

Suncorp Life and Superannuation Limited

and subsidiaries

ABN 87 073 979 530

CONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

Registered Office

Level 18

36 Wickham Terrace

Brisbane Qld 4000

Mailing address: GPO Box 1453, Brisbane Qld 4001

Telephone: (07) 3835 5355

Fax: (07) 3836 1190

Internet: www.suncorp.com.au

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Your directors present their report together with the financial report for Suncorp Life & Superannuation Limited ("the Company") and the consolidated entity consisting of Suncorp Life & Superannuation Limited and its controlled entities ("the consolidated entity") for the year ended 30 June 2009.

Directors

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

Non-executive

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

Executive

John F Mulcahy	(appointed 6 January 2003, resigned 2 March 2009)
Christopher Skilton (Executive Director)	(appointed 13 November 2002)

Principal activities

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

Operating and financial review

Overview of the Company

Consolidated profit from ordinary activities after income tax attributable to equity holders of the parent for the year ended 30 June 2009 was \$56.2 million (2008: \$67.8 million). Current year profit was impacted by the downturn in investment markets.

Premiums for the year were \$1,035.5 million (2008: \$1,183.6 million), which included \$320.0 million (2008: \$271.7 million) of policy conversions transferring between statutory funds. The decrease in premiums is due to the decline in investment savings generally as a result of the current economic conditions.

Total consolidated assets decreased from \$6,061.7 million to \$4,652.4 million largely due to a decrease in investment values.

The financial strength of our business is reflected by the coverage of the Solvency Reserve, based on the Solvency Requirement as prescribed by APRA's Prudential Standard LPS 2.04. The coverage of the Solvency Reserve for the statutory funds of 2.7 times at 30 June 2009 (2008: 2.7 times) has been maintained throughout the year.

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

Operating and financial review (continued)

Significant changes in state of affairs

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

Environmental regulation

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

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

Dividends

During the year the directors recommended the payment of dividends as follows:

A 2008 final dividend of \$0.179 per ordinary share (2007: \$1.564), amounting to \$7.0 million (2007: \$61.0 million).

A 2009 interim dividend of \$0.191 per ordinary share (2008: \$nil), amounting to \$7.4 million (2008: \$nil).

The amount of the interim dividend is to be paid at a date to be set.

Events subsequent to reporting date

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

Likely developments

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

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

Directors' interests

Directors' benefits are set out in note 36.

Indemnification and insurance of officers

Indemnification

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

Insurance premiums

Since the end of the previous financial year the ultimate parent entity of the Company has paid insurance premiums in respect of a directors' and officers' liability insurance contract. The contract insures each person who is or has been a Director or executive officer (as defined in the *Corporations Act 2001*) of the Company against certain liabilities arising in the course of their duties to the Company. The Directors have not included details of the nature of the liabilities covered or the amount of premium paid in respect of the insurance contract as disclosure is prohibited under the terms of the contract.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for the year ended 30 June 2009.

Rounding off

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

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



John D Story
Chairman



Christopher Skilton
Executive Director

Brisbane
25 August 2009



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

To: the directors of 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 2009 there have been:

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

KPMB

KPMG

A handwritten signature in black ink, appearing to read 'A. Terblanché'.

Dr Andries B Terblanché
Partner

Brisbane
25 August 2009

Suncorp Life and Superannuation Limited

ABN 87 073 979 530

Consolidated financial report

30 June 2009

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	Note	Company		Consolidated	
		2009 \$m	2008 \$m	2009 \$m	2008 \$m
Assets					
Cash and cash equivalents	13	36.8	16.2	42.0	19.7
Outstanding premiums		12.2	12.7	12.2	12.7
Other financial assets					
Equity security investments	14	1,478.3	1,974.5	1,854.3	2,150.0
Debt security investments	14	2,012.0	2,378.5	2,143.4	3,312.6
Property investments	14	157.1	271.1	193.2	341.7
Other investments	14	165.7	(0.3)	167.8	0.3
Loans, advances and other receivables	15	86.5	104.3	68.5	76.7
Gross policy liabilities ceded under reinsurance	20(d)	84.3	78.1	84.3	78.1
Deferred acquisition costs	16	41.0	50.5	41.0	50.5
Deferred tax assets	12	33.8	-	33.8	-
Other assets	17	2.2	0.7	11.9	19.4
Total assets		4,109.9	4,886.3	4,652.4	6,061.7
Liabilities					
Payables and other liabilities	18	63.5	77.0	76.6	100.5
Premiums in advance		3.2	3.3	3.2	3.3
Deposits and short term borrowings	19	30.7	70.0	30.8	68.3
Deferred tax liabilities	12	-	17.1	-	17.1
Gross insurance contract liabilities	20(b)	1,904.3	2,553.2	1,904.3	2,553.2
Gross investment contract liabilities	20(c)	1,400.2	1,591.0	1,400.2	1,591.0
Unvested policy owner benefits	20(e)	380.3	296.9	380.3	296.9
Managed fund units on issue	21	-	-	529.0	1,145.2
Total liabilities		3,782.2	4,608.5	4,324.4	5,775.5
Net assets		327.7	277.8	328.0	286.2
Equity					
Parent entity interest					
Share capital	22	39.0	39.0	39.0	39.0
Shareholder's retained profits	22	288.7	238.8	289.0	247.2
Total equity		327.7	277.8	328.0	286.2

The balance sheets are to be read in conjunction with the accompanying notes.

Suncorp Life & Superannuation Limited
Income statements
for the year ended 30 June 2009

	Note	Company		Consolidated	
		2009 \$m	2008 \$m	2009 \$m	2008 \$m
Revenue					
Premium revenue	6	220.5	224.7	220.5	224.7
Outwards reinsurance premium expense		(47.4)	(46.0)	(47.4)	(46.0)
		173.1	178.7	173.1	178.7
Investment revenue	7	(348.4)	(386.5)	(441.1)	(558.4)
Other revenue	8	33.7	41.3	51.5	37.2
		(141.6)	(166.5)	(216.5)	(342.5)
Expenses					
Claims expense	9	(145.8)	(119.9)	(145.8)	(119.9)
Reinsurance recoveries revenue	8	33.6	30.2	33.6	30.2
		(112.2)	(89.7)	(112.2)	(89.7)
Operating expenses	10	(107.6)	(142.3)	(110.5)	(161.5)
Decrease (Increase) in net insurance contract liabilities	20(b),(d)	280.1	256.2	280.1	256.2
Decrease (Increase) in investment contract liabilities	20(c)	188.3	237.3	188.3	237.3
(Increase) Decrease in unvested policy owner benefits	20(e)	(83.4)	(74.9)	(83.4)	(74.9)
Outside beneficial interests in managed funds		-	-	70.7	193.9
		165.2	186.6	233.0	361.3
Profit before tax					
		23.6	20.1	16.5	18.8
Income tax credit (expense)	12	40.7	50.7	39.7	49.0
Profit for the year		64.3	70.8	56.2	67.8
Attributable to:					
Equity holders of the company	22	64.3	70.8	56.2	67.8
Profit for the year		64.3	70.8	56.2	67.8

The income statements are to be read in conjunction with the accompanying notes.

Suncorp Life & Superannuation Limited
Statements of recognised income and expense
for the year ended 30 June 2009

	Company		Consolidated	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Profit for the year	64.3	70.8	56.2	67.8
Total recognised income and expense for the year	64.3	70.8	56.2	67.8
Total recognised income and expense for the year attributable to:				
Equity holders of the Company	64.3	70.8	56.2	67.8
Total recognised income and expense for the year	64.3	70.8	56.2	67.8

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

Suncorp Life & Superannuation Limited
Statements of cash flows
for the year ended 30 June 2009

	Note	Company		Consolidated	
		2009 \$m	2008 \$m	2009 \$m	2008 \$m
Cash flows from operating activities					
Premiums received		714.7	902.6	714.7	902.6
Fee income received		32.8	46.4	33.0	46.4
Other operating income received (paid)		1.2	0.8	18.8	(3.3)
Reinsurance premiums paid		(43.8)	(45.6)	(43.8)	(45.6)
Claims payments under policies		(1,022.0)	(951.2)	(1,022.0)	(951.2)
Reinsurance and other recoveries received		29.2	28.9	29.2	28.9
Operating expenses paid		(104.7)	(145.8)	(54.6)	(224.0)
Interest received		60.0	115.9	73.4	167.1
Equity distributions received		179.6	326.6	164.1	134.9
Property income received		6.4	66.4	23.9	42.8
Other investments (paid) received		(7.3)	(0.9)	(2.5)	3.1
Tax paid		(41.9)	(53.7)	(43.2)	(55.3)
Net cash (outflow) inflow from operating activities	24	(195.8)	290.4	(109.0)	46.4
Cash flows from investing activities					
Payments for purchase of investments		(4,765.4)	(4,140.5)	(11,057.6)	(11,721.9)
Proceeds from disposal of investments		5,006.5	3,887.6	11,807.4	12,319.5
Net (decrease) increase in loans, advances and other receivables		0.4	(4.0)	4.3	(4.3)
Net cash (outflow) inflow from investing activities		241.5	(256.9)	754.1	593.3
Cash flows from financing activities					
Net decrease in deposits and other borrowings		(3.1)	(0.5)	(617.2)	(617.2)
Dividends paid		(14.4)	(61.0)	(14.4)	(61.0)
Net cash outflow from financing activities		(17.5)	(61.5)	(631.6)	(678.2)
Net increase (decrease) in cash and cash equivalents		28.2	(28.0)	13.5	(38.5)
Cash at beginning of the financial year		138.4	166.4	164.1	202.6
Cash at the end of the financial year	24	166.6	138.4	177.6	164.1

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

1. Reporting entity

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

2. Basis of preparation

(a) Statement of compliance

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

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

(b) Basis of measurement

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

(c) Liquidity

The balance sheet is prepared using a liquidity format in which the assets and liabilities are presented broadly in order of liquidity. The assets and liabilities comprise both current amounts (expected to be recovered or settled within 12 months after the reporting date) and non-current amounts (expected to be recovered or settled more than 12 months after the reporting date). For those assets and liabilities that comprise both current and non-current amounts, information regarding expected settlement or recoverability is included with the relevant notes to the financial statements.

(d) Functional and presentation currency

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

(e) Rounding

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

(f) Use of estimates and judgements

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

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

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

(i) Insurance contract liabilities

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

2. Basis of preparation (continued)

(f) Use of estimates and judgements (continued)

(i) Insurance contract liabilities (continued)

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 policyowner 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 4.

(ii) Assets arising from reinsurance contracts

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

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

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

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

3. Significant accounting policies

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

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

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

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

- AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting in AASB 114 *Segment Reporting*. It will require the disclosure of segment information based on the internal management structure. AASB 8 becomes mandatory for the consolidated entity's 30 June 2010 financial statements and will primarily impact disclosures. The consolidated entity has not yet determined the potential effect of the new standard on the consolidated entity's disclosures.
- Revised AASB 101 *Presentation of Financial Statements* introduces the term "total comprehensive income", which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single "statement of comprehensive income" (effectively combining both the income statement and all non-owner changes in equity in a single statement) or in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the consolidated entity's

3. Significant accounting policies (continued)

30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The consolidated entity has not yet determined which presentation it will adopt.

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. This standard will impact any business combination undertaken from 1 July 2009.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the re-measurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the revised standard on its financial report.
- AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation* changes the classification of some debt instruments to equity instruments. It becomes mandatory for the consolidated entity's 30 June 2010 financial statements, with retrospective application required. The adoption of this amendment is not expected to have a material impact on the consolidated entity.
- AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement of dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the consolidated entity's 30 June 2010 financial statements and will affect the accounting treatment of dividends received from subsidiaries and any restructures occurring after 1 July 2009.
- AASB 2008-8 *Amendments to Australian Accounting Standards – Eligible Hedged Items* clarifies the effect of using options as hedging instruments and the circumstances in which inflation risk can be hedged. The amendments become mandatory for the consolidated entity's 30 June 2010 financial statements with retrospective application. The adoption of this amendment is not expected to have an impact on the consolidated entity.

