

FINANCIAL STATEMENTS.

Contents	Page
Income statements	32
Balance sheets	33
Statements of recognised income and expense	34
Cash flow statements	35

Notes to the financial statements*	Consolidated	Parent
1 Summary of significant accounting policies	36	36
2 Critical accounting estimates and judgements	43	43
3 Analysis of income	44	44
4 Analysis of expenses	44	44
5 Remuneration of auditors	46	–
6 Income tax	46	46
7 Segment reporting	49	49
8 Earnings per share	52	–
9 Dividends	52	52
10 Insurance contracts risk management	54	–
11 Claims	57	–
12 Reinsurance and other recoveries on outstanding claims	64	–
13 Deferred acquisition costs	66	–
14 Unearned premium liability	66	–
15 Investments	67	67
16 Receivables	70	70
17 Property, plant and equipment	71	–
18 Intangible assets	72	–
19 Goodwill	74	–
20 Trade and other payables	75	75
21 Interest bearing liabilities	76	76
22 Reconciliation of total equity	81	81
23 Notes to the cash flow statements	83	83
24 Acquisitions and disposals of businesses	84	–
25 Details of subsidiaries	88	88
26 Investment in joint ventures and associates	91	–
27 Employee benefits	92	–
28 Share based remuneration	92	–
29 Superannuation	97	–
30 Commitments	100	–
31 Contingencies	101	–
32 Related party disclosures	101	101
33 Financial risk management	107	107
34 Capital management	113	113
35 Net tangible assets	115	–
36 Restructuring provision	115	–
37 Events subsequent to reporting date	115	115

* For ease of reference, an index of the notes to the financial statements is provided here showing those relevant to the financial statements of the Consolidated entity and those relevant to the financial statements of the Parent.

BALANCE SHEETS.

AS AT 30 JUNE 2008

	NOTES	PARENT		CONSOLIDATED	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m
ASSETS					
Cash and cash equivalents	23	–	–	1,234	1,163
Investments	15	1	–	9,479	10,884
Premium receivable	16	–	–	2,046	2,045
Inventories		–	–	1	1
Trade and other receivables	16	69	–	1,207	1,233
Receivables from related bodies corporate		120	155	–	1
Current tax assets		–	–	18	19
Defined benefit superannuation asset		–	–	3	62
Loans to related bodies corporate		671	667	–	–
Reinsurance and other recoveries receivable on outstanding claims	12	–	–	1,043	1,346
Prepayments		–	–	54	62
Deferred levies and charges		–	–	120	123
Deferred outwards reinsurance expense		–	–	308	224
Deferred acquisition costs	13	–	–	758	789
Deferred tax assets	6	7	6	288	276
Property, plant and equipment	17	–	–	291	297
Investments in joint ventures and associates	26	–	–	70	75
Intangible assets	18	–	–	585	781
Investment in subsidiaries	25	5,785	5,578	–	–
Goodwill	19	–	–	1,875	2,256
Total assets		6,653	6,406	19,380	21,637
LIABILITIES					
Trade and other payables	20	16	20	906	1,139
Reinsurance premiums payable		–	–	285	160
Payables to related bodies corporate		48	109	–	1
Restructuring provisions	36	–	–	61	4
Current tax liabilities		42	28	65	63
Unearned premium liability	14	–	–	4,097	4,213
Minority interests in unitholders' funds		–	–	93	326
Lease provision		–	–	22	22
Employee benefits provision	27	–	–	243	242
Unexpired risk liability		–	–	12	–
Deferred tax liabilities	6	–	–	17	56
Loans from related bodies corporate		173	211	–	–
Outstanding claims liability	11	–	–	7,827	8,562
Interest bearing liabilities	21	860	1,130	1,401	2,017
Total liabilities		1,139	1,498	15,029	16,805
Net assets		5,514	4,908	4,351	4,832
EQUITY					
Share capital	22.A	4,740	4,361	4,740	4,361
Treasury shares held in trust	22.B	–	–	(71)	(69)
Reserves	22.C	–	–	(7)	(4)
Retained earnings/(accumulated losses)	22.D	774	547	(458)	372
Parent interest	22	5,514	4,908	4,204	4,660
Minority interests	22.E	–	–	147	172
Total equity	22	5,514	4,908	4,351	4,832

The above balance sheets should be read in conjunction with the notes to the financial statements.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE.

FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$m	PARENT 2007 \$m	2008 \$m	CONSOLIDATED 2007 \$m
INCOME AND (EXPENSES) RECOGNISED DIRECTLY IN EQUITY DURING THE YEAR, NET OF TAX				
Actuarial gains and (losses) on defined benefit superannuation plans	-	-	(37)	40
Net movement in foreign currency translation reserve	-	-	(31)	(19)
Net movement in hedging reserve	-	-	5	7
Total net income and (expenses) recognised directly in equity	-	-	(63)	28
Profit/(loss) for the year	764	353	(226)	629
Total recognised income and (expense) for the year	764	353	(289)	657
Total recognised income and (expense) for the year attributable to				
Equity holders of the Parent	764	353	(321)	579
Minority interests	-	-	32	78
Total recognised income and (expense) for the year	764	353	(289)	657

Other movements in equity arising from transactions with equity holders acting in their capacity as equity holders are set out in note 22.

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

CASH FLOW STATEMENTS.

FOR THE YEAR ENDED 30 JUNE 2008

	NOTES	PARENT		CONSOLIDATED	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m
CASH FLOWS FROM OPERATING ACTIVITIES					
Premium received		-	-	7,836	7,149
Reinsurance and other recoveries received		-	-	739	577
Claims costs paid		-	-	(6,266)	(5,037)
Outwards reinsurance premium expense paid		-	-	(484)	(486)
Dividends received		716	396	51	65
Interest and trust distributions received		45	5	585	467
Finance costs paid		(60)	(84)	(102)	(124)
Income taxes refunded		25	-	51	12
Income taxes paid		(142)	(228)	(257)	(403)
Other operating receipts		94	273	1,328	1,198
Other operating payments		-	-	(3,476)	(3,017)
Net cash flows from operating activities	23.B	678	362	5	401
CASH FLOWS FROM INVESTING ACTIVITIES					
Net cash flows on acquisition of subsidiaries		-	-	(35)	(446)
Proceeds from disposal of premium funding loan portfolio		-	-	114	-
Proceeds from disposal of investments and property, plant and equipment		38	-	37,279	21,961
Outlays for investments and property, plant and equipment acquired		(246)	(783)	(36,255)	(21,659)
Repayment of premium funding loans		-	-	85	398
Advances of premium funding loans		-	-	(99)	(378)
Net cash flows from investing activities		(208)	(783)	1,089	(124)
CASH FLOWS FROM FINANCING ACTIVITIES					
Outlays for purchase of treasury shares		-	-	(4)	(30)
Proceeds from issue of trust units		-	-	876	1,118
Outlays for redemption of trust units		-	-	(1,104)	(1,131)
Proceeds from borrowings		665	827	87	969
Repayment of borrowings		(977)	(1,008)	(612)	(1,271)
Dividends paid to IAG equity holders*		(537)	(492)	(537)	(492)
Dividends paid to minority interests		-	-	(57)	(87)
Proceeds from issue of shares*		379	1,112	379	1,112
Share issue costs paid		-	(19)	-	(19)
Dividends received on treasury shares		-	-	2	4
Net cash flows from financing activities		(470)	420	(970)	173
Net movement in cash held		-	(1)	124	450
Effects of exchange rate changes on balances of cash held in foreign currencies		-	-	(53)	(5)
Cash and cash equivalents at the beginning of financial year		-	1	1,163	718
Cash and cash equivalents at the end of financial year	23.A	-	-	1,234	1,163

* Includes dividends settled by issue of shares under the Dividend Reinvestment Plan (refer to note 9) and the fully underwritten 2007 interim and 2007 final dividend (refer to note 22).

The above cash flow statements should be read in conjunction with the notes to the financial statements.