Appendix 4E

Results for announcement to the market

Rule 4.3A

Name of Entity: **Colonial Holding Company Limited and Controlled Entities**

ABN: **61 074 706 782**

Reporting Period ("current period"): **Year ended 30 June 2012**

Previous Corresponding Period: **Year ended 30 June 2011**

2.1/2.2/2.3 Revenue and profit from ordinary activities, and net profit for the period attributable to members:

	up/down	% movement		For the year ended 30 June 2012 $M
Revenue from ordinary activities	down	9.79%	to	5,043
Profit (loss) from ordinary activities after tax attributable to members	down	10.75%	to	714
Total comprehensive income for the period	up	14.57%	to	755

2.4/2.5 Amounts per security of all dividends paid/payable during the year & 7.0 details of distribution during the year:

Dividends	Ordinary shares (cents per share)	Record Date	Payment Date
Interim Dividends	1.84	29/09/2011	29/09/2011
Interim Dividends	1.70	21/12/2011	21/12/2011
Interim Dividends	1.89	30/03/2012	30/03/2012
Final Dividends	2.96	29/06/2012	29/06/2012
Total Dividends	8.39		

Total dividends paid on ordinary shares during the year: $371 million.

Dividends	Preference shares (dollars per share)	Record Date	Payment Date
Interim Dividends	4.26	N/A	17/10/2011
Interim Dividends	4.60	N/A	17/01/2012
Interim Dividends	4.25	N/A	16/04/2012
Final Dividends	4.45	N/A	16/07/2012
Total Dividends	17.56		

Total dividends paid / payable on preference shares during the year: $5 million.

2.6 Explanation of figures in 2.1 to 2.5: refer to commentary under point 14; and audited annual financial report.

3/4/5/6. For statement of comprehensive income, statement of financial position, statement of cash flows and statement of chances in equity, together with notes to the statements, refer to attached annual financial report.

8.0 No dividend reinvestment plan was in operation for the period.
9.0 Net tangible assets and net asset value per security:

	30 June 12 ($)	30 June 11 ($)	Change %
Net tangible assets per ordinary share	0.2504	0.1711	46.35%
Net asset value per ordinary share	0.9337	0.8356	11.73%

10.0 Control gained / lost over another entity during the year:

Name of Entity	Percentage ownership as of 30 June 12	Date of the gain of control
Count Financial Limited	100%	29 November 2011

11.0 For details of associates and joint venture entities, refer to attached annual financial report.
12.0 All significant information has been released to the market.
13.0 Not applicable.
14.0 For commentary on the results for the year:

Commentary
Colonial Holding Company Limited (the Company) is the holding company for the wealth management and insurance subsidiaries of the Commonwealth Bank of Australia Group. Colonial Holding Company Limited Company and its controlled entities (the Group) is a diversified wealth management and insurance group which manages significant positions in the funds management, platforms, advice and insurance markets. Revenue for the year of $5,043 million (2011: $5,590 million) is comprised primarily of insurance premium and fee revenue, investment revenue as well as fees and commissions. The Group recorded a net profit after tax for the year ended 30 June 2012 of $714 million (2011: $800 million), which represents a 11% decrease on the prior year. The result reflects continued weakness in global investment markets, which was partly offset by a solid insurance performance.

15/16/17. Refer to attached audited annual financial report.

Bernadette Watts

Bernadette Watts
Company Secretary
Date: 26 September 2012

Colonial Holding Company Limited and Controlled Entities

Annual Report 2012

Colonial Holding Company Limited
ABN 61 074 706 782

Contents

Directors' Report

The Directors of Colonial Holding Company Limited (the Company) present their report for the year ended 30 June 2012, together with the financial report of the Company and the economic entity (the Group) consisting of the Company and the entities it controlled at the end of or during the year ended 30 June 2012.

Directors

The Directors of the Company at any time during the year, and to the date of this report, are:

Michael Venter (Chairman)

Warwick Bryan (appointed 03 February 2012)

Lynette Cobley

John Hatton

Gregg Johnston (resigned 03 February 2012)

Directors were in the office for the full period unless otherwise stated.

Secretaries

The Secretaries of the Company during the year, and to the date of this report, are:

John Greenhalgh

Bernadette Watts

Principal Activities

Colonial Holding Company Limited is a wholly-owned subsidiary of the Commonwealth Bank of Australia Group (CBA Group).

Colonial Holding Company Limited is the holding company for the wealth management and insurance subsidiaries of the CBA Group. Colonial Holding Company Limited Group is a diversified wealth management and insurance group which manages significant positions in the funds management, platforms, advice and insurance markets.

As a holding company, the main purpose of the Company is the capital and funding strategy of the Group.

The Group's workforce spans a global operation present in a number of profitable and fast growing markets. It operates under highly recognised brands including Colonial First State, Colonial First State Global Asset Management, First State Investments, CommInsure and Sovereign.

Review of Operations and Results

Profit after tax for the year was $714 million (2011: $800 million), which represents a 11% decrease on the prior year. The result reflects continued weakness in global investment markets, which was partly offset by a solid insurance performance.

Australian Wealth Management Funds under Administration increased 2% on the prior year to $193 billion as at 30 June 2012, despite significant pressure on investment markets. Market conditions resulted in strong investor flows weighted towards less volatile asset classes, reflecting low investor risk appetite. The insurance businesses experienced inforce premium growth of 20% to $1,971 million, benefitting from new business and improved cross-sell in aligned retail channels.

The business continued to invest in growth and productivity initiatives. These included the expansion of global and domestic fund management capabilities and distribution, the acquisition of Count Financial Limited (Count Financial) and significant changes to insurance claims processing. In addition, the business continues to prepare for regulatory change.

The New Zealand insurance business experienced 7% growth in inforce premium which was driven by a solid increase in new business and improved lapse rates. The Indonesia insurance business experienced 39% growth in inforce premium as a result of strong growth in sales volumes.

Other business successfully refinanced $1,214 million in non recourse debt. Cost of finance has stayed intact in response to lower market interest rate.

Borrowing Program and Capital Position of the Group

Equity and reserves of the Group increased to $4.21 billion at 30 June 2012 from $3.45 billion at 30 June 2011.

From a funding perspective, the Group operates a borrowing program through a wholly owned subsidiary Colonial Finance Limited (CFL). Debt issued by CFL is guaranteed by the Company. As at 30 June 2012, the total external borrowing of CFL amounted to $1.3 billion (2011: $1.6 billion).

Directors' Report

Funds raised by CFL are used to support the business activities of the Group. Standard & Poor's rate the debt program of CFL and, due to the guarantee provided by the Company, also rate the financial strength of the Company. The Company's rating is 'A+' for long-term debts. As part of the rating process, Standard & Poor's assess the capital position of the Group.

In February 2012, the Company raised a total of $1 billion through the issuance of interest bearing, subordinated, unsecured notes called Colonial Group Subordinated Notes, and which are listed on the Australian Securities Exchange. The net proceeds were used to refinance existing debt of the Group and did not have a material impact on the Company's balance sheet although the average maturity of the Group's total debt was lengthened. The Notes form a key part of the Group's capital management and funding strategy and have diversified the Group's sources and types of funding. As at 30 June 2012, the Colonial Group Subordinated Notes amounted to $982 million.

Dividends

Dividends totalling $371m (2011: $674m) were paid on ordinary shares. Dividends totalling $5m (2011: $6m) were paid on preference shares.

Environmental regulation

The Group manages its environmental impact through the broader framework of CBA Group's environmental policy guiding improvements by reducing our use of energy, water, paper and other materials. Find out more about the Group's environment programme and initiatives at commbank.com.au/environment.

In the normal course of its business operations, the Group is subject to a range of environmental regulations, of which there have been no breaches during the year.

Greenhouse gas and energy data reporting requirements

The Group reports its requirements of both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007 through the broader framework of CBA Group. The Energy Efficiency Opportunities Act 2006 requires the Group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Group intends to take as a result. The Group continues to meet its obligations under this Act.

Remuneration Report

This Remuneration Report details the approach to remuneration frameworks, outcomes and performance, for the Key Management Personnel (KMP) of the Group for the year ended 30 June 2012.

The Group does not have a remuneration committee as it does not employ any KMP directly. The remuneration arrangements for the KMP are set by the Group's parent entity, through the CBA Group's People and Remuneration Committee (the Committee). Only independent Directors are remunerated for their duties – it is the practice of the CBA Group that no senior executives of the CBA Group are remunerated for director appointments.

The Directors and Group Executives of the Group have been determined to be KMP within the scope of AASB 124: Related Party Disclosures. The names of the persons who were Directors and Group Executives of the Group at any time during the financial year were as follows:

Michael Venter (Chairman)	Executive Director
Warwick Bryan (appointed 03 February 2012)	Non Executive Director
Lynette Cobley	Non Executive Director
John Hatton	Non Executive Director
Gregg Johnston (resigned 03 February 2012)	Executive Director
Annabel Spring (appointed 01 October 2011)	Group Executive
Grahame Petersen (resigned 30 September 2011)	Group Executive

1. People & Remuneration Committee

The Committee is the main governing body for setting remuneration policy across the CBA Group. The Committee develops the remuneration philosophy, framework and policies, for the approval of CBA Board.

The responsibilities of the Committee are outlined in their Charter, which is reviewed annually by the CBA Board. The Charter is available on the CBA Group's website at www.commbank.com.au/shareholder.

Directors' Report

In summary, the Committee is responsible for recommending to the CBA Board for approval:

- Remuneration for senior executive appointments, and appointments where the remuneration target of the individual exceeds that of the head of their business/service unit;
- Remuneration arrangements and all reward outcomes for Group Executives and other individuals whose roles may affect the financial soundness of the CBA Group;
- Remuneration arrangements for finance, risk & internal control employees of the CBA Group;
- Remuneration arrangements for employees who have a significant portion of their total remuneration based on performance; and
- Significant changes in remuneration policy and structure, including superannuation, employee equity plans and benefits.

This year, the Committee's key areas of focus consisted of:

- Establishing the Risk and Remuneration Review Committee. The purpose of this Committee is to systematically review material risk and compliance issues within the CBA Group, and recommend any consequences for remuneration to the People & Remuneration Committee for approval. During the 2012 financial year, this Committee met five times;
- The annual review of the CBA Group Remuneration Policy in December 2011, and another review in March 2012 to note the policy's application to Bankwest, in anticipation of the transition into a single banking licence with CBA;
- A review of the Committee's independent remuneration consultant and appointment of a new consultant;
- Continued monitoring and responses to regulatory and legislative changes, both locally and offshore; ensuring policies and practices remain compliant;
- Meeting with the Australian Prudential Regulation Authority (APRA), twice during the year to discuss CBA Group remuneration framework and its relationship to managing risk; and
- Continued focus on embedding a remuneration framework that is appropriate for CBA Group businesses with transparency in design, strong governance and risk oversight.

Independent Remuneration Consultant

The Committee seeks executive remuneration information directly from its external remuneration consultants Aon Hewitt and Ernst & Young (EY), who are independent of management.

Aon Hewitt provided input to the Committee until the end of March 2012. The Committee appointed EY as its independent remuneration consultant from April 2012.

Throughout 2012, the main information received from the Committee's remuneration consultants related to:

- Regulatory reforms;
- Current market practices; and
- Benchmarking to support the annual remuneration review for Group Executives.

Aon Hewitt and EY have not made any remuneration decisions or recommendations in the 2012 financial year, but rather have provided input to assist the Committee in making remuneration decisions. The Committee is solely responsible for making decisions within the terms of its Charter.

Remuneration Philosophy

The remuneration philosophy is the backbone of the remuneration framework, policies and processes. In summary, the remuneration philosophy for Group Executives is to:

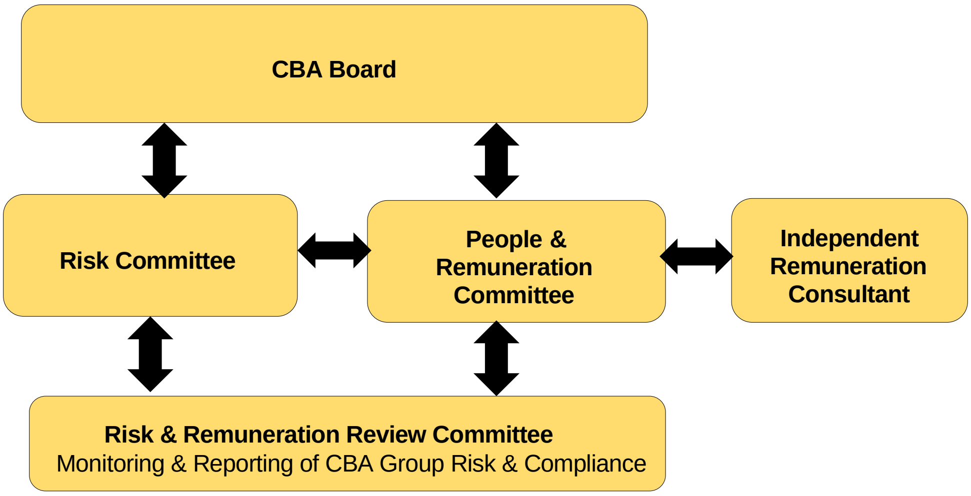
- Provide target remuneration which is market competitive without putting upward pressure on the market;
- Align rewards with shareholder interests and the business strategy;
- Clearly articulate to Executives the link between individual and CBA Group performance, and individual reward;
- Reward superior performance, while managing risks associated with delivering and measuring that performance;
- Provide flexibility to meet changing needs and emerging market practice; and
- Provide appropriate benefits on termination that do not deliver any windfall payments not related to performance.

Remuneration & Risk Management

The Committee has an established framework for the systematic review of risk and compliance issues impacting remuneration. The Committee:

- Takes note of any material risk issues impacting remuneration and any issues raised by the Committee are also provided to the CBA Board's Risk Committee for noting;
- May impose adjustments to remuneration outcomes of Executives before or after the awards are made, subject to CBA Board approval;
- Has free and unfettered access to all risk, legal and financial control personnel as required. This is documented within the Committee Charter;
- Works closely with the CBA Board's Risk Committee to ensure that any risks associated with remuneration arrangements are managed within the CBA Group's risk management framework.

The following diagram illustrates the CBA Group's remuneration and risk governance framework:



2. Remuneration Framework

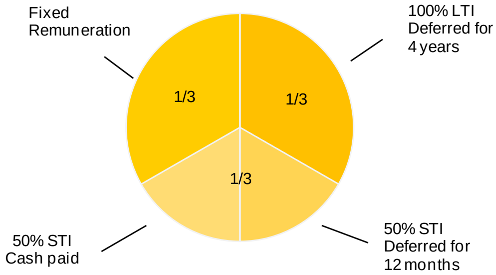
The remuneration arrangements of Group Executives are made up of both fixed and at risk remuneration. This is composed of the following three elements:

- Fixed Remuneration;
- Short Term Incentive (STI) at Risk; and
- Long Term Incentive (LTI) at Risk.

The at risk components are based on performance against key financial and non-financial measures.

Total Target Remuneration

The following diagram illustrates the total target mix of the three remuneration elements:



The three remuneration elements are broken down into equal portions of total target remuneration.

When setting target remuneration levels, the key objective is to remain competitive by attracting and retaining highly talented Executives. This is done by considering the size and responsibilities of each role, using any relevant executive remuneration surveys and disclosed data. Target remuneration is generally set around the market median for similar roles at peer organisations.

Importantly, for the most senior roles, the aim is to avoid adding pressure to market remuneration levels.

Each component of remuneration has a direct link to the business strategy.

Fixed Remuneration

- Fixed Remuneration is made up of base remuneration and superannuation. Base remuneration includes cash salary and any salary sacrifice items;
- The CBA Group provides employer superannuation contributions of 9% of each Executive's superannuation salary, capped at the relevant concessional contribution limit;
- The CBA Board determines an appropriate level of fixed remuneration for Group Executives, with recommendations from the Committee; and
- Fixed Remuneration is reviewed annually, following the end of the 30 June performance year. For the 2013 financial year there will be no Fixed Remuneration increases for Group Executives.

Short Term Incentive

- Group Executives have an STI target that is equal to 100% of their fixed remuneration. Executives will only receive the full amount if they meet all their performance goals;
- Group Executives have a maximum STI potential of 150% of their STI target. No STI awards will be made if the relevant performance goals are not met;
- Executives receive 50% of their STI payment as cash following the CBA Group's year-end results. The remaining 50% of the STI payment is deferred for one year and attracts interest at the CBA one year term deposit rate;
- Group Executives will forfeit the deferred portion of their STI if they resign or are dismissed from the Group before the end of the deferral period;
- The deferral assists in managing the risk of losing key Executive talent. It also allows the CBA Board to reduce or cancel the deferred component of the STI where business outcomes are materially lower than expected; and
- STI payments are made within a funding cap which is set by the CBA Board. The CBA Board retains discretion to adjust remuneration outcomes up or down to ensure consistency with the CBA Group remuneration philosophy and to prevent any inappropriate reward outcomes.

Long Term Incentive

- Each Group Executive has an LTI target that is equal to 100% of their fixed remuneration;
- The LTI award has a four year performance period and is measured against relative Total Shareholder Return (TSR) and relative Customer Satisfaction performance hurdles;
- The performance hurdles are aligned to the CBA Group's business strategy of Customer Satisfaction and shareholder interests;
- Executives only receive value if the CBA Group's performance hurdles are met at the end of the four years, subject to final CBA Board review; and
- No dividends are paid while LTI awards are unvested.

3. Linking Remuneration to Performance

The remuneration framework is designed to attract and retain high calibre Executives by rewarding them for achieving goals that are aligned to business strategy. All incentives are directly linked to both short term and long term performance goals of the CBA Group.

Short Term Performance

The key financial and non-financial performance measures are used to determine the individual STI outcomes of our Executives, and are managed through a balanced scorecard approach. Financial objectives have a substantial weighting, and non-financial objectives vary by role. Executives managing business units typically have a 50% weighting on financial outcomes, while Executives managing support functions have a typical weighting of 30%.

Risk is also a key factor in accounting for short term performance. Firstly, Profit after capital charge (PACC), a risk-adjusted measure, is used as one of the primary measures of financial performance. It takes into account not just the profit achieved, but also considers the risk to capital that was taken to achieve it. Secondly, Executives are required to comply with the relevant CBA Group or Business Unit Risk Appetite Statement. STI awards are adjusted downwards where material risk issues occur. Thirdly, risk is also managed through the compulsory 50% deferral of the Group Executives' STI outcomes for a period of 12 months and delivery of one third of their total target remuneration after a four year period.

In February 2012, the Government announced that it will amend the Corporations Act 2001 to require listed companies to disclose to shareholders their arrangements to claw-back bonuses where material misstatement has occurred in relation to the company's financial statements. Under the CBA Group's Remuneration Policy, the CBA Board already has discretion to make adjustments to deferred remuneration in various circumstances. Adjustments can include partial reductions or complete forfeiture of deferred STI awards. The new requirements will be reviewed to ensure policies and processes fully comply.

