Suncorp Life and Superannuation Limited
AND ITS CONTROLLED ENTITIES

ABN 87 073 979 530

CONSOLIDATED FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2007

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Contents

Your directors present their report together with the financial report for Suncorp Life & Superannuation Limited ("the Company") and the consolidated entity consisting of Suncorp Life & Superannuation Limited and its controlled entities ("the consolidated entity") for the year ended 30 June 2007.

DIRECTORS

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

Non-executive	
John D **Story** (Chairman)	
William J **Bartlett**	
Dr Ian D **Blackburne**	
Paula J **Dwyer**	(Appointed 26 April 2007)
Dr Cherrell **Hirst** AO	
James J **Kennedy** AO, CBE	(Retired 31 December 2006)
Martin D E **Kriewaldt**	
Ewoud J **Kulk**	(Appointed 20 March 2007)
Geoffrey T **Ricketts**	(Appointed 20 March 2007)
Dr Zygmunt E **Switkowski**	
Leo F **Tutt**	(Appointed 20 March 2007)

Executive
John F **Mulcahy** (Managing Director)
Christopher **Skilton** (Chief Financial Officer and Executive Director)

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 attributable to equity holders of the parent for the year ended 30 June 2007 was $78.4 million (2006: $60.7 million). Current year profit benefited from the increase in equity markets.

Premiums for the year were $1,186.1 million (2006: $807.9 million), which included $138.7 million (2006: $101.5 million) of policy conversions transferring between statutory funds. The sharp increase in premium is due to the increase in new business due to the new Simpler Superannuation legislative changes together with better retention rates.

Total consolidated assets increased from $6,163.1 million to $7,476.4 million. This is due to increased investment earnings as well as the significant increase in deposits due to the tax and legislative changes in superannuation.

The financial strength of our business is reflected by the coverage of the Solvency Reserve as set by the Life Insurance Actuarial Standards Board (LIASB). The coverage of the Solvency Reserve for the Statutory Funds at 2.1 times at 30 June 2007 (2006: 2.6 times) has been maintained at a high level throughout the year.

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:

A 2007 final dividend of $1.564 per ordinary share (2006: $1.282), amounting to $61 million (2006: $50 million).

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

EVENTS SUBSEQUENT TO BALANCE DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

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

ENVIRONMENTAL REGULATION

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

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

INSURANCE OF OFFICERS

During the financial year ended 30 June 2007, 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.

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.

DIRECTORS' INTERESTS AND BENEFITS

Directors' benefits are set out in note 35.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 4 and forms part of the director's report for the year ended 30 June 2007.

ROUNDING OF AMOUNTS

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

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

John D Story
Chairman

John F Mulcahy
Managing Director

Brisbane
27 August 2007

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: the directors of Suncorp Life & Superannuation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

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

KPMG

KPMG

Dr Andries B Terblanché
Partner

Brisbane
27 August 2007

	Note	Company 2007 $m	Company 2006 $m	Consolidated 2007 $m	Consolidated 2006 $m
Assets					
Cash and liquid assets	23	98.9	36.8	110.5	45.2
Outstanding premiums		9.8	6.2	9.8	6.2
Other financial assets					
Equity security investments	11	3,146.8	2,549.7	3,983.5	3,312.8
Debt security investments	11	1,363.0	1,348.9	2,316.0	2,076.5
Property investments	11	470.0	382.7	633.0	527.0
Other investments	11	(0.7)	0.1	(0.8)	0.2
Loans, advances and other receivables	12	318.8	207.2	279.6	79.3
Gross policy liabilities ceded under reinsurance	17(D)	77.8	60.6	77.8	60.6
Deferred acquisition costs	13	48.9	39.8	48.9	39.8
Other assets	14	0.4	0.8	18.1	15.5
Total assets		5,533.7	4,632.8	7,476.4	6,163.1
Liabilities					
Payables and other liabilities	15	74.8	74.5	339.6	168.3
Premiums in advance		3.2	2.8	3.2	2.8
Deposits and short term borrowings	16	55.6	39.0	54.3	38.8
Deferred tax liabilities	10	128.1	95.8	128.1	95.8
Gross insurance contract liabilities	17(B)	2,879.9	2,347.6	2,879.9	2,347.6
Gross investment contract liabilities	17(C)	1,902.1	1,558.8	1,902.1	1,558.8
Unvested policy owner benefits	17(E)	222.0	270.2	222.0	270.2
Outside beneficial interests	18	-	-	1,667.8	1,429.8
Total liabilities		5,265.7	4,388.7	7,197.0	5,912.1
Net assets		268.0	244.1	279.4	251.0
Equity					
Parent entity interest					
Share capital	19	39.0	39.0	39.0	39.0
Shareholder's retained profits	20	229.0	205.1	240.4	212.0
Total equity		268.0	244.1	279.4	251.0

The above balance sheets should be read in conjunction with the accompanying notes.

		Company		Consolidated	
		2007	2006	2007	2006
	Note	$m	$m	$m	$m
Revenue					
Premium revenue	4	170.6	136.0	170.6	136.0
Outwards reinsurance premium expense		(40.3)	(27.8)	(40.3)	(27.8)
		130.3	108.2	130.3	108.2
Investment revenue	5	672.2	603.6	954.4	805.1
Other operating revenue	6	29.1	27.5	42.5	30.2
		831.6	739.3	1,127.2	943.5
Expenses					
Claims expense	7	(105.5)	(77.9)	(105.5)	(77.9)
Reinsurance recoveries revenue	6	28.2	20.0	28.2	20.0
		(77.3)	(57.9)	(77.3)	(57.9)
Operating expenses	8	(124.8)	(105.3)	(139.2)	(109.0)
Increase in net insurance contract liabilities	17(B) (D)	(283.8)	(288.9)	(283.8)	(288.9)
Increase in investment contract liabilities	17(C)	(236.9)	(207.9)	(236.9)	(207.9)
Decrease in unvested policy owner benefits	17(E)	48.2	55.2	48.2	55.2
Interest expense		-	-	(274.8)	(197.2)
		(674.6)	(604.8)	(963.8)	(805.7)
Profit before tax		157.0	134.5	163.4	137.8
Income tax expense	10	(83.1)	(75.2)	(85.0)	(77.1)
Profit for the year		73.9	59.3	78.4	60.7
Attributable to:					
Equity holders of the company	20	73.9	59.3	78.4	60.7
Profit for the year		73.9	59.3	78.4	60.7

The above income statements should be read in conjunction with the accompanying notes.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

For the year ended 30 June 2007

	Company		Consolidated	
	2007	2006	2007	2006
	$m	$m	$m	$m
Profit for the year	73.9	59.3	78.4	60.7
Total recognised income and expense for the year	73.9	59.3	78.4	60.7
Total recognised income and expense for the period attributable to:				
Equity holders of the parent	73.9	59.3	78.4	60.7
	73.9	59.3	78.4	60.7

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

		Company		Consolidated	
		2007	2006	2007	2006
	Note	$m	$m	$m	$m
CASH FLOWS FROM OPERATING ACTIVITIES					
Premiums received		1,042.5	704.6	1,042.5	704.6
Fee income received		29.7	27.4	29.4	26.6
Other operating income (paid)/received		0.5	(0.3)	1.9	1.9
Reinsurance premiums paid		(41.0)	(26.3)	(41.0)	(26.3)
Claims payments under policies		(647.0)	(544.2)	(647.0)	(544.2)
Reinsurance and other recoveries received		9.5	3.4	9.5	3.4
Operating expenses paid		(111.8)	(84.9)	(217.8)	(268.5)
Interest received		73.5	70.1	129.5	124.9
Equity distributions received		376.5	266.0	145.8	126.5
Property income received		33.8	1.8	49.9	30.8
Other investments paid		(13.1)	(0.1)	(7.9)	(0.7)
Tax paid		(50.8)	(35.6)	(52.7)	(37.5)
Net cash inflow from operating activities	23	702.3	381.9	442.1	141.5
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for purchase of investments		(1,475.7)	(1,591.0)	(6,670.6)	(8,406.9)
Proceeds from disposal of investments		861.0	1,280.0	6,081.5	7,528.5
Net increase in loans advances and other receivables		1.4	-	1.1	-
Net cash (outflow) from investing activities		(613.3)	(311.0)	(588.0)	(878.4)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net increase (decrease) in deposits and other borrowings		16.6	(13.3)	253.5	687.4
Dividends paid		(50.0)	(43.0)	(50.0)	(43.0)
Net cash inflow (outflow) from financing activities		(33.4)	(56.3)	203.5	644.4
NET INCREASE IN CASH AND CASH EQUIVALENTS		55.6	14.6	57.6	(92.5)
Cash at beginning of the financial year		110.8	96.2	145.0	237.5
CASH AT THE END OF THE FINANCIAL YEAR	23	166.4	110.8	202.6	145.0

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Suncorp Life & Superannuation Limited ("the Company") is a company domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2007 comprises Suncorp Life & Superannuation Limited and its subsidiaries (together referred to as "the consolidated entity") and the consolidated entity's interest in associated and jointly controlled entities.

(a) Statement of compliance

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

The financial report was authorised for issue by the directors on 27 August 2007.

(b) Basis of preparation

The financial report is presented in Australian dollars.

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

The consolidated entity has elected to early adopt the following revised accounting standards and amendments:

- AASB 101 *Presentation of Financial Statements* (October 2006)

In the prior financial year the consolidated entity adopted AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement* in accordance with the transitional rules of AASB 1: *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. This change has been accounted for by adjusting the opening balances of retained earnings and reserves at 1 July 2005, as disclosed in the reconciliation of movements in equity (note 21).