(a) Principles underlying conduct of the life insurance business

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

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

Insurance contract business relates to the transfer of significant insurance risks from the policyowner to compensate the policyowner if a specified uncertain future event adversely affects the policyowner. 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 policyowner 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 policyowners 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.

3. Significant accounting policies (continued)

(a) Principles underlying conduct of the life insurance business (continued)

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

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

(b) Principles of consolidation

(i) Subsidiaries

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

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

(ii) Transactions eliminated on consolidation

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

(iii) Managed funds units on issue

Where the Company has controlling interests in managed funds, the total amount of each underlying asset and liability of the controlled entities is recognised in the consolidated balance sheet. When a controlled unit trust, in which the units have been classified as debt in accordance with AASB 132 *Financial Instruments: Presentation*, is consolidated, the share of the unitholder liability attributable to the Company is eliminated but amounts due to external unitholders remain as liabilities in the consolidated balance sheet. "Managed funds units on issue" represents the liability to minority interest unitholders in funds which have been consolidated by the Company.

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

(c) Foreign currency

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

(d) Derivative financial instruments

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

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

3. Significant accounting policies (continued)

(d) Derivative financial instruments (continued)

Derivative financial instruments are initially recognised at trade date at fair value excluding transaction costs and are subsequently remeasured at their fair value as at the reporting date. Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

(e) Cash and cash equivalents

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

(f) Financial assets

A financial asset is recognised on the balance sheet when the consolidated entity becomes a party to the contractual provisions of the instrument.

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

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

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

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

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

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

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

Financial assets held within the shareholder fund and subsidiaries do not back life insurance liabilities or life investment liabilities, and include investment securities and loans and other receivables.

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

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

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

(g) Deferred acquisition costs

Acquisition costs that are available for deferral on life insurance 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.

Acquisition costs that are available for deferral on life investment contracts are the incremental variable distribution costs incurred when acquiring new business. Incremental acquisition costs are deferred and recognised as an asset in the balance sheets. The amount of the deferred acquisition costs is 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.

3. Significant accounting policies (continued)

(h) Impairment

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

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

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

(i) Calculation of recoverable amount

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

(ii) Reversal of impairment

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

(i) Financial liabilities

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

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

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

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

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

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

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

(ii) Financial liabilities at amortised cost

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

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

(iii) Other liabilities

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

3. Significant accounting policies (continued)

(j) Deferred revenue

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

(k) Provisions

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

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

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

(l) Policy liabilities

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

The life insurance policy liability valuation determines the capital and retained profits of the statutory funds and the shareholder fund. The components for life insurance contracts and life investment contracts are reported on the balance sheets as gross policy liabilities, policy liabilities ceded to reinsurers and unvested policyowner 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 expected 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 policyowner (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, claims, 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 policyowner profit sharing entitlement is treated as an expense in the income statements.

3. Significant accounting policies (continued)

(l) Policy liabilities (continued)

(i) Insurance contracts (continued)

Allocation of operating profit and unvested policyowner benefits

The operating profit arising from discretionary participating contracts is allocated between shareholders and participating policyowners by applying the MoS principles in accordance with the *Life Act*.

Once profit is allocated to participating policyowners it can only be distributed to these policyowners. Profit allocated to participating policyowners 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 policyowners (ie unvested), and that which has been allocated to specific policyowners by way of bonus distributions (ie vested), are included within life insurance contract liabilities.

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

(ii) Investment contracts

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

(iii) Liability adequacy test

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

(m) Unvested policyowner benefits

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

(n) Share capital

Ordinary shares are classified as equity.

(i) Dividends

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

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

(o) 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, and the amount can be reliably estimated, 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.

(p) Commitments

Commitments are not recorded in the balance sheets but are disclosed in the financial report at their face value.

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

3. Significant accounting policies (continued)

(q) Revenue

(i) Life insurance premium revenue

Premiums received are separated into their revenue and liability components. The premium recorded as revenue in the income statements relates to life insurance contracts. The components of premium that relate to life investment contracts are in the nature of deposits and are recognised as a movement in policy liabilities.

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

(ii) Life insurance reinsurance and other recoveries revenue:

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

(iii) Investment revenue

Investment revenue and expenses

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

Interest

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

Dividends

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

(iv) Fees and other revenue

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

Life investment contracts consist of a financial instrument and a management services element. The payment by the policyowner includes the amount to fund the financial instrument and an entry fee for the origination of the contract. Entry fees from investment contracts are deferred and recognised over the average expected life of investment contracts. Deferred entry fees are presented as "payables and other liabilities" on the balance sheets. The financial instrument is classified as an investment contract and is measured at fair value (see note 3(l)).

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

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

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

(r) Acquisition costs

(i) Life insurance contracts

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

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

Acquisition losses are recognised at inception in the income statements.

(ii) Life investment contracts

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

3. Significant accounting policies (continued)

(s) Claims expense

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

(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.

(ii) Life investment contracts

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

(t) Outwards reinsurance premium expense

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

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

(u) Basis of expense apportionment

Expenses are incurred in relation to the acquisition and maintenance of life insurance and life investment contracts, in addition to expenses incurred with respect to investment management and other administrative activities.

Expenses have been apportioned in accordance with Division 2 of Part 6 of the *Life Act*.

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. Where allocation is not feasible between the disclosure categories, expenses have been allocated as maintenance expenses. 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. 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 APRA Prudential Standard LPS 1.04: *Valuation of Policy Liabilities*.

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

(v) Income tax

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

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

The principal temporary differences arise from revaluation of certain assets and liabilities, including derivative contracts, and tax losses carried forward. The rates enacted or substantially enacted at the balance sheet date are used to determine deferred income tax.

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

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

3. Significant accounting policies (continued)

(v) Income tax (continued)

(i) Tax consolidations

The Company and its wholly-owned subsidiaries are wholly-owned subsidiaries in a tax-consolidated group, with Suncorp-Metway Ltd as the head entity.

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

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

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

(w) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. 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 taxation authority 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 taxation authority are classified as operating cash flows.

(x) Changes in accounting estimates and errors

(i) Changes in accounting estimates

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

(ii) Errors

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

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

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

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

4. Summary of significant actuarial methods and assumptions

Policy liabilities

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

The effective date of the actuarial report on policy liabilities and solvency reserves is 30 June 2009. The actuarial report was prepared by Mr Rowan Ward, Appointed Actuary BSc FIAA, and indicates that the Appointed Actuary is satisfied as to the accuracy of the data upon which policy liabilities have been determined.

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

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

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

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

Business Type	Method	Profit Carrier
<i>Individual</i>		
Conventional	Projection	Participating business – bonuses Non-participating business – expected claim payments
Investment account	Projection	Interest credits
Allocated pension	Projection	Interest credits
Lump sum risk	Projection	Expected claim payments (expected premiums for Trauma business)
Disability income	Projection	Expected claim payments
Annuity	Projection	Annuity payments
<i>Group</i>		
Investment account	Projection	Interest credits
Lump sum risk	Accumulation	-
Disability income	Accumulation	-

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

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

Assumption	Basis of assumption	Significant changes since 2008
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 6.9% (2008: 6.6%) to 7.4% (2008: 8.3%). 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 3.0% and 6.0% (2008: 6.4% and 7.0%).	Changes have been made to the assumed earnings rates by asset class.

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

Policy liabilities (continued)

Assumption	Basis of assumption	Significant changes since 2008
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.	No changes in approach.
Inflation	The inflation assumption is reviewed at each valuation. For this valuation 3.0%pa (2008: 3.0%pa) was assumed, taking into account the difference between long-term government bonds and indexed government bonds for Australia.	None.
Benefit indexation	Where the increase in future benefits increases in line with inflation, the Company has used an assumption of 3.0%pa (2008: 3.0%pa).	None.
Voluntary discontinuance	Rates are based upon recent internal investigations and industry experience. Rates may vary by product, class of business, policy value, age and duration in force. Allowance is also made for cash withdrawals. Future long-term rates of discontinuance assumed vary between 2.5% and 30% (2008: between 2.5% and 30%).	Increases for a number of lump sum risk product groups and investment products, and a decrease for corporate super.
Surrender values	Surrender values are determined by applying the surrender bases current at the reporting date.	None.
Rates of taxation	The rates of taxation assumed are based on current income tax legislation applicable to the type of product.	None.
Mortality – individual risk products	Mortality rates for risk products have been determined using the standard mortality table (IA95-97) with adjustments for smoking status and also to allow for previous experience. Adjustments range from 76% (2008: 76%) to 180% (2008: 180%). 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.
Morbidity – lump sum	Disability rates on lump sum Total and Permanent Disablement (TPD) policies have been based on industry and population experience with adjustments to reflect Suncorp Life & Superannuation Limited's experience. For trauma policies, assumed incidence rates are based on Australian population statistics with adjustments to reflect Suncorp Life & Superannuation Limited's experience and policy conditions.	None.
Disability – income	Disability rates on income policies have been determined using the IAD89-93 table with adjustments to reflect Suncorp Life & Superannuation Limited's experience. IAD89-93 was developed by the Institute of Actuaries of Australia based on Australian industry experience from 1989 to 1993.	None.

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

Policy liabilities (continued)

Assumption	Basis of assumption	Significant changes since 2008
Future supportable bonuses and interest credits to participating policies	<p>Future bonus rates and interest credits assumed are those supported by the policy liabilities and the assumed future experience, including allowance for the shareholder's right to participate in distributions. Using these rates the net present value of expected future cash flows equals the value of assets supporting the business.</p> <p>For participating whole of life and endowment business, the Company's policy is to set bonus rates such that, over long periods, the returns to policyowners (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 policyowners (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 policyowners 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 policyowners and equity between the various classes and sizes of policies in force.</p>	No changes in approach.

Other requirements

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

Sensitivity analysis – insurance contracts

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

Variable	Impact of movement in underlying variable
Expense	An increase in the level or inflationary growth of expenses over assumed levels would decrease profit and shareholder 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 policyowners becoming disabled and the duration which they remain disabled. Higher than expected incidence and longer durations would increase claim costs, reducing profit and shareholders' equity.
Discontinuance	An increase in discontinuance rates at earlier durations has a negative effect, reducing profit and shareholders' equity as it affects the ability to recover acquisition expenses and commissions.

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

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

Policy liabilities (continued)

Sensitivity analysis – insurance contracts (continued)

The table below illustrates how changes in key assumptions would impact the current period reported profit, equity and policy liabilities at 30 June 2009 of the Company. The change in liability and profit/(loss) are shown net and gross of reinsurance.

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	(0.4)	0.2	0.3	(0.1)
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 profit/(loss) after tax is the same as change in equity.

The table below illustrates the effects of changes in actuarial assumptions from 30 June 2008 to 30 June 2009.

Assumption Category	Effect on future profit margins (shareholder) increase/(decrease)	Effect on policy liabilities increase/(decrease)
	\$m	\$m
Discount and earning rate (risk business)	-	(6.8)
Discount and earning rate (participating business)	(15.4)	-
Mortality and morbidity	1.3	(0.3)
Lapse and surrender rates	(7.3)	-
Maintenance expenses	3.5	(0.1)
Other changes	1.3	-

Notes

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

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

5. Risk management

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

The Board Risk Committee has delegated authority from the Board to approve and oversee the processes used to identify, evaluate and manage risk and recommends the 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 Group. Management oversees and approves the principles, policies, limits, frameworks and processes used by the Group to identify, assess, monitor and control/mitigate risk. Group functions provide monitoring and advisory functions on an independent basis and facilitate the reporting of the status, appropriateness and quality of risk management capabilities to the Board Risk Committee.