Long Term Performance

The remuneration outcomes also focus on driving performance and creating stakeholder alignment in the longer term. This is done by providing the Executives with LTI awards in the form of Reward Rights with a four year vesting periods. Vesting is subject to performance against the CBA Group's Total Shareholder Return (TSR) and the CBA Group's Customer Satisfaction hurdles. The table below provides an overview of Group Executives' current LTI awards which have not yet vested.

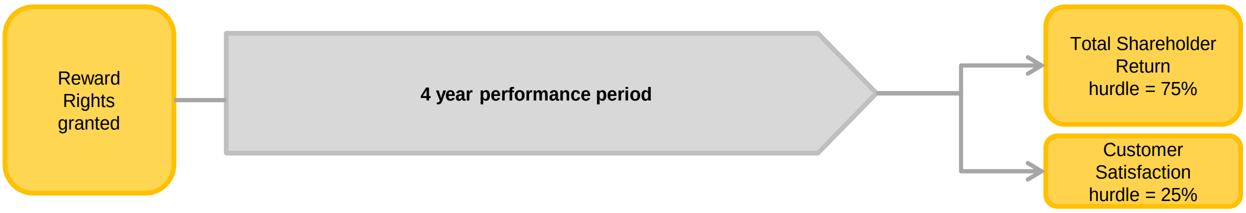
Overview of long term incentive awards outstanding during the 2012 Financial Year

Performance Period Ends	Equity Plan	Performance Hurdles	Progress
30 June 2013	CBA Group Leadership Reward Plan (GLRP)	Each award is split and tested: • 50% CBA Group's TSR relative to peer group • 50% CBA Group's Customer Satisfaction ranking relative to peer group	In progress

Performance Period Ends	Equity Plan	Performance Hurdles	Progress
30 June 2014	CBA GLRP	Each award is split and tested: • 75% CBA Group's TSR relative to peer group • 25% CBA Group's Customer Satisfaction ranking relative to peer group	In progress
30 June 2015	CBA GLRP	Each award is split and tested: • 75% CBA Group's TSR relative to peer group • 25% CBA Group's Customer Satisfaction ranking relative to peer group	In progress

2012 CBA GLRP Award granted in the 2012 Financial Year

The Group Executives currently receive LTI awards under the CBA GLRP. The awards granted may deliver value to Executives at the end of the four year performance period, subject to meeting the CBA Group's performance hurdles as set out in the diagram below:



The following table provides the key features of the 2012 CBA GLRP award:

Feature	Description
Instrument	Reward Rights. Each Reward Right entitles the Executive to receive one CBA share (or its cash equivalent) in the future, subject to meeting the performance hurdles set out below. The number of shares that vest will not be known until the end of the performance period.
Determining the number of Reward Rights	The number of Reward Rights allocated depends on each Executive's LTI Target. The number of Reward Rights allocated is calculated taking into account the expected number of shares to vest at the end of the performance period.
Performance Period	The performance period commences at the beginning of the financial year in which the award is granted. For the CBA GLRP award granted in the 2012 financial year, the performance period starts at 1 July 2011 and ends after four years on 30 June 2015. Any vesting will result in participants receiving shares (or their cash equivalent) during the first available trading window following the end of the performance period.
Performance Hurdles	• 75% of each award is subject to a performance hurdle which measures the CBA Group's TSR performance relative to a set peer group[1]. This is made up of the 20 largest companies on the Australian Securities Exchange (ASX) by market capitalisation at the beginning of the performance period, excluding resources companies and CBA; and • 25% of each award is subject to a performance hurdle that measures the CBA Group's Customer Satisfaction outcomes relative to a separate peer group[2].
Vesting Framework	*CBA Group's TSR (75% of the award)* • 100% vesting is achieved if the CBA Group's TSR is ranked in the top quarter of the peer group (i.e. 75th percentile or higher); • If the CBA Group is ranked at the median, 50% of the Reward Rights will vest; • Vesting increases on a sliding scale if the CBA Group is ranked between the median and the 75th percentile; and • No Reward Rights in this part of the award will vest if the CBA Group's TSR is ranked below the median of the peer group.

Directors' Report

Feature	Description
Vesting Framework	*CBA Group's Customer Satisfaction (25% of the award)* • 100% vesting applies if the CBA Group is ranked first relative to our peers in each of the three surveys; • 75% will vest if the CBA Group is ranked first across two of the three surveys; • 50% will vest if the CBA Group is ranked at least second across the three surveys; • The CBA Board will exercise discretion to determine the portion to vest where CBA Group's ranking has improved, but in a different variation than those described above; and • None of the Reward Rights in this portion of the award will vest where the CBA Board determines that CBA Group's overall Customer Satisfaction at the end of the performance period is worse than it was at the beginning. The CBA Board always retains the discretion to take into account any unforeseen changes or events and prevent any unintended outcomes.
Calculation of the performance results	• CBA Group's TSR is calculated independently by Standard & Poor's; • CBA Group's Customer Satisfaction is measured with reference to the three independent surveys below: - Roy Morgan Research (measuring customer satisfaction across Retail Banking); - DBM, Business Financial Services Monitor (measuring customer satisfaction across Business Banking); and - Wealth Insights 2012 Service Level Report, Platforms (measuring customer satisfaction across Wealth Management).
Board discretion	The CBA Board also retains sole discretion to determine the amount of any award that may vest (if any) to prevent any unintended outcomes, or in the event of a corporate restructuring or event, e.g. a takeover.
Expiry	At the end of the applicable performance period, any Reward Rights that have not vested will expire.

(1) The peer group (at the beginning of the performance period) for the TSR performance hurdle (at the time of grant) comprised Amcor Limited, AMP Limited, Australia and New Zealand Banking Group Limited, Brambles Industries Limited, Coca Cola Amatil Limited, CSL Limited, Foster's Group Limited, Insurance Australia Group Limited, Macquarie Group Limited, National Australia Bank Limited, QBE Insurance Group Limited, Orica Limited, Stockland, Suncorp-Metway Limited, Telstra Corporation Limited, Wesfarmers Limited, Westfield Group Limited, Westfield Retail Trust, Westpac Banking Corporation and Woolworths Limited. During the 2012 financial year, the Board adopted a 'reserve bench' of companies (the next 5 largest companies on the ASX), for each outstanding LTI award, in order to maintain an appropriate peer group with any corporate changes occurring each year that results in a delisting. During 2012, Foster's Group Limited was replaced with Transurban Holdings Limited for the GLRP award granted in the 2012 financial year.

(2) The peer group for the Customer Satisfaction performance hurdle includes Australia & New Zealand Banking Group Limited (ANZ), National Australia Bank Limited (NAB), and Westpac Banking Corporation (WBC) and other key competitors for Wealth business such as AMP Limited and Macquarie Group Limited.

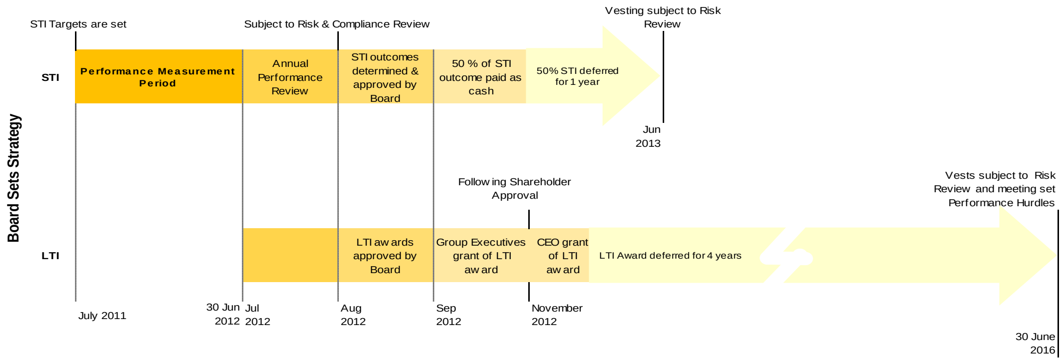
Hedging of Unvested Equity Awards

Employees are prohibited from hedging in relation to all their unvested CBA equity awards, including shares or rights. This activity includes Executives controlling their exposure to risk in relation to their unvested awards. The direct reports of CBA Group's CEO are also prohibited from using instruments or arrangements for margin borrowing, short selling or stock lending of any Bank securities or the securities of any other member of the CBA Group. All hedging restrictions are included in the CBA Group's Securities Trading Policy.

Performance Timeline of At Risk Remuneration Outcomes

The Performance Management framework supports decisions in awarding appropriate annual STI outcomes for Group Executives. The STI performance objectives are communicated to Executives at the beginning of the performance year. Executives' annual performance evaluations are conducted following the end of the financial year. For 2012, the evaluations were conducted in July 2012.

The following diagram outlines the timing of the STI and LTI awards made to the Executives over the relevant performance periods. All awards are subject to risk and compliance review.



Directors' Report

4. KMP Disclosure Tables

The compensation of Directors has been determined by apportioning the total salary, bonus or fee compensation provided by the ultimate parent entity to time spent in connection with activities of the Group.

2012	**Total**	**Short-Term Employee Benefits**	**Post-Employment Benefits**	**Other Long-Term Benefits**	**Share-Based Payment**
	$	**$**	**$**	**$**	**$**
Directors	**58,818**	**57,653**	**1,165**	**-**	**-**
Annabel Spring*	**1,760,100**	**1,558,196**	**18,716**	**11,463**	**171,725**
Grahame Petersen**	**1,021,016**	**591,998**	**12,500**	**14,706**	**401,812**

2011	**Total**	**Short-Term Employee Benefits**	**Post-Employment Benefits**	**Other Long-Term Benefits**	**Share-Based Payment**
	$	**$**	**$**	**$**	**$**
Directors	9,360	9,153	207	-	-
Grahame Petersen	3,113,235	2,211,756	50,000	76,738	774,741

* Annabel Spring was appointed to Group Executive Wealth Management role on 1 October 2011. Her remuneration has been prorated accordingly.

** Grahame Petersen had resigned the Group Executive Wealth Management role on 30 September 2011. His remuneration has been prorated accordingly.

<u>Executive STI allocations for 2012</u>

	STI Target	**Maximum STI Potential**	**STI Paid**		**STI Portion Deferred**	
	$	**%**	**%**	**$**	**%**	**$**
Annabel Spring*	733,661	150	50%	373,617	50%	373,617
Grahame Petersen**	293,750	150	50%	139,837	50%	139,837

* Annabel Spring was appointed to Group Executive Wealth Management role on 1 October 2011. Her STI allocation has been prorated accordingly.

** Grahame Petersen had resigned the Group Executive Wealth Management role on 30 September 2011. His STI allocation for has been prorated accordingly.

Equity Awards Received as Remuneration

The table below details the value and number of equity awards that were granted, exercised or forfeited/lapsed during 2012. It also shows the number of previous year's awards that vested during the 2012 performance year.

		Granted during 2012		**Previous years' awards vested during 2012**	**Forfeited or lapsed during 2012**	
	Class	**Units**	**$**	**Units**	**Units**	**$**
Annabel Spring	Reward Shares / Rights	29,342	992,855	-	-	-
Grahame Petersen**	Reward Shares / Rights	35,184	1,198,517	15,105	(45,314)	(2,328,450)
	Deferred Shares	-	-	8,765	-	-

** Grahame Petersen had resigned the Group Executive Wealth Management role on 30 September 2011. Equity awards for 2012 have not been prorated.

Directors' Report

Termination Arrangements

The table below provides the termination arrangements included in all Executives contracts for the current KMP.

	Contract Type	Notice	Severance
Annabel Spring	Permanent	6 months	6 months
Grahame Petersen	Permanent	6 months	6 months

Significant Changes in the State of Affairs

As noted above, in February 2012, the Company raised a total of $1 billion through the issuance of interest bearing, subordinated, unsecured notes called Colonial Group Subordinated Notes and which are listed on the Australian Securities Exchange.

Events Occurring after the Reporting Date

The Directors are not aware of any other matter or circumstance that has arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of its operations or the state of affairs of the Group in future financial years.

Likely Developments

In the opinion of the Directors, disclosure of additional information about likely developments in the operations of the Group in future financial years would be likely to result in unreasonable prejudice to the Group.

Indemnification and Insurance of Directors and Officers

Indemnification

The Constitution of the Company provides for the Company to indemnify:

(a) every person who is or has been a Director, Secretary or Executive Officer of the Company out of the property of the Company against any liability (other than for legal costs and expenses) incurred by that person in his or her capacity as a Director, Secretary or Executive Officer of the Company except:

  (i) a liability owed to the Company or a related body corporate; or

  (ii) a liability for which indemnity is prohibited by or not permitted under the Corporations Act 2001 from time to time;

(b) every person who is or has been a Director, Secretary or Executive Officer of the Company out of the property of the Company against legal costs and expenses incurred in defending an action for a liability incurred by the person in his or her capacity as a Director, Secretary or Executive Officer of the Company except in the circumstances prohibited by or not permitted under the Corporations Act 2001.

Insurance

During or since the end of the financial year, Commonwealth Bank of Australia, the ultimate parent entity, or its related entities has paid an insurance premium in respect of a contract insuring all current and former Directors and Secretaries, Executive Officers and employees of the Company (and the Directors and Secretaries, Executive Officers and employees of any related bodies corporate as defined in the insurance policy) against liabilities incurred in the performance of their duties to the extent permitted under the Corporations Act 2001. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

Auditor's Independence

We have obtained an independence declaration from our auditor PricewaterhouseCoopers as presented on the following page.

Rounding

The Company and the Group are entities of the kind referred to in the Australian Securities and Investments Commission Class Order 98/0100 (as amended). In accordance with that Order, amounts in this Directors' Report and the accompanying financial report have been rounded off to the nearest million Australian dollars, unless stated to be otherwise.

Directors' Report

The financial statements were authorised for issue by the directors on 26 September 2012. The directors have the power to amend and reissue the financial statements.

Signed in accordance with a resolution of the Directors.

Director

26 September 2012

Sydney

Auditor's Independence Declaration

As lead auditor for the audit of Colonial Holding Company Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Colonial Holding Company Limited and the entities it controlled during the period.

R Balding
Partner
PricewaterhouseCoopers

Sydney
26 September 2012

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Financial Statements

Income Statements

For the year ended 30 June 2012

		Group		Company	
		2012	2011	2012	2011
	Note	$M	$M	$M	$M
Insurance premium revenue	4	**2,427**	2,172	**-**	-
Outward reinsurance expense		**(287)**	(265)	**-**	-
Net insurance premium revenue		**2,140**	1,907	**-**	-
Fees for life insurance management services		**165**	175	**-**	-
Investment revenue	5	**987**	1,689	**552**	850
Fees and commissions		**1,686**	1,740	**-**	-
Other revenue		**65**	79	**-**	-
Net revenue		**5,043**	5,590	**552**	850
Insurance claims expense	6	**1,446**	1,448	**-**	-
Reinsurance recoveries revenue		**(260)**	(293)	**-**	-
Net insurance claims expense		**1,186**	1,155	**-**	-
Finance costs	8	**198**	197	**160**	149
Operating expenses	7	**1,994**	1,956	**30**	2
Change in life insurance contract liabilities	22	**125**	(62)	**-**	-
Change in life investment contract liabilities	22	**345**	979	**-**	-
Change in reinsurers' share of insurance contract liabilities	22	**(7)**	20	**-**	-
Change in unvested policyowner benefits		**54**	41	**-**	-
Change in controlled unit trust liabilities		**71**	84	**-**	-
Total expenses		**2,780**	3,215	**190**	151
Net claims and expenses		**3,966**	4,370	**190**	151
Profit before income tax		**1,077**	1,220	**362**	699
Income tax expense / (benefit)	10	**363**	420	**(50)**	(38)
Profit After Income Tax		**714**	800	**412**	737

The above Income Statements are to be read in conjunction with the accompanying notes.

Financial Statements

Statements of Comprehensive Income

For the year ended 30 June 2012

		Group		Company	
		2012	2011	2012	2011
	Note	$M	$M	$M	$M
Profit for the year		**714**	800	**412**	737
Other comprehensive income					
Exchange differences on translation of foreign operations	26	**41**	(141)	**(1)**	1
Other Comprehensive Income for the Year, Net of Tax		**41**	(141)	**(1)**	1
Total Comprehensive Income for the Year		**755**	659	**411**	738

The above Statements of Comprehensive Income are to be read in conjunction with the accompanying notes.

Financial Statements

Balance Sheets

As at 30 June 2012

		Group		Company	
		2012	2011	2012	2011
	Note	$M	$M	$M	$M
Assets					
Cash and cash equivalents	27	**1,060**	1,160	**-**	-
Outstanding premiums		**303**	250	**-**	-
Current tax assets		**21**	23	**-**	-
Intergroup current tax assets		**-**	-	**81**	39
Derivative financial assets	19	**77**	85	**23**	11
Property, plant and equipment	15	**30**	30	**-**	-
Investment in subsidiaries	30	**-**	-	**7,291**	6,911
Other receivables	12	**582**	575	**5**	1
Financial assets at fair value through profit or loss	13	**17,247**	17,599	**785**	726
Investment in associates and joint ventures	14	**95**	45	**-**	-
Life insurance contract liabilities ceded under reinsurance	22	**171**	164	**-**	-
Deferred tax assets	10	**36**	29	**3**	38
Other assets	16	**196**	171	**8**	16
Intangible assets	17	**3,079**	2,747	**-**	-
Total Assets		**22,897**	22,878	**8,196**	7,742
Liabilities					
Payables	18	**980**	961	**1,511**	2,446
Premiums in advance		**276**	235	**-**	-
Derivative financial liabilities	19	**16**	15	**-**	-
Controlled unit trusts – non-controlling interests	23	**995**	1,048	**-**	-
Interest bearing liabilities	20	**2,713**	2,840	**982**	-
Current tax liabilities		**37**	36	**-**	-
Intergroup current tax liabilities		**120**	183	**-**	-
Deferred tax liabilities	10	**360**	233	**-**	-
Provisions	21	**200**	222	**1**	1
Life insurance contract liabilities	22	**3,180**	3,086	**-**	-
Life investment contract liabilities	22	**9,769**	10,514	**-**	-
Unvested policyowner benefits		**45**	51	**-**	-
Total Liabilities		**18,691**	19,424	**2,494**	2,447
Net Assets		**4,206**	3,454	**5,702**	5,295
Equity					
Contributed equity	24	**4,506**	4,134	**4,506**	4,134
Other contributed equity	25	**277**	277	**276**	276
Foreign currency translation reserve	26	**(171)**	(212)	**(7)**	(6)
Retained earnings		**(420)**	(758)	**927**	891
Shareholders Equity		**4,192**	3,441	**5,702**	5,295
Non-Controlling Interest		**14**	13	**-**	-
Total Equity		**4,206**	3,454	**5,702**	5,295

The above Balance Sheets are to be read in conjunction with the accompanying notes.

