UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): February 28, 2008

Enstar Group Limited

(Exact name of registrant as specified in its charter)

Bermuda	001-33289	N/A
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

P.O. Box HM 2267, Windsor Place, 3rd Floor 18 Queen Street, Hamilton HM JX Bermuda	N/A
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (441) 292-3645

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

We are amending the Current Report on Form 8-K that we filed on March 5, 2008 to include the Financial Statements of Business Acquired and Pro Forma Financial Information set forth below under Item 9.01 Financial Statements and Exhibits.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The required financial statements are attached hereto as Exhibits 99.1 through 99.5 and are incorporated in their entirety herein by reference.

(b) Pro Forma Combined Financial Information.

The required pro forma combined financial information is attached hereto as Exhibit 99.6 and is incorporated in its entirety herein by reference.

(d) Exhibits.

23.1 Consent of Ernst & Young for Church Bay Limited (formerly AMPG (1992) Limited).

23.2 Consent of Ernst & Young for Gordian Runoff Limited.

23.3 Consent of Ernst & Young for TGI Australia Limited.

23.4 Consent of Ernst & Young for Enstar Australia Limited (formerly Cobalt Solutions Australia Limited).

23.5 Consent of Ernst & Young for Harrington Sound Limited (formerly AMP General Insurance Limited).

99.1 Audited financial statements for Church Bay Limited (formerly AMPG (1992) Limited).

99.2 Audited financial statements for Gordian Runoff Limited.

99.3 Audited financial statements for TGI Australia Limited.

99.4 Audited financial statements for Enstar Australia Limited (formerly Cobalt Solutions Australia Limited).

99.5 Audited Financial Statements for Harrington Sound Limited (formerly AMP General Insurance Limited).

99.6 Pro Forma Condensed Combined Consolidated Financial Statements of Enstar Group Limited as of December 31, 2007 (Unaudited).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENSTAR GROUP LIMITED

Date: May 21, 2008

By: /s/ Richard J. Harris
Richard J. Harris
Chief Financial Officer

EXHIBIT INDEX

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Exhibit 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements No. 333-149551, No. 333-148863, No. 333-148862, and No. 333-141793 on Form S-8, pertaining to the Enstar Group Limited Employee Share Purchase Plan, Enstar Group Limited Deferred Compensation and Ordinary Share Plan for Non-Employee Directors, The Enstar Group, Inc. 1997 Omnibus Incentive Plan and The Enstar Group, Inc. 2001 Outside Directors Stock Option Plan, and Enstar Group Limited 2006 Equity Incentive Plan, our reports dated May 15, 2008, with respect to the financial statements of Church Bay Limited (formerly AMPG (1992) Limited) as of and for the years ended December 31, 2007, 2006 and 2005 included in the Current Report on Form 8-K/A of Enstar Group Limited dated May 19, 2008 filed with the Securities and Exchange Commission.

/s/ Ernst & Young

Sydney, Australia

May 15, 2008

Exhibit 23.2

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements No. 333-149551, No. 333-148863, No. 333-148862, and No. 333-141793 on Form S-8, pertaining to the Enstar Group Limited Employee Share Purchase Plan, Enstar Group Limited Deferred Compensation and Ordinary Share Plan for Non-Employee Directors, The Enstar Group, Inc. 1997 Omnibus Incentive Plan and The Enstar Group, Inc. 2001 Outside Directors Stock Option Plan, and Enstar Group Limited 2006 Equity Incentive Plan, our reports dated May 15, 2008, with respect to the financial statements of Gordian Runoff Limited as of and for the years ended December 31, 2007, 2006 and 2005 included in the Current Report on Form 8-K/A of Enstar Group Limited dated May 19, 2008 filed with the Securities and Exchange Commission.

/s/ Ernst & Young

Sydney, Australia

May 15, 2008

Exhibit 23.3

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements No. 333-149551, No. 333-148863, No. 333-148862, and No. 333-141793 on Form S-8, pertaining to the Enstar Group Limited Employee Share Purchase Plan, Enstar Group Limited Deferred Compensation and Ordinary Share Plan for Non-Employee Directors, The Enstar Group, Inc. 1997 Omnibus Incentive Plan and The Enstar Group, Inc. 2001 Outside Directors Stock Option Plan, and Enstar Group Limited 2006 Equity Incentive Plan, our reports dated May 15, 2008, with respect to the financial statements of TGI Australia Limited as of and for the years ended December 31, 2007, 2006 and 2005 included in the Current Report on Form 8-K/A of Enstar Group Limited dated May 19, 2008 filed with the Securities and Exchange Commission.

/s/ Ernst & Young

Sydney, Australia

May 15, 2008

Exhibit 23.4

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements No. 333-149551, No. 333-148863, No. 333-148862, and No. 333-141793 on Form S-8, pertaining to the Enstar Group Limited Employee Share Purchase Plan, Enstar Group Limited Deferred Compensation and Ordinary Share Plan for Non-Employee Directors, The Enstar Group, Inc. 1997 Omnibus Incentive Plan and The Enstar Group, Inc. 2001 Outside Directors Stock Option Plan, and Enstar Group Limited 2006 Equity Incentive Plan, our reports dated May 15, 2008, with respect to the financial statements of Enstar Australia Limited (formerly Cobalt Solutions Australia Limited) as of and for the years ended December 31, 2007, 2006 and 2005 included in the Current Report on Form 8-K/A of Enstar Group Limited dated May 19, 2008 filed with the Securities and Exchange Commission.

/s/ Ernst & Young

Sydney, Australia

May 15, 2008

Exhibit 23.5

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements No. 333-149551, No. 333-148863, No. 333-148862, and No. 333-141793 on Form S-8, pertaining to the Enstar Group Limited Employee Share Purchase Plan, Enstar Group Limited Deferred Compensation and Ordinary Share Plan for Non-Employee Directors, The Enstar Group, Inc. 1997 Omnibus Incentive Plan and The Enstar Group, Inc. 2001 Outside Directors Stock Option Plan, and Enstar Group Limited 2006 Equity Incentive Plan, our reports dated May 15, 2008, with respect to the financial statements of Harrington Sound Limited (formerly AMP General Insurance Limited) as of and for the years ended December 31, 2007, 2006 and 2005 included in the Current Report on Form 8-K/A of Enstar Group Limited dated May 19, 2008 filed with the Securities and Exchange Commission.

/s/ Ernst & Young

Sydney, Australia

May 15, 2008

Exhibit 99.1

CHURCH BAY LIMITED
(formerly AMPG (1992) LIMITED)
ABN 42 000 488 362

FINANCIAL REPORT
31 DECEMBER 2007

Contents:

Church Bay Limited (formerly AMPG(1992) Limited)

Income Statement
For the year ended 31 December 2007

	Notes	2007 $	2006 $
Direct premium revenue		5,327	7,064
Outwards reinsurance premium expense		533	1,078
Net premium revenue	4	4,794	5,986
Direct claims benefit		(51,042)	(67,239)
Reinsurance and other recoveries (expense)		(17,623)	(13,017)
Net claims incurred	5	(33,419)	(54,222)
Other underwriting Income		8,695	—
Underwriting result		46,908	60,208
Net investment revenue	6	445,035	494,893
General administration expenses	7	135,067	131,995
Net profit before tax		356,876	423,106
Income tax expense attributable to operating profit	8	125,684	111,429
Net profit attributable to members of Church Bay Limited (formerly AMPG(1992) Limited)		**231,192**	**311,677**

The above Income Statement should be read in conjunction with the accompanying notes.

Church Bay Limited (formerly AMPG(1992) Limited)

Balance Sheet
As at 31 December 2007

	Notes	2007 $	2006 $
Current Assets			
Cash and cash equivalents	22	6,878,030	6,854,659
Receivables	9	74,202	39,955
Reinsurance & other recoveries receivable	10	14,706	24,613
Other Financial assets	11	446,009	466,353
Other	12	2,592	533
Total Current Assets		7,415,539	7,386,113
Non-Current Assets			
Reinsurance & other recoveries receivable	10	10,789	18,505
Deferred tax assets	8	21,894	22,208
Total Non-Current Assets		32,683	40,713
Total Assets		7,448,222	7,426,826
Current Liabilities			
Unearned premium liability	13	—	2,523
Outstanding claims liability	14	31,958	53,216
Payables	15	10,000	11,892
Current tax liability		122,397	276,904
Total Current Liabilities		164,355	344,535
Non-Current Liabilities			
Unearned premium liability	13	—	2,805
Outstanding claims liability	14	10,789	40,573
Deferred tax liabilities	8	15,734	12,761
Total Non-Current Liabilities		26,523	56,139
Total Liabilities		190,878	400,674
Net Assets		7,257,344	7,026,152
Shareholders' Equity			
Issued Capital	16	41,784,468	41,784,468
Accumulated losses		(34,527,124)	(34,758,316)
Total Shareholders' Equity		7,257,344	7,026,152

The above Balance Sheet should be read in conjunction with the accompanying notes.

Church Bay Limited (formerly AMPG(1992) Limited)

Statement of Changes in Equity
For the year ended 31 December 2007

	Issued Capital $	Accumulated Losses $	Total $
Balance as at 1 January 2007	41,784,468	(34,758,316)	7,026,152
Net Profit after income tax	—	231,192	231,192
Balance as at 31 December 2007	**41,784,468**	**(34,527,124)**	**7,257,344**
Balance as at 1 January 2006	62,526,468	(35,069,992)	27,456,476
Net Profit after income tax	—	311,676	311,676
Other changes in equity	(20,742,000)	—	(20,742,000)
Balance as at 31 December 2006	**41,784,468**	**(34,758,316)**	**7,026,152**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Church Bay Limited (formerly AMPG(1992) Limited)

Cash Flow Statement
For the year ended 31 December 2007

	Notes	2007 $	2006 $
Cash flows from operating activities			
Receipts from customers and reinsurers		2,010	411,364
Claims paid		(1)	—
Payments to customers, suppliers and employees		(116,300)	(116,478)
Interest received		414,567	371,319
Income tax paid		(276,905)	(1,208,351)
	22	23,371	(542,146)
Cash flows from financing activities			
Repayment of loan from related party		—	20,742,000
Payment for capital reduction		—	(20,742,000)
		—	—
Net increase in cash held	22	23,371	(542,146)
Cash at the beginning of the year		6,854,659	7,396,805
Cash at the end of the year		6,878,030	6,854,659

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

This Financial Report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

The Financial Report has been prepared in accordance with the historical cost convention except for investments, which have been measured at fair value.

Accounting judgements and estimates

In the course of its operations the company applies judgements and makes estimates that affect the amounts recognised in the financial report. Estimates are based on a combination of historical experience and expectations of future events that are believed to be reasonable at the time.

Accounting Standards issued but not yet effective

Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 31 December 2007, except IFRS8 Operating Segments. The adoption of IFRS8 has removed the requirement for Operating Segment disclosures in this Financial Report.

When applied in future periods, all other recently issued or amended standards are not expected to have a material impact on the company's results or financial position; however they may impact Financial Report disclosures.