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

The key risks addressed by the Risk Management Framework are:

- Credit risk – the risk that a borrower or counterparty will not meet its obligations in accordance with agreed terms. Credit risk arises as a result of receivables due from policyowners and intermediaries, the placement of reinsurance programs with counterparties, and investment in financial instruments.
- Market risk – the risk of unfavourable changes in foreign exchange rates, interest rates, equity prices, market volatilities and liquidity. Market risk arises from the risk of adverse moves in interest rates, foreign exchange rates, equity prices, credit spreads and prices of other financial contracts including derivatives.
- Balance sheet risk – the risk to earnings and capital from mismatches between assets and liabilities with varying maturity and repricing profiles, and from mismatches in term. Balance sheet risk arises from the structure and characteristics of assets and liabilities and the mismatch in their repricing dates.
- Liquidity risk – the risk of being unable to service cash flow obligations today or in the future. Liquidity risk arises from the requirement to make claims payments in a timely manner.
- Insurance risk – the risk of financial loss and the inability to meet liabilities due to inadequate or inappropriate insurance product design, pricing, underwriting, concentration risk, reserving, claims management and/or reinsurance management. Insurance risk arises due to risks relating to the uncertainty of cash flows from insurance contracts.
- Operational risk – the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Compliance risk is the risk of legal or regulatory sanctions, financial loss, or damage to reputation the consolidated entity may suffer as a result of its failure to comply with all applicable regulations, codes of conduct and good practice standards. The main categories of operational risk are internal and external fraud, processing failure, system failure, disasters and business interruptions and risks associated with products, clients and business practices, vendors, suppliers and service providers, employment practices and workplace safety. Operational risks such as business continuity, regulatory compliance, outsourcing, IT security as well as employment practices and workplace safety are subject to group-wide policy and framework and are coordinated centrally.
- Strategic risk – the risk of loss arising from uncertainty about the future operating environment, including reputation, industry, economic and regulatory environment, branding, crises management and alliances and suppliers. Strategic risks relate to the consolidated entity's business strategy and tactical initiatives that are articulated in the business plans.

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

The Company has an approved Risk Management Strategy which describes the risk management framework and identifies the policies, procedures and controls that the Company has in place to meet the requirements of the life prudential standard (LPS 220) as issued by APRA. The risk management framework manages risk including insurance, credit, market and liquidity risks. The framework meets the risk policy of the Suncorp Group and is consistent with the Australian Standard on Risk Management (AS 4360).

5. Risk management (continued)

The life company Board has established a Life Insurance Asset and Liability Committee ("Life ALCO"). The role of the Life ALCO is to establish, manage and enforce an effective Life asset and liability risk framework that optimises the long-term returns achieved by the Life asset portfolio within the risk appetite or parameters established by the life company Board.

The Company has an approved Risk Management Statement which has been accepted by APRA as appropriate guidelines for the investment of the Company's funds including the use of derivatives. More detailed discussion on this is contained in note 25.

The Company has a shareholder fund and two statutory funds, being a Capital Guaranteed Fund and an Investment Linked Fund. Within the Capital Guaranteed Fund there are six sub-funds: Life Capital Guaranteed Funds No's 1 and 4, and Superannuation Capital Guaranteed No's 1, 4, 5 and 21. Within the Investment Linked Fund there are sixteen sub-funds. In April 2009, three new sub-funds were established due to the launch of the new Wealthsmart product, being the Suncorp Cash Fund, the Suncorp Australian Equities Fund and the Suncorp Global Shares Fund. The previously existing funds, being 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 remained in existence during the current year. Each of the sub-funds has an investment mandate.

Insurance risk

Risk management objectives and policies for mitigating insurance risk

Procedures are in place to control and mitigate insurance risks faced by the Company and vary according to the nature of the risk.

In an effort to protect and improve shareholder value, the Company manages its exposure to risks so that it can react in a timely manner to changes in financial markets, insurance cycles, and economic and political environments. Risk exposures are managed using various analyses 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 principally through adherence to underwriting procedures, adequate premium rates and sufficient reinsurance arrangements. In relation to premium rates and reinsurance arrangements, the Company receives advice from the Appointed Actuary, in accordance with APRA Prudential Standard LPS 310 *Audit and Actuarial Requirements*. Controls are also maintained over claims management practices to ensure the correct and timely payment of insurance claims.

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

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

Underwriting procedures

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

Solvency

Solvency requirements established by APRA Prudential Standards are in place to reinforce safeguards for policyowners' interests, being primarily the ability to meet future claims payments. The solvency requirement establishes the required value of the insurers' assets (at a statutory fund level), having regard to the amount and nature of its liabilities, each element being determined in accordance with the applicable valuation rules. Assets above this requirement must be maintained throughout the period, not just at the period end.

5. Risk management (continued)

Insurance risk (continued)

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 cash flows
Long-term non-participating insurance contracts with fixed and guaranteed terms (Term Life and Disability)	Guaranteed benefits paid on death, ill health or maturity which are fixed and are not at the discretion of the issuer.	Benefits, defined by the insurance contract, are not directly affected by the performance of underlying assets or the performance of the contracts as whole.	Mortality, morbidity, lapses, expenses and market earning rates on the assets backing the liabilities.
Conventional life insurance contracts with discretionary participating benefits (Endowment and Whole of Life)	These policies combine life insurance and savings. The policyowner pays a regular premium and receives the specified sum assured plus any accruing bonuses on death or maturity. The sum insured is specified at inception and guaranteed. Reversionary bonuses are added annually, which once added (vested) are guaranteed. A further terminal bonus may be added on surrender, death or maturity.	Operating profit arising from these contracts is allocated 80:20 between the policyowners and shareholders in accordance with the <i>Life Act</i> . The amount allocated to policyowners is held as an unvested policy liability until it is distributed to specific policyowners 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 policyowners and shareholders in accordance with the <i>Life Act</i> . The amount allocated to policyowners is held as an unvested policy liability until it is distributed to specific policyowners as interest credits.	Surrenders, expenses and market earning rates on the assets backing the liabilities.
Unit Linked Investment Contracts	The gross value of premiums received is invested in units and the policyowner investment account is the value of the units. Investment management fees are deducted from policyowners annually based on the average value of funds under management.	The investment return is equal to the earnings on assets backing the investment contracts less any applicable management fees.	Market risk, expenses and withdrawals.
Lifetime annuity	In exchange for an initial single premium, these policies provide a guaranteed regular income for the life of the insured.	The amount of guaranteed regular income is set at inception of the policy, including any indexation.	Longevity, expenses and market earning rates on assets backing liabilities.

5. Risk management (continued)

Insurance risk (continued)

Claims management

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

Concentrations of insurance risk

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

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

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

The Company's group life portfolio includes an industry fund that offers death and TPD protection to employers, some with large workforces. Although a 33% (2008: 33%) quota share arrangement is in place for this policy, the concentration of such workforces in single locations remains a factor that exposes the Company to a higher risk of loss in the event of an accident affecting the location where the insured employees work. The Company examines its exposure to such employers on a case by case basis to ascertain the need for 'catastrophe' excess of loss reinsurance.

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

Methods to limit or transfer life insurance risk exposures

(i) Ceding of risk and reinsurance security

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

Credit risk

Credit risk arises as a result of placement of reinsurance programs with counterparties and investments in financial instruments.

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

In the management of their investment portfolios, the Company uses financial instruments dealt on recognised exchanges and over the counter contracts. The counterparties to over the counter contracts are limited to companies with primarily investment grade credit ratings from a recognised credit rating agency and are normally banks operating in Australia. Over-concentration of credit risk with respect to reinsurance is minimised by placement of cover with a number of reinsurers with strong credit ratings.

The consolidated entity does not expect any counterparties to fail to meet their obligations given their high credit ratings and therefore does not require collateral or other security to support credit risk exposures.

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

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

5. Risk management (continued)

Credit risk (continued)

	Credit Rating						Investment Linked Business Not Rated ⁽¹⁾	Total \$m
	AAA \$m	AA \$m	A \$m	BBB \$m	Non investment grade \$m	Other Not Rated \$m		
Consolidated								
2009								
Cash and cash equivalents	-	20.7	25.4	-	-	(5.9)	1.8	42.0
Interest bearing financial assets at fair value through profit or loss	907.3	651.1	851.8	23.8	-	13.8	166.3	2,614.1
Loans, advances and other receivables	0.8	6.6	46.3	1.2	-	(8.9)	22.7	68.7
Gross policy liabilities ceded under reinsurance	24.2	24.4	35.7	-	-	-	-	84.3
Other assets	4.8	2.6	2.1	0.1	-	0.8	1.3	11.7
	937.1	705.4	961.3	25.1	-	(0.2)	192.1	2,820.8
2008								
Cash and cash equivalents	-	(0.4)	24.9	-	-	(6.2)	1.4	19.7
Interest bearing financial assets at fair value through profit or loss	650.9	605.6	1,648.6	55.2	-	13.2	49.3	3,022.8
Loans, advances and other receivables	1.5	18.4	27.6	3.1	-	(9.2)	31.3	72.7
Gross policy liabilities ceded under reinsurance	23.4	54.7	-	-	-	-	-	78.1
Other assets	6.5	5.2	6.5	0.4	-	0.3	0.2	19.1
	682.3	683.5	1,707.6	58.7	-	(1.9)	82.2	3,212.4

	Credit Rating						Investment Linked Business Not Rated ⁽¹⁾	Total \$m
	AAA \$m	AA \$m	A \$m	BBB \$m	Non investment grade \$m	Other Not Rated \$m		
Company								
2009								
Cash and cash equivalents	-	20.7	20.2	-	-	(5.9)	1.8	36.8
Interest bearing financial assets at fair value through profit or loss	-	102.4	171.7	2.0	-	13.8	166.3	456.2
Loans, advances and other receivables	0.8	1.4	28.5	-	-	28.5	22.8	82.0
Gross policy liabilities ceded under reinsurance	24.2	24.4	35.7	-	-	-	-	84.3
Other assets	-	-	-	-	-	0.8	1.3	2.1
	25.0	148.9	256.1	2.0	-	37.2	192.2	661.4
2008								
Cash and cash equivalents	-	3.7	17.3	-	-	(6.1)	1.3	16.2
Interest bearing financial assets at fair value through profit or loss	-	66.1	17.7	-	-	13.2	49.3	146.3
Loans, advances and other receivables	1.5	9.6	15.4	-	-	42.5	31.3	100.3
Gross policy liabilities ceded under reinsurance	23.4	54.7	-	-	-	-	-	78.1
Other assets	-	-	-	-	-	0.3	0.2	0.5
	24.9	134.1	50.4	-	-	49.9	82.1	341.4

Notes

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

The carrying amount of the relevant asset classes in the balance sheet represents the maximum amount of credit exposures, except for derivatives. The fair value of derivatives shown on the balance sheet represents the current risk exposure, but not the maximum risk exposure. The face value and fair value of derivatives are illustrated in note 25.

5. Risk management (continued)

Credit risk (continued)

The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of those that are past due but not impaired at the balance date. An amount is considered to be past due when a contractual payment falls overdue by one or more days. When an amount is classified as past due, the entire balance is disclosed in the past due analysis. For investment linked business, the liability to policyowners is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any credit risk in those assets and the table below does not include any financial assets backing investment linked business.