Financial Statements

Statements of Changes in Equity

For the year ended 30 June 2012

								Group
		Contributed Equity	Other Contributed Equity	Foreign Currency Translation Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Notes	$M	$M	$M	$M	$M	$M	$M
Balance at 1 July 2010		4,119	276	(71)	(878)	3,446	11	3,457
Profit for the year as reported in the 2011 financial statements					800	800		800
Movement			1			1		1
Currency translation adjustment	26			(141)		(141)		(141)
Transactions with owners in their capacity as owners:								
Dividend provided for or paid	11				(680)	(680)		(680)
Capital issued during the year	24	15				15		15
Transactions with non-controlling interests						-	2	2
Balance at 30 June 2011		4,134	277	(212)	(758)	3,441	13	3,454
Profit for the year					**714**	**714**		**714**
Currency translation adjustment	26			**41**		**41**		**41**
Transactions with owners in their capacity as owners:								
Dividend provided for or paid	11				**(376)**	**(376)**		**(376)**
Capital issued during the year	24	**372**				**372**		**372**
Transactions with non-controlling interests						**-**	**1**	**1**
Balance at 30 June 2012		**4,506**	**277**	**(171)**	**(420)**	**4,192**	**14**	**4,206**

The above Statements of Changes in Equity are to be read in conjunction with the accompanying notes.

Financial Statements

Statements of Changes in Equity (continued)

For the year ended 30 June 2012

	Notes	Contributed Equity $M	Other Contributed Equity $M	Foreign Currency Translation Reserve $M	Retained Earnings $M	Total $M	Non-Controlling Interests $M	Company Total Equity $M
Balance at 1 July 2010		4,119	276	(7)	834	5,222		5,222
Profit for the year as reported in the 2011 financial statements					737	737		737
Currency translation adjustment	26			1		1		1
Transactions with owners in their capacity as owners:								
Dividends provided for or paid	11				(680)	(680)		(680)
Capital issued during the year	24	15				15		15
Balance at 30 June 2011		4,134	276	(6)	891	5,295	-	5,295
Profit for the year					**412**	**412**		**412**
Currency translation adjustment	26			**(1)**		**(1)**		**(1)**
Transactions with owners in their capacity as owners:								
Dividends provided for or paid	11				**(376)**	**(376)**		**(376)**
Capital issued during the year	24	**372**				**372**		**372**
Balance at 30 June 2012		**4,506**	**276**	**(7)**	**927**	**5,702**	**-**	**5,702**

The above Statements of Changes in Equity are to be read in conjunction with the accompanying notes.

Financial Statements

Statements of Cash Flows

For the year ended 30 June 2012

		Group		Company	
		2012	2011	2012	2011
	Note	$M	$M	$M	$M
Cash Flows From Operating Activities					
Premiums received from life insurance contracts		**2,137**	1,752	**-**	-
Premiums received from life investment contracts		**439**	435	**-**	-
Fees, rents and other cash receipts		**1,859**	2,072	**-**	-
Interest received		**142**	128	**16**	19
Dividends and distributions received		**99**	421	**532**	831
Payments to suppliers and employees		**(2,069)**	(1,891)	**(22)**	(1)
Payments made in respect of life insurance contracts		**(1,243)**	(1,287)	**-**	-
Payments made in respect of life investment contracts		**(1,542)**	(2,098)	**-**	-
Finance charges		**(198)**	(197)	**(139)**	(114)
Income tax (paid)/refund		**(325)**	(425)	**43**	42
Net Cash Provided by/(Used in) Operating Activities	27(b)	**(701)**	(1,090)	**430**	777
Cash Flows From Investing Activities					
Proceeds from sale of financial assets		**6,970**	6,867	**281**	89
Payments for purchase of financial assets		**(5,812)**	(4,985)	**(283)**	(103)
Net loans and advances		**(57)**	(43)	**(1,026)**	(146)
Proceeds from sale of other assets		**-**	50	**-**	-
Cash acquired from acquisition of controlled entities	40	**10**	-	**-**	-
Payments for purchase of other assets		**(7)**	(4)	**(8)**	-
Net Cash Provided by/(Used in) Investing Activities		**1,104**	1,885	**(1,036)**	(160)
Cash Flows From Financing Activities					
Dividends paid		**(376)**	(680)	**(376)**	(680)
Net (payments) / proceeds from borrowings		**(127)**	(502)	**982**	-
Proceeds from the issue of shares		**-**	15	**-**	15
Return of capital from controlled entities		**-**	-	**-**	47
Net Cash Provided by/(Used in) Financing Activities		**(503)**	(1,167)	**606**	(618)
Net (Decrease)/ Increase in Cash and Cash Equivalents		**(100)**	(372)	**-**	(1)
Cash and Cash Equivalents at the Beginning of the Year		**1,160**	1,532	**-**	1
Cash and Cash Equivalents at the End of the Year	27(a)	**1,060**	1,160	**-**	-

The above Statements of Cash Flows are to be read in conjunction with the accompanying notes.

Notes to the Financial Statements

Note 1 Corporate Information

Colonial Holding Company Limited (the Company or CHCL) is a company limited by shares that is incorporated and domiciled in Australia. Its parent entity is Commonwealth Bank of Australia (CBA). CBA is also the ultimate parent.

The registered office of the Company is located at Ground Floor, Tower 1, 201 Sussex Street, Sydney, NSW 2000.

During the year the principal activities of the CHCL Group (being CHCL and the entities controlled by CHCL and referred to hereinafter as the Group or the economic entity) were the provision of investment management and fund administration services, financing and superannuation, life assurance, non-life insurance and investment products.

All employees are employed by the ultimate parent entity or other wholly owned entities within the Group.

The financial report of Colonial Holding Company Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 26 September 2012. The directors have the power to amend and reissue the financial statements.

Note 2 Summary of Significant Accounting Policies

(a) Basis of preparation

The financial report has been prepared on the basis of historical cost except that the following assets and liabilities are stated at their fair value: financial assets at fair value through profit or loss, investment contract liabilities, derivative financial instruments and investment properties. The Balance Sheet is presented in order of liquidity.

The accounting policies applied are consistent with those of the previous year, unless otherwise stated.

All amounts are expressed in Australian currency and all values are rounded to the nearest million dollars ($m) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100.

(b) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The basis of the standards is the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). As a result of complying with the standards, the Group Financial Statements comply with IFRS, the interpretations as issued by the IFRS interpretations Committee (IFRIC).

The following standards and amendments have been applied by the Company and the Group during the financial year commencing 1 July 2011:

- AASB 2010-5 Amendments to Australian Accounting Standards;
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on transfers of financial assets; and
- AASB 124 Related Party Disclosures

Australian Accounting Standards that have recently been issued but are not yet effective have not been adopted for the annual reporting period ending 30 June 2012:

- AASB 9 Financial Instruments, revised AASB 9 Financial Instruments and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2015);
- AASB 10 'Consolidated Financial Statements' introduces control as the single basis for consolidation for all entities, regardless of the nature of the investee. AASB 10 replaces those parts of AASB 127 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces SIC-12 'Consolidation – Special Purpose Entities' in its entirety. This approach comprises a series of indicators of control, requiring an analysis of all facts and circumstances and the application of judgement in making the control assessment.

  Concurrently with the issue of AASB 10, the following standards were also issued:

  - AASB 11 'Joint Arrangements';
  - AASB 12 'Disclosure of Interests in Other Entities';
  - AASB 127 'Separate Financial Statements', amended for the issuance of AASB 10; and
  - AASB 128 'Investments in Associates', amended for confirming changes based on the issuance of AASB 10 and AASB 11.

  Each of these standards has an effective date for annual periods beginning on or after 1 January 2013, with early adoption permitted so long as each of the standards in this package is also applied early.

  The key changes include:

  - Using control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12;
  - The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee, and the ability to use power over the investee to affect the investor's returns; and
  - An investor would reassess whether it controls an investee if there is a change in facts and circumstances.
- AASB 11 'Joint Arrangements';
- AASB 12 'Disclosure of Interests in Other Entities';
- AASB 127 'Separate Financial Statements', amended for the issuance of AASB 10;
- AASB 128 'Investments in Associates', amended for conforming changes based on the issuance of AASB 10 and AASB 11;

Notes to the Financial Statements

Note 2 Summary of Significant Accounting Policies (continued)

(b) Statement of compliance (continued)

- AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards;
- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income;
- AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of underlying assets;
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements;
- AASB 13 Fair Value Measurement and related AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13; and
- AASB 119 'Employee Benefits' has been amended, which will result in changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. These changes could affect a number of performance indicators, and significantly increase the volume of disclosures. The key changes include: 1) annual expense for a funded benefit plan will include net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability. This will replace the finance charge and expected return on plan assets, and may increase the benefit expense; and 2) benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income. The amendment is effective for periods beginning on or after 1 January 2013, with early adoption being permitted.

There are no other standards that are not yet effective that would be expected to have a material impact on the Company and the Group in the current period and on foreseeable future transactions.

(c) Life insurance and life investment contracts

Activities of the life insurance operations

The activities of the statutory funds of the Australian insurer, the shareholders' fund and the other life insurers are reported in aggregate in the financial statements. For the purposes of the financial report, the life insurance policies issued by the statutory funds are classified as either life insurance contracts or life investment contracts.

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if and only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). Life insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as death or injury or a disability caused by accident or illness. The insured benefit is either not linked or only partly linked to the market value of the investments held, and the financial risks are substantially borne by the insurer.

Life investment contracts involve the origination of one or more financial instruments and may involve the provision of management services. Life investment contracts do not meet the definition of life insurance contracts under AASB 1038: Life Insurance Contracts, because they do not involve an acceptance of significant insurance risk by the Group's life insurers.

Contracts that include both investment and insurance elements are separated into these two elements and reported accordingly, if the conditions set out in AASB 1038 are met.

For the purposes of this financial report, holders of life insurance contracts and life investment contracts are referred to as policyholders.

Investment linked and non investment linked business are terms applicable to the Australian life insurers. Each type of business is held in separate statutory funds. Non investment linked business is business where the insured benefit under the policy contract is not directly linked to the market value of investments held by the fund. These benefits are payable on death or the occurrence of an insured event. The financial risk of the occurrence of such an event which crystallises the payment of the insured benefit is borne by the insurer issuing the policy.

Investment linked business is business where the benefit payable is directly linked to the market value of investments held by the statutory fund in which the policy resides. While the underlying assets are registered in the name of the insurer and the policyholder has no direct access to the specific assets, the contractual arrangements are such that the investment performance and risks on policyholder funds are borne by the policyholder. The Group derives fee income from the administration of the investment linked business.

Participating policyholder benefits, both vested and unvested, are treated as expenses when incurred and liabilities until paid. In accordance with the Life Insurance Act 1995, 80% of the net profit of participating business is allocated to policyholders. The amount allocated is expensed in the Income Statement. The remaining 20% is allocated to the shareholder. All profits and losses of non-participating business are allocated to the shareholder.

Shareholder's entitlement to monies held in the life insurance funds

Monies held in the Australian statutory funds are subject to the distribution and transfer restrictions and other requirements of the Life Insurance Act 1995.

Life insurance business conducted overseas is undertaken in compliance with regulatory requirements in the local jurisdiction.

Notes to the Financial Statements

Note 2 Summary of Significant Accounting Policies (continued)

(d) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CHCL as at 30 June 2012 and the results of all subsidiaries for the year then ended. CHCL and its subsidiaries together are referred to in this financial report as the Group or the economic entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The life statutory funds and shareholders' funds hold controlling interests in trusts and companies. The total amounts of the assets, liabilities, revenues and expenses of each controlled entity are recognised in the consolidated financial report, applicable to the period of ownership of the entity.

Policyholder transactions within the life statutory funds are also included in the consolidated financial report.

Controlled entities are consolidated on a line by line basis and are included from the date control commenced and up to the date control ceased.

All balances and transactions between entities within the economic entity have been eliminated on consolidation.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company.

(e) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are the actuarial assumptions. Actuarial assumptions made in determining the carrying amount of life insurance contracts and life investment contracts are detailed in Note 3.

Goodwill has been allocated for impairment testing purposes to cash-generating units identified according to the business segments. In accordance with AASB 136, each cash-generating unit to which goodwill has been allocated has been tested for impairment. Whenever the cash-generating unit is impaired, the carrying amounts of goodwill are written down to the recoverable amount.

(f) Fair value estimates

Financial instruments classified as fair value through profit or loss are presented on the Balance Sheet at their fair value. For other financial assets and financial liabilities, fair value is estimated as follows:

Other liabilities

These financial liabilities are short term in nature and the carrying value is equivalent to their fair value.

(g) Premium revenue

Life insurance contracts

Premiums are recognised as revenue or as an increase in life insurance contract liabilities, depending on the type of contract. Premium amounts earned by providing services and bearing risks are treated as revenue. Other premium amounts are akin to deposits and are recognised, net of initial entry fee income, as an increase in life insurance contract liabilities.

Premiums with no due date are recognised on a cash received basis. Premiums with a regular due date are recognised on a due and receivable basis. Unpaid premiums are only recognised as revenue during the days of grace for payment or where secured by the surrender value of the policy and are included as 'outstanding premiums' in the Balance Sheet.

Life investment contracts

Premiums received generally include a fee component. This component is recognised as revenue as described in Note 2(j) below. The deposit portion is recognised as an increase in investment contract liabilities. Premiums with no due date are recognised on a cash received basis. Fees earned for managing the funds invested are recognised as revenue, when due and receivable.

(h) Claims expense

Life insurance contracts

Claims are recognised as an expense or as a decrease in life insurance contract liabilities, depending on the type of contract. Claims incurred that relate to the provision of services and the bearing of risks are treated as expenses and recognised on an accruals basis once the liability to the policyholder has been established under the terms of the contract. Withdrawal components of life insurance contracts are not expenses and are treated as a reduction in life insurance contract liabilities.

Note 2 Summary of Significant Accounting Policies (continued)

(h) Claims expense (continued)

Life insurance contracts

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

Life investment contracts

There is no claims expense in respect of life investment contracts. Surrenders represent investment withdrawals and are treated as a reduction in life investment contract liabilities. Surrenders are recognised when the policyholder formally notifies the insurer.

(i) Investment revenue

All investment income is recognised on an accruals basis.

Dividend income is recognised when a right to attainment has been obtained. Unit trust distributions are recognised when declared.

Interest income is recognised using the effective interest method. Consistent with the principles of fair value accounting, movements in the fair value of investment assets are recognised in the Income Statement.

(j) Fee revenue

AASB 1038: Life Insurance Contracts requires income from life investment contracts sold by life insurers to be shown separately from income from life insurance contracts sold. Life insurance contracts are accounted for in accordance with the requirements of AASB 1038: Life Insurance Contracts and AASB 4: Insurance Contracts and life investment contracts are accounted for in accordance with AASB 118: Revenue, AASB 139: Financial Instruments Recognition and Measurement and AASB 1038: Life Insurance Contracts.

In accordance with AASB 118, the initial entry fee income on investment contracts is recognised on receipt where the Group provides services including financial advice as part of the acquisition process. Where financial advice is not provided, fees are deferred and recognised in the Income Statement over the life of the contract.

For companies in the economic entity which act as the responsible entity for managed investment schemes, AASB 118 requires initial entry fees received on investments into those schemes to be deferred and amortised. The revenue is recognised over the average life of the investments using the straight line method. Commission costs relating to these investments are deferred and amortised to commission expense on a straight line basis over the same period.

Where fees relate to a specific transactions or events, they are recognised as income in the period in which they are earned. Where they are charged for any services to be provided over a period of time, they are recognised in the Income Statement on an accrual basis in line with the period over which the services are provided.

(k) Policy acquisition costs

Life insurance contract acquisition costs

Policy acquisition costs are the fixed and variable costs of acquiring new business. The Group's Actuaries assess the value and future recoverability of these costs in determining life insurance contract liabilities. Amounts which are deemed recoverable in premiums or policy charges are deferred and amortised over the life of the policy. The net profit impact is included in the Income Statement as a change in life insurance contract liabilities. The deferral is determined as the lesser of actual costs incurred and the allowance for recovery of those costs from the premiums or policy charges as appropriate for each business class. This is subject to an overall limit that future profits are anticipated to cover these costs. Losses arising on acquisition are recognised in the Income Statement in the year in which they occur.

Life investment contract acquisition costs

Acquisition costs for life investment contracts include the variable costs of acquiring new business. The deferral of investment acquisition costs is limited by the application of AASB 139 only to the extent that direct and incremental transaction costs (for example commissions and volume bonuses) are deferred.

Acquisition costs may only be deferred if there is a significant probability that they may be recovered from future revenues. This probability can be measured through identification of the excess of future fees over future expenses.

(l) Taxation

Current and deferred tax

As the principal activities of the Group during the period was the provision of investment management and fund administration services, financing and superannuation, life assurance and investment products, for the purpose of calculating the Group's tax liability, assets may be segregated to the extent that they support liabilities.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Notes to the Financial Statements

Note 2 Summary of Significant Accounting Policies (continued)

(l) Taxation (continued)

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 statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Agreements made between life insurers and superannuation funds where the trustee is a member company of the Group, may result in the insurer making payments in relation to the contributions tax liability arising in the funds. The amounts paid are classified as claims expense and do not form part of the income tax expense of the Group.

Tax consolidation

The Company and all of its wholly owned Australian controlled entities are entities in a tax-consolidated group, with Commonwealth Bank of Australia as the head entity.

The consolidated entity recognises the current and deferred tax assets and deferred tax liabilities 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 between the current tax liability and any tax funding arrangement amounts are recognised by the Company as an equity contribution from the head entity.

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 head entity, together with the other members of the consolidated tax 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.

Policyholder Tax

Income tax attributable to policyholders is included in the reported tax assets, tax liabilities and tax expense of the Group. The Group pays all taxes on behalf of policyholders and recovers these amounts from policyholders under the terms of the life or investment policies.

(m) Goods and services tax

As providers of financial service, Australia and New Zealand resident entities within the Group are input taxed for the purposes of calculating Goods and Services Tax (GST) and cannot fully recover GST paid. The amount of non-recoverable GST is included in the cost of the related asset or expense in respect of which it is incurred. The net amount of GST recoverable or payable to the taxation authority is included as part of receivables or payables on the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the taxation authority are classified as operating cash flows.

(n) Foreign currency translation

All amounts in the financial statements are presented in Australian currency. Amounts receivable and payable in other currencies at balance sheet date have been translated at rates of exchange ruling at balance sheet date. Transactions in foreign currencies are recorded in Australian currency at the rates of exchange applicable at the relevant date of the transaction.

The assets and liabilities of the Group's foreign operations are translated from their functional currency at exchange rates applicable at balance sheet date. The profit or loss attributable to these operations is translated at a weighted average rate for the period. Exchange differences arising on translation of the balances and transactions of foreign operations are taken to the Statement of Comprehensive Income.