Changes in accounting policy

Since 1 January 2007, the company has adopted a number of Accounting Standards and Interpretations which were mandatory for annual periods beginning on or after 1 January 2007. Adoption of these Standards and Interpretations has not had any effect on the financial position or performance of the Company.

Operating revenue

Operating revenue comprises general insurance earned premiums, recoveries, interest income and investment income. Investment income is brought to account on an accrual basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Premium revenue and unearned premium

(i) Premium revenue

Premium revenue comprises premium from direct business.

Premium revenue comprises amounts charged to the policyholder or other insurers, excluding stamp duties, GST and other amounts collected on behalf of third parties. The earned portion of premiums received and receivable is recognised as operating revenue.

Premium revenue is recognised in the income statement when it has been earned. Premium revenue is recognised in the income statement from the attachment date over the period of the contract. Where time does not approximate the pattern of risk, previous claims experience is used to derive the incidence of risk.

The proportion of premium received or receivable not earned in the income statement at the reporting date is recognised in the balance sheet as an unearned premium liability. Actuarial techniques are used to estimate the ultimate premium and are based on historical premium booking patterns.

(ii) Unearned premiums

Unearned premiums represent premium revenue attributable to future accounting periods. Unearned premium is determined by apportioning the premiums written in the year over the period of insurance cover, reflecting the pattern in which risk emerges under these policies.

Outward reinsurance premium expense and deferred reinsurance premium

Premiums ceded to reinsurers are recognised as an expense over the period of cover using the methods applicable to premium revenue as set out above.

Outstanding claims

The liability for outstanding claims is measured as the best estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Company, with an additional risk margin to allow for the inherent uncertainty in the best estimate.

The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling costs.

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs.

The expected future payments are discounted to present value using a risk free rate.

A risk margin is applied to the outstanding claims liability, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate. This risk margin increases the probability that the net liability is adequately provided for to a 75% confidence level.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance and other recoveries

Reinsurance and other recoveries consist of receivables on paid claims and outstanding claims, and are recognised as revenue when claims are paid or the outstanding claim is raised. Reinsurance receivables are discounted to present value consistent with the discounting of outstanding claims set out above.

Investment income

Interest income is recognised in the income statement on an effective interest method when the entity obtains control of the right to receive the revenue.

Realised gains and losses represent the change in value between the previously reported value and the amount received on sale of the asset. Unrealised gains and losses represent changes in the fair value of financial assets recognised in the period.

Assets backing general insurance liabilities

The Company has determined that all assets are held to back general insurance liabilities on the basis that all assets of the Company are available for the settlement of claims if required.

The following policies apply:

Financial assets

Financial assets are designated at fair value through profit or loss. Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant unrealised gains or losses recognised in the income statement. Details of fair value for the different types of financial assets are listed below:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand that is available on demand and deposits held at call with financial institutions. Cash and cash equivalents are carried at fair value, being the principal amount. For the purposes of the cash flow statement, cash also includes other highly liquid investments not subject to significant risk of change in value.

Debt securities

Debt securities are initially recognised at fair value, representing the purchase cost of the asset exclusive of any transaction costs. Debt securities are subsequently measured at fair value, with any realised and unrealised gains or losses arising from changes in the fair value being recognised in the income statement for the period in which they arise. The fair value of a traded interest bearing security reflects the bid price at balance date. Interest bearing securities that are not frequently traded are valued by discounting the estimated recoverable amounts, using prevailing interest rates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes

Income tax

Income tax expense is the tax payable on taxable income for the current period based on the income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to: (i) temporary differences between the tax bases of assets and liabilities and their balance sheet carrying amounts, and (ii) unused tax losses.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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. The tax impact on income and expense items recognised directly in equity is also recognised directly in equity.

Tax Consolidation

AMP Limited, Church Bay Limited (formerly AMPG(1992) Limited) and certain other wholly owned controlled entities of AMP Limited comprise a tax-consolidated group of which AMP Limited is the head entity. The implementation date for the tax-consolidated group was 30 June 2003.

Under tax consolidation, AMP Limited as head entity, assumes the following balances from subsidiaries within the tax-consolidated group:

(i) Current tax balances arising from external transactions recognised by entities in the tax-consolidated group occurring after the implementation date, and;

(ii) Deferred tax assets arising from unused tax losses and unused tax credits recognised by entities in the tax-consolidated group occurring after the implementation date.

A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group. Controlled entities in the tax-consolidated group will continue to be responsible, by the operation of the tax funding agreement, for funding tax payments required to be made by the head entity arising from underlying transactions of the controlled entities. Controlled entities will make (receive) contributions to (from) the head entity for the balances recognised by the head entity described in (i) and (ii) above. The contributions will be calculated in accordance with the tax funding agreement.

Assets and liabilities which arise as a result of differences between the periods in which the underlying transactions occur, and the period in which the funding payments under the tax funding agreement are made, are recognised as intercompany balances receivable and payable in the balance sheet. The recoverability of balances arising from the tax funding arrangements is based on the ability of the tax-consolidated group to utilise the amounts recognised by the head entity.

The entity will be required to make a payment to terminate its liability under the tax funding agreement if it leaves the tax consolidation group.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goods and services tax

All revenues, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the particular expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the balance sheet.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

Foreign currency transactions and translation

Functional and Presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The presentation currency of this financial report, and the functional currency of the parent entity, is Australian dollars.

Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at balance sheet date, with exchange gains and losses recognised in the income statement. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Receivables

Receivables are financial assets and are measured at fair value. Given the short-term nature of most receivables, the recoverable amount approximates fair value.

Payables

Creditors and accruals are recognised as liabilities for amounts to be paid in the future for goods and services received, whether or not billed to the entity.

Amounts Due To or From Related Parties

Amounts are carried at fair value being nominal amounts due and payable. Interest is taken up as income on an accrual basis. A provision for impairment is recognised when there is objective evidence that the related party will not be able to pay its debt.

Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates and judgements are applied are described below.

(a) The ultimate liability arising from claims made under insurance contracts

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. IBNR claims may often not be reported to the insurer until many years after the events giving rise to the claims has happened. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in the legal environment
- changes in the economic environment
- the impact of large losses
- movements in industry benchmarks

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Company has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous period.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions.

Details of specific assumptions used in deriving the outstanding claims liability at year-end are detailed below.

(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also calculated using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Company may not receive amounts due to it and these amounts can be reliably measured.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(c) Process used to determine assumptions

The company wrote one class of business: lenders mortgage insurance. Lenders mortgage insurance is short tail in nature, meaning that claims are typically settled within one year of being reported. Claims estimates are derived from analysis of the results of several different actuarial models. These models take past defaults and claim payments into account and assume that reported claims will develop steadily from period to period. Other models apply a loss ratio to each loan that reflects loan data, past claims experience and industry benchmarks.

A description of the processes used to determine these assumptions is provided below:

Average weighted term to settlement

The average weighted term to settlement is calculated separately by class of business based on historic settlement patterns.

Reinsurance percentage

The reinsurance percentage is calculated based on past reinsurance recovery rates and the structure of the reinsurance arrangements in place.

Discount rate

Discount rates derived from market yields on Commonwealth Government securities as at the balance date have been adopted.

Expense rate

Claims handling expenses are calculated based on projected costs of administering the remaining claims until expiry.

Average claim amount

The average claim amount is estimated by considering historical settlement amounts, industry benchmarks and sensitivity testing.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(d) Sensitivity analysis — insurance contracts

Summary

The Company conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of the Company. The tables below describe how a change in each assumption will affect the insurance liabilities and show an analysis of the sensitivity of the profit/(loss) to changes in these assumptions both gross and net of reinsurance.

Variable	Impact of movement in variable
Average weighted term to settlement	Expected payment patterns are used in determining the outstanding claims liability. A decrease in the average term to settlement rates would lead to claims being paid sooner than anticipated (increase in outstanding claims liability).
Reinsurance percentage	The company assumes money will be recoverable from reinsurers on future claims paid. A decrease in the reinsurance percentage would lead to a reduction in expected recoveries and an increase outstanding claims liability. Similarly, an increase in the reinsurance percentage would result in a reduction in the outstanding claims liability.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on outstanding claims liability.
Expense rate	An estimate for the internal costs of administering claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense and outstanding claims liability.
Average claim amount	Average claim size is used in determining the outstanding claim liability. An increase or decrease in the average claim amount assumption would have a corresponding impact on the outstanding claims liability.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

The company successfully commuted its portfolio with AMP Bank Ltd. As a result the only remaining risk is 100% reinsured. There is no impact to profit or loss from changes in variables and therefore no impact to the financial statements.

2006

Variable	Change in Variable	Assumption at 12/06		Change in Shareholder Profit/(loss) (after tax)	
		Gross	Net	Gross $	Net $
Average weighted term to settlement	+0.5yr	1.06yr	1.02yr	—	—
	-0.5yr			—	—
Reins % (as % of Gross Outstanding Claims)	+1%	n/a	99.8%	—	—
	-1%			—	—
Discount Rate	+1%	5.9%	5.9%	—	—
	-1%			—	—
Expense Rate (as % of Outstanding Claims)	+1%	97%	83%	(305)	—
	-1%			305	—
Average Claim Amount	+10%	20,216	n/a	(3,194)	(35)
	-10%			3,194	35

3. EVENTS OCCURRING AFTER THE REPORTING DATE

On 11 December 2007 a Sale and Purchase Agreement was entered into by the ultimate parent AMP Limited and Enstar Australia Holdings Pty Ltd for the sale of the entity.

The sale was subject to a number of conditions including regulatory approval by the Australian Prudential Regulatory Authority (APRA) who subsequently approved the Sale Agreement on 22 February 2008. The sale was then completed on 5 March 2008. Enstar Australia Holdings Pty Ltd assumed ownership of the company at this point.

4. NET PREMIUM REVENUE

	2007 $	2006 $
Movement in unearned premiums	5,327	7,064
Premium revenue	5,327	7,064
Outwards reinsurance premiums	533	1,078
Net premium revenue	4,794	5,986

5. NET CLAIMS INCURRED

	2007 Current year $	2007 Prior years $	2007 Total $	2006 Current year $	2006 Prior years $	2006 Total $
Gross claims expense						
Gross claims incurred — undiscounted	—	(51,042)	(51,042)	—	(67,239)	(67,239)
Discount movement	—	—	—	—	—	—
	—	(51,042)	(51,042)	—	(67,239)	(67,239)
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries — undiscounted	—	17,623	17,623	—	13,017	13,017
Discount movement	—	—	—	—	—	—
	—	17,623	17,623	—	13,017	13,017
Net claims incurred	**—**	**(33,419)**	**(33,419)**	**—**	**(54,222)**	**(54,222)**

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the risks borne in all previous financial years.