	Past due but not impaired						Total \$m
	Neither past due nor impaired \$m	0-3 mths \$m	3-6 mths \$m	6-12 mths \$m	>12 mths \$m	Impaired \$m	
	\$m	\$m	\$m	\$m	\$m	\$m	
Consolidated							
2009							
Premiums outstanding	-	12.2	-	-	-	-	12.2
Investment revenue receivable	(7.3)	-	-	-	-	-	(7.3)
Investment settlements	15.9	-	-	-	-	-	15.9
Reinsurance recoveries receivable	3.4	5.0	0.8	-	-	-	9.2
Gross policy liabilities ceded under reinsurance	84.3	-	-	-	-	-	84.3
Other	11.5	-	-	-	0.2	-	11.7
	107.8	17.2	0.8	-	0.2	-	126.0
2008							
Premiums outstanding	-	12.7	-	-	-	-	12.7
Investment revenue receivable	4.5	-	-	-	-	-	4.5
Investment settlements	4.1	-	-	-	-	-	4.1
Reinsurance recoveries receivable	4.1	5.9	0.7	-	0.3	-	11.0
Gross policy liabilities ceded under reinsurance	78.1	-	-	-	-	-	78.1
Other	20.1	0.2	-	-	0.2	-	20.5
	110.9	18.8	0.7	-	0.5	-	130.9
	Past due but not impaired						
	Neither past due nor impaired \$m	0-3 mths \$m	3-6 mths \$m	6-12 mths \$m	>12 mths \$m	Impaired \$m	Total \$m
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Company							
2009							
Premiums outstanding	-	12.2	-	-	-	-	12.2
Investment revenue receivable	21.8	-	-	-	-	-	21.8
Investment settlements	0.2	-	-	-	-	-	0.2
Reinsurance recoveries receivable	3.4	5.0	0.8	-	-	-	9.2
Gross policy liabilities ceded under reinsurance	84.3	-	-	-	-	-	84.3
Other	1.9	-	-	-	0.2	-	2.1
	111.6	17.2	0.8	-	0.2	-	129.8
2008							
Premiums outstanding	-	12.7	-	-	-	-	12.7
Investment revenue receivable	35.2	-	-	-	-	-	35.2
Investment settlements	0.1	-	-	-	-	-	0.1
Reinsurance recoveries receivable	4.1	5.9	0.7	-	0.3	-	11.0
Gross policy liabilities ceded under reinsurance	78.1	-	-	-	-	-	78.1
Other	1.4	-	-	-	0.2	-	1.6
	118.9	18.6	0.7	-	0.5	-	138.7

5. Risk management (continued)

Market risk

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

Management of market risk is most critical for products which involve the investment of significant amounts of money to meet future liabilities and where the returns on those assets either accrue to the shareholder or are not necessarily able to be passed on to policyowners in a timely manner. This includes, for example, assets backing disability income reserves for open claims and participating business.

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

As discussed above, solvency margin requirements established by APRA are in place to reinforce safeguards for policyowners' interests, which are primarily the ability to meet future claims payments to policyowners.

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

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

Interest rate risk

Interest rate risk arises from the investments in interest-bearing securities. Any change in fair value of investments in interest-bearing securities is immediately reflected in the income statements in accordance with the accounting policies discussed in note 3(f).

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

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

	2009				2008			
	Exposure at Jun-09	Movement in variable	Profit (loss) after tax ⁽¹⁾		Exposure at Jun-08	Movement in variable	Profit (loss) after tax ⁽¹⁾	
			\$m	Equity \$m			\$m	Equity \$m
Consolidated	\$m	%	\$m	\$m	\$m	%	\$m	\$m
Interest bearing investment assets	2,300.9	+2	(44.0)	-	3,204.8	+1	(29.0)	-
	(2,300.9)	-2	44.0	-	(3,204.8)	-1	29.0	-
Loans, advances and receivables	46.8	+2	0.7	-	41.4	+1	0.3	-
	(46.8)	-2	(0.7)	-	(41.4)	-1	(0.3)	-
Derivative financial instruments	285.6	+2	(2.4)	-	711.7	+1	(5.7)	-
	(285.6)	-2	2.6	-	(711.7)	-1	5.9	-

5. Risk management (continued)

Market risk (continued)

Interest rate risk (continued)

Company	2009				2008			
	Exposure at Jun-09 \$m	Movement in variable %	Profit (loss) after tax ⁽¹⁾ \$m	Equity \$m	Exposure at Jun-08 \$m	Movement in variable %	Profit (loss) after tax ⁽¹⁾ \$m	Equity \$m
Interest bearing investment assets	289.9	+2	(2.5)	-	97.1	+1	(0.7)	-
	(289.9)	-2	2.5	-	(97.1)	-1	0.7	-
Loans, advances and receivables	60.2	+2	0.8	-	68.9	+1	0.5	-
	(60.2)	-2	(0.8)	-	(68.9)	-1	(0.5)	-
Derivative financial instruments	11.7	+2	(0.6)	-	57.7	+1	(1.5)	-
	(11.7)	-2	0.8	-	(57.7)	-1	1.4	-

Notes

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

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

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

Foreign exchange risk

The statutory funds of the Company invest in overseas assets. In the Investment Linked Fund any investment returns, whether positive or negative, are passed on to the policyowners. Various guarantees are provided by the Capital Guaranteed Fund, principally in relation to capital and declared interest. The statutory funds maintain reserves in accordance with APRA Prudential Standards to meet the risk associated with diminution of value associated with foreign exchange risk.

The Company invests a portion of investment assets in global equities, primarily through the Suncorp Investment Management World Equities Trust. The foreign currency exposure is managed by entering into forward foreign exchange and futures contracts. Trusts that the Company invests in including the Suncorp Investment Management Global Macro Trust and the Suncorp Investment Management World Equities Trust enter into forward foreign exchange and futures contracts to provide capital appreciation.

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

Consolidated	2009				2008			
	Exposure at Jun-09 \$m	Movement in variable %	Profit (loss) after tax ⁽¹⁾ \$m	Equity \$m	Exposure at Jun-08 \$m	Movement in variable %	Profit (loss) after tax ⁽¹⁾ \$m	Equity \$m
CHF	30.5	+10	(2.0)	-	7.9	+10	(0.8)	-
	(30.5)	-10	2.4	-	(7.9)	-10	0.7	-
Euro	34.7	+10	(2.3)	-	63.0	+10	3.2	-
	(34.7)	-10	3.1	-	(63.0)	-10	(2.5)	-
GBP	12.1	+10	(0.8)	-	(52.1)	+10	(4.1)	-
	(12.1)	-10	1.1	-	52.1	-10	4.7	-
HKD	35.1	+10	(2.2)	-	19.3	+10	(1.2)	-
	(35.1)	-10	2.7	-	(19.3)	-10	1.5	-
JPY	17.9	+10	(1.2)	-	115.3	+10	(0.4)	-
	(17.9)	-10	1.6	-	(115.3)	-10	0.8	-
USD	180.9	+10	(11.8)	-	372.7	+10	(21.8)	-
	(180.9)	-10	15.1	-	(372.7)	-10	28.1	-
Other	34.5	+10	(2.2)	-	82.9	+10	3.3	-
	(34.5)	-10	2.7	-	(82.9)	-10	(2.7)	-

5. Risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

Company	2009				2008			
	Exposure at Jun-09 \$m	Movement in variable %	Profit (loss) after tax ⁽¹⁾ \$m	Equity \$m	Exposure at Jun-08 \$m	Movement in variable %	Profit (loss) after tax ⁽¹⁾ \$m	Equity \$m
CHF	-	+10	-	-	(8.6)	+10	0.6	-
	-	-10	-	-	8.6	-10	(0.9)	-
Euro	(36.3)	+10	2.3	-	(49.1)	+10	3.2	-
	36.3	-10	(2.5)	-	49.1	-10	(3.4)	-
GBP	(17.4)	+10	1.1	-	(25.4)	+10	1.6	-
	17.4	-10	(1.2)	-	25.4	-10	(1.8)	-
JPY	(22.1)	+10	1.4	-	(29.9)	+10	1.9	-
	22.1	-10	(1.5)	-	29.9	-10	(2.1)	-
USD	(92.3)	+10	5.7	-	(123.4)	+10	7.8	-
	92.3	-10	(6.2)	-	123.4	-10	(8.6)	-
Other	-	+10	-	-	(12.4)	+10	0.8	-
	-	-10	-	-	12.4	-10	(0.6)	-

Notes

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

Other market risks

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

Downturns in equity markets would impact the future results of the consolidated entity. During the current financial year the consolidated entity reduced its Australian and international equities portfolios. Equity risk is managed by incorporating a diverse holding of Australian and overseas companies (whether direct or through unitised vehicles) in accordance with asset allocation policies, and through the controlled use of derivative financial instruments, as discussed in note 25.

The potential impact of movements in the market value of listed entities at balance date on the consolidated entity's profit after tax and equity reserves is shown in the sensitivity analysis below. The price risk in relation to unlisted securities is immaterial in terms of the possible impact on profit or loss and has not been included in the sensitivity analysis. Given the significant volatility experienced in the equity markets during the last year, a movement of 25 per cent (2008: 10 per cent) is considered reasonably possible and has been applied to the sensitivity analysis. Where the liability to the investment contract holder is directly linked to the value of the asset held to back that liability there is no residual price risk exposure to the shareholder. Accordingly, investment linked business has not been included in the analysis.

Consolidated	2009				2008			
	Exposure at Jun-09 \$m	Movement in variable %	Profit (loss) after tax ⁽¹⁾ \$m	Equity \$m	Exposure at Jun-08 \$m	Movement in variable %	Profit (loss) after tax ⁽¹⁾ \$m	Equity \$m
Australian equities	1,260.1	+25	220.4	-	1,812.9	+10	126.9	-
	(1,260.1)	-25	(220.4)	-	(1,812.9)	-10	(126.9)	-
International equities	592.6	+25	107.6	-	752.2	+10	52.6	-
	(592.6)	-25	(107.6)	-	(752.2)	-10	(52.6)	-

5. Risk management (continued)

Market risk (continued)

Other market risks (continued)

Company	2009				2008			
	Exposure at Jun-09 \$m	Movement in variable %	Profit (loss) after tax ⁽¹⁾ \$m	Equity \$m	Exposure at Jun-08 \$m	Movement in variable %	Profit (loss) after tax ⁽¹⁾ \$m	Equity \$m
Australian equities	10.4	+25	1.7	-	47.8	+10	3.4	-
	(10.4)	-25	(1.7)	-	(47.8)	-10	(3.4)	-
International equities	3.8	+25	4.5	-	3.9	+10	0.3	-
	(3.8)	-25	(4.5)	-	(3.9)	-10	(0.3)	-

Notes

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

Liquidity risk

The ability to make claims payments in a timely manner is critical to the business of life insurance.

