILIATION TO LIFE ACT OPERATING PROFIT &amp; RETAINED PROFITS OF STATUTORY FUNDS</b>						
<b>(Continued)</b>						
<b>(D) Details of retained profits</b>						
Retained profits at the beginning of the financial year	-	-	126.3	106.2	126.3	106.2
Liability for policy owner retained profits	319.5	270.9	-	-	319.5	270.9
<b>Life Act retained profits at the beginning of the financial year</b>	<b>319.5</b>	<b>270.9</b>	<b>126.3</b>	<b>106.2</b>	<b>445.8</b>	<b>377.1</b>
Life Act operating profit after income tax	105.3	101.1	47.2	33.2	152.5	134.3
Transfer to shareholder's fund from participating business	-	-	(19.0)	(13.1)	(19.0)	(13.1)
Provision for bonuses to participating policy owners'	(76.0)	(52.5)	-	-	(76.0)	(52.5)
<b>Life Act retained profits at the end of the financial year</b>	<b>348.8</b>	<b>319.5</b>	<b>154.5</b>	<b>126.3</b>	<b>503.3</b>	<b>445.8</b>
Policy owner retained profits at the end of the financial year	(348.8)	(319.5)	-	-	(348.8)	(319.5)
<b>Retained profits at the end of the financial year</b>	<b>-</b>	<b>-</b>	<b>154.5</b>	<b>126.3</b>	<b>154.5</b>	<b>126.3</b>
<i>Components of Life Act retained profits at the end of the financial year:</i>						
Policy owners' interests	348.8	319.5	-	-	348.8	319.5
Shareholder's interests in participating business	-	-	87.2	79.9	87.2	79.9
Shareholder's interests in non-participating business	-	-	67.3	46.4	67.3	46.4
	<b>348.8</b>	<b>319.5</b>	<b>154.5</b>	<b>126.3</b>	<b>503.3</b>	<b>445.8</b>

### 33. SOLVENCY REQUIREMENTS OF THE STATUTORY FUNDS

Distribution of the retained profits is limited by the prudential capital requirements of Part 5 of the Life Act, the detailed provisions of which are specified by Actuarial Standards. The Solvency Standard prescribes a minimum level of assets, known as the Solvency Requirement, for each statutory fund of the Company.

The solvency requirements, and the ratios in respect of those requirements, are as follows:

	Statutory Fund No.1		Statutory Fund No.2		Total Statutory Funds		
	2004	2003	2004	2003	2004	2003	
	\$m	\$m	\$m	\$m	\$m	\$m	
<b>Solvency requirement</b>	<b>'A'</b>	1,868.1	1,936.1	1,026.0	842.0	2,894.1	2,778.1
<i>Represented by:</i>							
Minimum termination value		1,575.1	1,670.6	1,017.6	839.3	2,592.7	2,509.9
Other liabilities		88.2	68.4	2.5	(4.0)	90.7	64.4
Solvency reserve	<b>'B'</b>	204.8	197.1	5.9	6.7	210.7	203.8
		<u>1,868.1</u>	<u>1,936.1</u>	<u>1,026.0</u>	<u>842.0</u>	<u>2,894.1</u>	<u>2,778.1</u>
<b>Assets available for solvency reserve</b>	<b>'C'</b>	676.1	575.5	44.9	37.1	721.0	612.6
<i>Comprising:</i>							
Excess of net policy liabilities (includes policy owner bonuses) over minimum termination value		204.8	151.5	(16.9)	(14.5)	187.9	137.0
Net assets		122.5	104.5	61.8	51.6	184.3	156.1
Liability for policy owner retained profits at end of year		348.8	319.5	-	-	348.8	319.5
		<u>676.1</u>	<u>575.5</u>	<u>44.9</u>	<u>37.1</u>	<u>721.0</u>	<u>612.6</u>
Solvency reserve %	<b>(B/(A-B)) x 100</b>	12.3%	11.3%	0.6%	0.8%	7.9%	7.9%
Coverage of solvency reserve	<b>C/B</b>	3.3	2.9	7.6	5.5	3.4	3.0

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

	Shareholder Fund 2004 \$m	Shareholder Fund 2003 \$m
<b>34. CAPITAL REQUIREMENT OF THE SHAREHOLDERS' FUND</b>		
<b>Capital Requirement</b>	<b>11.7</b>	<b>10.9</b>
<i>Being the greater of (iv):</i>		
Management capital reserve		
<i>Determined as:</i>		
Management capital requirement (i)	20.7	18.4
<i>less</i> Total liabilities (ii)	(9.0)	(7.5)
	11.7	10.9
<i>And</i>		
Minimum capital requirement (iii)	10.0	10.0
<b>Assets available for capital requirement</b>	<b>65.6</b>	<b>40.0</b>
Management capital reserve %	<b>130%</b>	<b>145%</b>
Coverage of capital requirement	<b>5.6</b>	<b>3.7</b>

Explanatory notes:

- i. The minimum level of assets required to be held in the shareholders' fund in accordance with the prescribed requirements of the management capital standard referred to in Part 5 of the Life Act.
- ii. Total liabilities of the shareholder's fund exclude all liabilities attributable to the statutory funds and total shareholder's equity.
- iii. Minimum capital requirement is capital required to be held in the shareholder's fund in accordance with APRA Prudential Standard No.3 under the Life Act.
- iv. The greater of relationship between the two capital requirements applies provided the requirements for form of capital in respect of the minimum capital requirement are met.



SUNCORP LIFE & SUPERANNUATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 30 June 2004 (Continued)

	Non-Investment		Investment		Total	
	Linked Business		Linked Business		Statutory Funds	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
<b>35. POLICY LIABILITIES</b>						
<b>(A) Movements in policy liabilities</b>						
Gross policy liabilities	1,804.3	1,836.0	1,000.6	824.8	2,804.9	2,660.8
Gross policy liabilities ceded under reinsurance	(24.3)	(13.9)	-	-	(24.3)	(13.9)
Net policy liabilities	1,780.0	1,822.1	1,000.6	824.8	2,780.6	2,646.9
Net policy liabilities at the end of the previous financial year	1,822.1	1,857.8	824.8	913.3	2,646.9	2,771.1
	(42.1)	(35.7)	175.8	(88.5)	133.7	(124.2)
Insurance premiums recognised as a change in gross policy liabilities (Note 5)	(170.0)	(293.5)	(276.8)	(189.1)	(446.8)	(482.6)
Claims expense recognised as a change in gross policy liabilities (Note 7)	340.8	310.4	193.8	280.7	534.6	591.1
	170.8	16.9	(83.0)	91.6	87.8	108.5
<b>Increase (decrease) in net policy liabilities</b>	<b>128.7</b>	<b>(18.8)</b>	<b>92.8</b>	<b>3.1</b>	<b>221.5</b>	<b>(15.7)</b>
Net policy liabilities includes policy liabilities subject to capital guarantees	1,520.9	1,624.3	-	-	1,520.9	1,624.3
<b>(B) Movements in policy owner retained profits</b>						
Policy owner retained profits at the end of the financial year	348.8	319.5	-	-	348.8	319.5
Policy owner retained profits at the end of the previous financial year	319.5	270.9	-	-	319.5	270.9
<b>Increase in policy owner retained profits</b>	<b>29.3</b>	<b>48.6</b>	<b>-</b>	<b>-</b>	<b>29.3</b>	<b>48.6</b>