Notes to the Financial Statements

Note 2 Summary of Significant Accounting Policies (continued)

(o) Intangible assets

Intangible assets are recognised only when they can be reliably measured and where it is probable they will lead to future economic benefits. The Group carries these assets at cost less amortisation and any impairment losses. These assets are either deemed to have indefinite lives and assessed annually for impairment, or are amortised over their estimated useful lives. Any impairment loss is recognised in the Income Statement when incurred.

(p) Life insurance assets

Assets backing insurance and investment contracts

All financial assets within the life statutory funds have been determined to back either life insurance contracts or life investment contracts. These assets are designated as at fair value through profit or loss. Measurement at fair value of the assets which back life investment contracts is consistent with the measurement basis of the liabilities. Assets which back life insurance contracts are also measured on a fair value basis as they are managed and their performance is evaluated on this basis.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on balance sheet date. For investments in unlisted unit trusts, fair value is determined by reference to the calculated unit price of each trust, being the Trust's buy-back price. For investments with no active market, fair value is determined using valuation techniques such as recent arm's length market transactions.

Assets not backing life insurance contract liabilities or life investment contract liabilities

Financial assets held outside the statutory funds and other non-life controlled entities do not back life insurance contract liabilities or life investment contract liabilities. To ensure consistency across the Group, and except where specifically stated otherwise, all financial assets and all non-financial assets are recognised at fair value to the extent permitted under accounting standards. Adjustments to the value of such assets are recognised in the Income Statement when the corresponding accounting standards allow such treatment.

(q) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group assesses at each balance sheet date whether there is any objective evidence of impairment. If there is objective evidence that an impairment on receivables has been incurred, an impairment charge is recognised in the Income Statement and is measured as the difference between the asset's carrying amount and the present value of the expected future cash flows.

(r) Liabilities

Life insurance contract liabilities

AASB 1038 requires separate disclosure of life investment contract and life insurance contract liabilities. Various financial reporting methodologies are used to determine the life insurance contract liabilities of the Group's life insurers with reference to local regulations and general accepted practices. The liabilities are recorded as expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments to policyholders, less the expected discounted value of the future receipts from policyholders that would be required to meet the benefits based on the valuation assumptions used. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued.

The assumptions used in the calculation of the life insurance and life investment contract liabilities are reviewed at each reporting date. A summary of the significant actuarial methods and assumptions used is contained in Note 3.

Life investment contract liabilities

Life investment contracts consist of a financial instrument and an investment management services element. The financial instrument element is measured at fair value. The investment management services element is measured in accordance with the relevant accounting standards.

All contracts issued by the Group which are classified as investment contracts are unit-linked except for term annuities (Australia) and term deposit bonds (New Zealand).

The financial instrument liabilities are measured in accordance with AASB 139 with changes in fair value taken to the Income Statement. Fair value at the reporting date represents the value of future benefit payments and fees subject to a minimum of the surrender value. Fees are those paid to the Company for the management services contract.

The liability to policyholders is closely linked to the performance and value of the assets (net of income tax) that back those liabilities.

Notes to the Financial Statements

Note 2 Summary of Significant Accounting Policies (continued)

(r) Liabilities (continued)

Contingent liabilities

The Group discloses a Contingent Liability when it has a possible obligation arising from past events, which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control. A Contingent Liability is disclosed when a present obligation is not recognised because it is not probable that an outflow of resources will be required to settle an obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Other liabilities

Other liabilities of the Group are carried at cost, being the invoice amounts due or face value.

(s) Reinsurance

The recoverable amount under contracts entered into by the Group with reinsurers which meet the definition of an insurance contract have been classified as an asset "Gross insurance contract liabilities ceded in reinsurance" on the Balance Sheet.

(t) Outward reinsurance

Premiums ceded to reinsurers are recognised as an expense from the attachment date over the period of indemnity of the reinsurance contract, in accordance with the pattern of reinsurance service received.

(u) Leases

Leases are classified at their inception as either finance or operating leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

The minimum lease payments under operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis. Any lease incentive liability in relation to the non-cancellable operating lease is reduced on an imputed interest basis over the lease term at the interest rate implicit in the lease. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

(v) Business combinations

Business combinations are accounted for using the acquisition method. Cost is measured as the aggregate of the fair values of assets given, equity instruments issued, or liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at the fair value on the acquisition date. The acquirer can elect, on a transaction-by-transaction basis, to measure any non-controlling interest either at fair value, or at the non-controlling interest's proportionate share of the fair value of the identifiable assets and liabilities. The excess of the cost of acquisition over the fair value of the acquirer's share of the identifiable net assets acquired, is recorded as goodwill. If the cost of acquisition is less than the acquirer's share of the fair value of the identifiable net assets of the business acquired, the difference is recognised directly in the consolidated Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(w) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(x) Borrowings

Borrowings are recorded initially at fair value net of transaction costs that are directly attributable to the borrowings. After initial recognition the borrowings are measured at amortised cost on an effective yield basis.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds, the remainder of the proceeds are allocated to the conversion options. The value of the bonds is recognised and included in shareholder's equity, net of income tax.

Note 2 Summary of Significant Accounting Policies (continued)

(y) Cash and cash equivalents

Cash comprises cash at bank and short-term deposits with original maturity less than three months. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(z) Provisions

Provisions are recognised when entities within the Group have a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The estimate is made based on experience and an assessment of likely outcomes. Provisions are measured at the managements' best estimate at Balance Sheet date.

(aa) Expense apportionment

Expenses relating to the life insurance contract, life investment contract and non-life insurance activities are apportioned between acquisition, maintenance, claims management and investment management expenses. Expenses which are directly attributable to an individual life insurance contract or life investment contract or product are allocated directly to a particular expense category, fund, class of business and product line as appropriate.

Where expenses are not directly attributable, they are appropriately apportioned, according to detailed expense analysis, with due regard for the objective in incurring that expense and the outcome achieved. The apportionment basis has been made in accordance with Actuarial Standards and on an equitable basis to the different classes of business in accordance with the Life Act.

Other life insurer expenses not related to life insurance or life investment contracts are allocated to the respective company's shareholder's fund.

(ab) Derivative financial instruments

The Group, either directly or through investments in unlisted trusts, uses derivative financial instruments to hedge its equity, money market and foreign exchange market exposures. Hedge accounting can be applied, subject to certain rules, to fair value hedges and cash flow hedges. Derivatives used by Group entities that do not meet the hedging criteria under AASB 139 are classified as derivatives held for trading. The Group currently has not adopted hedge accounting and therefore designates all derivatives as non-hedge.

Derivative financial instruments are recognised at fair value, and continue to be re-measured to fair value at each reporting date. Any gains or losses arising from changes in fair value are taken to the Income Statement.

(ac) Contributed equity

Issued and paid up capital is classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. The mandatory convertible notes issued by the Company are also classified as equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(ad) Controlled Unit Trusts – non-controlling unitholders

Non-controlling unitholders in controlled unit trusts have the right to redeem their interests in the unit trust at any time for cash equal to their proportionate share of the net asset value of the unit trust. The economic entity's liability to non-controlling unitholders is measured at fair value through profit or loss. The fair value of the liability is measured on the same basis as the assets that back that liability.

The non-controlling interests in controlled unit trusts are classified as a liability on the consolidated Balancee Sheet and shown separately as change in controlled unit trust liabilities in the Income Statement.

(ae) Associates and joint ventures

Associates are entities over which the Group has significant influence but does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Joint ventures are entities which the Group controls 50% of the voting rights. Investments in associates and joint ventures are accounted in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of the post-acquisition profits or losses of associates is recognised in the Income Statement and adjusted against the carrying amount of the investment.

Dividends receivable from associates reduce the carrying amount of the investment.

(af) Comparative figures

The presentation of prior year comparatives has been changed for comparability with current year presentation where required.

Notes to the Financial Statements

Note 3 Actuarial Methods and Assumptions

Appropriately qualified actuaries are appointed in respect of each of the Group's life insurance businesses. The Group's Actuaries have reviewed and satisfied themselves as to the accuracy of the data from which the amounts of life insurance and life investment contract liabilities included in this financial report have been determined and that the amount of such liabilities was determined in accordance with relevant actuarial standards and legislation in Australia and New Zealand. The actuarial methods and assumptions for general insurance have not been included as the general insurance business is immaterial for the Group.

Disclosure of assumptions – life insurers in Australia and New Zealand

Life insurance contract liabilities have been calculated in accordance with AASB 1038, and the valuation methodology set out in LPS 1.04. The principal methods and profit carriers used for the major life insurance contract product types are as follows:

Product Type	Method	Profit Carrier
Individual		
Traditional	Projection	Bonuses or expected claim payments
Investment Account	Projection	Bonuses or funds under management
Lump Sum Risk	Projection	Premiums
Disability Income	Projection	Premiums
Lifetime Annuities	Projection	Annuity payments
Group		
Investment Account	Projection	Bonuses or funds under management
Lump Sum Risk	Accumulation	Expected claim payments
Disability Income	Accumulation	Expected claim payments

The Projection Method measures the present value of estimated future policy cash flows and profit margins to calculate the life insurance contract liabilities. The policy cash flows incorporate investment income, premiums, expenses, redemptions and benefit payments.

For Group Risk business, valued under the accumulation approach, the most significant liabilities are for claims that have been incurred but not reported and for open claims on disability income products.

Bonuses are amounts added, at the discretion of the life insurer, to the benefits currently payable under Participating Business. Under the Life Act, bonuses are a distribution to policyholders of profits and may take a number of forms including reversionary bonuses, interest credits and terminal bonuses (payable on the termination of the policy).

In regards to life investment contracts, the accumulation method is used for investment linked business with liabilities being determined as the surrender value (i.e. the value that would be paid to policyholders if every policy was closed at the valuation date). For fixed term annuities, the projection method is used with annuity payments as the profit carrier.

Notes to the Financial Statements

Note 3 Actuarial Methods and Assumptions (continued)

Key actuarial assumptions

The following table shows the key assumptions used in the calculation of life insurance and life investment contract liabilities. Any significant difference by business or product type, and any material changes in the assumptions from those of the previous year are disclosed.

(i) Discount rates

The discount rates assumed vary by product and are based on the risk-free rate except for discretionary participatory products where the rate is based on the expected earning rate on the underlying assets. The following table shows the applicable rates for the major classes of business in Australia and New Zealand.

Class of business[1]	30 June 2012 Rate Range %	30 June 2011 Rate Range %
Traditional – ordinary business (after tax)	2.83 - 3.96	4.16 - 5.53
Traditional – superannuation business (after tax)	3.44 - 4.36	5.05 - 6.27
Annuity – term and lifetime (exempt from tax)	3.19 - 4.28	4.86 - 6.11
Lump Sum Risk (before tax)	2.85 - 5.02	3.73 - 6.60
Disability Income (before tax)	2.85 - 5.02	3.73 - 6.60
Investment account – ordinary (after tax)	2.41 - 2.80	3.95 - 4.33
Investment account – superannuation (after tax)	2.94 - 3.39	4.81 - 5.27
Investment account – annuities (exempt from tax)	3.41 - 3.95	5.59 - 6.12

[1] For New Zealand, investment earning rates assumed were 2.1% to 4.5% net of tax (2011: 3.1% to 6.0%).

(ii) Asset mix

The asset mix assumed was the target asset mix for each product group.

(iii) Inflation

The inflation assumption is based on current inflation levels together with consideration of future inflation rates implied by inflation-linked securities. Expenses and some premiums and claims inflate by the inflation assumption. Allowance for future inflation of 2.75% p.a. (2011: 2.75% p.a.) is assumed, except for annuities where an inflation rate of 2.35% p.a. (2011: 2.80% p.a.) is assumed, based on the average duration of the Group's CPI-linked annuities and the real yields on CPI-linked assets. An inflation rate of 2.50% p.a. (2011:2.50% p.a.) was assumed in New Zealand.

(iv) Bonuses

The valuation assumed the long term supportable bonuses will be paid, which is in accordance with the Group's bonus philosophy.

(v) Future expenses and indexation

Maintenance expenses are based on an internal analysis of current expenses and next year's planned expenses, after adjusting for one-off expenses. Expenses are assumed to increase in line with inflation each year. In general, maintenance expense assumptions for group risk, masterfund risk and telemarketing products increased compared to the prior period while those for other product types decreased.

Investment management expenses are based on agreed rates with investment managers with bonuses for performance above benchmarks. Assumptions are based on the contractual fees set out in the Fund Manager agreements and vary by asset class based on the negotiated fees.

Benefits and premiums under most of the regular premium policies are automatically indexed. The indexation rates are based on an analysis of past experience and estimated long-term CPI, and vary by business and product type.

(vi) Tax

The taxation basis and rates assumed vary by territory and product type. Current tax legislation and rates are assumed to continue unaltered.

Notes to the Financial Statements

Note 3 Actuarial Methods and Assumptions (continued)

(vii) Voluntary discontinuance

Voluntary discontinuance rates are based on recent Company experience and vary by age, product and duration in force. For the individual risk business there were increases in the discontinuance rates assumed for both open and legacy products.

For major classes of business the assumed aggregate rates of discontinuances are:	Rates for 30 June 2012		Rates for 30 June 2011	
	Minimum %	Maximum %	Minimum %	Maximum %
Traditional	4	10	3	10
Lump Sum Risk (excluding Telemarketing)	7	50	7	50
Disability Income	10	23	9	23
Investment Account	8	17	8	16

(viii) Surrender values

Current surrender value terms and policies are applied to assumptions for future surrenders. There have been no significant changes to terms and policies during the year.

(ix) Mortality

Rates vary by sex, age, product type and smoker status. Rates are based on standard mortality tables adjusted for recent Group and industry experience.

Risk Products	**Australia**: The mortality rates range from 42% to 166% of IA95-97 (2011: 42% to 150%) adjusted for selection. There were increases in the mortality rates assumed for the open lump sum product, particularly in regard to smoker rates. **New Zealand**: 53% to 96% of NZ97 (2011: 53% to 98%).
Annuity Products	**Australia** : Base mortality 72% IM/IF80 for calendar year 1996, 3.5% p.a. mortality improvement factor for ages 60 and below scaling down uniformly to 0.75% p.a. for age 110 (applying from 1996). No changes from prior period. **New Zealand**: 80%/83% PMA/PFA92 with allowance for mortality improvement (2011: 80%/83% PMA/PFA92). No change in assumptions.

(x) Morbidity

Rates are based on recent Group and industry experience. Incidence and termination rates can vary by product type, age, sex, occupation and smoker status.

Income:	**Australia:** Incidence rates: 40.6% to 209.3% of IAD89-93 (2011: 24.1% to 218.9%) adjusted for selection. Termination rates: 41.3% to 105.6% of IAD89-93 (2011: 41.3% to 110.0%). **New Zealand:** Based on overall experience over recent years. No significant changes in assumptions have been made in the current period.
Trauma:	**Australia:** 25.5% to 123.0% of Fabrizio and Gratton population experience adjusted for selection and size of insured benefit. (2011: 31.9% to 120.0%). **New Zealand:** Table developed based on population incidence rates of specified traumas, similar to the approach in the prior year.
TPD:	**Australia:** 37.6% to 74.0% of Munich Reinsurance TPD Base. TPD rates were increased for certain legacy risk products. **New Zealand:** Company specific tables developed for pricing, similar to approach in prior year.

(xi) Group lump sum risk – Claims and rebate liabilities

Incurred But Not Reported (IBNR): A combination of the chain ladder method, based upon past statistical analysis, and assumed loss ratio approach is used to determine the IBNR claims liability. For the most recent incurred periods the loss ratio approach is used. This is gradually blended into the chain ladder method. This "blending" is done using a set of factors, which varies by claim type, reflecting the credibility given to the underlying experience. The loss ratios are based on historical claims experience over at least three years, and the pricing loss ratio where there is insufficient experience.

Pending: The pending claim liability is determined by applying a factor to all notified but not admitted claims. The factors reflect the historical rate of decline applicable for each reporting business segment and associated types of claims.

Rebate: A profit share provision is determined by feeding the premium and claims liabilities into the profit share formula.

The main change for the current period was an increase in the assumed loss ratio and an increase in the assumed average claim size for the TPD benefit used in the IBNR.

Note 3 Actuarial Methods and Assumptions (continued)

(xii) Group disability income – Claims and rebate liabilities

An open claims liability is determined using claim termination rates ranging from 36% to 88% of IAD 89-93 (2011: 45% to 70%). The IBNR claims liability calculation uses the same method as for lump sum products. A profit share provision is determined by feeding the premiums and claims liabilities into the profit share formula. The main change for the current period was an assumed faster claims run-off in the IBNR, changes to the assumed termination rates and a reduced closed but not reported assumptions for open claims reserves.

(xiii) Future participating benefits

For participating business, the Group's policy is to set bonus rates such that over long periods, the return to policyholders is commensurate with the investment returns achieved on relevant assets, together with other sources of profit arising from this business.

Distributions are split between policyholders and shareholders with the valuation allowing for shareholders to share in distributions at the maximum allowable rate of 20%. In applying the policyholders' share of distributions to provide bonuses, consideration is given to equity between generations of policyholders and equity between the various classes and sizes of policies in force. Assumed future bonus rates included in life insurance contract liabilities are set such that the present value of life insurance contract liabilities equates to the present value of the assets supporting the business together with assumed future investment returns, allowing for the shareholders' right to participate in distributions.

Bonus rates for individual participating business are not disclosed as it is only practical to show reversionary bonus rates and not terminal bonus rates.

Solvency requirements of statutory funds in Australia

The Life Insurance Act 1995 requires life insurers to hold prudential reserves in excess of the amount of life insurance and investment contract liabilities. These reserves are required to support capital adequacy requirements and provide protection against adverse experience. Prudential Standard LPS 2.04 Solvency Standard (LPS 2.04) prescribes a minimum capital requirement and the minimum level of assets required to be held in each life insurance statutory fund. The Group complied with the solvency requirements of LPS 2.04 or the requirements of the jurisdiction in which it operates. Details are set out in Note 28 Solvency Requirements of Controlled Life Insurance Companies.

Impact of changes in assumptions

The following table shows the impacts of changes in assumptions from 30 June 2011 to 30 June 2012 in respect of life insurance contracts:

Assumption change[1]	Changes in future profit margins $M	Changes in life insurance contract liabilities $M
Base results (2012 results using 2011 non-economic assumptions)	1,176	2,698
Non-market related changes to discount rates	-	-
Mortality and morbidity	(103)	18
Discontinuance rates	(184)	-
Maintenance expenses	(2)	(1)
Other assumption changes	-	-
Total	887	2,715

The following table shows the impacts of changes in assumptions from 30 June 2010 to 30 June 2011 in respect of life insurance contracts:

Assumption change[1]	Changes in future profit margins $M	Changes in life insurance contract liabilities $M
Base results (2011 results using 2010 non economic assumptions)	1,066	2,570
Non-market related changes to discount rates	-	-
Mortality and morbidity	(5)	-
Discontinuance rates	(55)	-
Maintenance expenses	(41)	-
Other assumption changes	-	-
Total	965	2,570

[1] Relates to Australian profit assumptions only.