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

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

Consolidated	Carrying	1 year or	1 to 5 years	Over 5	No term	Investment	Total cash
	amount	less		years		Linked ⁽¹⁾	flows
2009	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Policy claims in process of settlement	17.6	17.6	-	-	-	-	17.6
Amounts due to reinsurers	8.5	8.5	-	-	-	-	8.5
Trade creditors and accrued expenses	18.6	18.5	-	-	-	0.1	18.6
Investment settlements	5.4	5.4	-	-	-	-	5.4
Interest rate swap and futures - net settled	0.2	0.2	-	-	-	-	0.2
Deposits and short term borrowings	30.8	30.8	-	-	-	-	30.8
Other	0.6	-	-	-	-	0.6	0.6
Insurance contract policy liabilities	1,820.0	355.7	641.0	823.3	-	-	1,820.0
Investment contract policy liabilities	1,400.2	3.9	-	-	-	1,396.3	1,400.2
Unvested policy owner benefits	380.3	-	-	-	380.3	-	380.3
Managed funds units on issue	529.0	529.0	-	-	-	-	529.0
	4,211.2	969.6	641.0	823.3	380.3	1,397.0	4,211.2
2008							
Policy claims in process of settlement	21.5	21.5	-	-	-	-	21.5
Amounts due to reinsurers	4.9	4.9	-	-	-	-	4.9
Trade creditors and accrued expenses	45.3	45.3	-	-	-	-	45.3
Investment settlements	13.9	11.0	-	-	-	2.9	13.9
Interest rate swap and futures - net settled	15.7	9.1	2.7	-	-	3.9	15.7
Deposits and short term borrowings	68.1	68.1	-	-	-	-	68.1
Other	-	-	-	-	(1.9)	1.9	-
Insurance contract policy liabilities	2,475.1	258.7	879.7	1,336.7	-	-	2,475.1
Investment contract policy liabilities	1,591.0	3.5	0.1	-	-	1,587.4	1,591.0
Unvested policy owner benefits	296.9	-	-	-	296.9	-	296.9
Managed funds units on issue	1,145.2	1,145.2	-	-	-	-	1,145.2
	5,677.6	1,567.3	882.5	1,336.7	295.0	1,596.1	5,677.6

5. Risk management (continued)

Liquidity risk (continued)

Company	Carrying amount \$m	1 year or less \$m	1 to 5 years \$m	Over 5 years \$m	No term \$m	Investment Linked ⁽¹⁾ \$m	Total cash flows \$m
2009							
Policy claims in process of settlement	17.6	17.6	-	-	-	-	17.6
Amounts due to reinsurers	8.5	8.5	-	-	-	-	8.5
Trade creditors and accrued expenses	12.6	12.5	-	-	-	0.1	12.6
Investment settlements	-	-	-	-	-	-	-
Interest rate swap and futures - net settled	0.2	0.2	-	-	-	-	0.2
Deposits and short term borrowings	33.2	33.2	-	-	-	-	33.2
Other	0.6	-	-	-	-	0.6	-
Insurance contract policy liabilities	1,820.0	355.7	641.0	823.3	-	-	1,820.0
Investment contract policy liabilities	1,400.1	3.9	-	-	-	1,396.2	1,400.1
Unvested policy owner benefits	380.3	-	-	-	380.3	-	380.3
	3,673.1	431.6	641.0	823.3	380.3	1,396.9	3,673.1
2008							
Policy claims in process of settlement	21.5	21.5	-	-	-	-	21.5
Amounts due to reinsurers	4.9	4.9	-	-	-	-	4.9
Trade creditors and accrued expenses	29.7	29.7	-	-	-	-	29.7
Investment settlements	4.2	1.3	-	-	-	2.9	4.2
Interest rate swap and futures - net settled	11.2	4.9	2.4	-	-	3.9	11.2
Deposits and short term borrowings	70.1	70.1	-	-	-	-	70.1
Other	1.9	-	-	-	-	1.9	-
Insurance contract policy liabilities	2,475.1	258.7	879.7	1,336.7	-	-	2,475.1
Investment contract policy liabilities	1,591.0	3.5	0.1	-	-	1,587.4	1,591.0
Unvested policy owner benefits	296.9	-	-	-	296.9	-	296.9
	4,506.5	394.6	882.2	1,336.7	296.9	1,596.1	4,506.5

Notes

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

6. Premiums

	Company		Consolidated	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Direct insurance premiums	714.6	911.3	714.6	911.3
Direct consideration for deferred annuities - rollover amounts	0.9	0.6	0.9	0.6
policy conversions	320.0	271.7	320.0	271.7
Total insurance premium received or receivable	<u>1,035.5</u>	<u>1,183.6</u>	<u>1,035.5</u>	<u>1,183.6</u>
Insurance premiums recognised as a change in gross policy liabilities (note 20(b),(c))	(815.0)	(958.9)	(815.0)	(958.9)
Total insurance premium revenue	<u>220.5</u>	<u>224.7</u>	<u>220.5</u>	<u>224.7</u>

7. Investment revenue

	Company		Consolidated	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Interest, dividend and similar revenue and (losses) sourced from:				
equity securities	170.7	109.2	157.5	133.5
debt securities	54.8	120.1	56.7	177.6
property	7.4	51.6	23.9	42.8
other	(1.6)	(1.9)	(1.4)	(1.2)
	<u>231.3</u>	<u>279.0</u>	<u>236.7</u>	<u>352.7</u>
Investment gains and (losses) sourced from:				
equity securities	(428.8)	(449.5)	(555.5)	(671.3)
debt securities	(1.6)	(27.9)	36.2	(53.9)
property	(101.2)	(181.3)	(122.5)	(197.2)
other	(48.1)	(6.8)	(36.0)	11.3
	<u>(579.7)</u>	<u>(665.5)</u>	<u>(677.8)</u>	<u>(911.1)</u>
Total investment income	<u>(348.4)</u>	<u>(386.5)</u>	<u>(441.1)</u>	<u>(558.4)</u>

8. Revenue from operating activities

	Company		Consolidated	
	2009 \$m	2008 \$m	2009 \$m	2008 \$m
Revenue from operating activities				
Premium revenue (note 6)	220.5	224.7	220.5	224.7
Investment revenue including realised and unrealised gains and losses:				
Equity	(258.1)	(340.3)	(398.0)	(537.8)
Debt	53.2	92.2	92.9	123.7
Property	(93.8)	(129.7)	(98.6)	(154.4)
Other net investment revenue including realised and unrealised gains and (losses)	(49.7)	(8.7)	(37.4)	10.1
Total investment revenue (note 7)	(348.4)	(386.5)	(441.1)	(558.4)
Fees	32.8	46.4	33.0	46.4
Amortisation of deferred entry fees	(0.3)	(5.9)	(0.3)	(5.9)
Total fee revenue	32.5	40.5	32.7	40.5
Commissions	1.2	0.8	2.5	2.2
Interest income	-	-	0.2	0.4
Non life insurance operating income	-	-	16.1	(5.9)
Total other revenue	33.7	41.3	51.5	37.2
Reinsurance recoveries	33.6	30.2	33.6	30.2
Total revenue	(60.6)	(90.3)	(135.5)	(266.3)

9. Claims

	Company		Consolidated	
	2009 \$m	2008 \$m	2009 \$m	2008 \$m
Death and disability claims	125.9	106.8	125.9	106.8
Maturities	133.6	178.5	133.6	178.5
Annuities	58.2	66.3	58.2	66.3
Surrenders and terminations	700.4	600.1	700.4	600.1
Policy conversions	320.2	271.7	320.2	271.7
	1,338.3	1,223.4	1,338.3	1,223.4
Claims recognised as a change in gross policy liabilities (note 20(b),(c))	(1,192.5)	(1,103.5)	(1,192.5)	(1,103.5)
Total claims expense	145.8	119.9	145.8	119.9
Interim & terminal bonuses paid, included in total claims paid or payable	2.1	4.7	2.1	4.7

10. Operating expenses

	Company		Consolidated	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Policy acquisition expenses:				
commission	9.5	15.8	9.0	13.7
other	14.2	41.8	14.2	41.8
Policy maintenance expenses:				
commission	7.1	7.4	7.1	7.4
other	54.4	62.0	50.0	54.1
Amortisation of deferred acquisition costs	7.0	(2.5)	7.0	(2.5)
Investment management expenses	12.8	16.8	12.8	16.8
Total administration expenses - life insurance activities	105.0	141.3	100.1	131.3
Amortisation of non-life deferred acquisition costs	2.5	0.9	2.5	0.9
Administration expenses - non-life insurance activities	0.1	0.1	7.9	29.3
	<u>107.6</u>	<u>142.3</u>	<u>110.5</u>	<u>161.5</u>

11. Operating results

	Company		Consolidated	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Profit from operating activities before income tax expense has been arrived at after charging the following items:				
Employee expenses	7.4	11.7	7.4	11.7
Total employee expenses	<u>7.4</u>	<u>11.7</u>	<u>7.4</u>	<u>11.7</u>
Occupancy costs				
Office rental	4.5	3.5	4.5	3.5
Other	2.2	1.5	2.2	1.5
Total occupancy costs	<u>6.7</u>	<u>5.0</u>	<u>6.7</u>	<u>5.0</u>
Other expenses				
Communications	3.3	3.4	3.3	3.4
Technology	5.1	2.8	5.1	2.8
Financial	9.9	11.7	9.9	11.7
Marketing	5.6	6.2	5.6	6.2
Client service charges	0.5	3.6	0.5	3.6
Intra group expenses	37.4	69.3	35.7	65.5
Other	1.8	2.2	1.8	2.2
Total other	<u>63.6</u>	<u>99.2</u>	<u>61.9</u>	<u>95.4</u>

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

12. Taxation

(a) Income tax expense

	Company		Consolidated	
	2009 \$m	2008 \$m	2009 \$m	2008 \$m
Recognised in the Income Statement				
Current tax expense				
Current year	8.6	58.8	9.6	60.5
Adjustments for prior years	1.6	1.6	1.6	1.6
	<u>10.2</u>	<u>60.4</u>	<u>11.2</u>	<u>62.1</u>
Deferred tax expense				
Origination and reversal of temporary differences	(50.9)	(111.1)	(50.9)	(111.1)
Total income tax (credit) expense in income statement	<u>(40.7)</u>	<u>(50.7)</u>	<u>(39.7)</u>	<u>(49.0)</u>
Numerical reconciliation between income tax expense and pre-tax net profit				
Profit before tax	23.6	20.1	16.5	18.8
Income tax using the domestic corporation rate of 30%	7.1	6.0	5.0	5.6
Decrease in income tax expense due to:				
Intercompany dividend elimination	(3.2)	(2.1)	-	-
Income tax offsets and credits	(0.1)	(0.2)	(0.1)	(0.2)
Other	(44.3)	(54.2)	(44.3)	(54.2)
	<u>(40.5)</u>	<u>(50.5)</u>	<u>(39.5)</u>	<u>(48.8)</u>
Under (over) provision in prior years	(0.2)	(0.2)	(0.2)	(0.2)
Income tax (credit) expense on pre-tax net profit	<u>(40.7)</u>	<u>(50.7)</u>	<u>(39.7)</u>	<u>(49.0)</u>

Income tax (credit) expense in the income statements includes an amount of (\$41.2) million (2008: (\$51.4) 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	2009 %	2008 %
Complying superannuation business ⁽¹⁾	15	15
Ordinary class of business	30	30
Shareholder funds	30	30
Annuity and pension business ⁽²⁾	Exempt	Exempt

Notes

(1) Includes Virtual Pooled Superannuation Trust (VPST)

(2) Segregated Exempt Assets (SEA)

12. Taxation (continued)

(a) Income tax expense (continued)

Basis of income tax apportionment

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

(b) Current tax liabilities

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

(c) Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2009 \$m	2008 \$m	2009 \$m	2008 \$m	2009 \$m	2008 \$m
Consolidated						
Intangible assets	-	-	12.3	15.2	(12.3)	(15.2)
Other investments	40.6	-	-	8.4	40.6	(8.4)
Deferred revenue	4.3	4.2	-	-	4.3	4.2
Other	1.2	2.3	-	-	1.2	2.3
Tax assets/(liabilities)	46.1	6.5	12.3	23.6	33.8	(17.1)
Set off of tax	(12.3)	(6.5)	(12.3)	(6.5)	-	-
Tax assets/(liabilities)	33.8	-	-	17.1	33.8	(17.1)
Company						
Intangible assets	-	-	12.3	15.2	(12.3)	(15.2)
Other investments	40.6	-	-	8.4	40.6	(8.4)
Deferred revenue	4.3	4.2	-	-	4.3	4.2
Other	1.2	2.3	-	-	1.2	2.3
Tax assets/(liabilities)	46.1	6.5	12.3	23.6	33.8	(17.1)
Set off of tax	(12.3)	(6.5)	(12.3)	(6.5)	-	-
Tax assets/(liabilities)	33.8	-	-	17.1	33.8	(17.1)

(d) Tax consolidation

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

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

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

13. Cash and cash equivalents

	Company		Consolidated	
	2009 \$m	2008 \$m	2009 \$m	2008 \$m
Cash and balances with the central bank	36.8	16.2	42.0	19.7
	<u>36.8</u>	<u>16.2</u>	<u>42.0</u>	<u>19.7</u>
The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows:				
Balances as above	36.8	16.2	42.0	19.7
Add: Receivables due from other banks	129.8	122.2	135.6	144.4
	<u>166.6</u>	<u>138.4</u>	<u>177.6</u>	<u>164.1</u>

14. Other financial assets

	Company		Consolidated	
	2009 \$m	2008 \$m	2009 \$m	2008 \$m
Equity security investments				
Directly held	18.0	-	1,128.5	1,480.7
Unit trusts	1,460.2	1,974.4	725.8	669.3
Investments in controlled entities	0.1	0.1	-	-
Total equities	<u>1,478.3</u>	<u>1,974.5</u>	<u>1,854.3</u>	<u>2,150.0</u>
Debt security investments				
Interest bearing securities				
private sector - unsecured	291.5	133.1	1,867.4	2,486.4
other public sector	-	-	121.4	168.5
Loans and advances:				
loans on policies	5.0	4.9	5.0	4.9
non-forfeiture loans	8.8	8.3	8.8	8.3
Unit trusts	1,706.7	2,232.2	140.8	644.5
Total debt	<u>2,012.0</u>	<u>2,378.5</u>	<u>2,143.4</u>	<u>3,312.6</u>
Property investments				
Unit trusts	157.1	271.1	193.2	341.7
Total property	<u>157.1</u>	<u>271.1</u>	<u>193.2</u>	<u>341.7</u>
Other investments	165.7	(0.3)	167.8	0.3
Total other financial assets	<u>3,813.1</u>	<u>4,623.8</u>	<u>4,358.7</u>	<u>5,804.6</u>

The investment in controlled entities (excluding controlled unit trusts) is \$97,471 (2008: \$97,471).

