

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	PARENT		CONSOLIDATED	
		2007 \$m	2006 \$m	2007 \$m	2006 \$m
Premium revenue	3	-	-	7,207	6,537
Outwards reinsurance premium expense	4	-	-	(464)	(405)
Net premium revenue(i)		-	-	6,743	6,132
Claims expense	4	-	-	(5,345)	(4,466)
Reinsurance and other recoveries revenue	3	-	-	871	566
Net claims expense(ii)	11	-	-	(4,474)	(3,900)
Acquisition costs	4	-	-	(1,223)	(1,081)
Other underwriting expenses	4	-	-	(421)	(395)
Fire services levy	4	-	-	(218)	(223)
Underwriting expenses(iii)		-	-	(1,862)	(1,699)
Underwriting profit(i) + (ii) + (iii)		-	-	407	533
Investment income on assets backing insurance liabilities	3	-	-	381	329
Investment expenses on assets backing insurance liabilities	4	-	-	(21)	(19)
Insurance profit		-	-	767	843
Investment income on equity holders' funds	3	426	746	343	576
Fee income and other income	3	-	3	463	218
Share of net profit of associates	3	-	-	5	2
Finance costs	4	(77)	(57)	(119)	(86)
Corporate, administration and other expenses	4	-	-	(532)	(298)
Net income attributable to minority interest in unitholders' funds	4	-	-	(19)	(20)
Profit/(loss) before income tax		349	692	908	1,235
Income tax (expense)/credit	6	4	10	(279)	(373)
Profit/(loss) for the year		353	702	629	862
Profit/(loss) for the year attributable to:					
Equity holders of the Parent		353	702	552	759
Minority interests		-	-	77	103
Profit/(loss) for the year		353	702	629	862
				CONSOLIDATED	
				2007	2006
				cents	cents
Basic earnings per ordinary share	8			32.79	47.66
Diluted earnings per ordinary share	8			32.59	47.38

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

BALANCE SHEETS

AS AT 30 JUNE 2007

	Notes	PARENT		CONSOLIDATED	
		2007 \$m	2006 \$m	2007 \$m	2006 \$m
ASSETS					
Cash and cash equivalents	23	–	1	1,163	718
Investments	15	–	–	10,884	9,929
Premium receivable		–	–	2,045	1,652
Inventories		–	–	1	–
Trade and other receivables	16	–	1	1,206	764
Receivables from related bodies corporate		155	160	1	4
Current tax assets		–	–	19	1
Defined benefit superannuation asset		–	–	62	–
Loans to related bodies corporate		667	–	–	–
Reinsurance and other recoveries receivable on outstanding claims	12	–	–	1,346	908
Prepayments		–	–	62	25
Deferred levies and charges		–	–	123	126
Deferred outwards reinsurance expense		–	–	224	221
Deferred acquisition costs	13	–	–	789	591
Deferred tax assets	6	6	1	276	159
Property, plant and equipment	17	–	–	297	257
Investment in joint ventures and associates	26	–	–	75	74
Intangible assets	18	–	–	815	57
Investment in subsidiaries	25	5,578	4,795	–	–
Goodwill	19	–	–	2,222	1,486
TOTAL ASSETS		6,406	4,958	21,610	16,972
LIABILITIES					
Trade and other payables	20	20	2	1,120	743
Reinsurance premiums payable		–	–	160	166
Payables to related bodies corporate		109	84	1	–
Restructuring provision		–	–	4	10
Current tax liabilities		28	63	55	83
Loans from related bodies corporate		211	313	–	–
Unexpired risk liability		–	–	–	11
Unearned premium liability	14	–	–	4,213	3,503
Minority interest in unitholders' funds		–	–	326	305
Lease provision		–	–	22	21
Employee benefits provision	27	–	–	242	207
Deferred tax liabilities	6	–	–	56	40
Outstanding claims liability	11	–	–	8,562	6,916
Interest bearing liabilities	21	1,130	547	2,017	1,296
TOTAL LIABILITIES		1,498	1,009	16,778	13,301
NET ASSETS		4,908	3,949	4,832	3,671
EQUITY					
Share capital	22(a)	4,361	3,263	4,361	3,263
Treasury shares held in trust	22(b)	–	–	(69)	(40)
Reserves	22(c)	–	–	(4)	(6)
Retained earnings	22(d)	547	686	372	274
Parent interest	22	4,908	3,949	4,660	3,491
Minority interest	22(e)	–	–	172	180
TOTAL EQUITY	22	4,908	3,949	4,832	3,671

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 2007

	PARENT		CONSOLIDATED	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
Income and expenses recognised directly in equity during the year, net of tax				
Actuarial gains and (losses) on defined benefit superannuation plans	-	-	39	21
Net movement in foreign currency translation reserve	-	-	(19)	(9)
Net movement in hedging reserve	-	-	7	(5)
Vesting of share based remuneration	-	-	-	(1)
Total net income and (expenses) recognised directly in equity	-	-	27	6
Profit for the year	353	702	629	862
Total recognised income and (expenses) for the year	353	702	656	868
Total recognised income and (expenses) for the year attributable to:				
Equity holders of the Parent	353	702	578	765
Minority interests	-	-	78	103
Total recognised income and (expenses) for the year	353	702	656	868

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 2007

	Notes	PARENT		CONSOLIDATED	
		2007 \$m	2006 \$m	2007 \$m	2006 \$m
Cash flows from operating activities					
Premium received		–	–	7,149	6,530
Reinsurance and other recoveries received		–	–	577	589
Claims costs paid		–	–	(5,037)	(4,423)
Outwards reinsurance premium expense paid		–	–	(486)	(434)
Dividends received		396	745	65	85
Interest and trust distributions received		5	–	467	415
Finance costs paid		(84)	(29)	(124)	(82)
Income taxes refunded		–	–	12	8
Income taxes paid		(228)	(300)	(403)	(497)
Other operating receipts		273	280	1,198	1,051
Other operating payments		–	–	(3,017)	(2,855)
Net cash flows from operating activities	23(b)	362	696	401	387
Cash flows from investing activities					
Net cash flows on acquisition of subsidiaries	24(a)	–	–	(446)	(92)
Dividend received from pre-acquisition profits of subsidiary		–	412	–	–
Proceeds from disposal of investments and property, plant and equipment		–	–	21,961	19,503
Outlays for investments and property, plant and equipment		(783)	(590)	(21,659)	(18,591)
Repayment of premium funding loans		–	–	398	448
Advances of premium funding loans		–	–	(378)	(446)
Net cash flows from investing activities		(783)	(178)	(124)	822
Cash flows from financing activities					
Outlays for purchase of treasury shares		–	–	(30)	(19)
Proceeds from issue of trust units		–	–	1,118	1,152
Outlays for redemption of trust units		–	–	(1,131)	(1,288)
Proceeds from borrowings		827	129	969	–
Repayment of borrowings		(1,008)	–	(1,271)	(46)
Dividends paid to IAG equity holders*		(492)	(647)	(492)	(647)
Dividends paid to minority interests		–	–	(87)	(89)
Proceeds from issue of shares		1,112	–	1,112	–
Share issue costs paid		(19)	–	(19)	–
Dividends received on treasury shares		–	–	4	–
Net cash flows from financing activities		420	(518)	173	(937)
Net movement in cash held		(1)	–	450	272
Effects of exchange rate changes on balances of cash held in foreign currencies		–	–	(5)	(10)
Cash and cash equivalents at the beginning of financial year		1	1	718	456
Cash and cash equivalents at the end of financial year	23(a)	–	1	1,163	718

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

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