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- AASB 7 *Financial Instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 8 *Operating Segments* (February 2007) upon adoption supersedes AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting beginning on or after 1 January 2009.
- AASB 2007-3 *Amendments to Australian Accounting Standards* (February 2007), makes consequential amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 6 *Exploration for and Evaluation of Mineral Resources*, AASB 102 *Inventories*, AASB 107 *Cash Flow Statements*, AASB 119 *Employee Benefits*, AASB 127 *Consolidated and Separate Financial Statements*, AASB 134 *Interim Financial Reporting*, AASB 136 *Impairment of Assets*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* arising from the release of AASB 8. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009.
- AASB 2007-4 *Amendments to Australian Accounting Standards* (April 2007) makes consequential amendments to AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 2 *Share-based Payment*, AASB 3 *Business Combinations*, AASB 4 *Insurance Contracts*, AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 6 *Exploration for and Evaluation of Mineral Resources*, AASB 7 *Financial Instruments: Disclosures*, AASB 102 *Inventories*, AASB 107 *Cash Flow Statements*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 110 *Events after the Balance Sheet Date*, AASB 112 *Income Taxes*, AASB 114 *Segment Reporting*, AASB 116 *Property, Plant and Equipment*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 119 *Employee*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation (Continued)

Benefits, AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*, AASB 121 *The Effects of Changes in Foreign Exchange Rates*, AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates*, AASB 129 *Financial Reporting in Hyperinflationary Economies*, AASB 130 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, AASB 131 *Interests in Joint Ventures*, AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 133 *Earnings per Share*, AASB 134 *Interim Financial Reporting*, AASB 136 *Impairment of Assets*, AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, AASB 138 *Intangible Assets*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 141 *Agriculture*, AASB 1023 *General Insurance Contracts*, AASB 1038 *Life Insurance Contracts* arising from ED 151 and other amendments. AASB 2007-4 is applicable for annual reporting periods beginning on or after 1 July 2007.

The consolidated entity plans to adopt AASB 7 and AASB 2005-10 in the 2008 financial year.

The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of the Company and the consolidated entity as the standard and the amendment are concerned only with disclosures.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments held to back life insurance policy liabilities and life investment contract liabilities.

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

Assets and liabilities have been presented on the face of the balance sheets in decreasing order of liquidity and do not distinguish between current and non-current items. The majority of the assets of the Company are investment assets held to back insurance contract and investment contract liabilities. Although the amount of those assets which may be realised and those liabilities which may be settled within 12 months of the reporting date is not always known, estimates have been provided in the respective notes. Details of other amounts expected to be recovered or settled (a) no more than 12 months after the reporting date, and (b) more than 12 months after the reporting date, have been provided.

(c) Principles underlying conduct of the life insurance business

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

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

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

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

Investment contract business relates to wealth management products in which the Company issues a contract where, except for fixed income policies, the resulting liability to policyholders is linked to the performance and value of the assets that back those liabilities. Whilst the underlying assets are registered in the name of the Company and the

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Principles underlying conduct of the life insurance business (Continued)

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

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

(d) Basis of consolidation

(i) Controlled entities

Consolidation is the aggregation of the financial statements of the parent entity and its controlled entities and the elimination of intra group transactions and balances. Controlled entities are entities (companies and managed investment schemes or trusts) controlled by the Company.

The consolidated financial statements incorporate the assets and liabilities and profit and loss of all controlled entities. The Company and its controlled entities together are referred to in this financial report as the consolidated entity. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Trust units are classified as a financial liability in accordance with AASB 132 *Financial Instruments: Disclosure and Presentation*. Accordingly, minority interests in controlled unit trusts held by parties other than Suncorp Life & Superannuation Limited are presented as outside beneficial interests.

Related items of income and expense are recognised in the income statements at their gross amounts, with the offsetting amount attributable to outside interests recognised as an interest expense.

(ii) Transactions eliminated on consolidation

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

(e) Foreign currency

Transactions denominated in foreign currencies are initially translated to Australian dollars at the spot exchange rates ruling at the date of the transaction. Foreign currency monetary assets and liabilities at balance date are translated to Australian dollars at the spot rates of exchange current on that date. The resulting differences on translation of monetary items are recognised in the income statements as exchange gains and losses in the financial year in which the exchange rates change.

(f) Derivative financial instruments

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

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

Derivative financial instruments are initially recognised at fair value, being the last price at trade date, excluding transaction costs and are subsequently remeasured at their fair value as at the reporting date, being the last trading price on that date. The resulting fair value gain or loss is recorded in the income statements.

(g) Cash and cash equivalents

Cash includes deposits at call and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts and are included in cash and cash equivalents for the purposes of the statements of cash flows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial assets

(i) Assets backing policy liabilities

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

Financial assets are recognised at fair value.

- Investment securities comprise holdings in unlisted managed investment schemes, futures and forward foreign exchange contracts. Movements in the fair values between each balance date, being the last price on those dates, are recognised in the income statements.
- Premium debtors relate to policies of life insurance and are measured at present value with movements recognised in the income statements.
- Deferred acquisition costs on life investment contracts comprise the incremental variable distribution costs incurred when acquiring new business (refer note (i) for recognition and measurement policy).
- Reinsurance and other recoveries on life insurance contracts are measured at present value with movements recognised in the income statements.
- Other receivables include outstanding settlements on investment sales, distributions receivable and loans. Given the short term nature of most receivables, the recoverable amount approximates fair value.

(ii) Assets not backing life insurance contract liabilities or life investment contract liabilities

Financial assets held within the shareholder fund and subsidiaries do not back life insurance contract liabilities or life investment contract liabilities. To ensure consistency across the Company, and except where specifically stated otherwise, all financial assets and all non-financial assets are recognised at fair value to the extent permitted under accounting standards. Adjustments to the value of such assets are recognised in the income statements when the corresponding accounting standards allow such treatment. The following assets are not held at fair value.

- Investments by Suncorp Life & Superannuation Limited in subsidiary companies are recorded at cost less any accumulated impairment losses. On consolidation, the investment in subsidiaries is eliminated.
- Loans and other receivables are measured at amortised cost less accumulated impairment losses.

(iii) Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to an unrelated third party.

(i) Deferred acquisition costs

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment

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

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

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

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

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

(k) Financial liabilities

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

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

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

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

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

(ii) Financial liabilities at amortised cost

Financial liabilities, other than financial liabilities at fair value through profit or loss, are subsequently measured at amortised cost using the effective interest method.

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

(iii) Other liabilities

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

(l) Deferred revenue

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Provisions

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

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

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

(n) Policy liabilities

The life insurance policy valuation determines the capital and retained profits of the statutory funds and the shareholder fund. The components for life insurance contracts and life investment contracts are reported on the balance sheets as gross insurance contract and gross investment contract liabilities, gross policy liabilities ceded under reinsurers and unvested policy owner benefits. Movements in these balances drive the profit emergence and are reported in the income statements, including the proposed transfer to the shareholder fund in respect of participating business.

(i) Insurance contracts

The financial reporting methodology used to determine the fair value of life insurance contract liabilities is referred to as MoS.

Under MoS, the excess of premium received over claims and expenses (the margin) is recognised over the life of the contract in a manner that reflects the pattern of risk accepted from the policyholder (the service). The movement in life insurance contract liabilities recognised in the income statements reflects the release of this margin.

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

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

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

Allocation of operating profit and unvested policyholder benefits

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Policy liabilities (Continued)

(ii) Investment Contracts

Life investment contracts consist of a financial instrument and a management services element. The financial instrument element represents the unit liability to the policyholder and is measured at fair value, with a minimum equal to the amount payable on demand. Movements in fair value are recognised through the income statements. The management services element refers to activities and cashflows arising from management services provided, representing the deferral of fees yet to be earned and expenses yet to be recognised and is measured at fair value, refer notes 1(i) and 1(l).

(o) Liability adequacy test

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

(p) 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.

(q) Dividends

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

Where a dividend is declared post-reporting date but prior to the date of the financial statements, disclosure of the declaration is made in the financial statements.

(r) Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the balance sheets but are disclosed in the financial report, unless the possibility of settlement is remote, in which case no disclosure is made. If settlement becomes probable, a provision is recognised.

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

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

(s) Commitments

Commitments are not recorded in the balance sheets but are disclosed in the financial report at their face value.
Disclosure is made in the following time bands from reporting date:

- within twelve months;
- twelve months or longer but not longer than five years; and
- longer than five years.

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

(t) Revenue

(i) Life Insurance Premium Revenue

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Revenue (Continued)

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

(ii) Investment Revenue

Investment revenue and expenses

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

Interest

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

Dividends

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

(iii) Fees and other revenue

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

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

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

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

(u) Acquisition costs

(i) Life insurance activities

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

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

Acquisition losses are recognised in the income statements at inception.

(ii) Life investment activities

Deferred acquisition costs for life investment contracts are amortised in the income statements in accordance with the expected earning pattern of the associated revenue.

(v) Claims expense

(i) Life insurance contracts

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Claims expense (Continued)

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

(ii) Life investment contracts

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

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.

(w) Outwards reinsurance premium expense

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

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

(x) Basis of expense apportionment

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

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

The expense apportionment basis is in line with the principles set out in the Life Insurance Actuarial Standards Board Valuation Standard (Actuarial Standard AS1.04: Valuation Standard).

(y) Income tax

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. For life insurance business, income tax expense is determined after segregating the operations into classes of business which are taxed at different rates and on different bases according to the rules relating to each class.

Deferred income tax is provided in full, using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The value reported in the balance sheets represents the net position of the Company and consolidated entity. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised. The tax effect of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

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

Tax consolidations

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Income tax (Continued)

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

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

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

(z) 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. Receivables, payables and provision for outstanding claims are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the balance sheets.

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

(aa) Changes in accounting estimates and errors

(i) Changes in accounting estimates

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

(ii) Errors

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

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

(ab) Use of estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ab) Use of estimates and judgements (Continued)

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

(i) Insurance contract liabilities

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

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

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

In addition, factors such as regulation, competition, interest rates, taxes, security market conditions and general economic conditions affect the level of these liabilities. In some contracts, the Company shares experience on mortality, morbidity, persistency and investment results with its customers, which can offset the impact of these factors on profitability from those products. Details of specific actuarial policies and methods are set out in note 2.

(ii) Assets arising from reinsurance contracts

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACTUARIAL METHODS AND ASSUMPTIONS

Policy liabilities

Policy liabilities are amounts which, when taken together with future premiums and investment earnings, are required to meet the payment of future benefits and expenses and for life insurance contracts, 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 2007. 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).