Amounts are 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 \$1,400.2 million (2008: \$1,591.0 million) and life insurance contract liabilities amounting to \$1,904.3 million (2008: \$2,553.2 million). Investment assets are traded on a regular basis taking into account the movements in liabilities as well as incoming cash flows.

15. Loans, advances and other receivables

	Company		Consolidated	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Loans, deposits and advances:				
parent entity	3.8	12.6	3.8	12.6
controlled entities of the ultimate parent entity	21.7	16.0	21.7	16.0
controlled entities	4.9	1.0	-	-
	<u>30.4</u>	<u>29.6</u>	<u>25.5</u>	<u>28.6</u>
Reinsurance recoveries receivable	9.2	11.0	9.2	11.0
Investment income accrued	41.2	58.3	28.1	31.6
Other debtors	5.7	5.4	5.7	5.5
	<u>86.5</u>	<u>104.3</u>	<u>68.5</u>	<u>76.7</u>
Expected to be realised within 12 months	84.1	101.5	66.1	73.9
Expected to be realised in more than 12 months	2.4	2.8	2.4	2.8
	<u>86.5</u>	<u>104.3</u>	<u>68.5</u>	<u>76.7</u>

16. Deferred acquisition costs

	Company		Consolidated	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Deferred acquisition costs at beginning of financial year	50.5	48.9	50.5	48.9
Acquisition costs deferred	7.9	18.8	7.9	18.8
Amortisation charged to income statement	(17.4)	(17.2)	(17.4)	(17.2)
Deferred acquisition costs at end of financial year	<u>41.0</u>	<u>50.5</u>	<u>41.0</u>	<u>50.5</u>
Expected to be realised within 12 months	15.2	16.6	15.2	16.6
Expected to be realised in more than 12 months	25.8	33.9	25.8	33.9
	<u>41.0</u>	<u>50.5</u>	<u>41.0</u>	<u>50.5</u>

17. Other assets

	Company		Consolidated	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Accrued interest	2.1	0.6	12.4	27.3
Other	0.1	0.1	(0.5)	(7.9)
	<u>2.2</u>	<u>0.7</u>	<u>11.9</u>	<u>19.4</u>
Expected to be realised within 12 months	2.2	0.7	11.9	19.4
	<u>2.2</u>	<u>0.7</u>	<u>11.9</u>	<u>19.4</u>

18. Payables

	Company		Consolidated	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Policy claims in process of settlement	17.6	21.5	17.6	21.5
Sundry creditors and accrued expenses	20.8	34.6	27.0	50.3
Deferred service fees	14.3	14.1	14.3	14.1
Other	10.8	6.8	17.7	14.6
	<u>63.5</u>	<u>77.0</u>	<u>76.6</u>	<u>100.5</u>
Expected to be settled within 12 months	53.6	66.7	66.7	90.2
Expected to be settled in more than 12 months	9.9	10.3	9.9	10.3
	<u>63.5</u>	<u>77.0</u>	<u>76.6</u>	<u>100.5</u>

19. Deposits and short term borrowings

	Company		Consolidated	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Unsecured				
parent entity	30.1	67.4	30.2	67.7
controlled entities of the ultimate parent entity	0.6	0.6	0.6	0.6
controlled entities	-	2.0	-	-
	<u>30.7</u>	<u>70.0</u>	<u>30.8</u>	<u>68.3</u>
Expected to be settled within 12 months	30.7	68.0	30.8	68.3
Expected to be settled in more than 12 months	-	2.0	-	-
	<u>30.7</u>	<u>70.0</u>	<u>30.8</u>	<u>68.3</u>

20. Policy liabilities

	Company and Consolidated	
	2009	2008
	\$m	\$m
(a) Policy liabilities		
Gross policy liabilities	3,304.5	4,144.2
Gross policy liabilities ceded under reinsurance	(84.3)	(78.1)
Net policy liabilities	<u>3,220.2</u>	<u>4,066.1</u>
Expected to be realised within 12 months	410.4	492.4
Expected to be realised in more than 12 months	<u>2,894.1</u>	<u>3,651.8</u>
	<u>3,304.5</u>	<u>4,144.2</u>
(b) Life insurance contract policy liabilities		
Gross policy liabilities at the beginning of the year	2,553.2	2,879.9
Insurance premiums recognised as a change in gross policy liabilities (Note 6)	430.9	474.3
Claims expense recognised as a change in gross policy liabilities (Note 9)	(805.9)	(545.1)
(Decrease) Increase in life insurance contract policy liabilities reflected in the income statement	<u>(273.9)</u>	<u>(255.9)</u>
(Decrease) Increase in gross policy liabilities	<u>(648.9)</u>	<u>(326.7)</u>
Gross policy liabilities at the end of the year	<u>1,904.3</u>	<u>2,553.2</u>
(c) Life investment contract policy liabilities		
Gross policy liabilities at the beginning of the year	1,591.0	1,902.1
Life investment contract contributions recognised in policy liabilities (Note 6)	384.1	484.6
Life investment contract withdrawals recognised in policy liabilities (Note 9)	(386.6)	(558.4)
(Decrease) Increase in life investment contract policy liabilities reflected in the income statement	<u>(188.3)</u>	<u>(237.3)</u>
(Decrease) Increase in gross policy liabilities	<u>(190.8)</u>	<u>(311.1)</u>
Gross policy liabilities at the end of the year	<u>1,400.2</u>	<u>1,591.0</u>
(d) Gross policy liabilities ceded		
Gross policy liabilities ceded at the beginning of the year	78.1	77.8
Increase (Decrease) in gross policy liabilities ceded	6.2	0.3
Gross policy liabilities ceded at the end of the year	<u>84.3</u>	<u>78.1</u>
Expected to be realised within 12 months	4.0	2.7
Expected to be realised in more than 12 months	<u>80.3</u>	<u>75.4</u>
	<u>84.3</u>	<u>78.1</u>
(e) Unvested policyowner benefits liability		
Unvested policyowner benefits at the beginning of the year	296.9	222.0
Increase (Decrease) in unvested policyowner benefits	83.4	74.9
Unvested policyowner benefits at the end of the year	<u>380.3</u>	<u>296.9</u>

20. Policy liabilities (continued)

	Current Basis ⁽⁵⁾		Previous
	2009	2008	Basis ⁽⁴⁾
	\$m	\$m	2009
	\$m	\$m	\$m
(f) Components of net policy liabilities - insurance contracts			
Best estimate liability			
Value of future policy benefits ⁽¹⁾	2,405.2	2,534.0	2,326.0
Value of future expenses	219.6	248.8	232.6
Value of unrecouped acquisition expenses	(172.9)	(149.2)	(172.9)
Balance of future premiums	(1,310.4)	(1,495.9)	(1,323.3)
Total best estimate liability	<u>1,141.5</u>	<u>1,137.7</u>	<u>1,062.4</u>
Value of future profits			
Policy owner bonuses ⁽²⁾	437.3	934.7	499.8
Shareholder profit margins	227.4	338.5	244.0
Total value of future profits	<u>664.7</u>	<u>1,273.2</u>	<u>743.8</u>
Total value of declared bonuses ⁽³⁾	13.8	64.2	13.8
Total net policy liabilities	<u>1,820.0</u>	<u>2,475.1</u>	<u>1,820.0</u>

Notes

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

Capital guarantees

Included in life insurance contract liabilities are amounts in respect of contracts with discretionary participation features. The amount of policy liabilities that relates to the guaranteed element of these contracts is \$1,230 million.

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

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

21. Managed fund units on issue

	Company		Consolidated	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Managed fund units on issue	-	-	529.0	1,145.2

Managed fund units on issue 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: Presentation*.

22. Capital and reserves

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

	Issued capital \$m	Retained profits \$m	Total \$m	Minority interests \$m	Total equity \$m
2009					
Consolidated					
Balance at the beginning of the financial year	39.0	247.2	286.2	-	286.2
Total recognised income and expense	-	56.2	56.2	-	56.2
Dividends to shareholders	-	(14.4)	(14.4)	-	(14.4)
Balance at the end of the financial year	39.0	289.0	328.0	-	328.0

2008

Consolidated

Balance at the beginning of the financial year	39.0	240.4	279.4	-	279.4
Total recognised income and expense	-	67.8	67.8	-	67.8
Dividends to shareholders	-	(61.0)	(61.0)	-	(61.0)
Balance at the end of the financial year	39.0	247.2	286.2	-	286.2

2009

Company

	Issued capital \$m	Retained profits \$m	Total \$m
Balance at the beginning of the financial year	39.0	238.8	277.8
Total recognised income and expense	-	64.3	64.3
Dividends to shareholders	-	(14.4)	(14.4)
Balance at the end of the financial year	39.0	288.7	327.7

2008

Company

Balance at the beginning of the financial year	39.0	229.0	268.0
Total recognised income and expense	-	70.8	70.8
Dividends to shareholders	-	(61.0)	(61.0)
Balance at the end of the financial year	39.0	238.8	277.8

(b) Share capital

	Company		Consolidated	
	2009 \$m	2008 \$m	2009 \$m	2008 \$m
Issued and paid up capital				
39,000,000 ordinary shares, each fully paid (2008: 39,000,000)	39.0	39.0	39.0	39.0
	39.0	39.0	39.0	39.0

Ordinary shares

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

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

22. Capital and reserves (continued)

(c) Retained profits

	Company		Consolidated	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Retained profits at the beginning of the financial year	238.8	229.0	247.2	240.4
Net profit attributable to members of the parent entity	64.3	70.8	56.2	67.8
Dividends paid	(14.4)	(61.0)	(14.4)	(61.0)
Retained profits at the end of the financial year	<u>288.7</u>	<u>238.8</u>	<u>289.0</u>	<u>247.2</u>

(d) Capital management

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

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

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

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

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

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

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

23. Dividends

	Company		Consolidated	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Ordinary shares				
Final dividend 2008 \$0.179 (2007: \$1.564) per fully paid share	7.0	61.0	7.0	61.0
Interim dividend 2009 \$0.191 (2008: \$nil) per fully paid share	7.4	-	7.4	-
	<u>14.4</u>	<u>61.0</u>	<u>14.4</u>	<u>61.0</u>

The amount of the interim dividend has been recognised at year end and will be paid at a date to be set.

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-consolidated group to keep a single franking account. Accordingly all franking credits are recognised in Suncorp-Metway Ltd as the head entity of the tax-consolidated group.