	Current Basis (v)		Previous Basis (iv)
	2004	2003	2004
	\$m	\$m	\$m
<b>35. POLICY LIABILITIES (Continued)</b>			
<b>(C) Components of net policy liabilities</b>			
<b>Best estimate liability</b>			
Non-investment linked business:			
Value of future policy benefits (i)	1,695.0	1,803.4	1,692.3
Value of future expenses	170.1	178.8	165.5
Value of unrecouped acquisition expenses	(114.2)	(98.2)	(114.3)
Balance of future premiums	(929.5)	(865.8)	(899.1)
	821.4	1,018.2	844.4
Investment linked business:			
Value of future policy benefits (i)	1,153.4	909.1	1,153.3
Value of future expenses	55.3	43.3	53.3
Value of unrecouped acquisition expenses	(19.3)	(17.4)	(19.4)
Balance of future premiums	(209.8)	(124.4)	(208.4)
	979.6	810.6	978.8
<b>Total best estimate liability</b>	<b>1,801.0</b>	<b>1,828.8</b>	<b>1,823.2</b>
<b>Value of future profits</b>			
Non-investment linked business:			
Policy owner bonuses (ii)	676.5	580.1	671.2
Shareholder profit margins	209.7	175.1	197.5
	886.2	755.2	868.7
Investment linked business			
Shareholder profit margins	20.9	14.2	21.8
<b>Total value of future profits</b>	<b>907.1</b>	<b>769.4</b>	<b>890.5</b>
<b>Total value of declared bonuses (iii)</b>	<b>72.5</b>	<b>48.7</b>	<b>72.5</b>
<b>Total net policy liabilities</b>	<b>2,780.6</b>	<b>2,646.9</b>	<b>2,786.2</b>

Explanatory note:

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

	Non-Investment		Investment		Total	
	Linked Business		Linked Business		Statutory Funds	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
<b>36. STATEMENT OF SOURCES OF OPERATING PROFIT</b>						
<b>(A) Shareholder's operating profit in the statutory funds</b>						
The shareholder's operating profit after income tax in the statutory funds is represented by:						
Investment earnings on shareholder's retained profits and capital	12.0	4.5	5.7	0.5	17.7	5.0
Emergence of shareholder's planned profits	23.7	26.8	2.3	3.4	26.0	30.2
Experience profit (loss)	(0.6)	2.2	2.1	(4.1)	1.5	(1.9)
Reversal of capitalised loss	1.9	(0.2)	0.1	0.1	2.0	(0.1)
<b>Shareholder's operating profit after income tax</b>	<b>37.0</b>	<b>33.3</b>	<b>10.2</b>	<b>(0.1)</b>	<b>47.2</b>	<b>33.2</b>
Cumulative losses carried forward at the end of the financial year	1.6	3.5	0.2	0.8	1.8	4.3
<b>(B) Life Act policy owners' operating profit in the statutory funds</b>						
The Life Act policy owners' operating profit after income tax in the statutory funds is represented by:						
Earnings of policy owner retained profits	29.7	11.3	-	-	29.7	11.3
Emergence of policy owner planned profits	75.1	99.1	-	-	75.1	99.1
Experience loss	0.5	(9.3)	-	-	0.5	(9.3)
<b>Life Act policy owners' operating profit after income tax</b>	<b>105.3</b>	<b>101.1</b>	<b>-</b>	<b>-</b>	<b>105.3</b>	<b>101.1</b>

**37. STATUTORY FUNDS SEGMENT INFORMATION**

**(A) Statutory Funds Information**

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

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

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

37. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

(B) Abbreviated statements of financial performance at fund and category level for the year ended 30 June 2004

	Non-Investment Linked						Total 2004 \$m
	Ordinary Business			Superannuation Business			
	Par 2004 \$m	Non-Par 2004 \$m	Total 2004 \$m	Par 2004 \$m	Non-Par 2004 \$m	Total 2004 \$m	
<b>STATUTORY FUND NO 1</b>							
Premium revenue	5.2	51.7	56.9	2.2	43.8	46.0	102.9
Outwards reinsurance expense		(4.5)	(4.5)		(22.9)	(22.9)	(27.4)
	5.2	47.2	52.4	2.2	20.9	23.1	75.5
Investment revenue	102.2	(2.0)	100.2	154.0	6.0	160.0	260.2
Other revenue	-	-	-	-	4.4	4.4	4.4
<b>Total revenue</b>	<b>107.4</b>	<b>45.2</b>	<b>152.6</b>	<b>156.2</b>	<b>31.3</b>	<b>187.5</b>	<b>340.1</b>
Claims expense	(13.5)	(25.4)	(38.9)	(3.9)	(27.8)	(31.7)	(70.6)
Reinsurance recoveries	-	3.7	3.7	-	12.9	12.9	16.6
	(13.5)	(21.7)	(35.2)	(3.9)	(14.9)	(18.8)	(54.0)
Operating expenses	(5.9)	(26.4)	(32.3)	(10.9)	(14.7)	(25.6)	(57.9)
Decrease (increase) in net policy liabilities	(25.1)	3.1	(22.0)	(114.5)	7.8	(106.7)	(128.7)
(Increase) in policy owner retained profits	(25.8)	-	(25.8)	(3.5)	-	(3.5)	(29.3)
<b>Total operating expenses</b>	<b>(70.3)</b>	<b>(45.0)</b>	<b>(115.3)</b>	<b>(132.8)</b>	<b>(21.8)</b>	<b>(154.6)</b>	<b>(269.9)</b>
<b>Operating profit (loss) before income tax (expense)/ benefit</b>	<b>37.1</b>	<b>0.2</b>	<b>37.3</b>	<b>23.4</b>	<b>9.5</b>	<b>32.9</b>	<b>70.2</b>
Income tax (expense) benefit attributable to operating profit (loss)	(26.7)	-	(26.7)	(7.5)	1.0	(6.5)	(33.2)
<b>Profit (loss) from ordinary activities after income tax (expense) benefit</b>	<b>10.4</b>	<b>0.2</b>	<b>10.6</b>	<b>15.9</b>	<b>10.5</b>	<b>26.4</b>	<b>37.0</b>

37. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

(B) Abbreviated statements of financial performance at fund and category level for the year ended 30 June 2003  
 (Continued)

	Non-Investment Linked						Total 2003 \$m
	Ordinary Business			Superannuation Business			
	Par 2003 \$m	Non-Par 2003 \$m	Total 2003 \$m	Par 2003 \$m	Non-Par 2003 \$m	Total 2003 \$m	
<b>STATUTORY FUND NO 1</b>							
Premium revenue	5.7	46.9	52.6	3.2	28.7	31.9	84.5
Outwards reinsurance expense	-	(3.5)	(3.5)	-	(13.3)	(13.3)	(16.8)
	5.7	43.4	49.1	3.2	15.4	18.6	67.7
Investment revenue	44.0	(0.9)	43.1	65.1	2.4	67.5	110.6
Other revenue	-	-	-	-	2.4	2.4	2.4
Total revenue	49.7	42.5	92.2	68.3	20.2	88.5	180.7
Claims expense	(15.6)	(17.7)	(33.3)	(4.4)	(22.7)	(27.1)	(60.4)
Reinsurance recoveries	-	3.7	3.7	-	12.1	12.1	15.8
	(15.6)	(14.0)	(29.6)	(4.4)	(10.6)	(15.0)	(44.6)
Operating expenses	(5.1)	(24.9)	(30.0)	(14.9)	(11.3)	(26.2)	(56.2)
Decrease (increase) in net policy liabilities	4.1	7.5	11.6	6.4	0.8	7.2	18.8
(Increase) in policy owner retained profits	(16.6)	-	(16.6)	(32.0)	-	(32.0)	(48.6)
Total operating expenses	(33.2)	(31.4)	(64.6)	(44.9)	(21.1)	(66.0)	(130.6)
<b>Operating profit (loss) before income tax (expense)/ benefit</b>	16.5	11.1	27.6	23.4	(0.9)	22.5	50.1
Income tax (expense) benefit attributable to operating profit (loss)	(8.7)	(3.0)	(11.7)	(5.9)	0.8	(5.1)	(16.8)
<b>Profit (loss) from ordinary activities after income tax (expense) benefit</b>	7.8	8.1	15.9	17.5	(0.1)	17.4	33.3

37. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

(B) Abbreviated statements of financial performance at fund and category level for the year ended 30 June 2004 (Continued)

	Investment Linked						Total 2004 \$m
	Ordinary Business			Superannuation Business			
	Par 2004 \$m	Non-Par 2004 \$m	Total 2004 \$m	Par 2004 \$m	Non-Par 2004 \$m	Total 2004 \$m	
<b>STATUTORY FUND NO 2</b>							
Premium revenue	-	-	-	-	1.2	1.2	1.2
Outwards reinsurance expense	-	-	-	-	-	-	-
	-	-	-	-	1.2	1.2	1.2
Investment revenue	-	4.0	4.0	-	123.9	123.9	127.9
Other revenue	-	-	-	-	-	-	-
Total revenue	-	4.0	4.0	-	125.1	125.1	129.1
Claims expense	-	-	-	-	-	-	-
Reinsurance recoveries	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Operating expenses	-	(0.1)	(0.1)	-	(17.8)	(17.8)	(17.9)
Decrease in net policy liabilities	-	(2.1)	(2.1)	-	(90.7)	(90.7)	(92.8)
(Increase) decrease in policy owner retained profits	-	-	-	-	-	-	-
Total operating expenses	-	(2.2)	(2.2)	-	(108.5)	(108.5)	(110.7)
<b>Operating (loss) before income tax benefit</b>	-	1.8	1.8	-	16.6	16.6	18.4
Income tax benefit attributable to operating profit	-	(0.9)	(0.9)	-	(7.3)	(7.3)	(8.2)
<b>Profit from ordinary activities after income tax benefit</b>	-	0.9	0.9	-	9.3	9.3	10.2

All business written through Statutory Fund No. 2 is non-participating under the *Life Insurance Act 1995*

37. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

(B) Abbreviated statements of financial performance at fund and category level for the year ended 30 June 2003  
 (Continued)

	Investment Linked						Total 2003 \$m
	Ordinary Business			Superannuation Business			
	Par 2003 \$m	Non-Par 2003 \$m	Total 2003 \$m	Par 2003 \$m	Non-Par 2003 \$m	Total 2003 \$m	
<b>STATUTORY FUND NO 2</b>							
Premium revenue	-	-	-	-	2.1	2.1	2.1
Outwards reinsurance expense	-	-	-	-	-	-	-
	-	-	-	-	2.1	2.1	2.1
Investment revenue	-	0.7	0.7	-	9.8	9.8	10.5
Other revenue	-	-	-	-	0.1	0.1	0.1
<b>Total revenue</b>	<b>-</b>	<b>0.7</b>	<b>0.7</b>	<b>-</b>	<b>12.0</b>	<b>12.0</b>	<b>12.7</b>
Claims expense	-	-	-	-	-	-	-
Reinsurance recoveries	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Operating expenses	-	(0.1)	(0.1)	-	(15.2)	(15.2)	(15.3)
Decrease in net policy liabilities	-	-	-	-	(3.1)	(3.1)	(3.1)
(Increase) decrease in policy owner retained profits	-	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>-</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>-</b>	<b>(18.3)</b>	<b>(18.3)</b>	<b>(18.4)</b>
<b>Operating (loss) before income tax benefit</b>	<b>-</b>	<b>0.6</b>	<b>0.6</b>	<b>-</b>	<b>(6.3)</b>	<b>(6.3)</b>	<b>(5.7)</b>
Income tax benefit attributable to operating profit	-	(0.2)	(0.2)	-	5.8	5.8	5.6
<b>Profit from ordinary activities after income tax benefit</b>	<b>-</b>	<b>0.4</b>	<b>0.4</b>	<b>-</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(0.1)</b>

All business written through Statutory Fund No. 2 is non-participating under the *Life Insurance Act 1995*



37. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

(B) Abbreviated statements of financial performance at fund and category level for the year ended 30 June 2004  
(Continued)

