During the 2007 financial year, we entered the United Kingdom general insurance market through the acquisitions of Equity Insurance Group and Hastings. This was in line with our goal to diversify our business internationally and increase earnings for shareholders.

We also remained a leader in both the Australian and New Zealand general insurance markets and continued to improve these businesses, whilst our Asian presence grew.

The Group increased gross written premium by 15% to a record $7.4 billion, compared with the previous year. This strong improvement reflects renewed growth in our domestic business, and the first contribution from our newly acquired UK businesses.

Net profit after tax of $552 million was achieved, compared with $759 million in the previous year. This result was affected substantially by the $200 million pre-tax impact of the severe June storms in Australia and the UK, as well as amortisation costs associated with the newly acquired UK businesses, and lower investment returns on shareholders’ funds.

The Board has declared a final fully franked dividend of 16 cents per ordinary share to be paid on 8 October 2007 to shareholders registered as at 5 September 2007. This brings the annual dividend for the year to 29.5 cents per ordinary share, fully franked, consistent with the previous year.

Since listing in August 2000, the Group has delivered total shareholder return of 176%. This means, if you have held $1,000 worth of ordinary shares since the Group listed, it would have grown to $2,760 by 30 June 2007.

**CAPITAL MANAGEMENT**

We retained a strong capital position, with an APRA minimum capital requirement (MCR) multiple of 1.67 times as at 30 June 2007. Return on equity (ROE) was 13.5%, and when normalised to exclude the volatility of investment returns and amortisation of intangible assets, ROE was 12.9%.

The strength of our capital position reflects the cautious approach the Group takes to reserving and the prudence behind reserve releases over the past few reporting periods.

**BOARD AND GOVERNANCE**

After the end of the reporting year, Mr John Astbury and Mr Geoffrey Cousins, who joined the Board shortly before IAG became a listed public company in 2000, retired on 31 August 2007.

On behalf of the Board, I would like to thank both Directors for the tremendous contribution they have made to the Group over the past seven years. They each played a significant role in guiding the Group from listing through a period of rapid growth.

We also welcomed three Non-executive Directors to the Board during the year. Mr Phillip Colebatch was appointed on 1 January 2007, and Mr Hugh Fletcher and Ms Anna Hynes joined on 1 September 2007.

These Directors bring a wealth of experience, particularly in the insurance and financial services sector, and knowledge gained through senior positions held in multinational businesses. Biographical details are contained in IAG’s 2007 Notice of Annual General Meeting.
These appointments also diversify our Board’s international representation, with Directors now based in Australia, the United Kingdom and New Zealand. We believe this is an important reflection of the continued strengthening of our international governance principles and risk framework as the Group expands offshore.

We also introduced a Group-wide Code of Ethics, which sets out principles to guide behaviours of all employees, providing a common framework to make good, informed business decisions and act on them with integrity. This is part of the way we are continuing to embed a risk management culture throughout our organisation.

The Board has worked closely with our Executive team, led by CEO Michael Hawker. On behalf of the Board I would like to thank them for their commitment to sustaining the performance of the Group.

SHAREHOLDER COMMUNICATION
Regulatory reform was introduced during the year that has changed the obligations of companies regarding the provision of annual reports to shareholders. IAG is no longer obliged to mail hard copies of annual reports to shareholders, unless requested to do so.

To ensure our shareholders remain fully informed of our activities and performance, we will continue to make our annual reports available online at www.iag.com.au, and will offer shareholders a choice to be mailed a short shareholder review or the full statutory accounts, if they wish. We welcome the benefits brought by this reform, particularly from an environmental and cost management perspective.

LOOKING FORWARD
The Group will continue to grow in the current financial year. We have created scope for progress on multiple fronts by ensuring sustained improvement domestically and by building new growth platforms internationally, while maintaining our ‘AA’ ratings for our key wholly owned licensed insurers.

Our aim remains to deliver returns to shareholders of at least 1.5 times our weighted average cost of capital, barring any other major losses for the year outside our normal allowances.

JAMES STRONG
Chairman

“OUR ENTRY INTO A NEW INTERNATIONAL MARKET DURING THE YEAR HAS FURTHER DIVERSIFIED OUR BUSINESS. THIS IS PART OF OUR STRATEGY TO DELIVER SUSTAINABLE SHAREHOLDER RETURNS OVER THE LONG TERM.”