24. Reconciliation of cash flows from operating activities

	Company		Consolidated	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Profit for the year	64.3	70.8	56.2	67.8
Classified as investing activities				
Changes in net market value of investments realised and unrealised:				
equity securities	428.8	449.5	555.5	671.3
debt securities	1.6	27.9	(36.2)	53.9
property securities	101.2	181.3	122.5	197.2
other securities	48.1	6.8	36.0	(11.3)
Change in assets and liabilities				
<i>Decrease (increase) in:</i>				
Insurance and other recoveries receivable	(4.4)	(1.3)	(4.4)	(1.3)
Premiums outstanding	0.5	(2.9)	0.5	(2.9)
Interest receivable	5.2	(4.2)	16.7	(10.5)
Equity receivables	8.9	217.4	6.6	1.4
Property income receivable	(1.0)	14.8	-	-
Investment income receivables	(5.7)	1.0	(1.1)	4.3
Prepayments and deferred acquisition costs	9.5	(1.6)	9.5	(1.6)
Other debtors	(0.3)	(4.1)	(7.6)	5.4
<i>Increase (decrease) in:</i>				
Net movement in tax balances	(82.6)	(104.4)	(82.9)	(104.3)
Premiums in advance	(0.1)	0.1	(0.1)	0.1
Claims outstanding	(3.9)	0.5	(3.9)	0.5
Reinsurance premiums paid	3.6	0.4	3.6	0.4
Policy liabilities	(839.7)	(637.8)	(839.7)	(637.8)
Policy owner retained profits	83.4	74.9	83.4	74.9
Deferred service fee income	0.2	6.0	0.2	6.0
Other payables	4.0	0.1	3.1	(167.8)
Other liabilities	(17.4)	(4.8)	(26.9)	(99.3)
Net cash (outflow) inflow from operating activities	(195.8)	290.4	(109.0)	46.4
Reconciliation of cash				
Cash at bank	36.8	16.2	42.0	19.7
Cash deposits and short term securities included in investment assets -				
Interest bearing securities	129.8	122.2	135.6	144.4
	166.6	138.4	177.6	164.1

25. Derivative financial instruments

Risk Management Statement

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

To prevent derivatives being used as a source of gearing all derivatives have to be wholly or partly cash covered depending on the type of risk undertaken. Derivative restrictions are designed to either prevent gearing or to cover unrealised and potential losses on all derivatives to guard against potential liquidity shortfalls.

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 derivatives authorised counterparties must have a minimum Standard and Poor's rating of "A" or the equivalent credit rating by another recognised credit rating agency.

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

Activities

Derivatives are used for position management purposes. Interest rate derivatives are a cost effective way to acquire the desired duration, curve or sector positioning for the investments backing the liabilities. Equity futures and options are used in a similar way for equity exposures, and foreign exchange derivatives are used to manage any foreign exchange risks.

The use of derivative financial instruments to mitigate market risk, interest rate risk and currency risk includes the use of exchange traded bill and bond futures, equity index futures, over-the-counter forward foreign 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 2009 and 2008, 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 face values and fair values of the Company's derivative financial instruments at balance date are as follows:

25. Derivative financial instruments (continued)

	Company		Consolidated	
	Notional Principal Amount		Notional Principal Amount	
	2009	2008	2009	2008
	\$m	\$m	\$m	\$m
Less than one year	215.1	539.3	635.7	2,268.6
	<u>215.1</u>	<u>539.3</u>	<u>635.7</u>	<u>2,268.6</u>

	Company			Consolidated		
	Face value	Fair value		Face value	Fair value	
		Asset	Liability		Asset	Liability
	\$m	\$m	\$m	\$m	\$m	\$m
2009						
<i>Exchange rate related contracts</i>						
Forward exchange contracts	168.1	0.7	-	197.6	0.7	-
<i>Interest rate related contracts</i>						
Interest rate swaps	-	-	-	200.0	-	(2.5)
Interest rate futures	(0.2)	0.2	(0.1)	157.3	0.7	(0.6)
<i>Equity contracts</i>						
Equity futures	47.2	-	(0.5)	80.8	0.1	(0.8)
	<u>215.1</u>	<u>0.9</u>	<u>(0.6)</u>	<u>635.7</u>	<u>1.5</u>	<u>(3.9)</u>
2008						
<i>Exchange rate related contracts</i>						
Forward exchange contracts	323.6	-	(0.3)	607.7	3.3	(0.3)
<i>Interest rate related contracts</i>						
Interest rate swaps	-	-	-	438.0	-	(4.5)
Interest rate futures	104.6	0.6	(0.2)	918.5	49.0	(1.8)
<i>Equity contracts</i>						
Equity futures	111.1	-	(5.9)	286.3	-	(10.5)
<i>Credit contracts</i>						
Credit default swaps	-	-	-	18.1	-	(0.2)
	<u>539.3</u>	<u>0.6</u>	<u>(6.4)</u>	<u>2,268.6</u>	<u>52.3</u>	<u>(17.3)</u>

26. Auditors' remuneration

	Company		Consolidated	
	2009	2008	2009	2008
	\$	\$	\$	\$
Audit services				
Auditors of the Company				
<i>KPMG Australia</i>				
Audit of financial reports	257,900	242,150	354,700	331,950
Other services				
Auditors of the Company				
<i>KPMG Australia</i>				
Other assurance services	63,000	62,125	74,950	73,525
Other auditors				
Audit of financial reports (managed funds)	130,064	108,193	130,064	108,193
	<u>450,964</u>	<u>412,468</u>	<u>559,714</u>	<u>513,668</u>

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

Fees for services rendered by the auditors in relation to the audit of the EasySuper and Superplan managed funds were paid by the Company part way through the financial year.

27. Contingent assets and liabilities

(a) Contingent assets

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

Litigation

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

(b) Contingent liabilities

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

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

Derivative instruments

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

27. Contingent assets and liabilities (continued)

(b) Contingent liabilities (continued)

Tax consolidation

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

Litigation

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

28. Summary of shareholder's interests

	Statutory Funds		Shareholder Fund		Total Interests	
	2009 \$m	2008 \$m	2009 \$m	2008 \$m	2009 \$m	2008 \$m
Operating profit after income tax	52.5	62.0	11.8	8.8	64.3	70.8
Shareholder's retained profits at the beginning of the financial year	213.6	168.9	25.2	60.1	238.8	229.0
Transfers of profits between funds	13.3	(17.3)	(13.3)	17.3	-	-
Dividends paid	-	-	(14.4)	(61.0)	(14.4)	(61.0)
Shareholder's retained profits at the end of the financial year	279.4	213.6	9.3	25.2	288.7	238.8
Share capital (note 22)	-	-	39.0	39.0	39.0	39.0
Capital transfers to statutory funds	29.8	29.8	(29.8)	(29.8)	-	-
Total shareholder's equity (note 34(d),(e))	309.2	243.4	18.5	34.4	327.7	277.8
<i>Components of shareholder's interests in statutory funds:</i>						
Shareholder's retained profits - participating business	95.1	74.1				
Shareholder's retained profits - non-participating business	184.3	139.5				
Shareholder's capital	29.8	29.8				
	309.2	243.4				

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

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

(a) Allocation of operating profit

The general principles adopted in the allocation of operating profit to participating policyowners 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 policyowners' retained profits and shareholder participating retained profits are allocated 80 percent to policyowners 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 policyowners 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 policyowners' retained profits.

Distributions of profits to participating policyowners 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 policyowners.

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

(c) Details of operating profits

	Policyowners' interests		Shareholder's interests		Total Statutory Funds	
	2009 \$m	2008 \$m	2009 \$m	2008 \$m	2009 \$m	2008 \$m
Operating profit after income tax	-	-	52.5	62.0	52.5	62.0
Bonuses provided for or paid in the current period:						
interim & terminal bonus on claims paid	2.1	4.7	-	-	2.1	4.7
declared bonus on in force policies	13.8	64.1	-	-	13.8	64.1
Decrease in policyowner retained profits	83.4	74.9	-	-	83.4	74.9
Life Act operating profit after income tax	99.3	143.7	52.5	62.0	151.8	205.7
<i>Sources of the operating profit:</i>						
From non-investment linked business:						
participating business	99.3	143.7	24.9	35.9	124.2	179.6
non-participating business	-	-	26.0	21.9	26.0	21.9
From investment linked business:						
non-participating business	-	-	1.6	4.2	1.6	4.2
	99.3	143.7	52.5	62.0	151.8	205.7

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

(d) Details of retained profits

	Policyowners' interests		Shareholder's interests		Total Statutory Funds	
	2009 \$m	2008 \$m	2009 \$m	2008 \$m	2009 \$m	2008 \$m
Retained profits at the beginning of the financial year	-	-	213.6	168.9	213.6	168.9
Liability for unvested policyowner benefits (note 20(e))	296.9	222.0	-	-	296.9	222.0
Life Act retained profits at the beginning of the financial year	296.9	222.0	213.6	168.9	510.5	390.9
Life Act operating profit after income tax	99.3	143.7	52.5	62.0	151.8	205.7
Transfer (to)/from shareholder's fund from participating business (note 28)	-	-	13.3	(17.3)	13.3	(17.3)
Provision for bonuses to participating policyowners	(15.9)	(68.8)	-	-	(15.9)	(68.8)
Life Act retained profits at the end of the financial year	380.3	296.9	279.4	213.6	659.7	510.5
Policyowner retained profits at the end of the financial year	(380.3)	(296.9)	-	-	(380.3)	(296.9)
Retained profits at the end of the financial year	-	-	279.4	213.6	279.4	213.6
<i>Components of Life Act retained profits at the end of the financial year:</i>						
Policyowners' interests	380.3	296.9	-	-	380.3	296.9
Shareholder's interests in participating business	-	-	95.1	74.1	95.1	74.1
Shareholder's interests in non-participating business	-	-	184.3	139.5	184.3	139.5
	380.3	296.9	279.4	213.6	659.7	510.5

30. Solvency requirements of the statutory funds

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

	Statutory Fund No.1		Statutory Fund No.2		Total Statutory Funds	
	2009	2008	2009	2008	2009	2008
	\$m	\$m	\$m	\$m	\$m	\$m
Solvency requirement						
Minimum termination value	1,979.2	2,324.6	1,394.5	1,578.8	3,373.7	3,903.4
Gross policy liabilities ceded under reinsurance	84.3	78.1	-	-	84.3	78.1
Other liabilities	61.8	148.3	15.5	18.3	77.3	166.6
Solvency reserve	186.0	241.2	14.5	22.7	200.5	263.9
Solvency requirement	2,311.3	2,792.2	1,424.5	1,619.8	3,735.8	4,412.0
Assets available for solvency reserve						
Surplus or deficit (if any) of net policy liabilities relative to net minimum termination value	(155.2)	154.1	1.7	8.6	(153.5)	162.7
Net assets	269.2	195.0	40.0	48.4	309.2	243.4
Liability for policyowner retained profits at the end of financial year	380.3	296.9	-	-	380.3	296.9
	494.3	646.0	41.7	57.0	536.0	703.0
Solvency reserve %	9.1%	9.8%	1.0%	1.4%	5.8%	6.5%
Coverage of solvency reserve (times)	2.7	2.7	2.9	2.5	2.7	2.7

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 policyowners at reporting date.