	Non-Investment Linked Statutory Fund No 1 2004 \$m	Investment Linked Statutory Fund No 2 2004 \$m	Total Statutory Funds 2004 \$m	Shareholder Fund 2004 \$m
Premium revenue	102.9	1.2	104.1	-
Outwards reinsurance expense	(27.4)	-	(27.4)	-
	75.5	1.2	76.7	-
Investment revenue	260.2	127.9	388.1	8.6
Other revenue	4.4	-	4.4	16.3
Total revenue	340.1	129.1	469.2	24.9
Claims expense	(70.6)	-	(70.6)	-
Reinsurance recoveries	16.6	-	16.6	-
	(54.0)	-	(54.0)	-
Operating expenses	(57.9)	(17.9)	(75.8)	(15.5)
Decrease in net policy liabilities	(128.7)	(92.8)	(221.5)	-
(Increase) in policy owner retained profits	(29.3)	-	(29.3)	-
Total operating expenses	(269.9)	(110.7)	(380.6)	(15.5)
<b>Operating profit (loss) before income tax (expense)/benefit</b>	70.2	18.4	88.6	9.4
Income tax (expense) benefit attributable to operating profit (loss)	(33.2)	(8.2)	(41.4)	(2.8)
<b>Profit from ordinary activities after income tax (expense) benefit</b>	37.0	10.2	47.2	6.6

37. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

(B) Abbreviated statements of financial performance at fund and category level for the year ended 30 June 2003  
 (Continued)

	Non-Investment Linked Statutory Fund No 1 2003 \$m	Investment Linked Statutory Fund No 2 2003 \$m	Total Statutory Funds 2003 \$m	Shareholder Fund 2003 \$m
Premium revenue	84.5	2.1	86.6	-
Outwards reinsurance expense	(16.8)	-	(16.8)	-
	67.7	2.1	69.8	-
Investment revenue	110.6	10.5	121.1	(2.5)
Other revenue	2.4	0.1	2.5	16.5
Total revenue	180.7	12.7	193.4	14.0
Claims expense	(60.4)	-	(60.4)	-
Reinsurance recoveries	15.8	-	15.8	-
	(44.6)	-	(44.6)	-
Operating expenses	(56.2)	(15.3)	(71.5)	(15.4)
Decrease in net policy liabilities	18.8	(3.1)	15.7	-
(Increase) in policy owner retained profits	(48.6)	-	(48.6)	-
Total operating expenses	(130.6)	(18.4)	(149.0)	(15.4)
<b>Operating profit (loss) before income tax (expense)/benefit</b>	50.1	(5.7)	44.4	(1.4)
Income tax (expense) benefit attributable to operating profit (loss)	(16.8)	5.6	(11.2)	0.3
<b>Profit from ordinary activities after income tax (expense) benefit</b>	33.3	(0.1)	33.2	(1.1)

37. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

(C) Abbreviated statements of financial position at fund and category level for the year ended 30 June 2004

	Non-Investment Linked						Total 2004 \$m
	Ordinary Business			Superannuation Business			
	Par 2004 \$m	Non-Par 2004 \$m	Total 2004 \$m	Par 2004 \$m	Non-Par 2004 \$m	Total 2004 \$m	
<b>STATUTORY FUND NO 1</b>							
Equities securities	-	-	-	-	-	-	-
Debt securities							
national government	-	-	-	-	-	-	-
other public sector	-	-	-	-	-	-	-
private sector - unsecured	26.9	0.8	27.7	22.6	1.2	23.8	51.5
Loans and advances	8.7	0.3	9.0	3.1	0.2	3.3	12.3
Convertible notes	-	-	-	-	-	-	-
Property	-	-	-	-	-	-	-
Unit trusts	769.0	23.9	792.9	1,345.1	68.7	1,413.8	2,206.7
Other directly held assets	(0.2)	-	(0.2)	(0.3)	-	(0.3)	(0.5)
<b>Total investment assets</b>	<b>804.4</b>	<b>25.0</b>	<b>829.4</b>	<b>1,370.5</b>	<b>70.1</b>	<b>1,440.6</b>	<b>2,270.0</b>
Policy liabilities ceded	-	7.8	7.8	-	16.5	16.5	24.3
Other assets	36.7	1.1	37.8	30.2	1.5	31.7	69.5
<b>TOTAL ASSETS</b>	<b>841.1</b>	<b>33.9</b>	<b>875.0</b>	<b>1,400.7</b>	<b>88.1</b>	<b>1,488.8</b>	<b>2,363.8</b>
Gross policy liabilities	444.0	(44.0)	400.0	1,361.8	42.5	1,404.3	1,804.3
Policy owner retained profits	317.6	-	317.6	31.2	-	31.2	348.8
Other liabilities	-	56.1	56.1	-	32.1	32.1	88.2
<b>TOTAL LIABILITIES</b>	<b>761.6</b>	<b>12.1</b>	<b>773.7</b>	<b>1,393.0</b>	<b>74.6</b>	<b>1,467.6</b>	<b>2,241.3</b>
<b>NET ASSETS</b>	<b>79.5</b>	<b>21.8</b>	<b>101.3</b>	<b>7.7</b>	<b>13.5</b>	<b>21.2</b>	<b>122.5</b>
Share capital	-	-	-	-	-	-	-
Capital transfers	-	1.9	1.9	-	3.3	3.3	5.2
Retained profits	79.5	19.9	99.4	7.7	10.2	17.9	117.3
<b>TOTAL EQUITY</b>	<b>79.5</b>	<b>21.8</b>	<b>101.3</b>	<b>7.7</b>	<b>13.5</b>	<b>21.2</b>	<b>122.5</b>

37. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

(C) Abbreviated statements of financial position at fund and category level for the year ended 30 June 2003  
 (Continued)