6. NET INVESTMENT REVENUE

	2007 $	2006 $
Investment income		
Interest	455,898	415,805
Interest from related parties		
— other related parties	—	84,224
Changes in fair value of investments		
Unrealised	(10,863)	(5,136)
Total net investment revenue	445,035	494,893

7. General Administration Expenses

Expenses by Nature	2007 $	2006 $
Net gain on foreign currency	9,567	15,849
Other management fees	100,000	100,000
External consultant costs	20,000	10,000
Other expenses	5,500	6,146
Total Expenses	135,067	131,995

8. INCOME TAX

(a) Analysis of income tax expense

	2007 $	2006 $
Current tax	101,822	267,409
Decrease in deferred tax assets	314	9,270
Increase/(Decrease) in deferred tax liabilities	2,974	(165,250)
Under provided in previous years	20,574	—
Income tax expense	125,684	111,429

(b) Relationship between income tax expense and accounting profit

The table below provides a reconciliation of differences between prima facie tax calculated as 30% of the profit before income tax for the period and the actual income tax expense recognised in the income statement for the period.

In respect of income tax expense attributable to shareholders, the tax rate which applies in both 2007 and 2006 is 30% for Australia.

	2007 $	2006 $
Operating profit before income tax	356,876	423,106
Prima facie income tax at the rate of 30%	107,063	126,932
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/assessable in calculating taxable income:		
Non assessable income	—	(6,717)
Under provided in prior years — deferred tax balances	20,574	—
All other items	(1,953)	(8,786)
Income tax expense per income statement	125,684	111,429

(c) Analysis of deferred tax asset

Amounts recognised in income:		
- Indirect Claims Costs Adjustments	5,176	14,618
- Accrued Expenses	3,000	—
- Unrealised gains/losses	13,718	7,590
Total deferred tax assets	21,894	22,208

(d) Analysis of deferred tax liability

Amounts recognised in income		
- Accrued Interest Receivable	15,734	12,761
Total deferred tax liability	15,734	12,761

9. RECEIVABLES

	2007 $	2006 $
Current		
Interest free advance		
- Other related parties	—	1,000
Receivable from related parties		
- Other related parties	21,754	—
Other	52,448	38,955
Total receivables	74,202	39,955

10. REINSURANCE AND OTHER RECOVERIES

	2007 $	2006 $
Expected future reinsurance recoveries undiscounted		
- on outstanding claims	25,495	45,548
- Discount to present value	—	(2,431)
Reinsurance and other recoveries receivable	25,495	43,118
Reinsurance recoveries receivable-current	14,706	24,613
Reinsurance recoveries receivable- non current	10,789	18,505
	25,495	43,118

11. OTHER FINANCIAL ASSETS

	2007 $	2006 $
Current		
Quoted Investments- at fair value:		
Government bonds	446,009	466,353
Total current investments	446,009	466,353
Total other financial assets	446,009	466,353

12. OTHER ASSETS

	2007 $	2006 $
Current deferred reinsurance premiums	—	533
Prepayments	2,592	—
Total current other assets	2,592	533
Deferred reinsurance premiums as at 1 January	533	1,611
Earning of reinsurance premiums	(533)	(1,078)
Deferred reinsurance premiums as at 31 December	—	533

13. UNEARNED PREMIUM LIABILITY

	2007 $	2006 $
Current unearned premium	—	2,523
Non-current unearned premium	—	2,804
Total unearned premium	—	5,327
Unearned premium liability as at 1 January	5,327	12,391
Earning of premiums written in previous periods	(5,327)	(7,064)
Unearned premium liability as at 31 December	—	5,327

The unearned premium liability was found to be sufficient for the current and prior periods, as a result no unexpired risk liability has been raised.

14. OUTSTANDING CLAIMS

	2007 $	2006 $
Central estimate	44,463	95,234
Risk margin	—	1,555
	44,463	96,789
Discount to present value	(1,716)	(3,000)
Gross outstanding claims liability	**42,747**	**93,789**
Current	31,958	53,216
Non-current	10,789	40,573
Total outstanding claims	**42,747**	**93,789**

Process for determining risk margin

The risk margin was determined, allowing for the uncertainty of the outstanding claims estimate for each portfolio. As the remaining policies are 100% reinsured, with no net exposure, and the claim administration fee is fixed, no risk margin is held for Church Bay Limited (formerly AMPG(1992) Limited).

Risk margins applied	**2007**	**2006**
Mortgage insurance	0%	16%

Reconciliation of movement in discounted outstanding claims liability

	2007 Gross $	2007 Reins $	2007 Net $
Amount outstanding brought forward	93,789	44,118	49,671
less Claim payments/recoveries received in the period	(1)	—	(1)
Effect of change in discounting	4,464	2,402	2,062
Effect of change in assumptions	(55,505)	(21,025)	(34,480)
Outstanding amount carried forward	42,747	25,495	17,252

	2006 Gross $	2006 Reins $	2006 Net $
Amount outstanding brought forward	161,028	57,127	103,901
less Claim payments/recoveries received in the period	—	—	—
Effect of change in discounting	4,384	2,215	2,169
Effect of change in assumptions	(71,623)	(15,224)	(56,399)
Outstanding amount carried forward	93,789	44,118	49,671

Claims Development Table

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the risks borne in all previous financial years.

The Company is closed to new business and there have been no new mortgage insurance contracts issued in the six years prior and to and including this report.

As described in Note 1, the outstanding claims liability is the best estimate of the present value of the expected future payments, after the inclusion of a risk margin. At each balance date, the amount of the liability is reassessed and it is likely that changes will arise in the estimates of liabilities. The table under shows the estimates of total ultimate claims at successive year ends.

	Net **$**	**Gross** **$**
31 December 2001	170,132	31,568,123
31 December 2002	165,072	31,207,548
31 December 2003	155,042	31,150,804
31 December 2004	151,690	31,109,688
31 December 2005	149,957	31,115,553
31 December 2006	149,411	31,120,753
31 December 2007	148,999	31,096,197
Current estimate of cumulative claims	148,999	31,096,197
Cumulative payments	148,999	31,068,987
Undiscounted central estimate	—	**27,210**
Effect of discounting	—	1,716
Discounted central estimate	—	**25,494**
Risk margin		0
Claims handling provision		17,253
Outstanding Claims as per the balance sheet		**42,747**

15. PAYABLES

	2007 $	2006 $
Current		
Other creditors	10,000	8,686
Other borrowings from related parties		
— other related parties	—	3,206
	10,000	11,892

16. ISSUED CAPITAL

	2007 $	2006 $
Paid up capital		
62,526,468 ordinary shares at $0.67 each (2006:62,526,468 ordinary shares at $0.67 each)	41,784,468	41,784,468
Movement in share capital		
Balance beginning of the year	41,784,468	62,526,468
Capital return 62,526,468 shares at $0.33 each	—	(20,742,000)
	41,784,468	41,784,468

Rights attaching to Ordinary Shares

Ordinary shares attract the following rights:

(a) to receive notice of and to attend and vote at all general meetings of the Company;

(b) to receive dividends; and

(c) in a winding up, to participate equally in the distribution of the assets of the Company (both capital and surplus), subject only to any amounts unpaid on the Share.

17. FRANKING ACCOUNT

The AMP Limited group entered into Tax Consolidation during 2003. Under Tax Consolidation, the franking account balances for group companies were transferred to the Head Entity, AMP Limited.

18. KEY MANAGEMENT PERSONNEL

The following individuals were the key management personnel of Church Bay Limited (formerly AMPG(1992) Limited) , for the current and prior reporting periods (unless stated otherwise):

Peter Clarke	
Richard Grellman	
Paul Leaming	31-12-2007, Appointed
William Roberts	
Felix Zaccar	
Peter Hodgett	31-12-2007, Resigned
Andrew Mohl	31-12-2007, Resigned

The following table provides aggregate details of the compensation of key management personnel of Church Bay Limited (formerly AMPG(1992) Limited).

Year	Short-term employee benefits $	Post-employment benefits $	Other long-term benefits $	Termination benefits $	Share-based payments $	Total $
2007	6,396,418	204,889	—	7,667,817	2,837,771	**17,106,895**
2006	6,306,101	205,061	—	—	2,318,215	**8,829,377**

Key management personnel disclosed above, also provided services to other related entities during the year. The above remuneration amounts include all amounts paid for services rendered to related entities and those services rendered to Church Bay Limited (formerly AMPG(1992) Limited).

19. AUDITOR'S FEES

Auditors' remuneration for the year ended 31 December 2007 is paid on the Company's behalf by a controlled entity within the AMP Limited Group.

20. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2007 (2006: Nil).

21. RELATED PARTIES

Transactions between Church Bay Limited (formerly AMPG(1992) Limited) and other related parties during the financial year consisted of:

- Interest receivable on loans to related parties
- Payment of management fees for services provided

Controlling Entity

The immediate parent entity as at 31 December 2007 is Shelly Bay Holdings Limited (formerly AMP General Insurance Holdings Limited). AMP Limited is the ultimate parent entity at 31 December 2007.

21. RELATED PARTIES (continued)

Directors

The directors of the Company during the financial year, and the dates of appointments and resignations during the year are:

Peter Clarke	
Richard Grellman	
Paul Leaming	31-12-07, Appointed
William Roberts	
Felix Zaccar	
Peter Hodgett	
Andrew Mohl	31-12-07, Resigned

Other Transactions

The directors and their director related entities receive normal dividends on their ordinary share holdings in AMP Limited.

Other transactions with directors of the Company and their director-related entities.

During the year, transactions were entered into between Directors or their Director related entities and entities within the AMP Limited Group. These transactions are within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those available to other employees, customers or members (unless otherwise described below) and include:

- normal personal banking with AMP Bank Limited including the provision of credit cards;
- the purchase of AMP superannuation and related products;
- Financial investment services;
- Other advisory services.

These transactions do not have the potential to adversely affect the decisions about the allocation of scarce resources made by users of AMP's financial statements, or discharge of accountability by the Directors. The transactions are considered to be trivial or domestic in nature.

Transactions within the wholly owned group

The aggregate amounts brought to account in respect of the following types of transactions and each class of related party involved were:

AMP Services Limited and Enstar Australia Ltd (formerly Cobalt Solutions Australia Limited), both related entities within the wholly owned group, provide operational and administrative (including employee related) services to the entity. The services provided are in the normal course of the business and are on normal commercial terms and conditions.

The Company settled an interest-bearing loan to AMP Finance Services Limited, a related entity within the wholly owned group. This transaction was made under normal terms and conditions.

21. RELATED PARTIES (continued)

Amounts attributable to transactions with entities in the wholly-owned group

Operating profit before income tax for the financial year includes aggregate amounts attributable to transactions in respect of:

	2007 $	2006 $
Interest Revenue — other related parties	—	84,224
Management Expense — other related parties	100,000	100,000

Amounts receivable from and payable to entities in the wholly-owned group

Aggregate amounts receivable at balance date from:		
Current		
Interest receivable — other related parties	—	1,000
Loan — other related parties	—	—
Aggregate amounts payable at balance date from:		
Current		
Payables — other related parties	—	3,000

22. CASH FLOW RECONCILIATION

(i) Reconciliation of cash

	2007 $	2006 $
Cash balance comprises:		
Cash at call	751,954	728,583
Cash on deposit	6,126,076	6,126,076
	6,878,030	6,854,659

(ii) Reconciliation of net cash flows from operating activities to operating profit after income tax

	2007 $	2006 $
Operating profit after income tax	231,192	311,676
Changes in net market value of investments	10,863	4,524
FX Gains & Losses	9,567	15,849
Changes in assets and liabilities net of the effects of acquisitions:		
(Increase)/ decrease in receivables and other assets	(36,391)	276,522
(Increase)/ decrease in reinsurance and other recoveries receivable	17,623	16,302
Increase/(decrease) in payables	(1,892)	3,206
Increase/(decrease) in current tax liabilities	(154,508)	(940,941)
(Decrease)/ increase in unearned premiums	(5,327)	(7,064)
(Decrease)/ increase in outstanding claims	(51,042)	(67,239)
(Decrease)/ increase in deferred tax liabilities net of future tax benefit	3,286	(155,981)
Net cash inflows / (outflows) from operating activities	23,371	(543,146)

23. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS

The company's policies and procedures in respect of managing risks are set out in this note below.