Note 3 Actuarial Methods and Assumptions (continued)

The policy liabilities for life insurance contracts are calculated in a way that allows for the systematic release of planned profit margins as services are provided to policyholders and premiums are received. Where sufficient planned margins exist, this method allows for the absorption of changes to assumptions (excluding changes to economic assumptions) into the profit margin amount, resulting in no change to the contract liability in the current period. Where the assumption change results in the level of planned profit margins being exhausted, the resulting losses are recognised during the year via a change in the contract liability.

Where a change is made to the discount rate or related economic assumptions, the impact is not absorbed into planned profit margins and the level of contract liability will change. These outcomes of the Margin on Services methodology are reflected in the above table.

Assumption changes decreased profit margins by $289m (from $1,176m to $887m) (2011: decreased by $101m). The contributors to this were:

- Changes to future claims assumptions on risk business decreased margins by $103m, primarily from a strengthening of mortality and trauma assumptions for lump sum risk products and a strengthening of the morbidity assumption for the disability income products.
- Increase in discontinuance assumptions (particularly in individual lump sum risk, individual disability income and personal masterfund risk products) decreased future profit margins by $184m; and
- An increase in maintenance expense assumptions reduced profit margins by $2m.

Assumption changes increased life insurance contract liabilities by $17m (2011: increased by less than $1m). This increase primarily occurred from strengthening the IBNR reserve for individual risk products and reducing the decline rate assumption in the pending claims liability for individual disability income products.

Sensitivity analysis

The Group conducts a sensitivity analysis on the Australian life operations to quantify its exposure to changes in key variables such as: interest rates, equity prices, mortality, morbidity and inflation. The policy liability valuation included in this report is based on best estimate assumptions for these variables. Any difference in actual experience to these best estimate assumptions will impact the long term performance and net assets of the Group and as such represents a risk.

Variable	Impact of movement in underlying variable
Expense risk	An increase in the level or inflationary growth of expenses over assumed levels will decrease profit and shareholder equity.
Mortality rates	For insurance contracts that pay a death benefit, higher rates of mortality will increase claim costs and therefore reduce both profit and shareholder equity. For lifetime annuity contracts, lower mortality rates increase the duration of annuity payments and therefore reduce both profit and shareholder equity.
Morbidity rates	The cost of health-related claims depends on both the incidence of policyholders becoming ill and the duration which they remain ill. Higher than expected incidence and duration would increase claim costs, reducing profit and shareholders' equity.
Discontinuance	The impact of the discontinuance rate assumption depends on a range of factors including the type of contract, the surrender value basis (where applicable) and the duration in force. For example, an increase in discontinuance rates at earlier durations of life insurance contracts usually has a negative effect on performance and net assets. However, due to the interplay between various factors, there is not always an adverse outcome from an increase in discontinuance rates.

Sensitivity to market risk is shown in Note 36.

The table below shows the sensitivity of insurance contract liabilities (gross and net of reinsurance), current year profits and equity for the year ended 30 June 2012, to changes in those assumptions used in the policy liability calculation.

The sensitivity of the contract liability to changes in assumptions will be dependent upon:

- whether the change is to discount rates and related economic assumptions; or
- whether the product is (or remains) in loss recognition after the assumption change.

For products which do not move into loss recognition, there is typically no change to the current year contract liability (and therefore profit) however the impact on planned profit margins will give rise to a difference in the emergence of future planned profit margins.

These sensitivities are often non-linear and larger or smaller impacts may not easily be determined from these results. The impact of multiple assumption changes may not be additive.

Notes to the Financial Statements

Note 3 Actuarial Methods and Assumptions (continued)

30 June 2012

	Percentage change in assumptions	Impact on life insurance policy liabilities Gross of reinsurance $M	Impact on life insurance policy liabilities Net of reinsurance $M	Impact on profit* and equity Gross of reinsurance $M	Impact on profit* and equity Net of reinsurance $M
Mortality and morbidity on lump sum products	10% increase in total costs	20.8	15.4	(14.6)	(10.9)
	10% decrease in total costs	(0.2)	(0.2)	0.2	0.2
Annuitant mortality	20% increase in rate of future mortality improvement	22.4	1.0	(16.0)	(0.6)
	20% decrease in rate of future mortality improvement	(20.3)	(0.9)	14.2	0.5
Morbidity on disability income	10% increase in total costs	41.2	22.9	(28.9)	(16.0)
	10% decrease in total costs	(22.7)	(19.3)	15.9	13.5
Discontinuance	10% increase in discontinuance rates	0.8	0.8	(0.6)	(0.6)
	10% decrease in discontinuance rates	(0.9)	(0.9)	0.6	0.6
Expenses	10% increase in maintenance expenses	6.8	6.8	(4.8)	(4.8)
	10% decrease in maintenance expenses	(6.8)	(6.8)	4.8	4.8

* Profit numbers are net of tax.

The mortality and morbidity impacts on lump sum products relate to the group risk, masterfund risk and certain individual legacy lump sum risk products products. The impact of changes in annuitant mortality is small as a result of the reinsurance arrangement for lifetime annuities. The morbidity impact on disability income products relates to individual legacy disability income and group risk products. The discontinuance and expense impacts primarily relate to the individual legacy disability income products.

30 June 2011

	Percentage change in assumptions	Impact on life insurance policy liabilities Gross of reinsurance $M	Impact on life insurance policy liabilities Net of reinsurance $M	Impact on profit* and equity Gross of reinsurance $M	Impact on profit* and equity Net of reinsurance $M
Mortality and morbidity on lump sum products	10% increase in total costs	16.5	21.3	(11.5)	(14.9)
	10% decrease in total costs	-	-	-	-
Annuitant mortality	20% increase in rate of future mortality improvement	15.3	1.0	(10.8)	(0.5)
	20% decrease in rate of future mortality improvement	(14.7)	(1.0)	10.3	0.4
Morbidity on disability income	10% increase in total costs	36.0	21.0	(25.2)	(14.7)
	10% decrease in total costs	(20.0)	(16.5)	14.0	11.6
Discontinuance	10% increase in discontinuance rates	0.8	0.9	(0.6)	(0.7)
	10% decrease in discontinuance rates	(0.9)	(1.0)	0.7	0.8
Expenses	10% increase in maintenance expenses	6.4	6.4	(4.5)	(4.5)
	10% decrease in maintenance expenses	(6.4)	(6.4)	4.5	4.5

* Profit numbers are net of tax

Notes to the Financial Statements

Note 4 Insurance Premium Revenue

	Group	
	2012	**2011**
	$M	**$M**
Life insurance contracts premium revenue	**1,963**	1,753
General insurance premium revenue	**464**	419
Insurance Premium Revenue	**2,427**	2,172

Note 5 Investment Revenue

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$M	**$M**	**$M**	**$M**
Interest	**142**	128	40	5
Dividends	**30**	25	532	831
Trust distributions	**889**	1,166	-	-
Other Investment revenue	**10**	7	-	-
Net realised and unrealised gains/(losses)	**(84)**	363	(20)	14
Total Investment Revenue	**987**	1,689	552	850

Note 6 Insurance Claims Expense

	Group	
	2012	**2011**
	$M	**$M**
Life insurance contracts claims expense	**1,137**	1,121
General insurance claims expense	**309**	327
Insurance Claims Expense	**1,446**	1,448

Notes to the Financial Statements

Note 7 Operating Expenses

	Group		Company	
	2012	2011	2012	2011
	$M	$M	$M	$M
Commissions	**579**	626	**-**	-
Management fees	**541**	532	**-**	-
Service fees	**297**	301	**-**	-
Salaries, wages and other staff related expenses	**279**	235	**-**	-
Information technology services	**9**	5	**-**	-
Advertising, marketing and loyalty	**27**	26	**-**	-
Occupancy and equipment	**19**	18	**-**	-
Custodian fees	**5**	10	**-**	-
Others	**238**	203	**30**	2
Total Operating Expenses	**1,994**	1,956	**30**	2

Note 8 Finance Costs

	Group		Company	
	2012	2011	2012	2011
	$M	$M	$M	$M
Interest - borrowings	**198**	197	**160**	149
Total Finance Costs	**198**	197	**160**	149

Note 9 Statement of Sources of Operating Profit

	Group	
	2012	2011
	$M	$M
Shareholder operating profit after income tax arose from:		
Components of Profit Related to Movements in Life Insurance Contract Liabilities		
Planned margins of revenues over expenses released	**230**	225
Difference between actual and assumed experience	**(57)**	(18)
Effect of changes to underlying assumptions (change in actuarial valuation method and assumptions)	**(20)**	2
Reversal of previously recognised losses or loss recognition on groups of related products	**2**	(1)
Components of Profit Related to Movements in Life Investment Contract Liabilities		
Planned margins of revenues over expenses released	**94**	75
Difference between actual and assumed experience	**(1)**	21
Other Items		
Investment earnings on shareholder retained profits and Capital	**478**	493
Other	**(12)**	3
Operating Profit After Income Tax	**714**	800

Notes to the Financial Statements

Note 10 Income Tax Expense

(a) Analysis of income tax expense

	Group		Company	
	2012	2011	2012	2011
	$M	$M	$M	$M
Current tax expense / (benefit) - current year	**256**	406	**(81)**	(38)
Deferred tax expense / (benefit) - current year	**124**	54	**35**	-
Current tax expense / (benefit) - prior year	**(15)**	(47)	**(4)**	-
Deferred tax expense / (benefit) - prior year	**(2)**	7	**-**	-
Income Tax Expense / (Benefit)	**363**	**420**	**(50)**	**(38)**
Taxation recognised in shareholders equity	**-**	**-**	**-**	**-**

(b) Relationship between income tax expense and accounting profit

Differences exist between the amounts of income and expenses recognised in the Financial Statements and the amounts recognised for income tax purposes. The table below provides a reconciliation of differences between prima facie tax calculated as 30% of the profit before income tax for the year and the actual income tax expense recognised in the Income Statement for the year.

	Group		Company	
	2012	2011	2012	2011
	$M	$M	$M	$M
Profit before income tax per Income Statement	**1,077**	1,220	**362**	699
Policyholder tax	**122**	166	**-**	-
Profit before income tax excluding tax attributable to policyholders	**955**	1,054	**362**	699
Prima facie tax at 30% (2011:30%)	**286**	316	**109**	210
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts taxable in calculating taxable income:				
Taxation offsets and dividend adjustments	**-**	-	**(160)**	(249)
Prior year (over) / under provision relating to shareholders	**(21)**	(43)	**(4)**	-
Other (non-assessable) / non-deductible	**(8)**	(8)	**5**	1
Difference in overseas tax rates	**(16)**	(11)	**-**	-
Income tax expense attributable to shareholders	**241**	254	**(50)**	(38)
Income tax expense / (benefit) attributable to policyholders	**122**	166	**-**	-
Income Tax Expense / (Benefit)	**363**	420	**(50)**	(38)

Notes to the Financial Statements

Note 10 Income Tax Expense (continued)

(c) Analysis of deferred tax assets and liabilities

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$M	**$M**	**$M**	**$M**
Deferred Tax Assets				
Unrealised investment losses	**16**	14	**-**	-
Other	**78**	98	**3**	38
Total Deferred Tax Assets (Before Set Off)	**94**	112	**3**	38
Set off of tax[1]	**(58)**	(83)	**-**	-
Net Deferred Tax Assets	**36**	29	**3**	38
Deferred Tax Liabilities				
Deferred tax on life insurance and investment contracts	**317**	239	**-**	-
Other	**101**	77	**-**	-
Total Deferred Tax Liabilities (Before Set Off)	**418**	316	**-**	-
Set off of tax[1]	**(58)**	(83)	**-**	-
Net Deferred Tax Liabilities	**360**	233	**-**	-

(d) Movement analysis of deferred tax assets and liabilities

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$M	**$M**	**$M**	**$M**
Deferred Tax Assets				
Balance at the beginning of the year	**29**	6	**38**	39
Increase / (decrease) in unrealised investment losses	**2**	(36)	**-**	-
Other	**(20)**	28	**(35)**	(1)
Set off of tax[1]	**25**	31	**-**	-
Balance at the End of the Year	**36**	29	**3**	38
Deferred Tax Liabilities				
Balance at the beginning of the year	**233**	148	**-**	-
Increase / (decrease) in unrealised investment gains	**-**	(1)	**-**	-
Deferred tax on life insurance and investment contracts	**78**	35	**-**	-
Other	**24**	20	**-**	-
Set off of tax[1]	**25**	31	**-**	-
Balance at the End of the Year	**360**	233	**-**	-

[1] Deferred tax assets and liabilities are set off where they relate to income tax levied by the same taxable entity or different taxable entities within the same taxable group.

Notes to the Financial Statements

Note 11 Dividends

	Group		Company	
	2012	2011	2012	2011
	$M	$M	$M	$M
Dividends paid - ordinary shares[1]	**371**	674	**371**	674
Dividends paid and payable - mandatory convertible notes	**5**	6	**5**	6
Total Dividends Paid	**376**	680	**376**	680

[1]Dividend of 8 cents (2011: 16 cents) per ordinary share

Note 12 Other Receivables

	Group		Company	
	2012	2011	2012	2011
	$M	$M	$M	$M
Reinsurance claims receivable	**114**	147	**-**	-
Investment income accrued and receivable	**84**	71	**5**	1
Due from controlled and related entities	**14**	6	**-**	-
Other	**370**	351	**-**	-
Total Other Receivables	**582**	575	**5**	1
Maturity of Other Receivables				
Receivable within 12 months	**509**	489	**5**	1
Receivable in more than 12 months	**73**	86	**-**	-
Total Other Receivables	**582**	575	**5**	1

Notes to the Financial Statements

Note 13 Financial Assets at Fair Value through Profit or Loss

	Group		Company	
	2012	2011	2012	2011
	$M	$M	$M	$M
Equity Securities	**549**	499	**-**	-
Debt Securities	**2,161**	2,018	**-**	-
Fixed interest deposits	**284**	228	**-**	-
Loans	**311**	254	**209**	140
Convertible Notes[1]	**-**	-	**576**	-
Unit Trusts	**13,884**	14,552	**-**	-
Other[1]	**58**	48	**-**	586
Total Financial Assets at Fair Value through Profit or Loss[2]	**17,247**	17,599	**785**	726

[1] The balance for the Company represents the fair value of NZD mandatory convertible notes issued by a controlled entity upon redemption of assignment rights. Prior to redemption, the assignment rights were recorded as "other" in prior year.

[2] Total amount of investment assets expected to be recovered no more than 12 months after the reporting date: Investment assets of the life statutory funds comprising cash, equity securities, debt securities, property securities, other financial assets and investment property held to back life investment contract liabilities amount to $10bn (2011: $11bn) and to back life insurance contract liabilities amount to $5bn (2011: $5bn). Investment assets are traded on a regular basis taking into account the changes in the liability balances which they support, net cash flows and investment objectives. For the majority of life investment contract and life insurance contract liabilities, there is no fixed settlement date. Based on the assumptions as to likely withdrawal patterns in the various product groups, it is estimated that approximately $4bn (2011: $4bn) may be settled within 12 months of the reporting date.

Notes to the Financial Statements

Note 14 Investment in Associates and Joint Ventures

Investments held	2012 $M	2011 $M	Extent of Ownership Interest %	Principal Activities	Country of Incorporation	Balance Date
						Group
First State Cinda Fund Management Company Limited	**13**	16	46	Funds Management	China	31-Dec
Acadian Asset Management (Australia) Limited	**2**	2	50	Investment Management	Australia	30-Jun
BoCommLife Insurance Company Limited	**24**	27	37.5	Life Insurance	China	31-Dec
Countplus Limited	**56**	-	37.4	Financial Advice	Australia	30-Jun
Total	**95**	45				

(a) Movements in carrying amounts

	Group 2012 $M	Group 2011 $M
Carrying amount at the beginning of the financial year	**45**	58
Share of profits / (losses) after income tax	**(1)**	1
Additional investment	**56**	-
Dividends received/receivable	**(6)**	(2)
Impairment charge	**-**	(9)
Other	**1**	(3)
Carrying amount at the end of the financial year	**95**	45

(b) Summarised financial information of associates

	Group 2012 $M	Group 2011 $M
Share of profits / (losses) before income tax	**(1)**	2
Income tax expense	**-**	1
Operating profit / (loss) after income tax	**(1)**	1
Assets	**476**	343
Liabilities	**335**	247
Revenues	**172**	154
Profit / (loss) after tax	**(2)**	2

Notes to the Financial Statements

Note 15 Property, Plant and Equipment

	Group	
	2012	2011
	$M	$M
Written Down Amount		
At cost	**56**	55
Accumulated depreciation	**(26)**	(25)
Total Operating Assets	**30**	30
Reconciliation		
Balance at the beginning of the year	**30**	35
Additions	**7**	4
Depreciation	**(6)**	(7)
FX Translation adjustment	**(1)**	(2)
Balance at the End of the Year	**30**	30

Note 16 Other Assets

	Group		Company	
	2012	2011	2012	2011
	$M	$M	$M	$M
Prepayments	**5**	7	**8**	16
Other	**191**	164	**-**	-
Total Other Assets	**196**	171	**8**	16
Maturity of Other Assets				
Recoverable within 12 months	**91**	81	**8**	16
Recoverable in more than 12 months	**105**	90	**-**	-
Total Other Assets	**196**	171	**8**	16

Notes to the Financial Statements

Note 17 Intangible Assets

	Group	
	2012	2011
	$M	$M
Acquired goodwill	**2,682**	2,416
Management fee rights	**328**	319
Capitalised software	**9**	4
Brand name	**4**	-
Customer lists	**56**	8
Total Intangibles	**3,079**	2,747

	Group	
	2012	2011
	$M	$M
Acquired Goodwill		
Balance at the beginning of the year	**2,416**	2,486
Additions	**232**	-
Foreign currency translation adjustments	**34**	(70)
Total Goodwill	**2,682**	2,416

	Group	
	2012	2011
	$M	$M
Management Fee Rights[1]		
Balance at the beginning of the year	**319**	315
Additions	**4**	4
Foreign currency translation adjustments	**5**	-
Total Management Fee Rights	**328**	319

[1] Management fee rights have an indefinite useful life under the contractual terms of the management agreements and are subject to an independent valuation for impairment testing purposes. No impairment was required as a result of this valuation.

	Group	
	2012	2011
	$M	$M
Capitalised Software		
Balance at the beginning of the year	**4**	5
Additions	**6**	1
Amortisation and impairment expense	**(1)**	(2)
Total Capitalised Software	**9**	4

	Group	
	2012	2011
	$M	$M
Brand Name		
Balance at the beginning of the year	**-**	-
Additions	**4**	-
Total Brand Name	**4**	-

Notes to the Financial Statements

Note 17 Intangible Assets (continued)

	Group	
	2012	2011
	$M	$M
Customer Lists		
Balance at the beginning of the year	**8**	9
Additions	**52**	-
Amortisation and impairment expense	**(4)**	(1)
Total Customer Lists	**56**	8

Goodwill allocation to the following cash generating units:

	Group	
	2012	2011
	$M	$M
Wealth Management	**2,279**	2,048
Offshore-Insurance	**403**	368
Total Goodwill	**2,682**	2,416

Impairment testing for goodwill and intangible assets with indefinite lives

To assess whether goodwill or intangible assets are impaired, the carrying amount of a cash generating unit is compared to the recoverable amount, determined based on fair value less cost to sell, using an earnings multiple applicable to that type of business, or actuarial assessments that were consistent with externally sourced information.