	Ordinary Business			Non-Investment Linked Superannuation Business			Total 2003 \$m
	Par 2003 \$m	Non-Par 2003 \$m	Total 2003 \$m	Par 2003 \$m	Non-Par 2003 \$m	Total 2003 \$m	
<b>STATUTORY FUND NO 1</b>							
Equities securities	-	-	-	-	-	-	-
Debt securities							
national government	-	-	-	-	-	-	-
other public sector	-	-	-	-	-	-	-
private sector - unsecured	17.5	0.3	17.8	26.1	1.1	27.2	45.0
Loans and advances	9.0	0.1	9.1	3.0	0.1	3.1	12.2
Convertible notes	-	-	-	-	-	-	-
Property	17.6	0.3	17.9	-	-	-	17.9
Unit trusts	742.1	12.2	754.3	1,372.2	62.4	1,434.6	2,188.9
Other directly held assets	(0.1)	-	(0.1)	(0.9)	-	(0.9)	(1.0)
<b>Total investment assets</b>	<b>786.1</b>	<b>12.9</b>	<b>799.0</b>	<b>1,400.4</b>	<b>63.6</b>	<b>1,464.0</b>	<b>2,263.0</b>
Policy liabilities ceded	-	4.2	4.2	-	9.7	9.7	13.9
Other assets	13.4	0.2	13.6	36.3	1.6	37.9	51.5
<b>TOTAL ASSETS</b>	<b>799.5</b>	<b>17.3</b>	<b>816.8</b>	<b>1,436.7</b>	<b>74.9</b>	<b>1,511.6</b>	<b>2,328.4</b>
Gross policy liabilities	434.7	(44.7)	390.0	1,402.1	43.9	1,446.0	1,836.0
Policy owner retained profits	291.8	-	291.8	27.7	-	27.7	319.5
Other liabilities	-	40.4	40.4	-	28.0	28.0	68.4
<b>TOTAL LIABILITIES</b>	<b>726.5</b>	<b>(4.3)</b>	<b>722.2</b>	<b>1,429.8</b>	<b>71.9</b>	<b>1,501.7</b>	<b>2,223.9</b>
<b>NET ASSETS</b>	<b>73.0</b>	<b>21.6</b>	<b>94.6</b>	<b>6.9</b>	<b>3.0</b>	<b>9.9</b>	<b>104.5</b>
Share capital	-	-	-	-	-	-	-
Capital transfers	-	1.9	1.9	-	3.3	3.3	5.2
Retained profits	73.0	19.7	92.7	6.9	(0.3)	6.6	99.3
<b>TOTAL EQUITY</b>	<b>73.0</b>	<b>21.6</b>	<b>94.6</b>	<b>6.9</b>	<b>3.0</b>	<b>9.9</b>	<b>104.5</b>

37. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

(C) Abbreviated statements of financial position at fund and category level for the year ended 30 June 2004  
 (Continued)

	Investment Linked						Total 2004 \$m
	Ordinary Business			Superannuation Business			
	Par 2004 \$m	Non-Par 2004 \$m	Total 2004 \$m	Par 2004 \$m	Non-Par 2004 \$m	Total 2004 \$m	
<b>STATUTORY FUND NO 2</b>							
Equities securities	-	-	-	-	-	-	-
Debt securities							
national government	-	-	-	-	-	-	-
other public sector	-	-	-	-	-	-	-
private sector - unsecured	-	1.0	1.0	-	12.4	12.4	13.4
Loans and advances	-	-	-	-	-	-	-
Convertible notes	-	-	-	-	-	-	-
Property	-	-	-	-	-	-	-
Unit trusts	-	31.2	31.2	-	997.0	997.0	1,028.2
Other directly held assets	-	-	-	-	(0.1)	(0.1)	(0.1)
<b>Total investment assets</b>	-	32.2	32.2	-	1,009.3	1,009.3	1,041.5
Policy liabilities ceded	-	-	-	-	-	-	-
Other assets	-	(0.2)	(0.2)	-	23.6	23.6	23.4
<b>TOTAL ASSETS</b>	-	32.0	32.0	-	1,032.9	1,032.9	1,064.9
Gross policy liabilities	-	20.9	20.9	-	979.7	979.7	1,000.6
Policy owner retained profits	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	2.5	2.5	2.5
<b>TOTAL LIABILITIES</b>	-	20.9	20.9	-	982.2	982.2	1,003.1
<b>NET ASSETS</b>	-	11.1	11.1	-	50.7	50.7	61.8
Share capital	-	-	-	-	-	-	-
Capital transfers	-	6.6	6.6	-	18.0	18.0	24.6
Retained profits	-	4.5	4.5	-	32.7	32.7	37.2
<b>TOTAL EQUITY</b>	-	11.1	11.1	-	50.7	50.7	61.8

All business written through Statutory Fund No. 2 is non-participating under the *Life Insurance Act 1995*

37. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

(C) Abbreviated statements of financial position at fund and category level for the year ended 30 June 2003  
(Continued)

	Investment Linked						Total 2003 \$m
	Ordinary Business			Superannuation Business			
	Par 2003 \$m	Non-Par 2003 \$m	Total 2003 \$m	Par 2003 \$m	Non-Par 2003 \$m	Total 2003 \$m	
<b>STATUTORY FUND NO 2</b>							
Equities securities	-	-	-	-	-	-	-
Debt securities							
national government	-	-	-	-	-	-	-
other public sector	-	-	-	-	-	-	-
private sector - unsecured	-	1.3	1.3	-	12.3	12.3	13.6
Loans and advances	-	-	-	-	-	-	-
Convertible notes	-	-	-	-	-	-	-
Property	-	-	-	-	-	-	-
Unit trusts	-	29.9	29.9	-	808.4	808.4	838.3
Other directly held assets	-	-	-	-	(0.3)	(0.3)	(0.3)
<b>Total investment assets</b>	-	31.2	31.2	-	820.4	820.4	851.6
Policy liabilities ceded	-	-	-	-	-	-	-
Other assets	-	1.1	1.1	-	19.7	19.7	20.8
<b>TOTAL ASSETS</b>	-	32.3	32.3	-	840.1	840.1	872.4
Gross policy liabilities	-	21.4	21.4	-	803.4	803.4	824.8
Policy owner retained profits	-	-	-	-	-	-	-
Other liabilities	-	0.6	0.6	-	(4.6)	(4.6)	(4.0)
<b>TOTAL LIABILITIES</b>	-	22.0	22.0	-	798.8	798.8	820.8
<b>NET ASSETS</b>	-	10.3	10.3	-	41.3	41.3	51.6
Share capital	-	-	-	-	-	-	-
Capital transfers	-	6.6	6.6	-	18.0	18.0	24.6
Retained profits	-	3.7	3.7	-	23.3	23.3	27.0
<b>TOTAL EQUITY</b>	-	10.3	10.3	-	41.3	41.3	51.6

All business written through Statutory Fund No. 2 is non-participating under the *Life Insurance Act 1995*

37. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

(C) Abbreviated statements of financial position at fund and category level for the year ended 30 June 2004 (Continued)