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

Policy liabilities (Continued)

Policy liabilities have been calculated in accordance with Actuarial Standard 1.04 "Valuation Standard" (AS 1.04) issued by the LIASB under Section 114 of the Life Act. For Life Insurance contracts, 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. For Life Investment contracts, the Actuarial Standard requires the policy liabilities to be calculated in accordance with Australian Accounting Standards.

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

Business Type	Method	Profit Carrier
Individual		
Conventional	Projection	Bonuses
Investment account	Projection	Interest credits
Allocated pension	Projection	Interest credits
Lump sum risk	Projection	Expected claim payments
Disability income	Projection	Expected claim payments
Annuity	Projection	Annuity payments
Group		
Investment account	Projection	Interest credits
Lump sum risk	Accumulation	-
Disability income	Accumulation	-

Under the projection method, estimates of policy cash flows (premiums, benefits, expenses and profit margins to be released in future periods) are projected into the future. The projected profit margins are expressed as a percentage of the relevant profit carrier. The policy liability is calculated as the net present value of these projected cash flows.

Under the accumulation method for risk business the policy liability is equal to the sum of reserves for incurred but not reported claims, unearned premiums and open disability income claims.

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

Assumption	Basis of Assumption	Significant Changes Since 2006
Investment earnings	For participating business, assumed earning rates are determined having regard to the asset mix of the investment portfolio backing the benefits, the assumed earning rates for each sector, market conditions at the valuation date and tax on investment earnings appropriate to the class of business and asset sector. Pre-tax rates varied from 5.30% (2006: 4.80%) for the cash sub-funds to 9.20% (2006: 8.60%) for the balanced sub-funds and 11.30% (2006: 10.90%) for the equity sub-funds. All non-participating business uses an investment earnings and discount rate assumption of the risk free rate. This has been determined from the government bond curve and varied (before tax) between 6.2% and 6.5% (2006: 5.8% and 5.9%).	The risk free rate underlying the investment earnings assumption has increased.

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

Policy liabilities (Continued)

Assumption	Basis of Assumption	Significant Changes Since 2006
Maintenance expenses	Per policy expense rates are based upon expected costs to service existing contracts in the period following the reporting date. Expense rates vary by product line and class of business. Tax deductibility of expenses is allowed for at rates appropriate to the taxation basis of the business.	None
Inflation	The inflation assumption is reviewed at each valuation. For this valuation 3.0%pa (2006: 3.0%pa) was assumed, taking into account the difference between long-term government bonds and indexed government bonds for Australia.	No changes in approach.
Benefit indexation	Where the increase in future benefits increases in line with inflation, the Company has used an assumption of 3.0%pa.	
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 2% and 30%pa (2006: between 2% and 30%pa).	Assumed long term discontinuance rates for risk business and allocated pension business reduced to reflect improvements in experience (risk decreased between 1% and 3%pa and allocated pension decreased 3%pa).
Surrender values	Surrender values are determined by applying the surrender bases current at the reporting date.	None
Rates of taxation	The rates of taxation assumed are based on current income tax legislation applicable to the type of product.	None
Mortality - risk products	Mortality rates for risk products have been determined using the standard mortality table (IA95-97) with adjustments for smoking status and also to allow for Suncorp Life & Superannuation Limited's experience. Adjustments range from 76% (2006: 76%) to 160% (2006: 160%). 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, being 55% for males and 65% for females. 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

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

Policy liabilities (Continued)

Assumption	Basis of Assumption	Significant Changes Since 2006
Disability - lump sum	Disability rates on lump sum Total and Permanent Disablement policies have been based on industry experience with adjustments to reflect Suncorp Life & Superannuation Limited's experience. For trauma policies, assumed incidence rates are based on Australian population statistics with adjustments to reflect Suncorp Life & Superannuation Limited's experience.	None
Disability – income	Disability rates on income policies have been determined using the IAD89-93 table with adjustments to reflect Suncorp Life & Superannuation Limited's experience. IAD89-93 was developed by the Institute of Actuaries of Australia based on Australian industry experience from 1989 to 1993.	Adjustments updated to reflect recent experience with a decrease in assumed incidence rates. Recovery rates were increased for certain longer term claims.
Future supportable bonuses and interest credits to participating policies	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 participating whole of life and endowment business, the Company's policy is to set bonus rates such that, over long periods, the returns to policy owners (as a group, but not necessarily individually) are commensurate with the investment returns achieved on relevant assets, together with other sources of profit arising from this business. For participating investment account business crediting rates are set such that over long periods policy owners (as a group, but not necessarily individually) receive full investment earnings on their accounts less a deduction of explicit fees and charges. Distributions are split between policy owners and shareholder with the valuation allowing for the shareholder to participate in distributions at the maximum allowable rate of 20%. In determining policyowner distributions consideration is given to equity between generations of policy owners and equity between the various classes and sizes of policies in force.	No changes in approach

Other requirements

The Life Act requires companies to meet prudential standards of solvency. The solvency requirements are determined in accordance with the Actuarial Standard 2.04 "Solvency Standard" issued by the LIASB under the Life Act. For the purposes of note 29, minimum termination values have been determined in accordance with Actuarial Standards 4.02 "Minimum Surrender Values and Paid Up Values" and 2.04.

Sensitivity Analysis – insurance contracts

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

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

Policy liabilities (Continued)

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

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

The table below illustrates how changes in key assumptions would impact the current period reported profit and policy liabilities and equity at 30 June 2007 of the company.

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

Notes:
1. Sensitivity changes are relative to current best estimate assumptions.
2. Change in liability and profit/(loss) are shown both net and gross of reinsurance.

The table below illustrates the effects of changes in actuarial assumptions from 30 June 2006 to 30 June 2007.

Assumption Category	Effect on future profit margins (shareholder) increase/(decrease) $m	Effect on policy liabilities increase/(decrease) $m
Discount and earning rate (risk business)	-	3.7
Discount and earning rate (participating business)	9.2	-
Mortality and morbidity	4.9	(0.6)
Discontinuance	34.0	-
Maintenance expenses	1.8	(0.6)

Notes:
1. Effects for risk business are shown gross of tax.

3. RISK MANAGEMENT

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

General risk management framework
A structured risk management framework has been implemented throughout the consolidated entity in respect of all risks. The framework comprises organisational structure, policies, methodologies, processes, and delegation of authority to assume and approve risk, monitoring and reporting requirements.

The Board of Directors is responsible for approving the consolidated entity's risk appetite, strategy and policy and oversighting management's activities to monitor and control risk consistent with approved risk appetite. The Risk Committee has delegated authority from the Board to approve and oversee the processes used to identify, evaluate and manage risk and recommends the Group's risk appetite to the Board. Management has the primary responsibility and accountability for embedding the risk management framework within the business operations of the consolidated entity. Group functions such as Risk provide a monitoring and advisory function on an independent basis. These functions facilitate the reporting of the status, appropriateness and quality of the Company's risk management capabilities to the Risk Committee and the management of risk.

The general risk management framework provides an ongoing process for recognising and evaluating risks, development and implementation of both mitigation strategies and monitoring tools. All risks and their mitigators are documented in Risk Registers that are maintained at a business unit level and consolidated on a group basis. Risk Registers are reviewed annually. Each Register is signed off by the managers of the business unit and the relevant executive. Consolidated Risk Registers are endorsed by the Executive Risk Committee and submitted to provide assurance to the Risk Committee that management have identified the key risks including business continuity facing the Group.

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

There are a number of compliance, risk management and review departments within the consolidated entity who are responsible for monitoring, reviewing and reporting on specific areas of the consolidated entity's operations. These departments include Group Risk Policy, Credit Recovery, Credit Risk Systems, Group Compliance and Assurance, Investment Compliance, Group Operational Risk and Group Market Risk. These units report to the Risk Committee.

The Assurance function independently examines and evaluates the adequacy and effectiveness of the Group's control environment across risk management systems, operations and governance processes. Assurance makes reports independently to the Audit Committee and provides summaries of all audit reports, together with details of management's action plans to rectify any noted weaknesses, to the Executive Risk Committee and the Audit Committee. Any specific Assurance findings relating to the risk management framework are reported directly to the Risk Committee.

The Company's approved Risk Management Statement which has been accepted by the Australian Prudential Regulation Authority ("APRA") provides appropriate guidelines for the investment of the entities' funds including the use of derivatives. More detailed discussion on this is contained in note 24.

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

3. RISK MANAGEMENT (Continued)

Insurance risk

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

Risk management objectives and policies for mitigating insurance risk

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

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

Insurance risks are controlled through adherence to underwriting procedures, adequate premium rates and sufficient reinsurance arrangements. In relation to premium rates and reinsurance arrangements, the Company receives advice from the Appointed Actuary, in accordance with Section 116 of the *Life Insurance Act 1995*. Controls are also maintained over claims management practices to ensure the correct and timely payment of insurance claims.

Capital

The Company's insurance operations are subject to regulatory capital requirements which prescribe the amount of capital to be held depending on the type, quality and concentration of investments held. In addition to the tests required by regulatory standards, sensitivity tests are performed annually (and reported in the Financial Condition Report), to ascertain the ability of the Statutory Funds to withstand various adverse 'asset shock' scenarios. The Company monitors its capital adequacy position on a monthly basis, in relation to both statutory requirements (as set out under actuarial standards) and its own internal target policy.

Underwriting procedures

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

Terms and conditions of insurance business

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

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

Type of contract	Details of contract workings	Nature of compensation for claims	Key variables affecting the timing and uncertainty of future cashflows
Long-term non participating insurance contracts with fixed and guaranteed terms (Term Life and Disability)	Benefits paid on death, ill health or maturity that are fixed and are not at the discretion of the issuer.	Benefits, defined by the insurance contract, are not directly affected by the performance of underlying assets or the performance of the contracts as whole.	Mortality, morbidity, lapses, expenses and market earning rates on the assets backing the liabilities.