The key assumptions used when completing the actuarial assessment include new business multiples, discount rates, valuation allowances for franking credits, investment market returns, mortality, morbidity, persistency and expense inflation. These have been determined by reference to historical company, industry experience and publicly available data.

Key assumptions used in fair value less cost to sell calculations

Earnings multiples relating to cash-generating unit of Wealth Management are sourced from publicly available data associated with valuations performed on recent businesses displaying similar characteristics to Wealth Management cash-generating unit, and earnings multiples of between 10.70% - 11.50% per annum are applied to current earnings (2011: 11.90% - 12.70%).

The New Zealand Life Insurance component of cash-generating unit Offshore-Insurance is valued via an actuarial assessment.

Impairment testing of intangible asset balances, other than intangible assets identified above, is based on each asset's value in use, calculated as the present value of forecast future cash flows from those assets using discount rates of between 10.76% and 13.90% (2011: 11.80% and 15.40%).

The forecast cash flows used in the impairment testing for operating subsidiaries are based on assumptions as to the level of profitability for each business over the forecast period.

Forecasts for the following 12 months have in each case been extrapolated based on terminal value growth rates of between 3.00% - 5.00% per annum (2011: 3.00% - 5.00% per annum). The projected revenues are based on the businesses in their current condition. The assumptions do not include the effects of any future restructuring to which the entity is not yet committed or as a result of future cash outflows by the entity that will improve or enhance the entity's performance.

There was no impairment of goodwill in the current year (2011: Nil).

Notes to the Financial Statements

Note 18 Payables

	Group		Company	
	2012	2011	2012	2011
	$M	$M	$M	$M
Policy claims in process of settlement	**110**	101	**-**	-
Due to controlled and related entities	**44**	55	**1,511**	2,446
Other payables	**826**	805	**-**	-
Total Payables	**980**	961	**1,511**	2,446
Maturity of Payables				
Payable within 12 months	**914**	820	**208**	845
Payable in more than 12 months	**66**	141	**1,303**	1,601
Total Payables	**980**	961	**1,511**	2,446

Note 19 Derivative Financial Assets and Liabilities

	Group					
	Notional Principal	Fair Value Asset	Fair Value Liability	Notional Principal	Fair Value Asset	Fair Value Liability
	2012	2012	2012	2011	2011	2011
	$M	$M	$M	$M	$M	$M
Interest rate related contracts - swaps	**1,422**	**33**	**11**	1,501	68	15
Exchange rate related contracts - forward contracts	**1,483**	**44**	**5**	1,378	17	-
Total	**2,905**	**77**	**16**	2,879	85	15

	Company					
	Notional Principal	Fair Value Asset	Fair Value Liability	Notional Principal	Fair Value Asset	Fair Value Liability
	2012	2012	2012	2011	2011	2011
	$M	$M	$M	$M	$M	$M
Exchange rate related contracts - forward contracts	**700**	**23**	**-**	700	11	-
Total	**700**	**23**	**-**	700	11	-

Non-hedge derivatives at fair value through profit or loss

The Company and ASB Group (Life) Limited Group, as part of the Group, enter into derivative transactions which provide economic hedges for risk exposures but which do not meet the accounting requirements for hedge accounting treatment. The Group purchases forward currency contracts as economic hedges to manage foreign exchange risk. Gains or losses on these contracts have been recorded in investment income.

Notes to the Financial Statements

Note 20 Interest Bearing Liabilities

	Group		Company	
	2012	2011	2012	2011
	$M	$M	$M	$M
Interest Bearing Liabilities				
Debt issues	**2,713**	2,840	**982**	-
Total Interest Bearing Liabilities	**2,713**	2,840	**982**	-
Maturity of Interest Bearing Liabilities				
Payable within 12 months	**416**	1,470	**-**	-
Payable in more than 12 months	**2,297**	1,370	**982**	-
Total Interest Bearing Liabilities	**2,713**	2,840	**982**	-

The Company guarantees the performance of debt issued by Colonial Finance Limited ("CFL"). CFL has a mixture of debt issued via either the domestic and international capital markets or bank loans.

In January 2001, CFL established a Note Programme under which it may issue notes up to an aggregate amount of AUD $1bn. This programme was increased to AUD $2bn in February 2002, and subsequently increased to AUD $3bn in November 2002. At 30 June 2012, the debt issued was $1,000m (2011: $1,615m). To date notes issued under the programme have been floating rate (at a margin over bank bills) though fixed rate and other interest rate structures are possible.

Additionally, CFL entered into a long term syndicated loan facility of up to $400m with Asian banks (the Asian Syndicated Loan) in 2012. As at 30 June 2012, CFL has utilised $315m of this facility and the undrawn portion has been cancelled.

GT Operating (No.4) Pty Limited and GT Operating (No.2) Pty Ltd act as a financing vehicle which raised funds through the issuing of Convertible Notes to investors. The funds raised from the issue of Convertible Notes had been used to purchase the right to fee income from Colonial First State Investments Limited and Colonial First State Asset Management (Australia) Limited. At 30 June 2012, the debt issued was $Nil (2011: $686m), as both entities have fully redeemed their Convertible Notes.

Colonial First State Capital Management Pty Ltd issues Commercial Mortgage-Backed Securities (CMBS) to public note holders. At 30 June 2012, the debt issued was $416m (2011: $539m).

In February 2012, the Company raised a total of $1 billion through the issuance of interest bearing, subordinated, unsecured notes called Colonial Group Subordinated Notes, and which are listed on the Australian Securities Exchange. At 30 June 2012, the subordinated notes amounted to $982m.

Notes to the Financial Statements

Note 21 Provisions

	Group		Company	
	2012	2011	2012	2011
	$M	$M	$M	$M
Employee entitlements	**8**	7	**-**	-
Outstanding claims liability	**184**	193	**-**	-
Other	**7**	21	**-**	-
Dividends	**1**	1	**1**	1
Total Provisions	**200**	222	**1**	1
Maturity of Provisions				
Expected to be settled within 12 months	**174**	199	**1**	1
Expected to be settled after 12 months	**26**	23	**-**	-
Total Provisions	**200**	222	**1**	1
Movement in Provision for Employee Entitlements				
Balance at the beginning of the year	**7**	8	**-**	-
Additional provisions recognised	**1**	2	**-**	-
Reductions from settlement or reassessment	**-**	(3)	**-**	-
Balance at the End of the Year	**8**	7	**-**	-
Movement in Provision for Outstanding Claims Liability				
Balance at the beginning of the year	**193**	191	**-**	-
Additional provisions recognised	**312**	340	**-**	-
Reductions from settlement or reassessment	**(321)**	(338)	**-**	-
Balance at the End of the Year	**184**	193	**-**	-
Movement in Provision for Other				
Balance at the beginning of the year	**21**	12	**-**	-
Additional provisions recognised	**102**	95	**-**	-
Reductions from settlement or reassessment	**(116)**	(86)	**-**	-
Balance at the End of the Year	**7**	21	**-**	-
Movement in Provision for Dividends				
Balance at the beginning of the year	**1**	2	**1**	2
Additional provisions recognised	**1**	6	**1**	6
Reductions from settlement or reassessment	**(1)**	(7)	**(1)**	(7)
Balance at the End of the Year	**1**	1	**1**	1

Notes to the Financial Statements

Note 22 Life Insurance and Life Investment Contract Liabilities

(a) Movement in life insurance and life investment contract liabilities during the year

	Group	
	2012	2011
	$M	$M
Life Insurance Contract Liabilities		
Gross life insurance contract liabilities excluding provision for bonus at beginning	**3,060**	3,253
Add: Bonus appropriated from prior year earnings and credited in the current year	**26**	29
Gross insurance contract liabilities at the beginning of the year	**3,086**	3,282
Provision for bonus to participating policyowners	**23**	26
Foreign currency translation adjustment	**1**	(49)
Other movements	**-**	(2)
Liabilities transferred out on acquisition/disposal of controlled entity	**-**	(47)
Add: Deposit component of premiums recognised as a change in insurance contract liabilities	**9**	10
Less: Withdrawal component of claims recognised as a change in insurance contract liabilities	**(64)**	(72)
Change in life insurance contract liabilities as shown in the Income Statement	**125**	(62)
Gross Life Insurance Contract Liabilities at the End of the Year	**3,180**	3,086
Life Investment Contract Liabilities		
Investment contract liabilities at the beginning of the year	**10,514**	11,259
Foreign currency translation adjustment	**13**	(62)
Add: Premiums recognised as a change in investment contract liabilities	**439**	435
Less: Withdrawal recognised as a change in investment contract liabilities	**(1,542)**	(2,097)
Change in life investment contract liabilities as shown in the Income Statement	**345**	979
Investment Contract liabilities at the End of the Year	**9,769**	10,514
Gross Insurance Contract Liabilities Ceded Under Reinsurance		
Reinsurers' share of insurance contract liabilities at the beginning of the year	**164**	188
Reinsurance attributed to disposals	**-**	(4)
Change in reinsurers' share of contract liabilities as shown in the Income Statement	**7**	(20)
Gross Insurance Contract Liabilities Ceded Under Reinsurance at the End of the Year	**171**	164

Notes to the Financial Statements

Note 22 Life Insurance and Life Investment Contract Liabilities (continued)

(b) Components of net life insurance and life investment contract liabilities

	Group	
	2012	**2011**
	$M	**$M**
Net Life Insurance Contract Liabilities		
Future policy benefits	**10,589**	9,306
Future bonuses	**476**	664
Balance of future expenses	**3,678**	3,275
Planned margins of revenues over expenses	**1,732**	1,675
Future tax on shareholders' margin	**335**	345
Future charges for acquisition costs	**(958)**	(816)
Balance of future revenues	**(12,843)**	(11,527)
Total Net Life Insurance Contract Liabilities	**3,009**	2,922
Maturity of Insurance Contract Liabilities		
Expected to be settled within 12 months	**418**	404
Expected to be settled between 1 and 5 years	**703**	772
Expected to be settled in more than 5 years	**1,888**	1,746
Total Net Life Insurance Contract Liabilities	**3,009**	2,922
Insurance contract liabilities subject to guarantees	**2,018**	1,783
Net Life Investment Contract Liabilities		
Future policy benefits	**9,721**	10,449
Balance of future expenses	**26**	30
Planned margins of revenues over expenses	**32**	42
Future tax on shareholders' margin	**3**	6
Balance of future revenues	**(13)**	(13)
Total Net Life Investment Contract Liabilities	**9,769**	10,514
Investment contract liabilities subject to guarantees	**976**	880

Note 23 Controlled Unit Trusts – Non-Controlling Interests

	Group	
	2012	**2011**
	$M	**$M**
Non-controlling interest in managed funds units on issue	**995**	1,048

Amounts representing outside interests in unit trusts partly owned and controlled by The Colonial Mutual Life Assurance Society Limited and ASB Group (Life) Limited, both of which are controlled entities, are reported as a current liability.

Notes to the Financial Statements

Note 24 Contributed Equity

	Group and Company	
	2012	**2011**
	$M	**$M**
Issued and Fully Paid		
Ordinary shares fully paid[1]	**4,506**	4,134
Movement in Ordinary Shares	**Number of Shares**	Number of Shares
Balance at the beginning of the year	**4,133,925,549**	4,118,925,549
Capital issued during the year[1]	**371,705,603**	15,000,000
Balance at the End of the Year	**4,505,631,152**	4,133,925,549

	Group and Company	
	2012	**2011**
Movement in Shares on Issue	**$M**	**$M**
Balance at the beginning of the year	**4,134**	4,119
Capital issued during the year[1]	**372**	15
Balance at the End of the Year	**4,506**	4,134

[1]Issue Price $1.00; refer to Note 40 for entity acquired using capital issued.

Note 25 Other Contributed Equity

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$M	**$M**	**$M**	**$M**
Preference shares [1]	**276**	276	**276**	276
Tax recognised through equity	**1**	1	**-**	-
Total Other Contributed Equity	**277**	277	**276**	276

[1] Under the Mandatory Convertible Note Facility Agreement between the Company and Commonwealth Bank of Australia, dated 15 September 2005, the Mandatory Convertible Notes were converted to preference shares on 7 April 2011 and 300,277 preference shares of NZD1,000 were issued to Commonwealth Bank of Australia.

Notes to the Financial Statements

Note 26 Foreign Currency Translation Reserve

This reserve records the effect of exchange differences which arise on translation into Australian dollars of the balances and transactions of Group's foreign operations. Exchange differences arise where at balance sheet date the opening net assets are translated at a closing rate that differs from the previous closing rate or where revenue and expense items are translated at average exchange rates for the year rather than the closing rate applying at the date of the Balance Sheet.

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$M	**$M**	**$M**	**$M**
Balance at the beginning of the year	**(212)**	(71)	**(6)**	(7)
Currency translation adjustment	**41**	(141)	**(1)**	1
Balance at the End of the Year	**(171)**	(212)	**(7)**	(6)

Note 27 Notes to the Statements of Cash Flows

(a) Reconciliation of cash

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$M	**$M**	**$M**	**$M**
Cash at bank	**1,060**	1,160	**-**	-
Cash at the End of the Year	**1,060**	1,160	**-**	-

(b) Reconciliation of net cash provided by operating activities to operating result after income tax:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$M	**$M**	**$M**	**$M**
Profit from operating activities after income tax	**714**	800	412	737
(Increase)/decrease in receivables and other assets	**(47)**	(24)	4	2
Increase/(decrease) in payables and provisions	**64**	(50)	-	-
Increase/(decrease) in taxation	**48**	16	(7)	3
Net realised/unrealised (gain)/loss on investments	**84**	(362)	-	-
Distributions reinvested	**(820)**	(771)	-	-
Movement in life insurance contract liabilities	**87**	(170)	-	-
Movement in life investment contract liabilities	**(745)**	(746)	-	-
Movement in unvested policyowner benefits, net of bonuses paid	**(6)**	1	-	-
Depreciation	**6**	7	-	-
Non-cash other costs (capitalised interest)	**-**	-	20	36
Net exchange differences	**(41)**	141	1	(1)
Movement of intangible assets[1]	**(45)**	68	-	-
Net Cash Provided by/(Used In) Operating Activities	**(701)**	(1,090)	430	777

[1] The movement of intangible assets does not include the intangible assets acquired ($287 million) through the acquisition of Count Financial Limited as this acquisition was not cash-based at the Group level. Refer to Note 40 for details.

Notes to the Financial Statements

Note 28 Solvency Requirements of Controlled Life Insurance Companies

Australian life insurer

Under the Life Insurance Act 1995 ('the Act') life insurers are required to hold reserves in excess of the amount of policy liabilities. These additional reserves are necessary to support the life insurer's capital requirements under its business plan and to provide a cushion against adverse experience in managing long term risks. APRA has issued Prudential Standard 2.04 'Solvency Standard' for determining the level of solvency reserves. This 'Solvency Standard' prescribes a minimum capital requirement for each statutory fund and the minimum level of assets required to be held in each statutory fund.

Overseas life insurers

The overseas life insurers are required to hold reserves in excess of the amount of policy liabilities. The summarised information provided has been prepared in accordance with local solvency requirements, as prescribed by local Acts and prevailing local prudential rules.

Solvency coverage

The figures in the table below represent the number of times coverage for each life insurance subsidiary for the assets available for solvency over the solvency reserve.

	2012 Times	2011 Times
The Colonial Mutual Life Assurance Society Limited, Australia	**2.19**	1.87
Sovereign Assurance Company Limited, New Zealand	**1.19**	1.22
PT Commonwealth Life, Indonesia	**4.82**	6.39

Note 29 Restriction on Assets, Managed Assets, and Trustee Activities

Restriction on assets - Australia

Investments held in the statutory life insurance funds are subject to various prudential restrictions imposed under the Life Insurance Act 1995 and other relevant jurisdictional legislation. Assets held by a fund can be utilised to meet only the expenses and liabilities of that fund, to acquire investments and to further the business of the insurer. Distributions can only be made after solvency and capital adequacy and other regulatory requirements have been met.

Managed assets and fiduciary duties

Entities within the Group conduct investment management and other fiduciary activities as responsible entity, trustee, custodian or manager for numerous investment funds and trusts, including superannuation funds, wholesale and retail trusts.

The assets and liabilities of these funds are not included in the consolidated financial report, as Group entities do not have direct or indirect control of the trusts and funds. Fees earned in respect of these activities are included in the consolidated Income Statement. No entity within the Group guarantees the performance or obligations of the funds.

The subsidiary companies of Colonial First State Group Limited ("CFSGL"), a controlled entity within the Group, manage retail and wholesale funds with combined total assets under management of $146 billion ($149 billion as at 30 June 2011). Arrangements are in place to ensure that the asset management activities of CFSGL's subsidiaries are managed separately from the activities of other entities within the Group.

Custodial and trustee activities

Colonial Mutual Superannuation Pty Limited acts as trustee in relation to superannuation policies issued by another controlled entity within the Group. Arrangements are in place to ensure the activities of Colonial Mutual Superannuation Pty Limited are managed separately.

Commonwealth Custodial Services Limited, also a controlled entity within the Group, acts as trustee in relation to the superannuation and funds management activities of other entities managed by the Group.

Notes to the Financial Statements

Note 30 Controlled Entities

(a) Controlled entities of the Group

Investments in controlled entities with contributions to consolidated operating revenue of $20 million or more, or those that are deemed to be of particular interest are summarised below.