The Board has ultimate responsibility for risk management and governance, including ensuring an appropriate risk framework is in place and is operating effectively. There are, however, other bodies and individuals associated with the Company that manage and monitor financial risk.

The Board

The Board is responsible for the approval of policy regarding shareholder capital investment strategy, policyholder asset and liability strategy and setting the financial risk appetite.

The Audit Committee

The Audit Committee is responsible for ensuring the existence of effective financial risk management policies and procedures.

The RMS and REMS identify the Company's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Company. Annually, the Board certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Company has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to the compliance with the RMS and REMS. The RMS and REMS have been approved by both the Board and APRA.

Key aspects of the processes established in the RMS to mitigate risks include:

- A formal regular process of risk identification and evaluation, supplemented by a documented control assessment process, is completed by management and communicated to the Board in line with the Board approved Risk Management Strategy.
- Actuarial models, using information from management information systems, to monitor claims patterns and other relevant statistics. Past experience and statistical methods are used as part of the process.
- The maintenance and use of various specialist information systems, which provide up to date and reliable data on claims liabilities.
- Documented procedures that are followed by claims staff that are experienced in the various classes of business previously written.

23. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (continued)

Risk and Mitigation

The Company's activities expose it to a variety of risks.

The major risks associated with insurance contracts include:

a) Development of claims

There is a possibility that changes may occur in the estimate of our obligations at the end of a contract period. The tables in note 14 show the estimates of total ultimate claims at successive year-ends.

b) Terms and conditions of direct and inwards reinsurance business

There is limited scope to improve the existing terms and conditions. The company has been in orderly run off since 2000, and no new contracts have been entered into since that time.

c) Concentration of insurance risk

The exposure to concentrations of insurance risk has been mitigated with the purchase of reinsurance where management believes that the price /risk transfer is suitable.

Financial risks include:

Market risk

a) Interest rate risk

Interest rate risk arises to the extent that there is a mismatch between the fixed-interest portfolios used to back the outstanding claims liability and those outstanding claims. The interest rate risk is managed by matching the duration profiles of the investments assets and the outstanding claims liability.

The accounting policy notes describe the policies used to measure and report the assets and liabilities of the Company. Where the applicable market value is determined by discounting future cash flows, movements in interest rates will result in a reported unrealised gain or loss in the profit and loss account.

The Company is well capitalized and funds are held in liquid fixed interest term deposits.

Interest rate sensitivity analysis

The following table demonstrates the impact of a 100 basis point change in Australian interest rates, with all other variables held constant, on the company's shareholder profit after tax. It is assumed that the change occurs as at the reporting date (31 December) and there are concurrent movements in interest rates and parallel shifts in yield curves.

	31 Dec 07	**31 Dec 06**
	Impact on Profit after tax	Impact on Profit after tax
Change in Variable	$	$
+100 basis points	(7,900)	(8,300)
- 100 basis points	8,000	8,400

b) Foreign Currency risk analysis

The Company's financial assets are primarily dominated in Australian dollar with a small exposure in New Zealand Dollars via its branch operations in New Zealand.

23. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to met its debt obligations or other cash outflows as they fall due because of lack of liquid assets. The Company manages liquidity risk by maintaining adequate reserves in short term cash. As required by APRA prudential Standard GPS 220, the Company has developed and implemented a risk management strategy which is described earlier in this note to control this risk.

The table below summaries the maturity profile of the company’s financial liabilities at 31 December based on contractual undiscounted obligations.

	31 Dec 07		
	Up to 1 year	More than 1 year	Total
Financial liabilities:			
Payables	10,000	—	10,000
Total	10,000	—	10,000

	31 Dec 06		
	Up to 1 year	More than 1 year	Total
Financial liabilities:			
Payables	11,892	—	11,892
Total	11,892	—	11,892

Credit risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitments in full and on time, or from losses arising from the change in value of traded financial instruments as a result of changes in credit risk on that instrument.

The Company has exposure to the significant counterparty PMI Mortgage Insurance Limited for its reinsurance and ANZ for its investment. Both of these are regularly reviewed and maintained for changes.

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company’s credit rating of counter parties:

	31 Dec 07		31 Dec 06	
	Reinsurance & Other Recoveries $	Financial Instruments $	Reinsurance & Other Recoveries $	Financial Instruments $
AAA	—	—	—	—
AA	25,495	6,930,478	43,118	6,893,614
A	—	—	—	—
BBB	—	—	—	—
Below BBB	—	—	—	—
Not rated	—	21,754	—	1,000

23. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (continued)

The following table provides an aged analysis of financial assets neither past due or impaired, past due and not impaired and impaired assets. Impairment is calculated in accordance with note 1.

31 Dec 07

	Neither past due nor impaired	Past due but not impaired <365 days	Past due but not impaired >365 days	Impaired	Total
Receivables	74,202	—	—	—	74,202
Reinsurance and other recoveries receivable	25,495	—	—	—	25,495

31 Dec 06

	Neither past due nor impaired	Past due but not impaired <365 days	Past due but not impaired >365 days	Impaired	Total
Receivables	39,955	—	—	—	39,955
Reinsurance and other recoveries receivable	43,118	—	—	—	43,118

Fair Value

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenue and expenses are recognised, in respect of each class of financial asset, financial liability and other investments are under and in Note 1.

23. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

	Note	2007 $'000	2006 $'000
Financial assets			
Fair value through the profit and loss:			
Receivables	10	74,202	39,955
Cash & cash equivalents	23	6,878,030	6,854,659

The recorded bid price equates to net fair value for listed debt and equity securities. For derivative contracts, fair value equates to the unrealised gain/loss on the outstanding contract. For the following financial instruments, the cost carrying amount is considered to equate to their fair value:

- cash deposits
- receivables
- payables.

CAPITAL MANAGEMENT

The Company is subject to externally imposed capital management requirements. The Company must comply with Capital requirements as specified under APRA General Insurance Prudential Standards.

The primary capital management objective is to ensure the company will be able to continue as a going concern while minimising excess capital through capital initiatives where appropriate.

The Company's capital position is monitored by the Company's Board. There have been no changes in the capital management objectives, policies and processes from the previous period.

The company has at all times during the current and prior financial year complied with the externally imposed capital requirements imposed by Prudential Standard GPS110 and the requirements set out in its insurance license.

The Minimum Capital Requirement (MCR) as a ratio of the Company's capital base is shown in the table under.

23. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (continued)

	2007 $	2006 $
Tier 1 Capital		
Paid up ordinary shares	41,784,468	41,784,468
Retained earnings	(34,758,316)	(35,069,992)
Current year earnings	231,193	311,676
Less: Deductions	(6,160)	(9,447)
Net tier 1 capital	7,251,185	7,016,705
Net tier 2 capital	—	—
Total capital base	7,251,185	7,016,705
Minimum capital requirement	5,000,000	5,000,000
Capital adequacy multiple	1.45	1.40

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Report of Independent Auditors

The Board of Directors of Church Bay Limited (formerly AMPG (1992) Limited)

We have audited the accompanying balance sheets of Church Bay Limited (formerly AMPG (1992) Limited) as of December 31, 2007 and 2006, and the related income statements, statements of changes in equity, and cash flow statements for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Church Bay Limited (formerly AMPG (1992) Limited) at December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young
Sydney, Australia
May 15, 2008

CHURCH BAY LIMITED
(formerly AMPG (1992) LIMITED)
ABN 42 000 488 362

FINANCIAL REPORT
31 DECEMBER 2006

Contents:

Church Bay Limited (formerly AMPG(1992) Limited)

Income Statement
For the year ended 31 December 2006

	Notes	2006 $'000	2005 $'000
Direct premium revenue		7	22
Outwards reinsurance premium expense		1	3
Net premium revenue	4	6	19
Direct claims benefit		(67)	(250)
Reinsurance and other recoveries (expense)/ revenue		(13)	9
Net claims incurred	5	(54)	(259)
Underwriting result		60	278
Net investment revenue	6	495	1,497
General administration expenses	7	132	180
Net profit before tax		423	1,595
Income tax expense attributable to operating profit	8	111	482
Net profit attributable to members of Church Bay Limited (formerly AMPG(1992) Limited)		**312**	**1,113**

The above Income Statement should be read in conjunction with the accompanying notes.

Church Bay Limited (formerly AMPG(1992) Limited)

Balance Sheet
As at 31 December 2006

	Notes	2006 $'000	2005 $'000
Current Assets			
Cash and cash equivalents	23	6,855	7,397
Receivables	10	40	4,282
Reinsurance & other recoveries receivable	11	25	33
Financial Assets at Fair Value	12	466	474
Other	13	1	1
Total Current Assets		7,387	12,187
Non-Current Assets			
Reinsurance & other recoveries receivable	11	19	24
Financial Assets at Fair Value	12	—	16,791
Deferred tax assets	8	22	31
Other	13	—	1
Total Non-Current Assets		41	16,847
Total Assets		7,428	29,034
Current Liabilities			
Unearned premium liability	14	3	7
Outstanding claims liability	15	53	93
Payables	16	12	9
Current tax liabilities		277	1,218
Total Current Liabilities		345	1,327
Non-Current Liabilities			
Unearned premium liability	14	3	5
Outstanding claims liability	15	41	68
Deferred tax liabilities	8	13	178
Total Non-Current Liabilities		57	251
Total Liabilities		402	1,578
Net Assets		7,026	27,456
Shareholders' Equity			
Issued Capital	17	41,784	62,526
Accumulated losses		(34,758)	(35,070)
Total Shareholders' Equity		7,026	27,456

The above Balance Sheet should be read in conjunction with the accompanying notes.

Church Bay Limited (formerly AMPG(1992) Limited)

Statement of Changes in Equity
For the year ended 31 December 2006

	Issued Capital $'000	Accumulated Losses $'000	Total $'000
Balance as at 1 January 2006	62,526	(35,070)	27,456
Net Profit after income tax	—	312	312
Other changes in equity	(20,742)	—	(20,742)
Balance as at 31 December 2006	**41,784**	**(34,758)**	**7,026**
Balance as at 1 January 2005	62,526	(36,183)	26,343
Net Profit after income tax	—	1,113	1,113
Balance as at 31 December 2005	**62,526**	**(35,070)**	**27,456**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Church Bay Limited (formerly AMPG(1992) Limited)

Cash Flow Statement
For the year ended 31 December 2006

	Notes	2006 $'000	2005 $'000
Cash flows from operating activities			
Receipts from customers and reinsurers		412	37
Payments to customers, suppliers and employees		(117)	(178)
Interest received		371	373
Income tax refund/(paid)		(1,208)	272
Goods and Services tax paid		—	3
	23	(542)	507
Cash flows from investing activities			
Purchase of investments		—	—
		—	—
Cash flows from financing activities			
Repayment of loan from related party		20,742	—
Payment for capital reduction		(20,742)	—
		—	—
Net increase in cash held		(542)	507
Cash at the beginning of the year		7,397	6,890
Cash at the end of the year		6,855	7,397

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

This Financial Report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Financial Report has been prepared in accordance with the historical cost convention except for investments, which have been measured at fair value, and insurance liabilities, which have been discounted to present value.