	Non-Investment Linked Statutory Fund No 1 2004 \$m	Investment Linked Statutory Fund No 2 2004 \$m	Total Statutory Funds 2004 \$m	Shareholder Fund 2004 \$m
Equities securities	-	-	-	19.0
Debt securities				
national government	-	-	-	-
other public sector	-	-	-	-
private sector - unsecured	51.5	13.4	64.9	0.4
Loans and advances	12.3	-	12.3	-
Convertible notes	-	-	-	-
Property	-	-	-	-
Unit trusts	2,206.7	1,028.2	3,234.9	34.5
Other directly held assets	(0.5)	(0.1)	(0.6)	-
<b>Total investment assets</b>	<u>2,270.0</u>	<u>1,041.5</u>	<u>3,311.5</u>	<u>53.9</u>
Policy liabilities ceded	24.3	-	24.3	-
Other assets	69.5	23.4	92.9	35.5
<b>TOTAL ASSETS</b>	<u>2,363.8</u>	<u>1,064.9</u>	<u>3,428.7</u>	<u>89.4</u>
Gross policy liabilities	1,804.3	1,000.6	2,804.9	-
Policy owner retained profits	348.8	-	348.8	-
Other liabilities	88.2	2.5	90.7	23.8
<b>TOTAL LIABILITIES</b>	<u>2,241.3</u>	<u>1,003.1</u>	<u>3,244.4</u>	<u>23.8</u>
<b>NET ASSETS</b>	<u>122.5</u>	<u>61.8</u>	<u>184.3</u>	<u>65.6</u>
Share capital	-	-	-	39.0
Capital transfers	5.2	24.6	29.8	(29.8)
Retained profits	117.3	37.2	154.5	56.4
<b>TOTAL EQUITY</b>	<u>122.5</u>	<u>61.8</u>	<u>184.3</u>	<u>65.6</u>

37. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

(C) Abbreviated statements of financial position at fund and category level for the year ended 30 June 2003  
 (Continued)

	Non-Investment Linked Statutory Fund No 1 2003 \$m	Investment Linked Statutory Fund No 2 2003 \$m	Total Statutory Funds 2003 \$m	Shareholder Fund 2003 \$m
Equities securities	-	-	-	17.7
Debt securities				
national government	-	-	-	-
other public sector	-	-	-	-
private sector - unsecured	45.0	13.6	58.6	1.2
Loans and advances	12.2	-	12.2	-
Convertible notes	-	-	-	-
Property	17.9	-	17.9	-
Unit trusts	2,188.9	838.3	3,027.2	16.4
Other directly held assets	(1.0)	(0.3)	(1.3)	-
<b>Total investment assets</b>	<u>2,263.0</u>	<u>851.6</u>	<u>3,114.6</u>	<u>35.3</u>
Policy liabilities ceded	13.9	-	13.9	-
Other assets	51.5	20.8	72.3	24.2
<b>TOTAL ASSETS</b>	<u>2,328.4</u>	<u>872.4</u>	<u>3,200.8</u>	<u>59.5</u>
Gross policy liabilities	1,836.0	824.8	2,660.8	-
Policy owner retained profits	319.5	-	319.5	-
Other liabilities	68.4	(4.0)	64.4	19.5
<b>TOTAL LIABILITIES</b>	<u>2,223.9</u>	<u>820.8</u>	<u>3,044.7</u>	<u>19.5</u>
<b>NET ASSETS</b>	<u>104.5</u>	<u>51.6</u>	<u>156.1</u>	<u>40.0</u>
Share capital	-	-	-	39.0
Capital transfers	5.2	24.6	29.8	(29.8)
Retained profits	99.3	27.0	126.3	30.8
<b>TOTAL EQUITY</b>	<u>104.5</u>	<u>51.6</u>	<u>156.1</u>	<u>40.0</u>



37. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

(D) Life Insurance Act operating profit and retained profits at fund and category level for the year ended 30 June 2004

	Non-Investment Linked						Total 2004 \$m
	Ordinary Business			Superannuation Business			
	Par 2004 \$m	Non-Par 2004 \$m	Total 2004 \$m	Par 2004 \$m	Non-Par 2004 \$m	Total 2004 \$m	
<b>STATUTORY FUND NO 1</b>							
Life insurance act operating profits after income tax allocated to:							
policyowners	41.5	-	41.5	63.8	-	63.8	105.3
shareholder	10.4	0.2	10.6	15.9	10.5	26.4	37.0
	<u>51.9</u>	<u>0.2</u>	<u>52.1</u>	<u>79.7</u>	<u>10.5</u>	<u>90.2</u>	<u>142.3</u>
Policyowners' retained profits at the beginning of the financial year	291.8	-	291.8	27.7	-	27.7	319.5
Operating profits allocated	41.5	-	41.5	63.8	-	63.8	105.3
Bonuses to policyowners	(15.7)	-	(15.7)	(60.3)	-	(60.3)	(76.0)
Policyowners' retained profits at the end of the financial year	<u>317.6</u>	<u>-</u>	<u>317.6</u>	<u>31.2</u>	<u>-</u>	<u>31.2</u>	<u>348.8</u>
Shareholder's retained profits at the beginning of the financial year	73.0	19.7	92.7	6.9	(0.3)	6.6	99.3
Operating profits allocated	10.4	0.2	10.6	15.9	10.5	26.4	37.0
Transfers to shareholder's fund	(3.9)	-	(3.9)	(15.1)	-	(15.1)	(19.0)
Shareholder's retained profits at the end of the financial year	<u>79.5</u>	<u>19.9</u>	<u>99.4</u>	<u>7.7</u>	<u>10.2</u>	<u>17.9</u>	<u>117.3</u>
Shareholder's capital at the beginning of the financial year	-	1.9	1.9	-	3.3	3.3	5.2
Transfers to shareholder's fund	-	-	-	-	-	-	-
Shareholder's capital at the end of the financial year	<u>-</u>	<u>1.9</u>	<u>1.9</u>	<u>-</u>	<u>3.3</u>	<u>3.3</u>	<u>5.2</u>

37. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

(D) Life Insurance Act operating profit and retained profits at fund and category level for the year ended 30 June 2003 (Continued)