31. Statement of sources of operating profit

	Life Insurance Contracts 2009 \$m	Investment Linked Contracts 2009 \$m	Other Life Investment Contracts 2009 \$m	Total 2009 \$m	Total 2008 \$m
Life Act shareholder's profit in the statutory funds					
The shareholder's operating profit after income tax in the statutory funds is represented by:					
Investment earnings on shareholder's retained profits and capital	(9.4)	(2.9)	-	(12.3)	(8.2)
Emergence of shareholder's planned profits	35.7	-	-	35.7	47.3
Experience profit (loss)	27.3	-	0.1	27.4	17.9
(Losses capitalised)/Reversal of capitalised loss	-	-	-	-	(0.1)
Management services profit	-	1.7	-	1.7	5.1
Life Act shareholder's operating profit after income tax	53.6	(1.2)	0.1	52.5	62.0
Cumulative losses carried forward at the end of the financial year	1.4	-	-	1.4	1.5
Life Act policyowners' operating profit in the statutory funds					
The Life Act policyowners' operating profit after income tax in the statutory funds is represented by:					
Investment earnings on retained profits	(11.5)	-	-	(11.5)	(4.5)
Emergence of policyowner planned profits	109.7	-	-	109.7	158.1
Experience profit/(loss)	1.1	-	-	1.1	(9.9)
Life Act policyowners' operating profit after income tax	99.3	-	-	99.3	143.7

32. Asset restrictions, managed assets and trustee activities

Restrictions on assets

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

Restrictions on managed investment schemes' funds

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

Trustee activities

During the financial year Suncorp Portfolio Services Ltd, a related party of the Company, acted as licensed trustee in relation to various superannuation policies issued by the Company. The activities of Suncorp Portfolio Services Ltd are managed separately from the operations of the Company.

In the prior financial year Suncorp Superannuation Pty Ltd, a subsidiary of the Company, acted as licensed trustee in relation to various superannuation policies issued by the Company. Throughout the prior financial year arrangements were in place to ensure that the activities of Suncorp Superannuation Pty Ltd were managed separately from the life operations of the Company.

33. Segment information

	Consolidated	
	2009 \$m	2008 \$m
Total revenue (note 8)		
Life insurance activities	(60.6)	(90.3)
Non-life insurance activities	(343.7)	(803.6)
Elimination of controlled entities	268.8	627.6
	<u>(135.5)</u>	<u>(266.3)</u>
Operating profit before income tax		
Life insurance activities	23.6	20.1
Non-life insurance activities	3.3	5.7
Elimination of controlled entities	(10.4)	(7.0)
	<u>16.5</u>	<u>18.8</u>
Assets		
Life insurance activities	4,109.9	4,886.3
Non-life insurance activities	3,789.2	5,761.4
Elimination of controlled entities	(3,246.7)	(4,586.0)
	<u>4,652.4</u>	<u>6,061.7</u>

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

34. Statutory funds segment information

(a) Statutory funds information

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

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

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

34. Statutory funds segment information (continued)

(b) Abbreviated income statement at fund and category level for the year ended 30 June 2009

	Non-Investment Linked Statutory Fund No 1 \$m	Investment Linked Statutory Fund No 2 \$m	Total Statutory Funds \$m	Shareholder Fund \$m
Premium revenue	217.9	2.6	220.5	-
Outwards reinsurance expense	(47.4)	-	(47.4)	-
	170.5	2.6	173.1	-
Investment revenue	(168.2)	(188.8)	(357.0)	8.6
Other revenue	13.8	0.1	13.9	19.8
Total revenue	16.1	(186.1)	(170.0)	28.4
Claims expense	(145.8)	-	(145.8)	-
Reinsurance recoveries	33.6	-	33.6	-
	(112.2)	-	(112.2)	-
Operating expenses	(67.3)	(24.2)	(91.5)	(16.1)
(Decrease) in net insurance contract liabilities	280.1	-	280.1	-
Increase (Decrease) in investment contract liabilities	(0.3)	188.6	188.3	-
Increase in policy owner retained profits	(83.4)	-	(83.4)	-
Total operating expenses	16.9	164.4	181.3	(16.1)
Operating profit (loss) before income tax	33.0	(21.7)	11.3	12.3
Income tax expense	17.9	23.3	41.2	(0.5)
Profit from ordinary activities after income tax	50.9	1.6	52.5	11.8

34. Statutory funds segment information (continued)

(c) Abbreviated income statement at fund and category level for the year ended 30 June 2008

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

34. Statutory funds segment information (continued)

(d) Abbreviated balance sheet at fund and category level for the year ended 30 June 2009

	Non-Investment Linked Statutory Fund No 1 \$m	Investment Linked Statutory Fund No 2 \$m	Total Statutory Funds \$m	Shareholder Fund \$m
Investment assets	2,428.4	1,376.6	3,805.0	8.1
Total investment assets	2,428.4	1,376.6	3,805.0	8.1
Policy liabilities ceded	84.3	-	84.3	-
Other assets	106.9	75.1	182.0	37.3
TOTAL ASSETS	2,619.6	1,451.7	4,071.3	45.4
Gross policy liabilities	1,908.3	1,396.2	3,304.5	-
Policy owner retained profits	380.3	-	380.3	-
Other liabilities	61.8	15.5	77.3	26.9
TOTAL LIABILITIES	2,350.4	1,411.7	3,762.1	26.9
NET ASSETS	269.2	40.0	309.2	18.5
Share capital	-	-	-	39.0
Capital transfers	5.2	24.6	29.8	(29.8)
Retained profits	264.0	15.4	279.4	9.3
TOTAL EQUITY	269.2	40.0	309.2	18.5

(e) Abbreviated balance sheet at fund and category level for the year ended 30 June 2008

	Non-Investment Linked Statutory \$m	Investment Linked \$m	Total Statutory \$m	Shareholder Fund \$m
Investment assets	3,024.5	1,585.8	4,610.3	13.5
Total investment assets	3,024.5	1,585.8	4,610.3	13.5
Policy liabilities ceded	78.1	-	78.1	-
Other assets	94.4	68.3	162.7	52.3
TOTAL ASSETS	3,197.0	1,654.1	4,851.1	65.8
Gross policy liabilities	2,556.8	1,587.4	4,144.2	-
Policy owner retained profits	296.9	-	296.9	-
Other liabilities	148.3	18.3	166.6	31.4
TOTAL LIABILITIES	3,002.0	1,605.7	4,607.7	31.4
NET ASSETS	195.0	48.4	243.4	34.4
Share capital	-	-	-	39.0
Capital transfers	5.2	24.6	29.8	(29.8)
Retained profits	189.8	23.8	213.6	25.2
TOTAL EQUITY	195.0	48.4	243.4	34.4

35. Controlled entities

	Country of Incorporation	Class of Share	2009 %	2008 %
Suncorp Life & Superannuation Limited	Australia	Ordinary		
Subsidiaries ⁽¹⁾				
SIP Super Pty Ltd	Australia	Ordinary	100	100
Suncorp Financial Services Pty Ltd	Australia	Ordinary	100	100
Suncorp Superannuation Pty Ltd	Australia	Ordinary	100	100

Managed investment schemes

The company deems control to exist where it owns at least 50% of the issued units in managed investment schemes. The consolidated entity had recognised control for the following during the year ended 30 June 2008 and control continues to be recognised:

	2009 %	2008 %
Suncorp Investment Management Global Macro Tactical Asset Allocation Trust ⁽²⁾	89	66
Suncorp Investment Management Property Securities Trust ⁽³⁾	71	71
Suncorp Investment Management Australian Equities Trust ⁽⁴⁾	86	83
Suncorp Investment Management Australian Fixed Interest Trust	87	92
Suncorp Investment Management World Equities Trust ⁽⁵⁾	68	61
Suncorp Investment Management Australian Cash Trust ⁽⁶⁾	97	84
Suncorp Investment Management World Fixed Interest Trust	95	94
Controlled entities of Suncorp Investment Management World Fixed Interest Trust - Suncorp Investment Management Mortgage Backed Trust	92	91
Suncorp Investment Management Imputation Trust ⁽⁷⁾	53	53

Notes

- (1) These investments form part of the investment assets.
- (2) Suncorp Life & Superannuation Limited holds a 89.27% (2008: 65.94%) interest, GIO General Limited holds a nil (2008: 14.33%) interest and Suncorp-Metway Insurance Ltd holds a nil (2008: 16.24%) interest in the Suncorp Investment Management Global Macro Tactical Asset Allocation Trust.
- (3) Suncorp Life & Superannuation Limited holds a 71.09% (2008: 70.80%) interest, GIO General Limited holds a nil (2008: 9.93%) interest and Suncorp-Metway Insurance Ltd holds a nil (2008: 0.31%) interest in the Suncorp Investment Management Property Securities Trust.
- (4) Suncorp Life & Superannuation Limited holds a 85.72% (2008: 83.31%) interest in the Suncorp Investment Management Australian Equities Trust.
- (5) Suncorp Life & Superannuation Limited holds a 68.20% (2008: 60.80%) interest, Asteron Life Limited holds a 11.86% (2008: nil) interest, GIO General Limited holds a nil (2008: 7.17%) interest and Suncorp Metway Insurance Ltd holds a nil (2008: 7.96%) interest in the Suncorp Investment Management World Equities Trust.
- (6) Suncorp Life & Superannuation Limited holds a 96.80% (2008: 83.69%) interest and Suncorp Metway Insurance Ltd holds a nil (2008: 10.45%) interest in the Suncorp Investment Management Australian Cash Trust.
- (7) Suncorp Life & Superannuation Limited holds a 52.73% (2008: 53.16%) interest in the Suncorp Investment Management Imputation Trust.

36. Related parties

(a) Key management personnel compensation

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

	Company		Consolidated	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-term employee benefits	11,203,105	18,311,023	11,203,105	18,311,023
Long-term employee benefits	-	314,940	-	314,940
Post-employment benefits	873,202	814,333	873,202	814,333
Termination benefits	3,470,454	1,050,000	3,470,454	1,050,000
Equity compensation benefits	9,988,117	7,182,809	9,988,117	7,182,809
	<u>25,534,878</u>	<u>27,673,105</u>	<u>25,534,878</u>	<u>27,673,105</u>

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

Other key management personnel transactions

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

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

Identity of related parties

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

Other related parties

Key management personnel related parties

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

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

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

36. Related parties (continued)

Other related party transactions

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

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

	Company	
	2009	2008
	\$m	\$m
Distribution fee income:		
controlled entities	(1.3)	(1.7)
	<u>(1.3)</u>	<u>(1.7)</u>
Management fee income:		
controlled entities	(0.5)	(0.9)
controlled entities of the parent entity	(7.6)	(12.8)
distributions from controlled unit trusts	(227.6)	(281.3)
	<u>(235.7)</u>	<u>(295.0)</u>
Administration expenses:		
parent entity	22.8	45.4
controlled entity	1.6	3.8
controlled entities of the parent entity	13.0	20.1
	<u>37.4</u>	<u>69.3</u>
Investment expenses:		
parent entity	1.0	1.2
	<u>1.0</u>	<u>1.2</u>
Dividends paid or due and payable :		
controlled entity	10.4	7.0
	<u>10.4</u>	<u>7.0</u>

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

	Company	
	2009	2008
	\$m	\$m
Loans, advances and other receivables:		
parent entity (note 15)	-	4.3
controlled entities of the ultimate parent entity (note 15)	21.7	16.0
controlled entities (note 15)	4.9	1.0
parent entity - transfer of provision of current income tax under tax sharing agreement (note 15)	3.8	8.3
controlled unit trusts - distributions receivable	39.7	58.1
	<u>70.1</u>	<u>87.7</u>
Deposits and short term borrowings:		
parent entity (note 19)	18.3	19.4
parent entity - transfer of provision of current income tax under tax sharing agreement (note 19)	11.8	48.0
controlled entities of the ultimate parent entity (note 19)	0.6	0.6
controlled entities (note 19)	-	2.0
	<u>30.7</u>	<u>70.0</u>

37. Subsequent events

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

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

- (a) the financial statements and notes, set out on pages 7 to 65, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Dated at Brisbane this 25th August 2009


John D Story
Chairman


Christopher Skilton
Executive Director



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

Report on the financial report

We have audited the accompanying financial report of Suncorp Life & Superannuation Limited ("the Company"), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of recognised income and expense, and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 37, and the directors' declaration set out on pages 7 to 66 of the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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



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

Independence

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

Auditor's opinion

In our opinion:

- a) the financial report of Suncorp Life & Superannuation Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

KPMG

KPMG

D. Andries B Terblanché
Partner

Brisbane
25 August 2009