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current year and comparative period, unless otherwise stated. The same accounting policies and methods of computation are followed by this Financial Report as compared with the 31 December 2005 annual Financial Report. Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 31 December 2006. When applied in future periods, these recently issued or amended standards are not expected to have a material impact on the company's results or financial position; however they may impact Financial Report disclosures.

Operating revenue

Operating revenue comprises general insurance earned premiums, recoveries, interest income and investment income. Investment income is brought to account on an accrual basis.

Premium revenue and unearned premium

(i) Premium revenue

Premium revenue comprises premium from direct business.

Premium revenue comprises amounts charged to the policyholder or other insurers, excluding stamp duties, GST and other amounts collected on behalf of third parties. The earned portion of premiums received and receivable is recognised as operating revenue.

Premium revenue is recognised in the income statement when it has been earned. Premium revenue is recognised in the income statement from the attachment date over the period of the contract. Where time does not approximate the pattern of risk, previous claims experience is used to derive the incidence of risk.

The proportion of premium received or receivable not earned in the income statement at the reporting date is recognised in the balance sheet as an unearned premium liability. Actuarial techniques are used to estimate the ultimate premium and are based on historical premium booking patterns.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

(ii) Unearned premiums

Unearned premiums represent premium revenue attributable to future accounting periods. Unearned premium is determined by apportioning the premiums written in the year over the period of insurance cover, reflecting the pattern in which risk emerges under these policies.

Outward reinsurance premium expense and deferred reinsurance premium

Premiums ceded to reinsurers are recognised as an expense over the period of cover using the methods applicable to premium revenue as set out above.

Outstanding claims

The liability for outstanding claims is measured as the best estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Company, with an additional risk margin to allow for the inherent uncertainty in the best estimate.

The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling costs.

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs.

The expected future payments are discounted to present value using a risk free rate.

A risk margin is applied to the outstanding claims liability, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate. This risk margin increases the probability that the net liability is adequately provided for to a 75% confidence level.

Reinsurance and other recoveries

Reinsurance and other recoveries consist of receivables on paid claims and outstanding claims, and are recognised as revenue when claims are paid or the outstanding claim is raised. Reinsurance receivables are discounted to present value consistent with the discounting of outstanding claims set out above.

Investment income

Interest income is recognised in the income statement on an effective interest method when the entity obtains control of the right to receive the revenue.

Realised gains and losses represent the change in value between the previously reported value and the amount received on sale of the asset. Unrealised gains and losses represent changes in the fair value of financial assets recognised in the period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Assets backing general insurance liabilities

The Company has determined that all assets are held to back general insurance liabilities on the basis that all assets of the Company are available for the settlement of claims if required.

The following policies apply:

Financial assets

Financial assets are designated at fair value through profit or loss. Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant unrealised gains or losses recognised in the income statement. Details of fair value for the different types of financial assets are listed below:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand that is available on demand and deposits held at call with financial institutions. Cash and cash equivalents are carried at fair value, being the principal amount. For the purposes of the cash flow statement, cash also includes other highly liquid investments not subject to significant risk of change in value.

Debt securities

Debt securities are initially recognised at fair value, representing the purchase cost of the asset exclusive of any transaction costs. Debt securities are subsequently measured at fair value, with any realised and unrealised gains or losses arising from changes in the fair value being recognised in the income statement for the period in which they arise. The fair value of a traded interest bearing security reflects the bid price at balance date. Interest bearing securities that are not frequently traded are valued by discounting the estimated recoverable amounts, using prevailing interest rates.

Taxes

Income tax

Income tax expense is the tax payable on taxable income for the current period based on the income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to: (i) temporary differences between the tax bases of assets and liabilities and their balance sheet carrying amounts, and (ii) unused tax losses.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)

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.

The tax impact on income and expense items recognised directly in equity is also recognised directly in equity.

Tax Consolidation

AMP Limited, Church Bay Limited (formerly AMPG(1992) Limited) and certain other wholly owned controlled entities of AMP Limited comprise a tax-consolidated group of which AMP Limited is the head entity. The implementation date for the tax-consolidated group was 30 June 2003.

Under tax consolidation, AMP Limited as head entity, assumes the following balances from subsidiaries within the tax-consolidated group:

(i) Current tax balances arising from external transactions recognised by entities in the tax-consolidated group occurring after the implementation date, and;

(ii) Deferred tax assets arising from unused tax losses and unused tax credits recognised by entities in the tax-consolidated group occurring after the implementation date.

A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group. Controlled entities in the tax-consolidated group will continue to be responsible, by the operation of the tax funding agreement, for funding tax payments required to be made by the head entity arising from underlying transactions of the controlled entities. Controlled entities will make (receive) contributions to (from) the head entity for the balances recognised by the head entity described in (i) and (ii) above. The contributions will be calculated in accordance with the tax funding agreement.

Assets and liabilities which arise as a result of differences between the periods in which the underlying transactions occur, and the period in which the funding payments under the tax funding agreement are made, are recognised as intercompany balances receivable and payable in the balance sheet. The recoverability of balances arising from the tax funding arrangements is based on the ability of the tax-consolidated group to utilise the amounts recognised by the head entity.

Goods and services tax

All revenues, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the particular expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the balance sheet.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions and translation

Functional and Presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The presentation currency of this financial report, and the functional currency of the parent entity, is Australian dollars.

Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at balance sheet date, with exchange gains and losses recognised in the income statement. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Receivables

Receivables are financial assets and are measured at fair value. Given the short-term nature of most receivables, the recoverable amount approximates fair value.

Payables

Creditors and accruals are recognised as liabilities for amounts to be paid in the future for goods and services received, whether or not billed to the entity.

Amounts Due To or From Related Parties

Amounts are carried at fair value being nominal amounts due and payable. Interest is taken up as income on an accrual basis. A provision for impairment is recognised when there is objective evidence that the related party will not be able to pay its debt.

Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates and judgements are applied are described below.

(a) The ultimate liability arising from claims made under insurance contracts

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. IBNR claims may often not be reported to the insurer until many years after the events giving rise to the claims has happened. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in the legal environment
- changes in the economic environment
- the impact of large losses
- movements in industry benchmarks

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Company has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous period.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions.

Details of specific assumptions used in deriving the outstanding claims liability at year-end are detailed below.

(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also calculated using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Company may not receive amounts due to it and these amounts can be reliably measured.

(c) Process used to determine assumptions

The company wrote one class of business: lenders mortgage insurance. Lenders mortgage insurance is short tail in nature, meaning that claims are typically settled within one year of being reported. Claims estimates are derived from analysis of the results of several different actuarial models. These models take past defaults and claim payments into account and assume that reported claims will develop steadily from period to period. Other models apply a loss ratio to each loan that reflects loan data, past claims experience and industry benchmarks.

A description of the processes used to determine these assumptions is provided below:

Average weighted term to settlement

The average weighted term to settlement is calculated separately by class of business based on historic settlement patterns.

Reinsurance percentage

The reinsurance percentage is calculated based on past reinsurance recovery rates and the structure of the reinsurance arrangements in place.

Discount rate

Discount rates derived from market yields on Commonwealth Government securities as at the balance date have been adopted.

Expense rate

Claims handling expenses are calculated based on projected costs of administering the remaining claims until expiry.

Average claim amount

The average claim amount is estimated by considering historical settlement amounts, industry benchmarks and sensitivity testing.

(d) Sensitivity analysis — insurance contracts

Summary

The Company conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of the Company. The tables below describe how a change in each assumption will affect the insurance liabilities and show an analysis of the sensitivity of the profit/(loss) to changes in these assumptions both gross and net of reinsurance.

Variable	Impact of movement in variable
Average weighted term to settlement	Expected payment patterns are used in determining the outstanding claims liability. A decrease in the average term to settlement rates would lead to claims being paid sooner than anticipated (increase in outstanding claims liability).
Reinsurance percentage	The company assumes money will be recoverable from reinsurers on future claims paid. A decrease in the reinsurance percentage would lead to a reduction in expected recoveries and an increase outstanding claims liability. Similarly, an increase in the reinsurance percentage would result in a reduction in the outstanding claims liability.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on outstanding claims liability.
Expense rate	An estimate for the internal costs of administering claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense and outstanding claims liability.
Average claim amount	Average claim size is used in determining the outstanding claim liability. An increase or decrease in the average claim amount assumption would have a corresponding impact on the outstanding claims liability.

2006

Variable	Change in Variable	Assumption at 12/06 Gross	Assumption at 12/06 Net	Change in Shareholder Profit/(loss) (after tax) Gross $'000	Change in Shareholder Profit/(loss) (after tax) Net $'000
Average weighted term to settlement	+0.5yr	1.06yr	1.02yr	—	—
	-0.5yr			—	—
Reins % (as % of Gross Outstanding Claims)	+1%	n/a	99.8%	—	—
	-1%			—	—
Discount Rate	+1%	5.9%	5.9%	—	—
	-1%			—	—
Expense Rate (as % of Outstanding Claims)	+1%	97%	83%	—	—
	-1%			—	—
Average Claim Amount	+10%	20,216	n/a	(3)	—
	-10%			3	—

2005

Variable	Change in Variable	Assumption at 12/05 Gross/Net	Change in Shareholder Profit/(loss) (after tax) Gross $'000	Change in Shareholder Profit/(loss) (after tax) Net $'000
Average weighted term to settlement	+0.5yr	1.06yr	1	—
	-0.5yr		(1)	—
Reins % (as % of Gross Outstanding Claims)	+1%	91.98%	—	—
	-1%		—	—
Discount Rate	+1%	5.19%	—	—
	-1%		—	—
Expense Rate (as % of Outstanding Claims)	+1%	163.9%	—	—
	-1%		—	—
Average Claim Amount	+10%	20,907	(4)	—
	-10%		4	—

3. INSURANCE CONTRACTS- RISK MANAGEMENT POLICIES AND PROCEDURES

The Company has an objective to control insurance risk thus reducing volatility. The company's policies and procedures in respect of managing risks are set out in this note below.

a) Objective in managing risks arising from insurance contracts and policies for mitigating those risks.

In accordance with Prudential Standards GPS 220 Risk Management and GPS 230 Reinsurance issued by the Australian Prudential Regulation Authority (APRA), the Boards and senior management have developed, implemented and maintain a sound and prudent Risk Management Strategy (RMS) and a Reinsurance Management Strategy (REMS).