	Non-Investment Linked						Total 2003 \$m
	Ordinary Business			Superannuation Business			
	Par 2003 \$m	Non-Par 2003 \$m	Total 2003 \$m	Par 2003 \$m	Non-Par 2003 \$m	Total 2003 \$m	
<b>STATUTORY FUND NO 1</b>							
Life insurance act operating profits after income tax allocated to:							
policyowners	31.2	-	31.2	69.9	-	69.9	101.1
shareholder	7.8	8.1	15.9	17.5	(0.1)	17.4	33.3
	<u>39.0</u>	<u>8.1</u>	<u>47.1</u>	<u>87.4</u>	<u>(0.1)</u>	<u>87.3</u>	<u>134.4</u>
Policyowners' retained profits at the beginning of the financial year	275.2	-	275.2	(4.3)	-	(4.3)	270.9
Operating profits allocated	31.2	-	31.2	69.9	-	69.9	101.1
Bonuses to policyowners	(14.6)	-	(14.6)	(37.9)	-	(37.9)	(52.5)
Policyowners' retained profits at the end of the financial year	<u>291.8</u>	<u>-</u>	<u>291.8</u>	<u>27.7</u>	<u>-</u>	<u>27.7</u>	<u>319.5</u>
Shareholder's retained profits at the beginning of the financial year	68.8	11.6	80.4	(1.1)	(0.2)	(1.3)	79.1
Operating profits allocated	7.8	8.1	15.9	17.5	(0.1)	17.4	33.3
Transfers to shareholder's fund	(3.6)	-	(3.6)	(9.5)	-	(9.5)	(13.1)
Shareholder's retained profits at the end of the financial year	<u>73.0</u>	<u>19.7</u>	<u>92.7</u>	<u>6.9</u>	<u>(0.3)</u>	<u>6.6</u>	<u>99.3</u>
Shareholder's capital at the beginning of the financial year	-	1.9	1.9	-	3.3	3.3	5.2
Transfers to shareholder's fund	-	-	-	-	-	-	-
Shareholder's capital at the end of the financial year	<u>-</u>	<u>1.9</u>	<u>1.9</u>	<u>-</u>	<u>3.3</u>	<u>3.3</u>	<u>5.2</u>

37. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

(D) Life Insurance Act operating profit and retained profits at fund and category level for the year ended 30 June 2004 (Continued)

	Investment Linked						Total 2004 \$m
	Ordinary Business			Superannuation Business			
	Par 2004 \$m	Non-Par 2004 \$m	Total 2004 \$m	Par 2004 \$m	Non-Par 2004 \$m	Total 2004 \$m	
<b>STATUTORY FUND NO 2</b>							
Life insurance act operating profits after income tax allocated to:							
policyowners	-	-	-	-	-	-	-
shareholder	-	0.9	0.9	-	9.3	9.3	10.2
	-	0.9	0.9	-	9.3	9.3	10.2
Policyowners' retained profits at the beginning of the financial year	-	-	-	-	-	-	-
Operating profits allocated	-	-	-	-	-	-	-
Bonuses to policyowners	-	-	-	-	-	-	-
Policyowners' retained profits at the end of the financial year	-	-	-	-	-	-	-
Shareholder's retained profits at the beginning of the financial year	-	3.6	3.6	-	23.4	23.4	27.0
Operating profits allocated	-	0.9	0.9	-	9.3	9.3	10.2
Transfers to shareholder's fund	-	-	-	-	-	-	-
Shareholder's retained profits at the end of the financial year	-	4.5	4.5	-	32.7	32.7	37.2
Shareholder's capital at the beginning of the financial year	-	6.6	6.6	-	18.0	18.0	24.6
Transfers to shareholder's fund	-	-	-	-	-	-	-
Shareholder's capital at the end of the financial year	-	6.6	6.6	-	18.0	18.0	24.6

All business written through Statutory Fund No. 2 is non-participating under the *Life Insurance Act 1995*

37. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

(D) Life Insurance Act operating profit and retained profits at fund and category level for the year ended 30 June 2003 (Continued)

	Investment Linked						Total 2003 \$m
	Ordinary Business			Superannuation Business			
	Par 2003 \$m	Non-Par 2003 \$m	Total 2003 \$m	Par 2003 \$m	Non-Par 2003 \$m	Total 2003 \$m	
<b>STATUTORY FUND NO 2</b>							
Life insurance act operating profits after income tax allocated to:							
policyowners	-	-	-	-	-	-	-
shareholder	-	0.4	0.4	-	(0.5)	(0.5)	(0.1)
	-	0.4	0.4	-	(0.5)	(0.5)	(0.1)
Policyowners' retained profits at the beginning of the financial year	-	-	-	-	-	-	-
Operating profits allocated	-	-	-	-	-	-	-
Bonuses to policyowners	-	-	-	-	-	-	-
Policyowners' retained profits at the end of the financial year	-	-	-	-	-	-	-
Shareholder's retained profits at the beginning of the financial year	-	3.2	3.2	-	23.9	23.9	27.1
Operating profits allocated	-	0.4	0.4	-	(0.5)	(0.5)	(0.1)
Transfers to shareholder's fund	-	-	-	-	-	-	-
Shareholder's retained profits at the end of the financial year	-	3.6	3.6	-	23.4	23.4	27.0
Shareholder's capital at the beginning of the financial year	-	6.6	6.6	-	18.0	18.0	24.6
Transfers to shareholder's fund	-	-	-	-	-	-	-
Shareholder's capital at the end of the financial year	-	6.6	6.6	-	18.0	18.0	24.6

All business written through Statutory Fund No. 2 is non-participating under the *Life Insurance Act 1995*

37. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

(D) Life Insurance Act operating profit and retained profits at fund and category level (Continued)

	Non-Investment Linked		Investment Linked		Total Statutory Funds	
	Statutory Fund No 1		Statutory Fund No 2		2004	2003
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
Life insurance act operating profits after income tax allocated to:						
policyowners	105.3	101.1	-	-	105.3	101.1
shareholder	37.0	33.3	10.2	(0.1)	47.2	33.2
	<u>142.3</u>	<u>134.4</u>	<u>10.2</u>	<u>(0.1)</u>	<u>152.5</u>	<u>134.3</u>
Policyowners' retained profits at the beginning of the financial year	319.5	270.9	-	-	319.5	270.9
Operating profits allocated	105.3	101.1	-	-	105.3	101.1
Bonuses to policyowners	(76.0)	(52.5)	-	-	(76.0)	(52.5)
Policyowners' retained profits at the end of the financial year	<u>348.8</u>	<u>319.5</u>	<u>-</u>	<u>-</u>	<u>348.8</u>	<u>319.5</u>
Shareholder's retained profits at the beginning of the financial year	99.3	79.1	27.0	27.1	126.3	106.2
Operating profits allocated	37.0	33.3	10.2	(0.1)	47.2	33.2
Transfers to shareholder's fund	(19.0)	(13.1)	-	-	(19.0)	(13.1)
Shareholder's retained profits at the end of the financial year	<u>117.3</u>	<u>99.3</u>	<u>37.2</u>	<u>27.0</u>	<u>154.5</u>	<u>126.3</u>
Shareholder's capital at the beginning of the financial year	5.2	5.2	24.6	24.6	29.8	29.8
Transfers to shareholder's fund	-	-	-	-	-	-
Shareholder's capital at the end of the financial year	<u>5.2</u>	<u>5.2</u>	<u>24.6</u>	<u>24.6</u>	<u>29.8</u>	<u>29.8</u>