3. RISK MANAGEMENT (Continued)

Insurance risk (Continued)

Type of contract	Details of contract workings	Nature of compensation for claims	Key variables affecting the timing and uncertainty of future cashflows
Conventional life insurance contracts with discretionary participating benefits (Endowment and Whole of Life)	These policies combine life insurance and savings. The policyholder pays a regular premium and receives the specified sum assured plus any accruing bonuses on death or maturity. The sum insured is specified at inception and guaranteed. Reversionary bonuses are added annually, which once added (vested) are guaranteed. A further terminal bonus may be added on death, surrender or maturity.	Operating profit arising from these contracts is allocated 80:20 between the policyholders and shareholders in accordance with the Life Act. The amount allocated to Policyholders is held as unvested policy owner benefits until it is distributed to specific policyholders as bonuses.	Mortality, surrenders, expenses and market earning rates on the assets backing the liabilities.
Investment account contracts with discretionary participating features	The gross value of premiums received is invested in the investment account with fees and premiums for any associated insurance cover being deducted from the account balance. Interest is credited regularly.	The payment of the account balance is guaranteed. Operating profit arising from these contracts is allocated between the policyholders and shareholder in accordance with the Life Act. The amount allocated to policyholders is held as unvested policy owner benefits until it is distributed to specific policyholders as interest credits.	Surrenders, expenses and market earning rates on the assets backing the liabilities.
Unit linked investment contracts	The gross value of premiums received is invested in units. The policyholder investment account is the value of the units. Fees are deducted from this account.	The investment return is equal to the earnings on assets backing the investment contracts less any applicable management fees.	Market risk, expenses and withdrawals.
Lifetime Annuity	In exchange for an initial single premium, these policies provide a guaranteed regular income for the life of the insured.	The amount of guaranteed regular income is set at inception of the policy, including any indexation.	Longevity, expenses and market earning rates on assets backing liabilities.

Claims management

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

3. RISK MANAGEMENT (Continued)

Insurance risk (Continued)

Concentrations of insurance risk

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

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

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

The Company's group life portfolio includes an Industry fund that offers death and TPD protection to employers, some with large workforces. Although a 50% quota share arrangement (post 30 June 2007 the reinsured proportion will reduce to 33%) is in place for this policy, the concentration of such workforces in single locations remains a factor that exposes the company to a higher risk of loss in the event of an accident affecting the location where the insured employees work. The Company examines its exposure to such employers on a case by case basis to ascertain the need for 'catastrophe' excess of loss reinsurance.

Credit risk

Credit risk is the likelihood of future financial loss resulting from the failure of clients or counterparties to meet contractual payment obligations to the consolidated entity as and when they fall due. Credit risk arises as a result of placement of reinsurance programs with counterparties and investments in financial instruments.

The Board Risk Committee monitors the effectiveness of credit risk management in relation to life insurance activities, including the investments and insurance portfolios, and reviews exposure to reinsurers. 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.

Market risk

Market risk is the risk of loss of current and future consolidated entity earnings from adverse moves in interest rates, foreign exchange rates, equities prices, property prices and prices of other financial contracts including derivatives. The consolidated entity has a risk management framework in place for market risk. The framework for each risk is described below. Derivative financial instruments are used to mitigate market risk (refer to note 24).

Asset and liability management techniques

Assets are allocated to various asset classes in accordance with explicit risk and return objectives. Expected portfolio risks are quantified through various metrics including a Value at Risk framework. Simulations of expected asset portfolio risk and returns are regularly conducted to ensure alignment with long-run investment objectives. Sensitivity analyses are primarily used for participating products and simulate the impact of certain market fluctuation scenarios on future cash flows, fair values or forecasted earnings. For non-discretionary participatory insurance products, such as unit-linked products, the interest and market risks are passed on to the policyholder.

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

3. RISK MANAGEMENT (Continued)

Market risk (continued)

The premiums received and the investment returns (net investment income and realised gains and losses) provide substantial liquidity to meet claims payments and associated expenses as they arise. Consequently, there is greater flexibility in investment strategies while managing investments to ensure sufficient liquidity to meet the claims as they become due, based on actuarial assessments.

Interest rate risk

Interest rate risk is the risk of a loss of current and future consolidated entity earnings from adverse movements in interest rates. Interest rate risk arises from the investments in interest bearing securities. Any changes in fair value of investments in interest bearing securities are immediately reflected in the income statements in accordance with the accounting policies discussed in note 1(h).

Derivative financial instruments are used to mitigate interest rate risk (refer to note 24).

The repricing periods attributable to the consolidated entity at 30 June 2007 were:

	Weighted Average Rate %	Floating Interest Rate $m	1 Year or less $m	2 to 5 Years $m	Over 5 Years $m	Total $m
Cash and short term liquid assets	6.2%	7.8	-	-	-	7.8
Cash on deposit	6.1%	314.4	-	-	-	314.4
Margin deposits	4.8%	22.4	-	-	-	22.4
Receivables	8.5%	13.1	-	-	-	13.1
Fixed interest securities	6.5%	-	411.6	329.6	128.5	869.7
Mortgage backed securities	6.6%	-	259.2	-	-	259.2
Discount securities	6.4%	-	247.3	-	-	247.3
Floating rate notes	6.7%	-	170.4	-	-	170.4
Money Market Securities	6.8%	-	175.1	21.2	-	196.3
	6.5%	357.7	1,263.6	350.8	128.5	2,100.6

The repricing periods attributable to the consolidated entity at 30 June 2006 were:

	Weighted Average Rate %	Floating Interest Rate $m	1 Year or less $m	2 to 5 Years $m	Over 5 Years $m	Total $m
Cash and short term liquid assets	5.7%	4.5	-	-	-	4.5
Cash on deposit	4.3%	182.2	-	-	-	182.2
Margin deposits	4.2%	19.3	-	-	-	19.3
Receivables	8.3%	12.9	-	-	-	12.9
Fixed interest securities	6.0%	-	115.7	392.3	78.1	586.1
Mortgage backed securities	6.2%	-	278.9	-	-	278.9
Discount securities	5.8%	-	289.5	-	-	289.5
Floating rate notes	6.4%	-	279.7	-	-	279.7
Money Market Securities	6.4%	-	153.6	10.0	-	163.6
	5.9%	218.9	1,117.4	402.3	78.1	1,816.7

3. RISK MANAGEMENT (Continued)

Market risk (continued)

Foreign exchange risk

Foreign exchange risk is the risk of a loss from adverse 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 associated with diminution of value associated with foreign exchange risk.

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

Other market risks

In addition to cash and interest bearing securities, the investment portfolios contain exposures to equity and property markets. The investment mandate while providing higher returns must also consider the volatility of investment returns and the impact of volatility on both the capital adequacy and profitability of the business. To do this, the investment mandate was developed using a value at risk framework. An acceptable level of risk was agreed and an investment strategy was developed where the likely returns would fall within the agreed risk limits with a high degree of confidence. The performance of the investment mandate is regularly reviewed to ensure the risks are within the predicted limits. In accordance with the accounting policy discussed in note 1(h), these investments are measured at fair value at each balance date and changes in fair value are immediately reflected in the income statements. These principles also apply to investments through 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 and overseas companies and through the limited use of derivative financial instruments, as discussed in note 24.

Balance sheet and liquidity risk

Liquidity risk is the risk that payment of obligations may not be able to be met as they fall due. The Board Risk Committee has responsibility for oversight of liquidity risk for the consolidated entity. Balance sheet risk is the risk to earnings and capital arising from mismatches between assets and liabilities with varying maturity and repricing profiles, and from mismatches in term.

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.

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

The Company maintains a level of capital adequacy in accordance with Actuarial Standards issued by the LIASB.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is managed through the adoption of the consolidated entity's risk management framework. Operational risk events are tracked and monitored via a central loss database and reported regularly to the Executive Risk Committee and the Risk Committee.

Risks which cross all business units, such as business continuity and regulatory compliance, are coordinated centrally by Group Operational Risk and Group Policy and Compliance departments respectively. These risks are owned and managed by the Executive Risk Committee with monitoring by the Risk Committee. The Assurance department also conducts regular audits to assess the adequacy and effectiveness of internal controls and compliance with policy.

4. PREMIUMS

	Company 2007 $m	Company 2006 $m	Consolidated 2007 $m	Consolidated 2006 $m
Direct insurance premiums	1,046.8	705.7	1,046.8	705.7
Direct consideration for deferred annuities - rollover amounts	0.6	0.7	0.6	0.7
Policy conversions	138.7	101.5	138.7	101.5
Total insurance premium received or receivable	1,186.1	807.9	1,186.1	807.9
Insurance premiums recognised as a change in gross policy liabilities (Note 17)	(1,015.5)	(671.9)	(1,015.5)	(671.9)
Total insurance premium revenue	170.6	136.0	170.6	136.0

5. INVESTMENT REVENUE

	Company 2007 $m	Company 2006 $m	Consolidated 2007 $m	Consolidated 2006 $m
Interest, dividend and similar revenue and (losses) sourced from:				
equity securities	452.1	266.0	149.0	126.9
debt securities	85.6	70.2	132.2	119.0
property	45.2	14.3	49.9	43.7
other	(1.8)	0.1	0.7	(0.5)
	581.1	350.6	331.8	289.1
Investment gains and (losses) sourced from:				
equity securities	41.9	229.3	539.8	501.5
debt securities	(12.0)	(16.8)	(25.4)	(18.9)
property	61.8	40.7	107.7	42.7
other	(0.6)	(0.2)	0.5	(9.3)
	91.1	253.0	622.6	516.0
Total investment income	672.2	603.6	954.4	805.1