The RMS and REMS identify the Company's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Company. Annually, the Board certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Company has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to the compliance with the RMS and REMS. The RMS and REMS have been approved by the Board and APRA.

Key aspects of the processes established in the RMS to mitigate risks include:

- A formal regular process of risk identification and evaluation, supplemented by a documented control assessment process, is completed by management and communicated to the Board in line with the Board approved Risk Management Strategy.
- Actuarial models monitor claims patterns and other relevant statistics. Past experience and statistical methods are used as part of the process.
- Reinsurance has been used to limit the Company's exposure to large single sums. The REMS provides that exposures continue to be monitored and where feasible reinsurance be purchased as means of limiting risk.
- The mix of investment assets is driven by the nature and term of the insurance liabilities.

b) Development of claims

There is a possibility that changes may occur in the estimate of our obligations at the end of a contract period. The tables in Note 15 show our estimates of total ultimate claims at successive year-ends.

c) Terms and conditions of insurance contracts

There is limited scope to improve the existing terms and conditions. The company is in orderly run off, and no new contracts are been entered into.

d) Concentration of insurance risk

The exposure to concentrations of insurance risk is able to be mitigated with the purchase of reinsurance where management believes that the price /risk transfer is suitable.

e) Interest rate risk

Interest rate risk arises to the extent that there is a mismatch between the fixed-interest portfolios used to back the outstanding claims liability and those outstanding claims. This is not considered to be significant.

f) Credit risk

There are no significant concentrations of credit risk.

4. NET PREMIUM REVENUE

	2006 $'000	2005 $'000
Movement in unearned premiums	7	22
Premium revenue	7	22
Outwards reinsurance premiums	1	3
Net premium revenue	6	19

5. NET CLAIMS INCURRED

	2006			2005		
	Current year $'000	Prior years $'000	Total $'000	Current year $'000	Prior years $'000	Total $'000
Gross claims expense						
Gross claims incurred — undiscounted	—	(67)	(67)	—	(250)	(250)
Discount movement	—	—	—	—	—	—
	—	(67)	(67)	—	(250)	(250)
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries — undiscounted	—	13	13	—	(9)	(9)
Discount movement	—	—	—	—	—	—
	—	13	13	—	(9)	(9)
Net claims incurred	**—**	**(54)**	**(54)**	**—**	**(259)**	**(259)**

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the risks borne in all previous financial years.

6. NET INVESTMENT REVENUE

	2006 $'000	2005 $'000
Investment income		
Interest	416	384
Interest from related parties		
— other related parties	84	1,122
Changes in fair value of investments		
Unrealised	(5)	(9)
Total net investment revenue	495	1,497

7. OPERATING EXPENSES

Expenses by Nature

	2006 $'000	2005 $'000
Net gain on foreign currency	16	(4)
Other management fees	100	150
External consultant costs	10	34
Other expenses	6	—
Total Expenses	132	180

8. INCOME TAX

(a) Analysis of income tax expense

	2006 $'000	2005 $'000
Current tax	267	1,218
Decrease in deferred tax assets	9	24
Decrease in deferred tax liabilities	(165)	(765)
Over provided in previous years	—	5
Income tax expense	**111**	**482**

(b) Relationship between income tax expense and accounting profit

The table below provides a reconciliation of differences between prima facie tax calculated as 30% of the profit before income tax for the period and the actual income tax expense recognised in the income statement for the period.

In respect of income tax expense attributable to shareholders, the tax rate which applies in both 2006 and 2005 is 30% for Australia.

	2006 $'000	2005 $'000
Operating profit before income tax	**423**	**1,595**
Prima facie income tax at the rate of 30%	127	479
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/assessable in calculating taxable income:		
Non assessable income	(6)	(2)
Over provided in prior years — deferred tax balances	—	5
All Other items	(10)	—
Income tax expense per income statement	**111**	**482**

(c) Analysis of deferred tax asset		
Amounts recognised in income:		
- Indirect Claims Costs Adjustments	15	29
- Unrealised gains/losses	7	2
Total deferred tax assets	22	31

(d) Analysis of deferred tax liability		
Amounts recognised in income		
- Accrued Interest Receivable	13	178
Total deferred tax liability	13	178

9. SEGMENT REPORTING

Primary Segment

The Company operates predominantly in one geographical segment being Australia and one business segment, which is the provision of lenders mortgage insurance.

10. RECEIVABLES

	2006 $'000	2005 $'000
Current		
Interest free advance		
- Other related parties	1	3,689
Interest receivable from related parties		
- Other related parties	—	574
Other	39	19
Total receivables	40	4,282

11. REINSURANCE AND OTHER RECOVERIES

	2006 $'000	2005 $'000
Expected future reinsurance recoveries undiscounted		
- on outstanding claims	45	59
- Discount to present value	(1)	(2)
Reinsurance and other recoveries receivable	44	57
Reinsurance recoveries receivable-current	25	33
Reinsurance recoveries receivable- non current	19	24
	44	57

12. FINANCIAL ASSETS AT FAIR VALUE

	2006 $'000	2005 $'000
Current		
Quoted Investments- at fair value:		
Government bonds	466	474
Total current investments	466	474
Non- Current		
Unquoted Investments- at fair value:		
Loans to related party	—	16,791
Total non-current investments	—	16,791
Total investments	466	17,265

13. OTHER ASSETS

	2006 $'000	2005 $'000
Current deferred reinsurance premiums	1	1
Non-current deferred reinsurance premiums	—	1
Total current other assets	1	2
Deferred reinsurance premiums as at 1 January	2	5
Earning of reinsurance premiums	(1)	(3)
Deferred reinsurance premiums as at 31 December	1	2

14. UNEARNED PREMIUM LIABILITY

	2006 $'000	2005 $'000
Current unearned premium	3	7
Non-current unearned premium	3	5
Total unearned premium	6	12
Unearned premium liability as at 1 January	12	34
Earning of premiums written in previous periods	(6)	(22)
Unearned premium liability as at 31 December	6	12

The unearned premium liability was found to be sufficient for the current and prior periods, as a result no unexpired risk liability has been raised.

15. OUTSTANDING CLAIMS

	2006 $'000	2005 $'000
Central estimate	95	146
Risk margin	2	17
	97	163
Discount to present value	(3)	(2)
Gross outstanding claims liability	**94**	**161**
Current	53	93
Non-current	41	68
Total outstanding claims	**94**	**161**

Process for determining risk margin

The risk margin was determined for each portfolio, allowing for the uncertainty of the outstanding claims estimate for each portfolio. A risk margin of 16% of net central estimate was applied, based on industry benchmarks for a portfolio of this size. Given the similar nature of business in the remaining portfolios no risk margin diversification has been allowed for.

Risk margins applied

	2006	2005
Direct insurance	16%	30%

Reconciliation of movement in discounted outstanding claims liability

		2006	
	Gross $000	Reins $000	Net $000
Amount outstanding brought forward	161	57	104
less Claim payments/recoveries received in the period	—	—	—
Effect of change in discounting	4	2	2
Effect of change in assumptions	(71)	(15)	(56)
Outstanding amount carried forward	94	44	50

		2005	
	Gross $000	Reins $000	Net $000
Amount outstanding brought forward	411	47	364
less Claim payments/recoveries received in the period	(140)	—	(140)
Effect of change in discounting	4	1	3
Effect of change in assumptions	(114)	9	(123)
Outstanding amount carried forward	161	57	104

Claims Development Table

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the risks borne in all previous financial years.

The Company is closed to new business and there have been no new mortgage insurance contracts issued in the five years prior and to and including this report.

As described in Note 1, the outstanding claims liability is the best estimate of the present value of the expected future payments, after the inclusion of a risk margin. At each balance date, the amount of the liability is reassessed and it is likely that changes will arise in the estimates of liabilities. The table under shows the estimates of total ultimate claims at successive year ends.

	Net $000	**Gross $000**
31 December 2001	170	31,568
31 December 2002	165	31,208
31 December 2003	155	31,151
31 December 2004	152	31,110
31 December 2005	150	31,116
31 December 2006	150	31,121
Current estimate of cumulative claims	150	31,121
Cumulative payments	149	31,075
Undiscounted central estimate	**1**	**46**
Effect of discounting	1	3
Discounted central estimate	**—**	**43**
Risk margin		2
Claims handling provision		49
Outstanding Claims as per the balance sheet		**94**

16. PAYABLES

	2006 $'000	2005 $'000
Current		
Other creditors	9	9
Other borrowings from related parties - other related parties	3	—
	12	9

17. ISSUED CAPITAL

	2006 $'000	2005 $'000
Paid up capital		
62,526,468 ordinary shares at $0.67 each (2005:62,526,468 ordinary shares at $1 each)	41,784	62,526
Movement in share capital		
Balance beginning of the year	62,526	62,526
Capital return 62,526,468 shares at $0.33 each	(20,742)	—
	41,784	62,526

Rights attaching to Ordinary Shares

Ordinary shares attract the following rights:

(a) to receive notice of and to attend and vote at all general meetings of the Company;

(b) to receive dividends; and

(c) in a winding up, to participate equally in the distribution of the assets of the Company (both capital and surplus), subject only to any amounts unpaid on the Share.

18. FRANKING ACCOUNT

The AMP Limited group entered into Tax Consolidation during 2003. Under Tax Consolidation, the franking account balances for group companies were transferred to the Head Entity, AMP Limited.

19. KEY MANAGEMENT PERSONNEL

The following individuals were the key management personnel of Church Bay Limited (formerly AMPG(1992) Limited), for the current and prior reporting periods (unless stated otherwise):

Peter Clarke	
Richard Grellman	
Peter Hodgett (Alternate for Andrew Mohl)	
Andrew Mohl	
William Roberts	
Bruce Robertson	Resigned 09 May 2005
Felix Zaccar	

The following table provides aggregate details of the compensation of key management personnel of Church Bay Limited (formerly AMPG(1992) Limited).

Year	Short-term employee benefits $	Post-employment benefits $	Other long-term benefits $	Termination benefits $	Share-based payments $	Total $
2006	6,306,101	205,061	—	—	2,318,215	**8,829,377**
2005	5,737,253	254,791	—	—	2,079,046	**8,071,090**

Key management personnel disclosed above, also provided services to other related entities during the year. The above remuneration amounts include all amounts paid for services rendered to related entities and those services rendered to Church Bay Limited (formerly AMPG(1992) Limited).

20. AUDITOR'S FEES

Auditors' remuneration for the year ended 31 December 2006 is paid on the Company's behalf by a controlled entity within the AMP Limited Group.

21. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2006 (2005: Nil).

22. RELATED PARTIES

Transactions between Church Bay Limited (formerly AMPG(1992) Limited) and other related parties during the financial year consisted of:

- Interest receivable on loans to related parties
- Payment of management fees for services provided

Controlling Entity

The immediate parent entity is Shelly Bay Holdings Ltd (formerly AMP General Insurance Holdings Limited). AMP Limited is the ultimate parent entity.