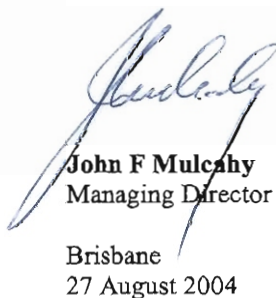
In the opinion of the Directors of Suncorp Life & Superannuation Limited:

- (a) the financial statements and notes, set out on pages 4 to 67, are in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
  - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
  - iii. complying with the requirements of the Life Insurance Act 1995 (Life Act), Prudential Rules No. 35, applicable Accounting Standards in Australia and Urgent Issues Group Consensus Views.
- (b) the allocation of the profits of the Statutory Funds of the Company have been made in accordance with Divisions 5 and 6 of Part 4 of the Life Act and the Articles of Association of the Company;
- (c) no assets of the Statutory Funds of the Company have been applied or invested in contravention of the Life Act;
- (d) there are reasonable grounds to believe that, as at the time this declaration is made, the Shareholder's Fund of the Company and each of the Statutory Funds of the Company will be able to pay all debts or claims that are referable to them;
- (e) a Board Approved Risk Management Statement has been in place; and
- (f) the Board understands the Risk Management Statement, has monitored its effectiveness, has received regular reports on its operation and is satisfied with the level of compliance.

Signed in accordance with a resolution of the Directors.



**John D Story**  
Chairman



**John F Mulcahy**  
Managing Director

Brisbane  
27 August 2004

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

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



**Rowan T Ward**  
Appointed Actuary  
Suncorp Life & Superannuation Limited

Brisbane  
27 August 2004

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF SUNCORP LIFE & SUPERANNUATION LIMITED**

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**Scope**

*The financial report and directors' responsibility*

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Suncorp Life & Superannuation Limited ("the Company") and Suncorp Life & Superannuation Limited and its controlled entities (the "Consolidated Entity"), for the year ended 30 June 2004. The Consolidated Entity comprises both the company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

*Audit approach*

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

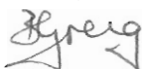
**Audit opinion**

In our opinion, the financial report of Suncorp Life & Superannuation Limited is in accordance with:

- a) the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2004 and of their performance for the financial year ended on that date; and
  - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG



**Brian Greig**  
Partner

Brisbane  
27 August 2004



**Scope**

I have audited the financial report of Suncorp Life & Superannuation Limited ("the Company") for the financial year ended 30 June 2004, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes, and the Directors' declaration set out on pages 4 to 68. The financial report includes the financial statements of the Company and the consolidated financial statements of the Suncorp Life & Superannuation Limited economic entity, comprising the Shareholder's Fund of the Company and the entities it controlled at the year end or from time to time during the financial year. The Company's Directors are responsible for the financial report and have determined that the accounting policies used and described in Note 1 are appropriate to meet the requirements of the Life Insurance Act 1995 ("the Life Act"). I have conducted an independent audit of this financial report in order to express an opinion on them to the Australian Prudential Regulation Authority.

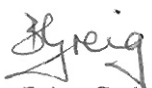
My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Life Act and Prudential Rules. The Life Act and Prudential Rules No. 35 do not require the application of all Accounting Standards and other mandatory professional reporting requirements.

The audit opinion expressed in this report has been formed on the above basis.

**Audit Opinion**

In my opinion:

- (a) the financial report of Suncorp Life & Superannuation Limited has been drawn up so as to truly represent in accordance with the Life Act and Prudential Rules, the financial position of the Company and the consolidated entity as at 30 June 2004 and the results of their operations and cash flows for the year ended on that date;
- (b) the records of the Company record properly the affairs and transactions of the Company;
- (c) the apportionments made under Part 6, Division 2 of the Life Act have been made equitably and in accordance with generally accepted accounting principles; and
- (d) no part of the assets of the statutory funds has been applied directly or indirectly in contravention of the provisions of the Life Act relating to the application and investment of statutory funds.



**Brian Greig**  
Partner

KPMG

Brisbane  
27 August 2004

**INDEPENDENT AUDIT REPORT ON THE RISK MANAGEMENT STATEMENT OF SUNCORP LIFE  
& SUPERANNUATION LIMITED TO THE AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY**

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**Scope**

I have audited Suncorp Life & Superannuation Limited's Risk Management Statement (RMS) in relation to the use of derivatives for the financial year ended 30 June 2004 in order to express an opinion whether the Company has complied with the requirements of the Australian Prudential Regulation Authority Life Insurance Act 1995 Circular to the Life Insurance Companies No C.I.1 Derivatives – Use, Management and Control, November 1995.

The Board of Directors is responsible for the development and implementation of the RMS and for monitoring its effectiveness. The Directors' representation about the existence and effective implementation of the RMS is included in the Company's financial reports for the financial year ended 30 June 2004. I have conducted an independent audit in order to express an opinion whether the RMS is in place and complies with the requirements of Appendix A to Circular C.I.1. No opinion is expressed on the effectiveness of the risk management controls or on the appropriateness and extent of derivative use in the context of the Company's overall investment strategy.

This report has been prepared for the Australian Prudential Regulation Authority. I disclaim any assumption of responsibility for any reliance on this report to any other party other than the Australian Prudential Regulation Authority, or for any other purpose than for which it was prepared.

My audit has been conducted in accordance with Australian Auditing Standards and accordingly included such tests and procedures as I considered necessary in the circumstances. These procedures have been undertaken to form an opinion whether the RMS is in place and has been complied with in all material respects based on Appendix A to Circular C.I.1.

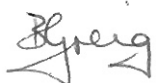
**Inherent Limitations**

Because of the inherent limitations in any risk management structure, non-compliance may occur and not be detected. Also, projections of continuing compliance to future periods are subject to the risk that changes in conditions may result in the degree of compliance deteriorating.

The audit opinion expressed in this report has been formed on the above basis.

**Audit opinion**

In my opinion, Suncorp Life & Superannuation Limited maintained and complied, in all material respects, with the Risk Management Statement in relation to derivatives based on the criteria in Appendix A to Circular C.I.1 for the financial year ended 30 June 2004.



**Brian Greig**  
Partner

KPMG

Brisbane  
27 August 2004