	Company		Consolidated	
	2007	2006	2007	2006
	$m	$m	$m	$m
6. REVENUE FROM OPERATING ACTIVITIES				
Revenue from operating activities				
Premium revenue (note 4)	170.6	136.0	170.6	136.0
Investment revenue including realised and unrealised gains and losses:				
Equity	494.0	495.3	688.8	628.4
Debt	73.6	53.4	106.8	100.1
Property	107.0	55.0	157.6	86.4
Other net investment revenue including realised and unrealised gains and (losses)	(2.4)	(0.1)	1.2	(9.8)
Total investment revenue (note 5)	672.2	603.6	954.4	805.1
Fees	29.7	27.4	29.4	26.6
Commissions	0.5	0.2	1.9	1.8
Amortisation of deferred entry fees	(1.1)	(0.1)	(1.1)	(0.1)
Interest income	-	-	0.4	0.2
Non life insurance operating income	-		11.9	1.7
Total other revenue	29.1	27.5	42.5	30.2
Reinsurance recoveries	28.2	20.0	28.2	20.0
Total revenue	900.1	787.1	1,195.7	991.3

	Company		Consolidated	
	2007	2006	2007	2006
	$m	$m	$m	$m
7. CLAIMS				
Death and disability claims	82.5	73.2	82.5	73.2
Maturities	199.3	116.4	199.3	116.4
Annuities	46.9	35.4	46.9	35.4
Surrenders and terminations	315.8	321.6	315.8	321.6
Policy conversions	138.8	101.5	138.8	101.5
	783.3	648.1	783.3	648.1
Claims recognised as a change in gross policy liabilities (Note 17)	(677.8)	(570.2)	(677.8)	(570.2)
Total claims expense	105.5	77.9	105.5	77.9
Interim & terminal bonuses paid, included in total claims paid or payable	6.4	6.0	6.4	6.0

8. OPERATING EXPENSES

	Company 2007 $m	Company 2006 $m	Consolidated 2007 $m	Consolidated 2006 $m
Policy acquisition expenses:				
commission	14.6	11.7	12.6	10.2
other	44.9	33.8	44.9	33.8
Policy maintenance expenses:				
commission	5.6	5.0	5.6	5.0
other	52.3	51.2	43.3	41.0
Amortisation of deferred acquisition costs	(8.1)	(7.5)	(8.1)	(7.5)
Investment management expenses	16.3	14.1	16.3	14.1
Total administration expenses - life insurance activities	125.6	108.3	114.6	96.6
Amortisation of non-life deferred acquisition costs	(0.9)	(3.1)	(0.9)	(3.1)
Administration expenses - non-life insurance activities	0.1	0.1	25.5	15.5
	124.8	105.3	139.2	109.0

9. OPERATING RESULTS

Profit from operating activities before income tax expense has been arrived at after charging the following items:

	Company 2007 $m	Company 2006 $m	Consolidated 2007 $m	Consolidated 2006 $m
Employee expenses	5.3	4.2	5.3	4.2
Total employee expenses	5.3	4.2	5.3	4.2
Occupancy costs				
Office rental	3.5	3.8	3.5	3.8
Other	1.1	1.1	1.1	1.1
Total occupancy costs	4.6	4.9	4.6	4.9
Other expenses				
Communications	3.7	3.8	3.7	3.8
Technology	2.1	1.7	2.1	1.7
Financial	9.8	5.5	9.8	5.6
Marketing	5.2	4.0	5.2	4.0
Client service charges	3.4	2.3	3.4	2.3
Intra group expenses	74.6	72.4	69.6	67.1
Other	1.1	1.1	1.1	1.1
Total other	99.9	90.8	94.9	85.6

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

10. TAXATION

(a) Income tax expense

	Company		Consolidated	
	2007	2006	2007	2006
	$m	$m	$m	$m
Recognised in the Income Statement				
Current tax expense				
Current year	49.5	36.3	51.4	38.2
Adjustments for prior years	1.4	(0.7)	1.4	(0.7)
	50.9	35.6	52.8	37.5
Deferred tax expense				
Origination and reversal of temporary differences	32.2	39.6	32.2	39.6
Total income tax expense in income statement	83.1	75.2	85.0	77.1
Numerical reconciliation between income tax expense and pre-tax net profit				
Profit before tax	157.0	134.5	163.4	137.8
Income tax using the domestic corporation rate of 30% (2006: 30%)	47.1	40.4	49.0	41.4
Increase in income tax expense due to:				
Imputation gross up on dividends received	0.1	-	0.1	-
Non-deductible expenses	36.4	35.9	36.4	35.9
Decrease in income tax expense due to:				
Intercompany dividend elimination	-	(0.9)	-	-
Income tax offsets and credits	(0.2)	(0.2)	(0.2)	(0.2)
	83.4	75.2	85.3	77.1
Under/(over) provision in prior years	(0.3)	-	(0.3)	-
Income tax expense on pre-tax net profit	83.1	75.2	85.0	77.1

Income tax expense in the income statements includes an amount of $82.9 million (2006: $74.5 million) attributable to the life insurance company statutory funds. The income tax expense is partly determined on a product basis and partly determined on a profit basis. The income tax expense has been determined after aggregating various classes of business, each with different tax rates. The rates of taxation applicable to the taxable income of significant classes of business are as follows:

Class of business	**2007**	**2006**
	%	%
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

10. TAXATION (Continued)

(a) Income tax expense (Continued)

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.

Basis of income tax apportionment

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

(b) Current tax liabilities

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

(c) Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
	$m	$m	$m	$m	$m	$m
Consolidated						
Intangible assets	-	-	14.7	11.9	14.7	11.9
Other investments	-	-	118.2	86.7	118.2	86.7
Deferred revenue	2.5	2.1	-	-	(2.5)	(2.1)
Other	2.3	0.7	-	-	(2.3)	(0.7)
Tax (assets)/liabilities	4.8	2.8	132.9	98.6	128.1	95.8
Set off of tax	(4.8)	(2.8)	(4.8)	(2.8)	-	-
Tax (assets)/liabilities	-	-	128.1	95.8	128.1	95.8
Company						
Intangible assets	-	-	14.7	11.9	14.7	11.9
Other investments	-	-	118.2	86.7	118.2	86.7
Deferred revenue	2.5	2.1	-	-	(2.5)	(2.1)
Other	2.3	0.7	-	-	(2.3)	(0.7)
Tax (assets)/liabilities	4.8	2.8	132.9	98.6	128.1	95.8
Set off of tax	(4.8)	(2.8)	(4.8)	(2.8)	-	-
Tax (assets)/liabilities	-	-	128.1	95.8	128.1	95.8

(d) Tax consolidation

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

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Suncorp-Metway Ltd.

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

11. OTHER FINANCIAL ASSETS

	Company 2007 $m	Company 2006 $m	Consolidated 2007 $m	Consolidated 2006 $m
Equity security investments				
Directly held	-	-	2,979.6	2,534.9
Unit trusts	3,146.7	2,549.6	1,003.9	777.9
Investments in controlled entities	0.1	0.1	-	-
Total equities	3,146.8	2,549.7	3,983.5	3,312.8
Debt security investments				
Interest bearing securities:				
private sector - unsecured	87.9	99.5	1,802.5	1,675.4
public sector	-	-	-	-
semi public sector	-	-	47.5	47.1
Loans and advances:				
- loans on policies	5.1	5.0	5.1	5.0
- non-forfeiture loans	8.0	7.9	8.0	7.9
Unit trusts	1,262.0	1,236.5	452.9	341.1
Total debt	1,363.0	1,348.9	2,316.0	2,076.5
Property investments				
Unit trusts	470.0	382.7	633.0	527.0
Total property	470.0	382.7	633.0	527.0
Other investments	(0.7)	0.1	(0.8)	0.2
Total other financial assets	4,979.1	4,281.4	6,931.7	5,916.5

The investment in controlled entities (excluding controlled unit trusts) is $97,471 (2006: $97,471).

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

Investment assets of the life statutory funds comprising cash, equity securities, debt securities, property securities and other financial assets are held to back investment contract liabilities amounting to $1,902.1 million (2006: $1,558.8 million) and life insurance contract liabilities amounting to $2,879.9 million (2006: $2,347.6 million). Investment assets are traded on a regular basis taking into account the movements in liabilities as well as incoming cash flows.

12. LOANS, ADVANCES AND OTHER RECEIVABLES

	Company 2007 $m	Company 2006 $m	Consolidated 2007 $m	Consolidated 2006 $m
Loans, deposits and advances:				
parent entity	-	1.1	-	1.1
controlled entities of the ultimate parent entity	17.0	5.7	17.0	5.7
controlled entities	1.3	1.6	-	-
	18.3	8.4	17.0	6.8
Reinsurance recoveries receivable	10.0	8.5	10.0	8.5
Investment income accrued	289.4	188.5	251.4	62.0
Other debtors	1.1	1.8	1.2	2.0
	318.8	207.2	279.6	79.3
Expected to be realised within 12 months	318.3	206.5	279.1	78.6
Expected to be realised in more than 12 months	0.5	0.7	0.5	0.7
	318.8	207.2	279.6	79.3

13. DEFERRED ACQUISITION COSTS

	Company 2007 $m	Company 2006 $m	Consolidated 2007 $m	Consolidated 2006 $m
Deferred acquisition costs at beginning of financial year	39.8	7.3	39.8	7.3
Effect of change in accounting policy	-	21.8	-	21.8
Acquisition costs deferred	23.3	20.9	23.3	20.9
Amortisation charged to income statement	(14.2)	(10.2)	(14.2)	(10.2)
Deferred acquisition costs at end of financial year	48.9	39.8	48.9	39.8
Expected to be realised within 12 months	15.2	11.8	15.2	11.8
Expected to be realised in more than 12 months	33.7	28.0	33.7	28.0
	48.9	39.8	48.9	39.8

14. OTHER ASSETS

	Company 2007 $m	Company 2006 $m	Consolidated 2007 $m	Consolidated 2006 $m
Accrued interest	0.1	0.3	16.2	13.6
Other	0.3	0.5	1.9	1.9
	0.4	0.8	18.1	15.5
Expected to be realised within 12 months	0.4	0.8	18.1	15.5
	0.4	0.8	18.1	15.5