Controlled entities - Companies	Country of Incorporation	Holding % 2012	Holding % 2011	Principal Activity
ASB Group (Life) Limited	New Zealand	**100**	100	Holding company
Avanteos Investments Limited	Australia	**100**	100	Wrap platform provider
Avanteos Pty Limited	Australia	**100**	100	Superannuation trustee
Capital 121 Pty Limited	Australia	**100**	100	Holding company
Colonial Finance Limited	Australia	**100**	100	Finance company
Colonial Financial Corporation Pty Limited	Australia	**100**	100	Finance company
Colonial First State Asset Management (Australia) Limited	Australia	**100**	100	Funds management
Colonial First State Capital Management Pty Ltd	Australia	**100**	100	Finance company
Colonial First State Group Limited	Australia	**100**	100	Holding company
Colonial First State Investments Limited	Australia	**100**	100	Funds management
Colonial First State Property Limited	Australia	**100**	100	Property management
Colonial Services Pty Limited	Australia	**100**	100	Employment company
Commonwealth Financial Planning Limited	Australia	**100**	100	Financial planning (AFS licensee)
Commonwealth Insurance Holdings Limited	Australia	**100**	100	Holding company
Commonwealth Insurance Limited	Australia	**100**	100	General insurance
Commonwealth Managed Investments Limited	Australia	**100**	100	Trustee
Commwealth International Holdings Pty Ltd	Australia	**100**	100	Holding company
Count Financial Limited	Australia	**100**	-	Financial planning (AFS licensee)
Financial Wisdom Limited	Australia	**100**	100	Financial planning (AFS licensee)
First State Investments International Limited	UK	**100**	100	Funds management
First State Investment Management (UK) Limited	UK	**100**	100	Funds management
First State Investment Managers (Asia) Limited	Australia	**100**	100	Funds management
First State Investment Services (UK) Limited	UK	**100**	100	Funds management
First State Investments (Bermuda) Limited	Bermuda	**100**	100	Holding company
First State Investments (Hong Kong) Limited	Hong Kong	**100**	100	Investment management
First State Investments (Singapore)	Singapore	**100**	100	Funds management
First State Investments (UK Holdings) Limited	UK	**100**	100	Holding company
First State Investments (UK) Limited	UK	**100**	100	Funds management
First State Investments Holdings (Singapore) Limited	Singapore	**100**	100	Holding company
GT Operating No.2 Pty Limited	Australia	**100**	100	Special purpose entity (funding)
GT Operating No.4 Pty Limited	Australia	**100**	100	Special purpose entity (funding)
PT Commonwealth Life	Indonesia	**80**	80	Life insurance
SI Holdings Limited	UK	**100**	100	Holding company
The Colonial Mutual Life Assurance Society Limited	Australia	**100**	100	Life insurance

Notes to the Financial Statements

Note 30 Controlled Entities (continued)

(b) Controlled entities of the Group

Controlled entities – Investment Trusts	Country of Incorporation	Holding % 2012	Holding % 2011
CFS Global Diversified Infrastructure Fund	Australia	**92**	92
CFS Wholesale Global Corporate Bond Fund	Australia	**66**	61
CFS Wholesale Indexed Global Share Fund	Australia	**65**	66
CLL Property Trust	Australia	**100**	100
CMLA Australian Share Fund No.1	Australia	**100**	100
CMLA Australian Share Fund No.2	Australia	**100**	100
CMLA Global Emerging Markets Fund	Australia	**100**	100
CMLA Government Bond Fund 1	Australia	**100**	100
CMLA Government Bond Fund 2	Australia	**100**	100
CMLA Indexed Australian Share Fund	Australia	**100**	100
CMLA International Property Securities Fund	Australia	**100**	100
CMLA International Share Fund	Australia	**100**	100
CMLA Multi-Strategy Global Equity Fund No. 2	Australia	**100**	100
Colonial First State Property management Trust	Australia	**100**	100
Colonial First State Property Trust	Australia	**100**	100
Colonial First State Wholesale World Equity Fund	Australia	**100**	100
Colonial Mortgage Trust	Australia	**100**	100
Commonwealth Diversified Fund 8 - Perpetual Fid Split Growth	Australia	**50**	51
Commonwealth Global Property Securities Fund 4	Australia	**53**	70
Commonwealth Lifetime Australian Active 0-5 Year Bond Fund	Australia	**100**	100
International Private Equity Real Estate Fund	USA	**67**	67
IUT Wholesale BAM NZ Equity Fund	New Zealand	**-**	71
Statutory Annuity Investments Fund	Australia	**100**	100
Statutory Annuity Investments Fund 2	Australia	**100**	100
Statutory Annuity Investments Fund 3	Australia	**100**	100
Statutory Cash Fund	Australia	**100**	100
Statutory Fixed Interest Fund	Australia	**100**	100

The principal activity of the above trusts is investment business.

(c) Controlled entities of the Company

	Company 2012 $M	Company 2011 $M
Controlled entities	**7,291**	6,911
Total Investment in Subsidiaries	**7,291**	6,911

Entities directly controlled by the Company are listed below:

Controlled entities - Companies	Country of Incorporation	Holding % 2012	Holding % 2011	Principal Activity
Commonwealth Insurance Holdings Limited	Australia	**100**	100	Holding company
Colonial Finance Limited	Australia	**100**	100	Finance company
Emerald Holding Company Pty Limited	Australia	**100**	100	Holding company
Copacabana Beach Pty Limited	Australia	**100**	100	Special purpose entity (funding)
GT Operating No.2 Pty Limited	Australia	**100**	100	Special purpose entity (funding)
GT Operating No.4 Pty Limited	Australia	**100**	100	Special purpose entity (funding)

Notes to the Financial Statements

Note 31 Auditor's Remuneration

The auditor is remunerated by the ultimate parent entity, Commonwealth Bank of Australia.

Note 32 Commitments

	Group	
	2012	2011
	$M	$M
Lease Commitments		
Operating Leases (non-cancellable)		
Minimum lease payments		
- not later than one year	**7**	6
- later than one year and not later than five years	**17**	17
- later than five years	**30**	32
Aggregate Lease Expenditure Contracted for at Reporting Date	**54**	55
Representing :		
Non-cancellable Operating Leases	**54**	55

Notes to the Financial Statements

Note 33 Contingent Assets and Liabilities

(a) Contingent assets

Colonial First State Property Limited, a controlled entity within the Group, had contingent assets of $3m (2011: $3m), representing performance and incentive fees which have not been recognised in the Income Statement. The amount of performance and incentive fees which will be ultimately realised is linked to the underlying performance of the respective funds and is payable upon certain events or conditions, such as expiry of the agreement or sale of properties.

(b) Contingent liabilities

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$M	**$M**	**$M**	**$M**
The estimated contingent liabilities as at 30 June are as follows:				
Estimated maximum liabilities under legal action pending[1]	**1**	1	**-**	-
Financial guarantees in relation to controlled entities[2]	**-**	-	**1,338**	1,638
Disputed tax assessment[3]	**32**	55	**-**	-
Total Contingent Liabilities	**33**	56	**1,338**	1,638

[1] The Group has one legal claim pending against it which has a total maximum potential liability of $1m. The value of each potential claim is estimated by CBA General Counsel. Only claims with a potential liability of over $500k are included in the contingent liability.

[2] The Company has unconditionally and irrevocably guaranteed the repayment of certain debt obligations of Colonial Finance Limited (CFL). As at 30 June 2012, the total external borrowing of CFL amounted to $1,315m (2011: $1,615m). The Company has also provided a letter of Undertaking to the Monetary Authority of Singapore for a maximum liability not exceeding Singapore Dollars 30 million (AUD 23 million) (2011: AUD 23 million) in respect of obligations and liabilities of First State Investments (Singapore).

[3] Sovereign Assurance Company Limited (SACL) has received assessments from the Inland Revenue Department ("IRD") of New Zealand in relation to the tax treatment of reinsurance arrangements in the 2000 to 2006 tax years. SACL lodged proceedings in the High Court to challenge the reassessments, with the matter heard by the High Court during April and May 2012. The High Court delivered its judgement on 19 July 2012 and found in favour of the IRD. SACL continues to consider that its position is correct and, accordingly, has lodged an appeal from the High Court judgment.

The potential liability arising from the matter is NZD $47m (AUD equivalent $37m) plus tax-effected interest of approximately NZD $35m (AUD equivalent $27m). SACL has made what it considers to be adequate provision for this matter based on its assessment of the merits of the arguments and independent advice received, with that provision being 50% of the total estimated exposure. The estimated contingent liability (liability not provided for) is NZD $41m (AUD equivalent $32m) (2011: NZD $71m (AUD equivalent $55m)).

Other contingent liabilities

- Certain entities within the Group act as responsible entity, trustee or manager of various managed schemes (schemes), wholesale and retail trusts (trusts). Liabilities are incurred by these entities in their capacity as responsible entity, trustee or manager. Rights of indemnity are held against the schemes and trusts, whose assets exceeded their liabilities at 30 June 2012 except in cases where the Trustee acts negligently. Indemnity insurance arrangements are in place to cover such circumstances. There was no such contingent liability as at 30 June 2012 (30 June 2011: Nil).
- Where entities within the Group act as manager of unit trusts, obligations exist under the relevant Trust Deeds, whereby upon request from a unit holder, the manager has an obligation to repurchase units from the trust or to arrange for the relevant trustee to redeem units from the assets of those trusts. It is considered unlikely that these entities will need to repurchase units from their own funds.
- A mortgage fund, Colonial First State Wholesale Guaranteed Mortgage Fund (the Fund), is managed by an entity within the Group. Colonial First State Group Limited (the Guarantor), a controlled entity of the Company, has guaranteed to reimburse the Fund any capital shortfall in making unit repurchase payments to unit-holders. The guarantor also covenants to pay to investors a minimum rate of return of the Fund. On 16th February 2010, Colonial First State Investments Limited announced the termination of the Fund. It has been assessed that the maximum possible guarantee payment the Company would need to make is $1m plus any outstanding accrued interest. Based on the current portfolio position of the Fund, the likelihood of the Guarantor being required to make any payment is considered low.
- On 1 April 2010 Colonial First State Group Limited (the Guarantor) sold its 50% interest in the First State Media Group (Ireland) Limited Joint Venture and unconditionally guaranteed the purchaser, Chrysalis PLC. The total aggregate cash amount which the guarantor may be liable to pay in respect of the guarantee will not exceed USD $8m (AUD equivalent $8m).
- Colonial First State Property Limited, a controlled entity within the Group had provided a letter of Undertaking to support the operations of Colonial First State International Management Pty Limited up to $8m.

The Directors are not aware of any circumstance or information which would lead them to believe that these contingent liabilities will crystallise.

Notes to the Financial Statements

Note 34 Related Party Disclosures

The Directors and Group Executives of the Group have been determined to be key management personnel (KMP) within the scope of AASB 124: Related Party Disclosures. The names of the persons who were Directors and Group Executives of the Group at any time during the financial year were as follows:

Directors & Group Executives	
Michael Venter (Chairman)	Executive Director
Warwick Bryan (appointed 03 February 2012)	Non Executive Director
Lynette Cobley	Non Executive Director
John Hatton	Non Executive Director
Gregg Johnston (resigned 03 February 2012)	Executive Director
Annabel Spring (appointed 01 October 2011)	Group Executive
Grahame Petersen (resigned 30 September 2011)	Group Executive

There were no changes to key management personnel after the reporting date and the date the financial report was authorised for issue.

KMP Remuneration Table	Total	Short-Term Employee Benefits	Post-Employment Benefits	Other Long-Term Benefits	Share-Based Payment
	$	$	$	$	$
2012	2,839,934	2,207,847	32,381	26,169	573,537
2011	3,122,595	2,220,909	50,207	76,738	774,741

Compensation of Directors and key management personnel

The Group does not pay remuneration as it does not employ any KMP directly. The Directors and Group Executives of the Group have been determined to be KMP within the scope of AASB 124. The Directors and Group Executives are employees of the Group's ultimate parent entity, the CBA Group, and their role as KMP is incidental to their role as an employee of the CBA Group. All Directors' and Group Executives' remuneration is borne by the ultimate parent entity. None of the Directors and Group Executives of the Group holds any shares, options or other interests in the Company.

Loans and other transactions

Any loans to Directors and KMP or their related parties are made by the ultimate parent entity, a provider of finance on terms and conditions that apply to similar transactions with other Directors and key management personnel of the parent entity.

There are no other transactions with Directors and KMP or their related parties.

Related party transactions

The ultimate parent entity is Commonwealth Bank of Australia.

Transactions that have occurred with related parties within the wholly owned Group are conducted on terms and conditions no more favourable than those available to external parties except as indicated otherwise.

- The Company and other entities within the Group have unsecured interest free and interest bearing loans provided to or received from other entities within the wholly owned Group.
- The Company and other entities within the Group use standard banking arrangements provided by the ultimate parent entity.
- Management fees paid to the ultimate parent entity include payments in relation to administration services, IT services, banking services, and investment services. Terms of settlement are generally 30 days in arrears. Management services provided by CBA are primarily transacted on the basis of full cost recovery, which includes an equitable share of the overhead costs incurred in providing those services.
- Costs of goods and services consumed are initially paid by CBA on behalf of the Company. The Company settles these amounts on a regular basis. Amounts owing are non-interest bearing and have no specified repayment date nor are they subject to any contract.
- The Company and all of its wholly owned Australian controlled entities are entities in a tax-consolidated group, with CBA as the head entity.
- No doubtful debt provision has been deemed necessary for any related party receivable.

Note 34 Related Party Disclosures (continued)

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$000	**$000**	**$000**	**$000**
Receipts and Payments During the Year:				
Interest income received from related parties	**92,465**	89,056	**16,086**	19
Funds management income received from related parties	**78,932**	52,390	**-**	-
Hedging related income received from related parties	**13,293**	35,024	**11,541**	12,925
Other income received from related parties	**11,005**	8,582	**-**	-
Fees expenses paid to related parties	**863,897**	846,995	**-**	-
Commission expenses paid to related parties	**94,780**	68,901	**-**	-
Intergroup tax paid/(received) to/(from) ultimate parent	**182,089**	327,143	**(43,108)**	(41,612)
Other expenses paid to related parties	**951**	5,762	**162,827**	148,786
Dividend receipt from controlled entities	**-**	-	**531,823**	831,347
Dividends paid to parent entity	**-**	-	**376,243**	679,827
Balances as at Year End:				
Cash held with related parties	**748,675**	767,355	**301**	426
Loans, advances and investments outstanding with related parties	**1,706,786**	1,510,774	**580,962**	586,679
Other borrowings with related parties	**(43,931)**	(54,641)	**(1,510,751)**	(2,444,839)
Derivative assets with related parties	**46,677**	23,187	**22,967**	11,426
Derivative liabilities with related parties	**(15,909)**	(14,638)	**-**	-
Intergroup current tax assets/(liabilities) with ultimate parent	**(120,404)**	(183,723)	**80,626**	39,028
Shares held in ultimate parent on behalf of policyholders	**189,315**	186,029	**-**	-

Note 35 Risk Management Policies and Procedures

The financial condition and operating results of the Group's life insurers are affected by a number of key risks including insurance risk, asset and liability management-related risks, strategic risk and operational and compliance risk. Further information about insurance risk is set out below.

The Board of each of the Group's life insurers has responsibility for overseeing the establishment, implementation and ongoing effectiveness of each insurer's risk management framework within the context of its approved risk appetite. The risk management framework of each insurer is used to identify, assess, manage and report risks and risk-adjusted returns on a consistent and reliable basis. The frameworks are documented by risk management strategies approved by each insurer's Board and subject to a process of regular review and updating.

Independent risk management for the CBA Group is undertaken by Risk Management. Risk Management ensures the Group has appropriate strategies and frameworks in place to assess, manage and report on risks. However the business is ultimately the owner of the risks undertaken within their business.

The objectives of the life insurers in managing risk include:

- Reduction of operational surprises and losses;
- Alignment of risk appetite and strategy;
- Assessment and realisation of opportunities;
- Continual improvements in the deployment of capital; and
- Embedding a risk management capability throughout each business.

Insurance risk

Insurance risk is defined as an unexpected economic gain or loss relating to movements in claims costs. Insurance risk includes the risk that inadequate or inappropriate product design, pricing, underwriting, claims management and reinsurance management could give rise to a financial loss and the consequent inability to meet its liabilities.

A unique risk for the Life Insurance business is the potential for the incidence of mortality (death) and morbidity (illness and injury) claims to be higher than assumed when pricing life insurance policies, or greater than the best estimate assumptions used to determine the policy liabilities of the business.

Notes to the Financial Statements

Note 35 Risk Management Policies and Procedures (continued)

Insurance risk may arise through reassessment of the incidence of claims, the trend of future claims and the effect of unforeseen diseases or epidemics. For contracts where morbidity is a relevant variable, the time to recovery may be longer than assumed.

Insurance risk is controlled by ensuring underwriting standards adequately identify the level of risk associated with an individual contract, managing claims in accordance with policy conditions, actuarial review and validation of total claims liabilities, retaining the right to amend premiums on risk policies where appropriate and through the use of reinsurance. The experience of the Group's life insurance business is reviewed annually.

Insurance risk in the Group's life insurance business arises on policies written in Australia, New Zealand and Indonesia. The gross and net life insurance contract liabilities by country are as follows:

Australia:

Gross life insurance contract liabilities $2,881m (2011: $2,684m)
Net life insurance contract liabilities $2,715m (2011: $2,570m)

New Zealand:

Gross life insurance contract liabilities $161m (2011: $268m)
Net life insurance contract liabilities $156m (2011: $218m)

Indonesia[1]:

Gross life insurance contract liabilities $138m (2011: $134m)
Net life insurance contract liabilities $138m (2011: $134m)

[1] amounts shown are 80% of PT Commonwealth Life's total balance sheet amounts, consistent with the Group's interest in the Company.

Note 36 Risk Management and Financial Instruments

The Group's activities expose it to a variety of financial risks. Financial risks can be categorised as follows:

- market risk, including interest rate, currency, equity and other market price risk, and credit spreads;
- funding risk;
- credit risk; and
- liquidity risk.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is a fundamental characteristic of the Group's businesses, to which the Group is exposed through its investment, funds management, and commission-generating activities, through its borrowing programs and through its capital investments in offshore operations.

The funds management and commission-generating activities are generally not directly exposed to asset price risk, but the fee and other revenues generated are impacted by changes in underlying market prices. Indirect exposure also arises through the impact of changing asset values on fees earned from the life investment contract portfolio.

A significant component of the Group's market risk arises from the holding of assets related to the insurance business. All financial assets within the Group's life insurers directly support either the insurers' life insurance contracts or life investment contracts. For life insurance contracts with guaranteed liabilities, the Group bears the risk of mismatch between assets and liabilities. The risk of this mismatch is managed by monthly monitoring and rebalancing to benchmark asset allocations which are set to broadly reflect the nature and duration of the liabilities they support. Life insurers also hold reserves to provide for the impact of any mismatch which may arise. For investment-linked business, policyholders bear the full risk of variations in the value of the investment assets supporting policy liabilities and the risk arising from asset allocation within mandated ranges.

The Group is also exposed to market risk on certain assets representing shareholder equity, such as non-traded equity positions, seed funding investments and investments backing life insurer shareholder capital.

Market risk-taking activities are governed by the CBA Group Market Risk Management framework approved by the Risk Committee of the CBA Board. Implementation of the policy, procedures and limits of the framework is the responsibility of the respective business unit Group Executives, with senior management oversight performed through the CBA Group's Asset and Liability Committee (ALCO), or the ALCO, risk committee or board, as applicable, of subsidiary companies and business units.

Notes to the Financial Statements

Note 36 Risk Management and Financial Instruments (continued)

(a) Market risk (continued)

For the Group's life insurers, market risk is also managed via Board-approved Market Risk Policies. The Policies have regard to the obligations to and the expectations of policyholders and shareholders. The Australian and New Zealand life insurers each prepare a financial condition report on an annual basis in which the risks facing each business are formally identified. The reports are submitted to the respective life insurer Board and the applicable regulatory authority.