22. RELATED PARTIES (continued)

Directors

The directors of the Company during the financial year, and the dates of appointments and resignations during the year are:

P W Clarke
R J Grellman
P M Hodgett (Alternate for A M Mohl)
A M Mohl
W K Roberts
F Zaccar

Other Transactions

The directors and their director related entities receive normal dividends on their ordinary share holdings in AMP Limited.

Other transactions with directors of the Company and their director-related entities.

During the year, transactions were entered into between Directors or their Director related entities and entities within the AMP Limited Group. These transactions are within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those available to other employees, customers or members (unless otherwise described below) and include:

- normal personal banking with AMP Bank Limited including the provision of credit cards;
- the purchase of AMP superannuation and related products;
- Financial investment services;
- Other advisory services.

These transactions do not have the potential to adversely affect the decisions about the allocation of scarce resources made by users of AMP's financial statements, or discharge of accountability by the Directors. The transactions are considered to be trivial or domestic in nature.

Transactions within the wholly owned group

The aggregate amounts brought to account in respect of the following types of transactions and each class of related party involved were:

AMP Services Limited and Enstar Australia Limited (formerly Cobalt Solutions Australia Limited), both related entities within the wholly owned group, provide operational and administrative (including employee related) services to the entity. The services provided are in the normal course of the business and are on normal commercial terms and conditions.

The Company settled an interest-bearing loan to AMP Finance Services Limited, a related entity within the wholly owned group. This transaction was made under normal terms and conditions.

22. RELATED PARTIES (continued)

Amounts attributable to transactions with entities in the wholly-owned group

Operating profit before income tax for the financial year includes aggregate amounts attributable to transactions in respect of:

	2006 $	2005 $
Interest Revenue — other related parties	84,224	1,121,723
Management Expense — other related parties	100,000	150,000

Amounts receivable from and payable to entities in the wholly-owned group

Aggregate amounts receivable at balance date from:

Current		
Interest receivable — other related parties	1,000	574,455
Loan — other related parties	—	3,689,810

Non Current		
Loan — other related parties	—	16,791,000

Aggregate amounts payable at balance date from:

Current		
Payables — other related parties	3,000	—

23. CASH FLOW RECONCILIATION

	2006 $'000	2005 $'000
(i) Reconciliation of cash		
Cash balance comprises:		
Cash at call	729	3,108
Cash on deposit	6,126	4,289
	6,855	7,397

(ii) Reconciliation of net cash flows from operating activities to operating profit after income tax

	2006 $'000	2005 $'000
Operating profit after income tax	312	1,113
Changes in net market value of investments	5	9
FX Gains & Losses	16	(4)
Changes in assets and liabilities net of the effects of acquisitions:		
(Increase)/ decrease in receivables and other assets	277	(1,090)
(Increase)/ decrease in reinsurance and other recoveries receivable	16	(6)
Increase/(decrease) in payables	3	9
Increase/(decrease) in current tax liabilities	(941)	1,218
(Decrease)/ increase in unearned premiums	(7)	(22)
(Decrease)/ increase in outstanding claims	(67)	(250)
(Decrease)/ increase in deferred tax liabilities net of future tax benefit	(156)	(470)
Net cash inflows / (outflows) from operating activities	(542)	507

24. FINANCIAL INSTRUMENTS

(a) Net fair values

The recorded net market value equates to net fair value for listed and unlisted debt and equity securities. For the following financial instruments, the cost carrying amount is considered to equate to their net fair value:

- Cash
- Cash on deposit — short term
- Investment income accrued
- Reinsurance & other recoveries
- Government security
- Loans to related company
- Other creditors and accruals

(b) Special terms and conditions

All financial investments of the Company are held or issued on normal commercial terms at market rates of interest. There are no special terms or conditions affecting the nature and timing of the financial instruments not otherwise disclosed in these accounts. An interest-free advance has been made to the immediate parent entity. All other loans have been issued on normal commercial terms.

(c) Credit risk

Trading investments are recorded in the accounts at net market value, which represents the Company's exposure to credit risk in relation to these instruments.

Credit risk in trade receivables is managed by analysing the credit ratings of the underlying debts.

(d) Interest rate risk on financial instruments

The accounting policy notes describe the policies used to measure and report the assets and liabilities of the Company. Where the applicable market value is determined by discounting future cash flows, movements in interest rates will result in a reported unrealised gain or loss in the profit and loss account.

The Company seeks to reduce its interest rate risk through the use of investment portfolios as a hedge against the insurance liabilities of the Company. To the extent that these assets and liabilities can be matched, unrealised gains or losses on revaluation of liabilities resulting from interest rate movements will be offset by unrealised losses or gains on revaluation of investment assets.

The Company's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at the reporting date, are as follows:

For the year ended 2006

	Floating Interest Rate $'000	Fixed interest rate Maturing in 0-1 year $'000	1 - 5 years $'000	Non Interest Bearing $'000	Total $'000	Weighted Average Interest rate
Financial Assets						
Cash	729	—	—	—	729	3.90%
Cash on deposit — short term	—	6,126	—	—	6,126	6.27%
Receivables — related parties				1	1	
Investment income accrued	—	—	—	39	39	
Reinsurance & other recoveries	—	—	—	44	44	
Government security	—	466	—	—	466	6.35%
Total Financial Assets	**729**	**6,592**	**—**	**84**	**7,405**	
Financial Liabilities						
Other creditors	—	—	—	12	12	
Total Financial Liabilities	**—**	**—**	**—**	**12**	**12**	

For the year ended 2005

	Floating Interest Rate $'000	Fixed interest rate Maturing in 0-1 year $'000	1 - 5 years $'000	Non Interest Bearing $'000	Total $'000	Weighted Average Interest rate
Financial Assets						
Cash	3,108	—	—	—	3,108	3.73%
Cash on deposit — short term	—	4,289	—	—	4,289	5.26%
Investment income accrued	—	—	—	593	593	
Reinsurance & other recoveries	—	—	—	57	57	
Government security	—	474	—	—	474	6.62%
Loans to Related Company	—	—	16,791	3,689	20,480	6.79%
Total Financial Assets	**3,108**	**4,763**	**16,791**	**4,339**	**29,001**	
Financial Liabilities						
Other creditors	—	—	—	9	9	
Total Financial Liabilities	**—**	**—**	**—**	**9**	**9**	

25. CAPITAL ADEQUACY

	2006 $'000	2005 $'000
Tier 1 Capital		
Paid up ordinary shares	41,784	62,526
Retained earnings	(35,069)	(36,183)
Current year earnings	312	1,113
Less: Deductions	9	—
Net tier 1 capital	7,018	27,456
Net tier 2 capital	—	—
Total capital base	7,018	27,456
Minimum capital requirement	5,000	8,247
Capital adequacy multiple	1.40	3.33

The entity complies with Prudential Standard GPS110 and the requirements set out in its insurance license.

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Report of Independent Auditors

The Board of Directors of Church Bay Limited (formerly AMPG (1992) Limited)

We have audited the accompanying balance sheets of Church Bay Limited (formerly AMPG (1992) Limited) as of December 31, 2006 and 2005, and the related income statements, statements of changes in equity, and cash flow statements for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Church Bay Limited (formerly AMPG (1992) Limited) at December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young
Sydney, Australia
May 15, 2008

GORDIAN RUNOFF LIMITED
ABN 11 052 179 647

FINANCIAL REPORT
31 DECEMBER 2007

Contents:

Gordian RunOff Limited
Income Statement
For the year ended 31 December 2007

	Note	2007 $'000	2006 $'000
Direct premium revenue		4	28
Inwards reinsurance premium revenue/(expense)		4,689	(1,168)
Outwards reinsurance premium expense		(280)	(323)
Net premium (expense)/revenue	**5**	**4,413**	**(1,463)**
Direct claims (benefit)/expense		(88,929)	(34,739)
Inwards Reinsurance claims benefit		(29,975)	(36,523)
Reinsurance & other recoveries (expense)/revenue		(6,502)	(2,888)
Net claims incurred	**6**	**(112,402)**	**(68,374)**
Other underwriting income		**26**	**1,040**
Acquisition benefit		(114)	(1,618)
Other underwriting expenses		231	1,043
Underwriting expense/(benefit)	**7**	**117**	**(575)**
Underwriting result		**116,724**	**68,526**
Net investment revenue	**8**	43,345	45,960
General administration expenses	**7**	6,857	10,537
Finance costs	**7**	1,061	—
Net profit before tax		**152,151**	**103,949**
Income tax expense/(benefit) attributable to operating profit	**9**	45,672	29,476
Net profit attributable to members of Gordian RunOff Limited		**106,479**	**74,473**

The above Income Statement should be read in conjunction with the accompanying notes.

Gordian RunOff Limited
Balance Sheet
As at 31 December 2007

	Note	2007 $'000	2006 $'000
Current assets			
Cash and cash equivalents	**24**	13,857	42,291
Receivables	**10**	10,046	11,169
Reinsurance and other recoveries receivable	**11**	13,703	19,090
Other financial assets	**12**	590,748	549,602
Other assets	**13**	164	240
Total current assets		**628,518**	**622,392**
Non-current assets			
Receivables	**10**	1,796	3,134
Reinsurance and other recoveries receivable	**11**	15,798	29,757
Other financial assets	**12**	427,621	726,542
Deferred tax assets	**9**	32,679	44,573
Total non-current assets		**477,894**	**804,006**
Total assets		**1,106,412**	**1,426,398**
Current liabilities			
Outstanding claims liability	**15**	90,891	112,751
Payables	**16**	9,547	8,431
Interest Bearing Loan	**17**	25,723	—
Current Tax Liabilities		26,227	24,649
Total current liabilities		**152,388**	**145,831**
Non-current liabilities			
Outstanding claims liability	**15**	356,065	584,453
Payables	**16**	288	422
Total non-current liabilities		**356,353**	**584,875**
Total liabilities		**508,741**	**730,706**
Net assets		**597,671**	**695,692**
Shareholders' equity			
Issued Capital	**18**	1,610,100	1,814,600
Accumulated losses		(1,012,429)	(1,118,908)
Total shareholders' equity		**597,671**	**695,692**

The above Balance Sheet should be read in conjunction with the accompanying notes.