15. PAYABLES

	Company 2007 $m	Company 2006 $m	Consolidated 2007 $m	Consolidated 2006 $m
Policy claims in process of settlement	21.0	23.4	21.0	23.4
Sundry creditors and accrued expenses	39.0	27.2	142.5	89.2
Deferred service fees	8.1	7.0	8.1	7.0
Other	6.7	16.9	168.0	48.7
	74.8	74.5	339.6	168.3
Expected to be settled within 12 months	69.1	69.7	333.9	163.5
Expected to be settled in more than 12 months	5.7	4.8	5.7	4.8
	74.8	74.5	339.6	168.3

16. DEPOSITS AND SHORT TERM BORROWINGS

	Company 2007 $m	Company 2006 $m	Consolidated 2007 $m	Consolidated 2006 $m
Unsecured				
parent entity	54.2	38.6	54.3	38.4
controlled entities of the ultimate parent entity	-	0.4	-	0.4
controlled entities	1.4	-	-	-
	55.6	39.0	54.3	38.8
Expected to be settled within 12 months	54.2	39.0	54.3	38.8
Expected to be settled in more than 12 months	1.4		-	-
	55.6	39.0	54.3	38.8

	Company and Consolidated 2007 $m	Company and Consolidated 2006 $m
17. POLICY LIABILITIES		
(A) Policy liabilities		
Gross policy liabilities	4,782.0	3,906.4
Gross policy liabilities ceded under reinsurance	(77.8)	(60.6)
Net policy liabilities	4,704.2	3,845.8
Expected to be realised within 12 months	454.5	371.3
Expected to be realised in more than 12 months	4,327.5	3,535.1
	4,782.0	3,906.4
(B) Life insurance contract policy liabilities		
Gross policy liabilities at the beginning of the year	2,347.6	-
Change in accounting policy	-	2,022.7
	2,347.6	2,022.7
Insurance premiums recognised as a change in gross policy liabilities (Note 4)	606.7	331.3
Claims expense recognised as a change in gross policy liabilities (Note 7)	(375.4)	(312.6)
Increase (decrease) in life insurance contract policy liabilities reflected in the income statement	301.0	306.2
Increase (decrease) in gross policy liabilities	532.3	324.9
Gross policy liabilities at the end of the year	2,879.9	2,347.6
(C) Life investment contract policy liabilities		
Gross policy liabilities at the beginning of the year	1,558.8	-
Change in accounting policy	-	1,267.9
	1,558.8	1,267.9
Life investment contract contributions recognised in policy liabilities (Note 4)	408.8	340.6
Life investment contract withdrawals recognised in policy liabilities (Note 7)	(302.4)	(257.6)
Increase (decrease) in life investment contract policy liabilities reflected in the income statement	236.9	207.9
Increase (decrease) in gross policy liabilities	343.3	290.9
Gross policy liabilities at the end of the year	1,902.1	1,558.8
(D) Gross policy liabilities ceded		
Gross policy liabilities ceded at the beginning of the year	60.6	43.3
Increase (decrease) in gross policy liabilities ceded	17.2	17.3
Gross policy liabilities ceded at the end of the year	77.8	60.6
Expected to be realised within 12 months	3.1	2.4
Expected to be realised in more than 12 months	74.7	58.2
	77.8	60.6
(E) Unvested policyowner benefits liability		
Unvested policyowner benefits at the beginning of the year	270.2	323.5
Increase (decrease) in unvested policyowner benefits	(48.2)	(55.2)
AIFRS adjustment to deferred tax liability	-	1.9
Unvested policyowner benefits at the end of the year	222.0	270.2

17. POLICY LIABILITIES (Continued)

(F) Components of net policy liabilities - insurance contracts

	Current Basis (v)		Previous Basis (iv)
	2007	2006	2007
	$m	$m	$m
Best estimate liability			
Value of future policy benefits (i)	2,254.3	1,956.2	2,485.2
Value of future expenses	249.3	203.6	231.9
Value of unrecouped acquisition expenses	(127.1)	(113.6)	(127.1)
Balance of future premiums	(1,388.2)	(1,209.4)	(1,506.2)
Total best estimate liability	988.3	836.8	1,083.8
Value of future profits			
Policy owner bonuses (ii)	1,222.4	964.7	1,166.1
Shareholder profit margins	405.9	310.2	366.7
Total value of future profits	1,628.3	1,274.9	1,532.8
Total value of declared bonuses (iii)	185.5	175.3	185.5
Total net policy liabilities	2,802.1	2,287.0	2,802.1

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 income statements) 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.

Capital guarantees

Included in life insurance contract liabilities are amounts in respect of contracts with discretionary participation features. The amount of policy liabilities that relates to the guaranteed element of these contracts is $1,250 million.

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

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

18. OUTSIDE BENEFICIAL INTERESTS

	Company		Consolidated	
	2007	2006	2007	2006
	$m	$m	$m	$m
Outside beneficial interests	-	-	1,667.8	1,429.8

Outside beneficial interests represent unitholder funds held and managed in controlled managed investment schemes by parties other than Suncorp Life & Superannuation Limited and presented as a liability in accordance with AASB 132 *Financial Instruments: Disclosure and Presentation.*

19. SHARE CAPITAL

	Company		Consolidated	
	2007	2006	2007	2006
	$m	$m	$m	$m
Issued and paid up capital				
39,000,000 ordinary shares, each fully paid (2006: 39,000,000)	39.0	39.0	39.0	39.0
	39.0	39.0	39.0	39.0

Ordinary Shares

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

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

20. RETAINED PROFITS

	Company		Consolidated	
	2007	2006	2007	2006
	$m	$m	$m	$m
Retained profits at the beginning of the financial year	205.1	223.2	212.0	228.7
Effect of change in accounting policy	-	(34.4)	-	(34.4)
Retained profits at the beginning of the financial year - restated	205.1	188.8	212.0	194.3
Net profit attributable to members of the parent entity	73.9	59.3	78.4	60.7
Dividends paid	(50.0)	(43.0)	(50.0)	(43.0)
Retained profits at the end of the financial year	229.0	205.1	240.4	212.0

21. RECONCILIATION OF MOVEMENT IN CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	Share Capital $m	Retained Profits $m	Total $m	Outside Equity Interests $m	Total equity $m
Balance at 1 July 2006	39.0	212.0	251.0	-	251.0
Effect of change in accounting policy - remeasure	-	-	-	-	-
Effect of change in accounting policy - reclassify	-	-	-	-	-
Balance at 1 July 2006 - restated	39.0	212.0	251.0	-	251.0
Total recognised income and expense	-	78.4	78.4	-	78.4
Dividends to shareholders	-	(50.0)	(50.0)	-	(50.0)
Balance at 30 June 2007	39.0	240.4	279.4	-	279.4

	Share Capital $m	Retained Profits $m	Total $m	Outside Equity Interests $m	Total equity $m
Balance at 1 July 2005	39.0	228.7	267.7	731.2	998.9
Effect of change in accounting policy - remeasure	-	(34.4)	(34.4)	-	(34.4)
Effect of change in accounting policy - reclassify	-	-	-	(731.2)	(731.2)
Balance at 1 July 2005 - restated	39.0	194.3	233.3	-	233.3
Total recognised income and expense	-	60.7	60.7	-	60.7
Dividends to shareholders	-	(43.0)	(43.0)	-	(43.0)
Balance at 30 June 2006	39.0	212.0	251.0	-	251.0

	Company		Consolidated	
	2007	2006	2007	2006
	$m	$m	$m	$m

22. DIVIDENDS

	Company 2007 $m	Company 2006 $m	Consolidated 2007 $m	Consolidated 2006 $m
Ordinary shares:				
Final dividend $1.282 (2006: $1.026) per fully paid share	50.0	40.0	50.0	40.0
Interim dividend $nil (2006: $0.077) per fully paid share	-	3.0	-	3.0
	50.0	43.0	50.0	43.0

Dividends not recognised at year end

In addition to the above dividends, since year end the directors have recommended the payment of a dividend of $61 million ($1.564 per fully paid ordinary share). The aggregate amount of the proposed dividend expected to be paid at a date to be set is not recognised in the balance sheets.

Franking credits

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

23. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Company		Consolidated	
	2007	2006	2007	2006
	$m	$m	$m	$m
Profit for the year	73.9	59.3	78.4	60.7
Classified as investing activities				
Changes in net market value of investments realised and unrealised:				
equity securities	(41.9)	(229.3)	(539.8)	(501.5)
debt securities	12.0	16.8	25.4	18.9
property securities	(61.8)	(40.7)	(107.7)	(42.7)
other securities	0.6	0.2	(0.5)	9.3
Change in assets and liabilities				
Decrease (increase) in:				
Insurance and other recoveries receivable	(18.7)	(16.6)	(18.7)	(16.6)
Premiums outstanding	(3.6)	(1.2)	(3.6)	(1.2)
Interest receivable	(12.1)	(0.1)	(2.7)	5.9
Equity receivables	(75.6)	-	(3.2)	(0.4)
Property income receivable	(11.4)	(12.5)	-	(12.9)
Investment income receivables	(11.3)	(0.2)	(8.6)	(0.2)
Prepayments and deferred expenses	(9.1)	(10.7)	(9.1)	(10.7)
Other debtors	0.9	-	0.8	0.9
Increase (decrease) in:				
Net movement in tax balances	32.3	39.6	32.3	39.6
Premiums in advance	0.4	0.1	0.4	0.1
Claims outstanding	(2.4)	2.4	(2.4)	2.4
Reinsurance premiums paid	(0.7)	1.5	(0.7)	1.5
Policy liabilities	875.6	615.8	875.6	615.8
Policy owner retained profits	(48.2)	(55.2)	(48.2)	(55.2)
Deferred service fee income	1.1	-	1.1	-
Other payables	(10.2)	7.4	119.3	(13.1)
Other liabilities	12.5	5.3	54.0	40.9
Net cash inflow from operating activities	702.3	381.9	442.1	141.5
Reconciliation of cash				
Cash at bank	98.9	36.8	110.5	45.2
Cash deposits and short term securities included in investment assets - Interest bearing securities	67.5	74.0	92.1	99.8
	166.4	110.8	202.6	145.0

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 that use derivative financial instruments. The Risk Management Statement forms the basis of the discussion in this note on derivative financial instruments.

