

# INDEPENDENT AUDIT REPORT ON CONCISE FINANCIAL REPORT

to the shareholders of Insurance Australia Group Limited

## SCOPE

### The financial report, remuneration report and directors' responsibility

The concise financial report comprises the income statement, statement of recognised income and expense, balance sheet, cash flow statement and the accompanying notes 1 to 10, for Insurance Australia Group Limited ("the Company") and its controlled entities (the "Consolidated Entity") for the year ended 30 June 2006.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, including those under the heading "Remuneration Report" in sections A to D of the directors' report and not in the concise financial report.

The directors of the Company are responsible for the preparation of the concise financial report in accordance with Australian Accounting Standard AASB 1039 *Concise Financial Reports*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the concise financial report. The directors are also responsible for the Remuneration Report contained in the directors' report.

### Audit approach

We conducted an independent audit in order to express an opinion to shareholders of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected. We have also performed an independent audit of the full financial report and the Remuneration Report of the Company and its controlled entities for the year ended 30 June 2006. Our audit report on the full financial report and the Remuneration Report was signed on 25th August 2006, and was not subject to any qualification.

We performed procedures in respect of the audit of the concise financial report to assess whether, in all material respects, the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

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

- testing that the information in the concise financial report is consistent with the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts and other disclosures, which were not directly derived from the full financial report.

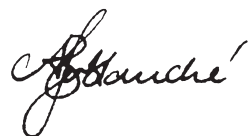
While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

## AUDIT OPINION

In our opinion, the concise financial report of Insurance Australia Group Limited and its controlled entities for the year ended 30 June 2006 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.



KPMG



**Dr Andries B Terblanché**

Partner

Sydney

25th August 2006