Interest rate risk

The Group's main exposures to interest rate risk arise through Colonial Finance Limited's external borrowing program and from the Colonial Group Subordinated Notes issued by the Company. This risk is managed in accordance with the Group Market Risk Policy and the related Group Standard.

Currency risk

Currency risk is the risk to earnings or reserves caused by a change in foreign exchange rates.

The Group has non-Australian dollar currency exposures. These may be hedged to the currency of the foreign operation, hedged to Australian dollars, or remain unhedged. These exposures are insignificant to the Group's balance sheet. Where there is hedging, it is implemented through foreign exchange forward contracts.

Quantitative analysis of market risks

The table below shows the sensitivity of the Group's profit and equity to changes that are believed to be reasonably possible at the reporting date in the market risk variables described above.

	Movement		Financial Impact on Profit after Income Tax and Equity	
	2012	**2011**	**2012**	**2011**
	%	**%**	**$M**	**$M**
Adverse Change in Risk Variable :				
Interest rates	**+1%**	+1%	**(14)**	(13)
Exchange rates	**-10%**	-10%	**(31)**	(15)
Equity market prices	**-10%**	-10%	**(19)**	(19)
Credit spreads	**50bps**	50bps	**(12)**	(12)
Favourable Change in Risk Variable :				
Interest rates	**-1%**	-1%	**1**	6
Exchange rates	**+10%**	+10%	**37**	19
Equity market prices	**+10%**	+10%	**19**	18
Credit spreads	**50bps**	50bps	**13**	12

(b) Funding risk

Funding risk is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds. Colonial Finance Limited (CFL) has been delegated responsibility for operational liquidity and funding management through the CBA Group's Liquidity and Funding Policy. With this designation, CFL has a funding and liquidity management strategy, the aim of which is to ensure the CHCL Group has a stable and diversified funding base without over-reliance on any one market sector. As at 30 June 2012, CFL had obtained the majority of its funding through the wholesale market.

(c) Credit risk

Credit risk is the potential for loss arising from failure of a debtor or other counterparty to meet their contractual obligations. The maximum exposure to credit risk is the carrying amount of each recognised financial asset as stated in the Balance Sheet.

In the insurance business, credit risk arises from investment in bonds and notes, loans and from reinsurance arrangements. Exposure to reinsurers arises when claim recoveries become due under negotiated reinsurance arrangements. The credit rating of reinsurers is taken into account in selecting and retaining them. For investment-linked business, policyholders bear the full risk of any counterparty default on interest and/or principal payments.

Credit risk policies have been developed to ensure credit risk is managed within the risk appetite of the Group's businesses, and to ensure that the businesses comply with legislative, regulatory and CBA Group requirements.

Notes to the Financial Statements

Note 36 Risk Management and Financial Instruments (continued)

(c) Credit risk (continued)

Concentration risk of credit

Concentration of credit risk arises where there is undue exposure to any single asset or counterparty. Cash holdings within the Group are primarily with Commonwealth Bank of Australia or ASB Bank Limited, both of which have a Standard & Poor's credit rating of AA-.

Some cash holdings are with Citigroup Inc, which has a Standard & Poor's rating of A. For fixed interest securities, limits apply to any one exposure taking into account the credit quality of the counterparty. An asset concentration risk reserve will be held where exposures exceed regulatory guidelines.

The following tables provide information regarding the aggregate credit risk exposures of the Group and the Company at the balance sheet 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.

							Group
	AAA	AA	A	BBB	Below BBB	Not rated	Total
	2012	2012	2012	2012	2012	2012	2012
	$M	$M	$M	$M	$M	$M	$M
Cash and cash equivalents	**-**	**965**	**-**	**-**	**-**	**-**	**965**
Reinsurance claims receivable and other recoveries	**-**	**79**	**25**	**-**	**-**	**10**	**114**
Financial assets at fair value through profit or loss	**38**	**1,645**	**-**	**-**	**-**	**4,524**	**6,207**

	AAA	AA	A	BBB	Below BBB	Not rated	Total
	2011	2011	2011	2011	2011	2011	2011
	$M	$M	$M	$M	$M	$M	$M
Cash and cash equivalents	-	1,036	-	-	-	-	1,036
Reinsurance claims receivable and other recoveries	1	64	73	-	-	9	147
Financial assets at fair value through profit or loss	485	1,145	2	-	-	4,243	5,875

The assets represented in the tables above are those which back non-investment linked policies, annuity and shareholder capital. The tables do not include the assets which back investment linked business as the shareholder has no direct exposure to any credit risk in respect of these assets.

Apart from outstanding premiums the Group or the Company do not have financial assets that have been impaired or past due but not impaired at both the 2012 and 2011 balance sheet date.

							Group
		Past due but not impaired					
	Not past due, not impaired	0 to 3 months	3 to 6 months	6 to 12 months	Greater than 1 year	Impaired	Total
	2012	2012	2012	2012	2012	2012	2012
	$M	$M	$M	$M	$M	$M	$M
Outstanding premiums	**267**	**36**	**-**	**-**	**-**	**-**	**303**

		Past due but not impaired					
	Not past due, not impaired	0 to 3 months	3 to 6 months	6 to 12 months	Greater than 1 year	Impaired	Total
	2011	2011	2011	2011	2011	2011	2011
	$M	$M	$M	$M	$M	$M	$M
Outstanding premiums	218	32	-	-	-	-	250

Notes to the Financial Statements

Note 36 Risk Management and Financial Instruments (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet efficiently its debt obligations, or other cash outflows, as they fall due because of a shortage of liquid assets or access to adequate funding on acceptable terms.

Liquidity risk has two components, funding liquidity risk and market liquidity risk. These are described below.

Funding liquidity risk is the risk that expected and unexpected cash demands of policyholders and creditors cannot be met without incurring unacceptable losses or endangering the business franchise. Market liquidity risk refers to the inability to realise assets due to inadequate market depth, or market disruption. The value of investment assets are expected to be recovered within 12 months of the reporting date.

Liquidity risk management is a combination of managing funding resources while maintaining a portfolio of highly marketable assets that can be liquidated as a protection against any unforeseen interruption of cash-flows. Businesses within the Group have frameworks for sound liquidity risk management. Their primary goal is to ensure that the businesses maintain sufficient cash and liquid assets to meet their current and future financial obligations at all times.

Liquidity risk within the Company arises from a mismatch in contractual maturity dates between liabilities to wholly owned subsidiaries and related assets. This risk is mitigated as the assets and liabilities are part of a single funding vehicle and are managed collectively.

Liquidity Risk Policies have been developed to ensure compliance with legislative and regulatory requirements and management of liquidity risk via prescribed policies and procedures.

The following tables summarise the maturity profile of the financial liabilities of the Group and the Company. They are based on contractual undiscounted repayment obligations.

					Group
	Up to 1 year	1 to 5 years	Greater than 5 years	No term or Investment Linked	Total
	2012	2012	2012	2012	2012
	$M	$M	$M	$M	$M
Payables	**867**	**65**	**1**	**47**	**980**
Premiums in advance	**276**	**-**	**-**	**-**	**276**
Derivative financial liabilities	**16**	**-**	**-**	**-**	**16**
Interest bearing liabilities	**416**	**2,297**	**-**	**-**	**2,713**
Life investment contract liabilities[1]	**830**	**686**	**469**	**7,930**	**9,915**

	Up to 1 year	1 to 5 years	Greater than 5 years	No term or Investment Linked	Total
	2011	2011	2011	2011	2011
	$M	$M	$M	$M	$M
Payables	786	141	-	34	961
Premiums in advance	235	-	-	-	235
Derivative financial liabilities	15	-	-	-	15
Interest bearing liabilities	1,470	1,370	-	-	2,840
Life investment contract liabilities[1]	831	661	524	8,730	10,746

[1] For investment-linked business (which forms part of life investment contract liabilities), the liability to policyholders is linked to the performance of and value of the assets that back those liabilities. The shareholder has no direct exposure to any risk in the assets which back these liabilities. The tables in this section therefore show the investment-linked policies liability in aggregate only, without any maturity profile analysis.

Note 36 Risk Management and Financial Instruments (continued)

(d) Liquidity risk (continued)

	Company				
	Up to 1 year	1 to 5 years	Greater than 5 years	No term or Investment Linked	Total
	2012	2012	2012	2012	2012
	$M	$M	$M	$M	$M
Payables	**208**	**1,303**	**-**	**-**	**1,511**
Interest bearing liabilities	**-**	**-**	**982**	**-**	**982**

	Up to 1 year	1 to 5 years	Greater than 5 years	No term or Investment Linked	Total
	2011	2011	2011	2011	2011
	$M	$M	$M	$M	$M
Payables	845	1,601	-	-	2,446
Interest bearing liabilities	-	-	-	-	-

(e) Collateral

Apart from the guarantees provided to Colonial Finance Limited and the undertaking in relation to First State Investments (Singapore), no entity within the Group has pledged any financial assets as collateral for liabilities or contingent liabilities.

(f) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement, and for disclosure purposes.

The Group has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2012.

	Group			
	Level 1	Level 2	Level 3	Total
2012	$M	$M	$M	$M
Assets				
Financial assets at fair value through profit or loss:				
Equity securities	**330**	**219**	**-**	**549**
Debt securities	**1,001**	**1,160**	**-**	**2,161**
Fixed term deposits	**-**	**284**	**-**	**284**
Loans	**-**	**311**	**-**	**311**
Other	**43**	**10**	**5**	**58**
Unit Trusts	**2,856**	**11,028**	**-**	**13,884**
Derivatives	**-**	**77**	**-**	**77**
Liabilities				
Life investment contract liabilities	**-**	**9,769**	**-**	**9,769**
Derivatives	**-**	**16**	**-**	**16**

Note 36 Risk Management and Financial Instruments (continued)

(f) Fair value measurements (continued)

The following tables present the changes in level 3 instruments for the year ended 30 June 2012:

		Group
	Mortgages	Total
2012	$M	$M
Opening balance	5	5
Gains recognised in profit or loss	-	-
Closing balance	5	5

				Group
	Level 1	Level 2	Level 3	Total
2011	$M	$M	$M	$M
Assets				
Financial assets at fair value through profit or loss:				
Equity securities	313	186	-	499
Debt securities	1,105	913	-	2,018
Fixed term deposits	-	228	-	228
Loans	-	254	-	254
Other	35	8	5	48
Unit Trusts	3,165	11,387	-	14,552
Derivatives	-	85	-	85
Liabilities				
Life investment contract liabilities	-	10,514	-	10,514
Derivatives	-	15	-	15

The following tables present the changes in level 3 instruments for the year ended 30 June 2011:

		Group
	Mortgages	Total
2011	$M	$M
Opening balance	6	6
Gains recognised in profit or loss	(1)	(1)
Closing balance	5	5

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise debt investments and derivative financial instruments. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

Mortgages carried at fair value in ASB Group (Life) Limited was derived using a valuation technique that uses experienced judgement to estimate the credit risk component of the valuation. The experienced judgement is not supported by observable market prices; it is based on assessments concerning economic conditions, loss experience, and the risk characteristics associated with the particular mortgages. These assessments are subjective in nature and the range of possible alternative assumptions is considered immaterial.

Notes to the Financial Statements

Note 37 Capital Management

The Company's and the Group's capital comprises the assets which represent its contributed equity, reserves and retained earnings.

Entities within the Group manage their capital to achieve the following objectives:

- continuation of each as a going concern;
- compliance with legislative, regulatory and contractual obligations; and
- compliance with the capital management framework and strategy of the CBA Group including the capitalisation and dividend policies for companies within the CBA Group.

Each entity monitors its own capital position through its management and Board structures, with oversight of the efficient use of capital undertaken by the CBA Group.

There was no change in the capital management objectives, policies and procedures of the Company or the Group during the year.

Note 38 Subsequent Events after Balance Sheet Date

The Directors are not aware of any other matter or circumstance that has arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of its operations or state of affairs of the Group in future financial years.

Note 39 Financial Reporting by Segments

The principal activities of the Group are carried out in the below business segments. These segments are based on the types of products and services provided to customers.

The primary sources of revenue are insurance premium and fee revenue, investment revenue, as well as fees and commissions.

Revenues and expenses occurring between segments are subject to transfer pricing arrangements. All intra-group profits are eliminated on consolidation.

Business segments are managed on the basis of net profit after income tax ("cash basis"). Management use "cash basis" to assess performance of the segments.

Wealth Management

Wealth Management includes the Australian Life and General Insurance businesses, Colonial First State and Colonial First State Global Asset Management.

Offshore-Insurance

Offshore-Insurance includes life insurance business operating in New Zealand and Indonesia.

Other

Other includes funding entities and intergroup consolidation entries arising on consolidation.

Notes to the Financial Statements

Note 39 Financial Reporting by Segments (continued)

For the year ended 30 June 2012

	Wealth Management	Offshore-Insurance	Other	Group Total
	$M	$M	$M	$M
Insurance premium and fee revenue	1,772	533	-	2,305
Investment revenue	860	95	34	989
Fees and commissions	1,681	5	-	1,686
Other revenue	77	1	(35)	43
Total revenue	4,390	634	(1)	5,023
Total expenses	3,300	473	149	3,922
Profit before income tax	1,090	161	(150)	1,101
Income tax expense / (benefit)	319	95	(54)	360
Profit After Income Tax ("cash basis") *	771	66	(96)	741
Other statutory income	16	-	(16)	-
Other statutory expenses	123	-	(96)	27
Profit After Income Tax ("statutory basis")	664	66	(16)	714
Additional information				
Depreciation and Amortisation	(7)	(4)	-	(11)
Balance Sheet				
Total assets	19,807	2,843	247	22,897
Acquisition of property, plant & equipment and intangibles	296	9	-	305
Investment in associates	95	-	-	95
Total liabilities	14,809	1,781	2,101	18,691

* Business segments are measured on profit after income tax ("cash basis") which is defined by management as net profit after tax and non-controlling interests before inter-segment finance income and finance charges, and Count Financial acquisition costs. Management use "cash basis" to assess performance of the segments.

Notes to the Financial Statements

Note 39 Financial Reporting by Segments (continued)

For the year ended 30 June 2011

	Group			
	Wealth Management	**Offshore-Insurance**	**Other**	**Total**
	$M	**$M**	**$M**	**$M**
Insurance premium and fee revenue	1,588	494	-	2,082
Investment revenue	1,477	200	25	1,702
Fees and commissions	1,735	5	-	1,740
Other revenue	90	2	(13)	79
Total revenue	4,890	701	12	5,603
Total expenses	3,652	555	149	4,356
Profit before income tax	1,238	146	(137)	1,247
Income tax expense / (benefit)	416	45	(49)	412
Profit After Income Tax (“cash basis”) *	822	101	(88)	835
Other statutory income	9	(22)	-	(13)
Other statutory expenses	222	(20)	(180)	22
Profit After Income Tax (“statutory basis”)	609	99	92	800
Additional information				
Depreciation and Amortisation	(5)	(5)	-	(10)
Balance Sheet				
Total assets	19,789	2,854	235	22,878
Acquisition of property, plant & equipment and intangibles	6	3	-	9
Investment in associates	45	-	-	45
Total liabilities	15,490	1,883	2,051	19,424

* Business segments are measured on profit after income tax (“cash basis”) which is defined by management as net profit after tax and non-controlling interests before inter-segment finance income and finance charges, and gain/loss on disposal of controlled entities/investments. Management use “cash basis” to assess performance of the segments.

Notes to the Financial Statements

Note 40 Acquisition of Controlled Entities

The Group gained control of Count Financial Limited (Count Financial) on 29 November 2011. The Group subsequently acquired 100% of the issued share capital on 9 December 2011. Count Financial is an independent, accountant-based financial advice business. This acquisition will support the Group in growing its distribution capabilities through the expansion of its adviser network.

The fair value of the identifiable assets acquired and liabilities assumed at the acquisition date are as follows:

	Note	Fair Value at acquisition $M
Cash and cash equivalents		**10**
Trade receivables		**7**
Investments in associates		**55**
Available-for-sale investments		**36**
Identifiable intangible assets		**55**
Other assets		**10**
Payables		**(9)**
Borrowings		**(12)**
Current tax liabilities		**(2)**
Deferred tax liabilities		**(10)**
Net identifiable assets at fair value		**140**
Add: Goodwill		**232**
Purchase consideration transferred	**24**	**372**
Net cash and cash equivalents acquired		**(10)**

	30/06/12
Details of equity instruments issued as part of business combinations	
Number of equity instruments issued	**371,705,603**
Equity issued ($m)	**372**

Count Financial contributed revenues of $66.9 million to the Group for the period from 29 November 2011 to 30 June 2012. If the acquisition had occurred on 1 July 2011, the revenue for the full year 30 June 2012 would have been $117.9 million and the profit would have been $12.0 million (30 June 2011: $56.1 million profit, includes one off gain from the partial sale of Countplus Limited).

The goodwill recognised above is attributable to the expected synergies and other benefits arising from integrating the assets and activities of Count Financial with the Group. None of the goodwill is expected to be deductible for income tax purposes.

The fair value and gross contractual amount of trade receivables is $7 million. At acquisition date, all trade receivables were expected to be collected in full.

Advisory related costs of $5 million are included as other expenses in the income statement and are part of operating cash flows in the statement of cash flows.

Net cash paid to acquire Count Financial was paid by CBA Group; hence no amount is shown as net cash outflow on acquisition on the face of statement of cash flows. The only consideration transferred for the acquisition by the Group was the total shares issued.

Directors' Declaration

In accordance with a resolution of the Directors of Colonial Holding Company Limited (the Company), the Directors declare that:

(a) the financial statements for the financial year ended 30 June 2012 in relation to the Company and the consolidated entity (the Group) (together the Financial Statements), and the notes to the Financial Statements, are in accordance with the Corporations Act 2001, including:

    (i) s 296 (which requires the financial report, including the Financial Statements and the notes to the Financial Statements, to comply with the accounting standards); and

    (ii) s 297 (which requires the Financial Statements, and the notes to the Financial Statements, to give a true and fair view of the financial position and performance of the Group and the Company);

(b) in compliance with the accounting standards, the notes to the Financial Statements include an explicit and unreserved statement of compliance with international financial reporting standards (see Note 2 (b));

(c) in the opinion of the Directors, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) the Directors have been given the declarations required by s 295A in respect of the financial year ended 30 June 2012.

Signed in accordance with a resolution of the Directors.

Director

Sydney

26 September 2012

Independent auditor's report to the members of Colonial Holding Company Limited

Report on the financial report

We have audited the accompanying financial report of Colonial Holding Company Limited (the company), which comprises the balance sheet as at 30 June 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Colonial Holding Company Limited and Colonial Holding Company Group (the consolidated entity). The consolidated entity comprises 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Independent auditor's report to the members of Colonial Holding Company Limited (continued)

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 Colonial Holding Company Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2012 and of their performance for the 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 consolidated financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2(b).

Report on the Remuneration Report

We have audited the remuneration report included in pages 4 - 11 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Colonial Holding Company Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

R Balding
Partner

Sydney
26 September 2012