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

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

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

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

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

Where the probability of exercising an option is less than one, a difference arises between notional principal and face value. For the years ended 2007 and 2006, notional principal amounts are equal to face value due to the absence of options in the investment portfolio. However, in future periods options may form part of the investment portfolio resulting in a difference between notional principal and face value amounts.

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

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

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

24. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	Company		Consolidated	
	Notional Principal Amount		Notional Principal Amount	
	2007	2006	2007	2006
	$m	$m	$m	$m
Less than one year	1,384.4	1,022.1	3,852.6	3,174.5
	1,384.4	1,022.1	3,852.6	3,174.5

	Company		Consolidated	
	Face Value	Fair Value	Face Value	Fair Value
2007 Financial year	$m	$m	$m	$m
Forward exchange contracts	64.7	(0.6)	509.2	3.3
Interest rate futures	377.8	(0.3)	2,004.3	(0.8)
Equity futures	941.9	14.9	1,339.1	15.0
	1,384.4	14.0	3,852.6	17.5
2006 Financial year				
Forward exchange contracts	19.4	-	179.5	0.2
Interest rate futures	213.4	(0.7)	1,651.1	(1.0)
Equity futures	789.3	(25.1)	1,343.9	(18.8)
	1,022.1	(25.8)	3,174.5	(19.6)

25. AUDITORS' REMUNERATION

	Company		Consolidated	
	2007	2006	2007	2006
	$	$	$	$
Audit services				
Auditors of the Company - KPMG				
- Audit and review of financial reports	321,000	350,421	398,600	424,171
Other services				
Auditors of the Company - KPMG				
- Other assurance services	58,283	45,700	69,193	56,200
Other auditors				
- Audit and review of financial reports (managed funds)	112,197	70,620	112,197	49,720
Total remuneration	491,480	466,741	579,990	530,091

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

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

26. 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.

Tax Consolidation

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

Litigation

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

Contingent assets

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

Litigation

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

27. SUMMARY OF SHAREHOLDER'S INTERESTS

	Statutory Funds		Shareholder Fund		Total Interests	
	2007	2006	2007	2006	2007	2006
	$m	$m	$m	$m	$m	$m
Operating profit after income tax	72.9	54.2	1.0	5.1	73.9	59.3
Shareholders' retained profits at the beginning of the financial year	143.9	169.5	61.2	53.7	205.1	223.2
Effect of change in accounting policy	-	(34.5)	-	0.1	-	(34.4)
Transfers of profits between funds	(47.9)	(45.3)	47.9	45.3	-	-
Dividends paid	-	-	(50.0)	(43.0)	(50.0)	(43.0)
Shareholders' retained profits at the end of the financial year	168.9	143.9	60.1	61.2	229.0	205.1
Share capital (note 19)	-	-	39.0	39.0	39.0	39.0
Capital transfers to statutory funds	29.8	29.8	(29.8)	(29.8)	-	-
Total shareholder's equity (note 33(C))	198.7	173.7	69.3	70.4	268.0	244.1
Components of shareholder's interests in statutory funds:						
Shareholders' retained profits - participating business	55.5	67.6				
Shareholders' retained profits - non-participating business	113.4	76.3				
Shareholder's capital	29.8	29.8				
	198.7	173.7				

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

28. 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 percent to policy owners and 20 percent to the shareholder.

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

(B) Distribution of retained profits

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

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

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

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

	Policy owners' interests		Shareholder's interests		Total Statutory Funds	
	2007	2006	2007	2006	2007	2006
	$m	$m	$m	$m	$m	$m
(C) Details of operating profits						
Operating profit after income tax	-	-	72.9	54.2	72.9	54.2
Bonuses provided for or paid in the current period:						
interim & terminal bonus on claims paid	6.4	6.0	-	-	6.4	6.0
declared bonus on in force policies	185.5	175.3	-	-	185.5	175.3
Decrease in policy owner retained profits	(48.2)	(55.2)	-	-	(48.2)	(55.2)
Life Act operating profit after income tax	143.7	126.1	72.9	54.2	216.6	180.3
Sources of the operating profit:						
From non-investment linked business:						
participating business	143.7	126.1	35.9	31.6	179.6	157.7
non-participating business	-	-	26.1	14.7	26.1	14.7
From investment linked business:						
non-participating business	-	-	10.9	7.9	10.9	7.9
	143.7	126.1	72.9	54.2	216.6	180.3

28. RECONCILIATION TO LIFE ACT OPERATING PROFIT & RETAINED PROFITS OF STATUTORY FUNDS (Continued)

(D) Details of retained profits

	Policy owners' interests		Shareholder's interests		Total Statutory Funds	
	2007 $m	2006 $m	2007 $m	2006 $m	2007 $m	2006 $m
Retained profits at the beginning of the financial year	-	-	143.9	169.5	143.9	169.5
Liability for unvested policyowner benefits (note 17)	270.2	323.5	-	-	270.2	323.5
Life Act retained profits at the beginning of the financial year	270.2	323.5	143.9	169.5	414.1	493.0
Life Act operating profit after income tax	143.7	126.1	72.9	54.2	216.6	180.3
Effect of change in accounting policy	-	1.9	-	(34.5)	-	(32.6)
Transfer to shareholder's fund from participating business (note 27)	-	-	(47.9)	(45.3)	(47.9)	(45.3)
Provision for bonuses to participating policy owners'	(191.9)	(181.3)	-	-	(191.9)	(181.3)
Life Act retained profits at the end of the financial year	222.0	270.2	168.9	143.9	390.9	414.1
Policy owner retained profits at the end of the financial year	(222.0)	(270.2)	-	-	(222.0)	(270.2)
Retained profits at the end of the financial year	-	-	168.9	143.9	168.9	143.9
Components of Life Act retained profits at the end of the financial year:						
Policy owners' interests	222.0	270.2	-	-	222.0	270.2
Shareholder's interests in participating business	-	-	55.5	67.6	55.5	67.6
Shareholder's interests in non-participating business	-	-	113.4	76.3	113.4	76.3
	222.0	270.2	168.9	143.9	390.9	414.1

29. 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	
		2007 $m	2006 $m	2007 $m	2006 $m	2007 $m	2006 $m
Solvency requirement	'A'	3,022.6	2,420.2	1,968.1	1,604.7	4,990.7	4,024.9
Represented by:							
Minimum termination value		2,334.6	1,909.2	1,885.8	1,544.7	4,220.4	3,453.9
Other liabilities		246.2	209.7	51.9	40.4	298.1	250.1
Solvency reserve	'B'	441.8	301.3	30.4	19.6	472.2	320.9
		3,022.6	2,420.2	1,968.1	1,604.7	4,990.7	4,024.9
Assets available for solvency reserve	'C'	898.4	764.2	83.9	71.5	982.3	835.7
Comprising:							
Excess of gross policy liabilities (includes owner bonuses) over minimum termination value		546.9	378.7	14.7	13.2	561.6	391.9
Net assets		129.5	115.3	69.2	58.3	198.7	173.6
Liability for policy owner retained profits at end of year		222.0	270.2	-	-	222.0	270.2
		898.4	764.2	83.9	71.5	982.3	835.7
Solvency reserve %	**(B/(A-B)) x 100**	17.1%	14.2%	1.6%	1.2%	10.5%	8.7%
Coverage of solvency reserve	**C/B**	2.0	2.5	2.8	3.6	2.1	2.6

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.

	Life Insurance Contracts 2007 $m	Investment Linked Contracts 2007 $m	Other Life Investment Contracts 2007 $m	Total 2007 $m	Total 2006 $m
30. STATEMENT OF SOURCES OF OPERATING PROFIT					
Life Act shareholder's profit in the statutory funds					
The shareholder's operating profit after income tax in the statutory funds is represented by:					
Investment earnings on shareholder's retained profits and capital	13.9	5.7	-	19.6	18.4
Emergence of shareholder's planned profits	36.6	-	-	36.6	29.1
Experience profit (loss)	11.5	-	0.1	11.6	2.9
(Losses Capitalised)/Reversal of capitalised loss	-	-	-	-	0.5
Management services profit	-	5.1	-	5.1	3.3
Life Act shareholders' operating profit after income tax	62.0	10.8	0.1	72.9	54.2
Cumulative losses carried forward at the end of the financial year	1.4	-	-	1.4	1.4
Life Act policy owners' operating profit in the statutory funds					
The Life Act policy owners' operating profit after income tax in the statutory funds is represented by:					
Investment earnings on retained profits	28.1	-	-	28.1	35.1
Emergence of policy owner planned profits	124.0	-	-	124.0	94.9
Experience profit/(loss)	(8.4)	-	-	(8.4)	(3.9)
Life Act policy owners' operating profit after income tax	143.7	-	-	143.7	126.1

31. DISCLOSURES ON ASSET RESTRICTIONS, MANAGED ASSETS AND TRUSTEE ACTIVITIES

Restrictions on assets

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

Restrictions on managed investment schemes' funds

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

Trustee activities

Suncorp Superannuation Pty Ltd, a controlled entity of the Company, acts as licensed 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 from the life operations of the Company.

32. SEGMENT INFORMATION

	Consolidated 2007 $m	Consolidated 2006 $m
Total revenue (note 6)		
Life insurance activities	900.1	787.1
Non-life insurance activities	1,359.7	1,060.5
Elimination of controlled entities	(1,064.1)	(856.3)
	1,195.7	991.3
Operating profit before income tax		
Life insurance activities	157.0	134.5
Non-life insurance activities	6.4	6.3
Elimination of controlled entities	-	(3.0)
	163.4	137.8
Assets		
Life insurance activities	5,533.7	4,632.8
Non-life insurance activities	7,042.7	5,874.6
Elimination of controlled entities	(5,100.0)	(4,344.3)
	7,476.4	6,163.1

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.

33. 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	
No: 1 Statutory Fund		
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
No: 2 Statutory Fund		
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.

33. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

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

	Non-Investment Linked Statutory Fund No 1 $m	Investment Linked Statutory Fund No 2 $m	Total Statutory Funds $m	Shareholder Fund $m
Premium revenue	167.7	2.9	170.6	-
Outwards reinsurance expense	(40.3)	-	(40.3)	-
	127.4	2.9	130.3	-
Investment revenue	379.7	287.5	667.2	5.0
Other revenue	14.4	(0.7)	13.7	15.4
Total revenue	521.5	289.7	811.2	20.4
Claims expense	(105.5)	-	(105.5)	-
Reinsurance recoveries	28.2	-	28.2	-
	(77.3)	-	(77.3)	-
Operating expenses	(80.6)	(25.0)	(105.6)	(19.2)
Increase in net insurance contract liabilities	(283.8)	-	(283.8)	-
Increase in investment contract liabilities	(0.6)	(236.3)	(236.9)	-
(Increase) in policy owner retained profits	48.2	-	48.2	-
Total operating expenses	(394.1)	(261.3)	(655.4)	(19.2)
Operating profit (loss) before income tax	127.4	28.4	155.8	1.2
Income tax expense	(65.4)	(17.5)	(82.9)	(0.2)
Profit from ordinary activities after income tax	62.0	10.9	72.9	1.0

33. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

(B) Abbreviated Income Statement at fund and category level for the year ended 30 June 2006

	Non-Investment Linked Statutory Fund No 1 $m	Investment Linked Statutory Fund No 2 $m	Total Statutory Funds $m	Shareholder Fund $m
Premium revenue	133.7	2.3	136.0	-
Outwards reinsurance expense	(27.8)	-	(27.8)	-
	105.9	2.3	108.2	-
Investment revenue	344.5	251.2	595.7	7.9
Other revenue	10.8	-	10.8	16.7
Total revenue	461.2	253.5	714.7	24.6
Claims expense	(77.9)	-	(77.9)	-
Reinsurance recoveries	20.0	-	20.0	-
	(57.9)	-	(57.9)	-
Operating expenses	(67.6)	(18.9)	(86.5)	(18.8)
Increase in net insurance contract liabilities	(288.9)	-	(288.9)	
Increase in investment contract liabilities	-	(207.9)	(207.9)	-
(Increase) in policy owner retained profits	55.2	-	55.2	-
Total operating expenses	(359.2)	(226.8)	(586.0)	(18.8)
Operating profit (loss) before income tax	102.0	26.7	128.7	5.8
Income tax expense	(55.7)	(18.8)	(74.5)	(0.7)
Profit from ordinary activities after income tax	46.3	7.9	54.2	5.1

33. STATUTORY FUNDS SEGMENT INFORMATION (Continued)

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

	Non-Investment Linked Statutory Fund No 1 $m	Investment Linked Statutory Fund No 2 $m	Total Statutory Funds $m	Shareholder Fund $m
Unit trusts	3,121.6	1,844.6	4,966.2	12.9
Total investment assets	3,121.6	1,844.6	4,966.2	12.9
Policy liabilities ceded	77.8	-	77.8	-
Other assets	279.8	177.0	456.8	87.9
TOTAL ASSETS	3,479.2	2,021.6	5,500.8	100.8
Gross policy liabilities	2,881.5	1,900.5	4,782.0	-
Policy owner retained profits	222.0	-	222.0	-
Other liabilities	246.2	51.9	298.1	31.5
TOTAL LIABILITIES	3,349.7	1,952.4	5,302.1	31.5
NET ASSETS	129.5	69.2	198.7	69.3
Share capital	-	-	-	39.0
Capital transfers	5.2	24.6	29.8	(29.8)
Retained profits	124.3	44.6	168.9	60.1
TOTAL EQUITY	129.5	69.2	198.7	69.3

(C) Abbreviated Balance Sheet at fund and category level for the year ended 30 June 2006

	Non-Investment Linked Statutory Fund No 1 $m	Investment Linked Statutory Fund No 2 $m	Total Statutory Funds $m	Shareholder Fund $m
Unit trusts	2,713.7	1,551.8	4,265.5	15.9
Total investment assets	2,713.7	1,551.8	4,265.5	15.9
Policy liabilities ceded	60.6	-	60.6	-
Other assets	169.4	104.8	274.2	78.4
TOTAL ASSETS	2,943.7	1,656.6	4,600.3	94.3
Gross policy liabilities	2,348.5	1,557.9	3,906.4	-
Policy owner retained profits	270.2	-	270.2	-
Other liabilities	209.6	40.4	250.0	23.9
TOTAL LIABILITIES	2,828.3	1,598.3	4,426.6	23.9
NET ASSETS	115.4	58.3	173.7	70.4
Share capital	-	-	-	39.0
Capital transfers	5.2	24.6	29.8	(29.8)
Retained profits	110.2	33.7	143.9	61.2
TOTAL EQUITY	115.4	58.3	173.7	70.4

34. CONTROLLED ENTITIES

	Country of Incorporation	Class of Share	2007 %	2006 %
Suncorp Life & Superannuation Limited	Australia	Ordinary		
Subsidiaries [1]				
SIP Super Pty Ltd	Australia	Ordinary	100	100
Suncorp Financial Services Pty Ltd	Australia	Ordinary	100	100
Suncorp Superannuation Pty Ltd	Australia	Ordinary	100	100

Managed Investment Schemes

The consolidated entity had recognised control for the following during the year ended 30 June 2006 and control continues to be recognised:

	2007 %	2006 %
Suncorp Investment Management Global Macro Tactical Asset Allocation Trust (gained control 15 December 2005) [2]	65	64
Suncorp Investment Management Australian Property Trust (gained control 1 January 2006) [3]	75	69
Suncorp Investment Management Australian Equities Trust [4]	74	75
Suncorp Investment Management Australian Fixed Interest Trust	90	89
Suncorp Investment Management World Equities Trust [5]	63	67
Suncorp Investment Management Australian Cash Trust [6]	76	71
Suncorp Investment Management World Fixed Interest Trust	92	92
Controlled entities of Suncorp Investment Management World Fixed Interest Trust		
- Suncorp Investment Management Mortgage Backed Trust	88	87

Control is deemed to exist where the Company owns at least 75% of the issued units. Control is recognised at the Suncorp-Metway Limited group level where ownership is between 50% and 75% and a Group subsidiary (Suncorp Metway Investment Management Limited) is the responsible entity. Suncorp Life and Superannuation Limited holds a 54.52% interest in the Suncorp Investment Management Imputation Trust. This trust has been consolidated at Group level.

Notes

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

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

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

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

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

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

35. RELATED PARTIES

Key management personnel compensation

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

	Company		Consolidated	
	2007	2006	2007	2006
	$	$	$	$
Short-term employee benefits	18,620,419	10,973,188	18,620,419	10,973,188
Long-term employee benefits	106,953	(833)	106,953	(833)
Post-employment benefits	526,210	138,085	526,210	138,085
Termination benefits	1,225,000	-	1,225,000	-
Equity compensation benefits	7,315,349	3,783,015	7,315,349	3,783,015
	27,793,931	14,893,455	27,793,931	14,893,455

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

Other key management personnel transactions

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

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

Identity of related parties

The consolidated entity has a related party relationship with its subsidiaries (see note 34), its key management personnel (refer to disclosures for key management personnel on preceding pages) and other entities within the wholly-owned group (which consists of Suncorp-Metway Ltd and its wholly owned and controlled entities). The immediate parent entity and the ultimate parent entity in the wholly-owned group is Suncorp-Metway Ltd.

Other related parties

Key management personnel related parties

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

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

Mr John D Story was, up until 30 June 2006, a partner of Corrs Chambers Westgarth Lawyers, which from time to time rendered legal services to the Company in the ordinary course of business. Fees paid to the firm during the financial year amounted to $11,865 (2006: $49,666). The amount currently payable to Corrs Chambers Westgarth Lawyers at balance date was nil.

Mr Martin D E Kriewaldt provided advice to Aon Holdings Australian Limited and Allens Arthur Robinson Lawyers. Those firms provided insurance brokerage and legal services respectively, to the Suncorp Group. These services are provided under normal terms and conditions.

35. RELATED PARTIES (Continued)

Other related party transactions

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

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

	Company 2007 $m	Company 2006 $m
Distribution fee income:		
controlled entities	(1.4)	(1.1)
	(1.4)	(1.1)
Management fee income:		
controlled entities	(1.2)	(2.1)
controlled entities of the parent entity	(14.1)	(12.6)
distributions from controlled unit trusts	(577.7)	(357.7)
	(593.0)	(372.4)
Administration expenses:		
parent entity	53.1	51.7
controlled entity	5.0	5.3
controlled entities of the parent entity	19.2	15.4
	77.3	72.4
Investment expenses:		
parent entity	0.9	-
	0.9	-
Dividends paid or due and payable		
controlled entity	-	3.0
	-	3.0

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

	Company 2007 $m	Company 2006 $m
Loans, advances and other receivables:		
parent entity (note 12)	-	1.1
controlled entities of the ultimate parent entity (note 12)	17.0	5.7
controlled entities (note 12)	1.3	1.6
controlled unit trusts - distributions receivable	278.3	181.6
	296.6	190.0
Deposits and short term borrowings:		
parent entity (note 16)	21.2	15.8
parent entity - transfer of provision of current income tax under tax sharing agreement (note 16)	33.0	22.8
controlled entities of the ultimate parent entity (note 16)	-	0.4
controlled entities (note 16)	1.4	-
	55.6	39.0

36. SUBSEQUENT EVENTS

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

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

(a) the financial statements and notes, set out on pages 5 to 60, are in accordance with the Corporations Act 2001, including:

i. giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2007 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 Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of the Directors.

John D Story
Chairman

John F Mulcahy
Managing Director

Brisbane
27 August 2007

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 2007

Report on the financial report

We have audited the accompanying financial report of Suncorp Life and Superannuation Limited ("the Company"), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of recognised income and expense, and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 36, and the directors' declaration set out on pages 5 to 61 of the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Auditor's opinion

In our opinion:

a) the financial report of Suncorp Life & Superannuation Limited is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2007 and of their performance for the financial year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

KPMG

Dr Andries B Terblanché
Partner

Brisbane
27 August 2007