Gordian RunOff Limited
Statement of Changes in Equity
For the year ended 31 December 2007

	Issued Capital $'000	Accumulated Losses $'000	Total $'000
Balance as at 1 January 2007	1,814,600	(1,118,908)	695,692
Net Profit/(loss) after income tax	—	106,479	106,479
Change in Equity — Capital reduction	(204,500)	—	(204,500)
Balance as at 31 December 2007	**1,610,100**	**(1,012,429)**	**597,671**
Balance as at 1 January 2006	1,978,600	(1,193,381)	785,219
Net Profit/(loss) after income tax	—	74,473	74,473
Change in Equity — Capital reduction	(164,000)	—	(164,000)
Balance as at 31 December 2006	**1,814,600**	**(1,118,908)**	**695,692**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Gordian RunOff Limited
Cash Flow Statement
For the year ended 31 December 2007

	Note	2007 $'000	2006 $'000
Cash flows from operating activities			
Premiums received		5,929	16,828
Reinsurance and other recoveries		11,520	25,237
Dividends received		3,580	2,833
Interest received		66,509	80,902
Other sundry receipts		529	7,082
(Payments)/refunds of outward reinsurance		(354)	(774)
Claims paid		(112,791)	(149,686)
Other underwriting (costs)/benefits		(252)	(1,362)
Payments to suppliers and employees		(34,470)	(43,116)
Income taxes (paid)/received		(32,198)	2,020
Cash flows from/(used in) operating activities	**24**	**(91,998)**	**(60,036)**
Cash flows from investing activities			
Proceeds from sale of investments		808,708	807,810
Payments for investments		(555,036)	(613,805)
Proceeds from share cancellation — related party			—
Loans received from subsidiary		25,723	40,000
Loans from related party		6,760	—
Cash flows from/(used in) investing activities		**286,155**	**234,005**
Cash flows from/(used in) financing activities			
Payment for capital reduction		(204,500)	(164,000)
Cash flows from/(used in) financing activities		**(204,500)**	**(164,000)**
Net decrease in cash held		(10,343)	9,969
Balance at the beginning of the year		42,291	32,322
Reclass of cash to Investments		(18,091)	—
Balance at the end of the year	**24**	**13,857**	**42,291**

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This Financial Report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements are separate financial statements as the exemption from preparing consolidated financial statements has been used. The entity and its subsidiaries have been consolidated into the financial statements of AMP Limited, of 33 Alfred St Sydney NSW Australia, an entity incorporated in Australia. Copies of these accounts can be requested from AMP Limited at this address.

The entity's significant investments in subsidiaries, including the name, country of incorporation or residence, proportion of ownership interest and can found in Note 12 to these accounts. A description of the method used to account for these investments is described under Investment in controlled entities later in this note.

Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

The Financial Report has been prepared in accordance with the historical cost convention except for investments, which have been measured at fair value.

Accounting judgements and estimates

In the course of its operations the company applies judgements and makes estimates that affect the amounts recognised in the financial report. Estimates are based on a combination of historical experience and expectations of future events that are believed to be reasonable at the time.

Accounting Standards issued but not yet effective

Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 31 December 2007, except IFRS8 Operating Segments. The adoption of IFRS8 has removed the requirement for Operating Segment disclosures in this Financial Report.

When applied in future periods, all other recently issued or amended standards are not expected to have a material impact on the company's results or financial position; however they may impact Financial Report disclosures.

Changes in accounting policy

Since 1 January 2007, the company has adopted a number of Accounting Standards and Interpretations which were mandatory for annual periods beginning on or after 1 January 2007. Adoption of these Standards and Interpretations has not had any effect on the financial position or performance of the Company.

Operating revenue

Operating revenue comprises reinsurance and general insurance earned premiums, recoveries, interest income and investment income. Investment income is brought to account on an accrual basis. Other underwriting income comprises sundry receipts.

Premium revenue and unearned premiums

Premium revenue

Premium revenue comprises premiums from direct business and from reinsurance business.

Premium revenue includes amounts charged to the policyholders or other insurers, including fire service levies but excluding stamp duties, GST and other amounts collected on behalf of third parties.

Premium revenue, including that on unclosed business, is recognised in the income statement when it has been earned. Premium revenue is recognised in the income statement from the attachment date over the period of the contract for direct business and over the period of indemnity for reinsurance business. Where time does not approximate the pattern of risk, previous claims experience is used to derive the incidence of risk.

The proportion of premium received or receivable not earned in the income statement at the reporting date is recognised in the balance sheet as an unearned premium liability.

Premiums on unclosed business are calculated as the difference between an estimate of the ultimate and booked premiums. Actuarial techniques are used to estimate the ultimate premium and are based on historical premium booking patterns.

Unearned premiums

Unearned premiums represent premium revenue attributable to future accounting periods. For direct insurances and certain inwards reinsurance classes of business, unearned premium is determined by apportioning the premiums written in the year over the period of insurance cover, reflecting the pattern in which risk emerges under these policies.

In respect of inwards reinsurance space business, premiums are unearned until the satellite launch date, and thereafter are recognised as earned according to the risks associated with the launch, post launch and in-orbit periods.

Outward reinsurance premium expense and deferred reinsurance premium

Premiums ceded to reinsurers are recognised as an expense over the period of cover using the methods applicable to premium revenue as set out above.

Outstanding claims

The liability for outstanding claims is measured as the best estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Company, with an additional risk margin to allow for the inherent uncertainty in the best estimate.

The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling costs.

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs.

The liability for direct insurance includes an allowance for inflation and superimposed inflation and is measured as the present value of the expected future ultimate cost of settling claims. The expected future payments are discounted to present value using a risk free rate.

A risk margin is applied to the outstanding claims liability, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the best estimate. This risk margin increases the probability that the net liability is adequately provided for to a 75% confidence level.

Reinsurance and other recoveries

Reinsurance and other recoveries consist of receivables on paid claims and outstanding claims, and are recognised as revenue when claims are paid or the outstanding claim is raised. Reinsurance receivables are discounted to present value consistent with the discounting of outstanding claims set out above. A provision for impairment is recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The impairment charge is recognised in the income statement. Bad debts are written off as incurred.

Fire brigade levies and other statutory charges

A liability for fire brigade levies and other statutory charges is recognised on business written to the balance date. Levies and charges payable are expensed on the same basis as the recognition of the related premium revenue, with the portion relating to unearned premiums being reported as deferred statutory charges in Note 13.

Investment income

Dividend and interest income is recognised in the income statement on an effective interest method when the entity obtains control of the right to receive the revenue.

Realised gains and losses represent the change in value between the previously reported value and the amount received on sale of the asset. Unrealised gains and losses represent changes in the fair value of financial assets recognised in the period.

Assets backing general insurance liabilities

As part of its investment strategy, the Company actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities.

The Company has determined that all assets are held to back general insurance liabilities on the basis that all assets are available for the settlement of claims if required.

The following policies apply to assets held to back general insurance liabilities.

Financial assets

Financial assets are designated at fair value through profit or loss. Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant unrealised gains or losses recognised in the income statement. Details of fair value for the different types of financial assets are listed below:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand that is available on demand and deposits held at call with financial institutions. Cash and cash equivalents are carried at fair value, being the principal amount. For the purposes of the cash flow statement, cash also includes other highly liquid investments not subject to significant risk of change in value.

Cash trusts

The fair value of units in a listed cash trust reflects the quoted bid price at balance date. There is no reduction for realisation costs in the value of units in a cash trust. Unlisted unit trusts are recorded at fund managers valuations.

Debt securities

Debt securities are initially recognised at fair value, representing the purchase cost of the asset exclusive of any transaction costs. Debt securities are subsequently measured at fair value, with any realised and unrealised gains or losses arising from changes in the fair value being recognised in the income statement for the period in which they arise. The fair value of a traded interest bearing security reflects the bid price at balance date. Interest bearing securities that are not frequently traded are valued by discounting the estimated recoverable amounts, using prevailing interest rates. Debt securities are accounted for on a trade date basis.

Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value. All derivatives are carried as assets when their fair value is positive, and as liabilities when their fair value is negative. Derivatives are exchange traded and are fair valued using their publicly quoted bid price on the date of valuation.

Equity securities

Equity securities are initially recognised at fair value, representing the purchase cost of the asset exclusive of any transaction costs. Equity securities are subsequently measured at fair value, with any realised and unrealised gains or losses arising from changes in the fair value being recognised in the income statement. The fair value of a quoted equity security reflects the quoted bid price at balance date. Equity securities not traded in an organised financial market are valued at estimated fair value based on future cash flows discounted at appropriate interest rates.

Investments in controlled entities

Investments in controlled entities are valued at net assets which is an appropriate proxy for fair value. Any write down in value to recoverable amount is reported in the Income Statement.

Taxes

Income tax

Income tax expense is the tax payable on taxable income for the current period based on the income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to: (i) temporary differences between the tax bases of assets and liabilities and their balance sheet carrying amounts, and (ii) unused tax losses.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

The tax impact on income and expense items recognised directly in equity is also recognised directly in equity.

Tax Consolidation

AMP Limited, Gordian Runoff Limited and certain other wholly owned controlled entities of AMP Limited comprise a tax-consolidated group of which AMP Limited is the head entity. The implementation date for the tax-consolidated group was 30 June 2003.

Under tax consolidation, AMP Limited as head entity, assumes the following balances from subsidiaries within the tax-consolidated group:

(i) Current tax balances arising from external transactions recognised by entities in the tax-consolidated group occurring after the implementation date, and;

(ii) Deferred tax assets arising from unused tax losses and unused tax credits recognised by entities in the tax-consolidated group occurring after the implementation date.

A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group. Controlled entities in the tax-consolidated group will continue to be responsible, by the operation of the tax funding agreement, for funding tax payments required to be made by the head entity arising from underlying transactions of the controlled entities. Controlled entities will make (receive) contributions to (from) the head entity for the balances recognised by the head entity described in (i) and (ii) above. The contributions will be calculated in accordance with the tax funding agreement.

Assets and liabilities which arise as a result of differences between the periods in which the underlying transactions occur, and the period in which the funding payments under the tax funding agreement are made, are recognised as intercompany balances receivable and payable in the balance sheet. The recoverability of balances arising from the tax funding arrangements is based on the ability of the tax-consolidated group to utilise the amounts recognised by the head entity.

The entity will be required to make a payment to terminate its liability under the tax funding agreement if it leaves the tax consolidation group.

Goods and services tax

All revenues, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the particular expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the balance sheet.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

Foreign currency transactions and translation

Functional and presentation currency

Items included in the financial statements in each of the Gordian group entities are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The presentation currency of this financial report, and the functional currency of the parent entity, is Australian dollars.

Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at balance sheet date, with exchange gains and losses recognised in the income statement. The corresponding foreign currency translations of foreign currency denominated outstanding claims liabilities and receivables are reported as a component of claims expense and premium revenue, respectively. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Receivables

Receivables are financial assets and are measured at fair value. Given the short-term nature of most receivables, the recoverable amount approximates fair value. A provision for impairment is recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The impairment charge is recognised in the income statement. Bad debts are written off as incurred.

Payables

Trade creditors and accruals are recognised as liabilities for amounts to be paid in the future for goods and services received, whether or not billed to the entity.

Amounts Due To or From Related Parties

Amounts are carried at fair value being nominal amounts due and payable. Interest is taken up as income on an accrual basis. A provision for impairment is recognised when there is objective evidence that the related party will not be able to pay its debts.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates and judgments are applied are described below.

(a) The ultimate liability arising from claims made under insurance contracts

Provision is made at year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. IBNR claims may often not be reported to the insurer until many years after the events giving rise to the claims has happened. The liability class of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. For the short tail class, claims are typically reported soon after the claim event, and hence tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon analysis of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- the impact of large losses;
- movements in industry benchmarks.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions. Details of specific assumptions used in deriving the outstanding claims liability at year-end are detailed in note 3.

(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Company may not receive amounts due to it and these amounts can be reliably measured.

3. ACTUARIAL METHODS AND ASSUMPTIONS

The entity ceased writing new business and renewals in late 1999 for both its direct insurance and inwards reinsurance business and has run an orderly runoff since. The process for determining the value of outstanding claims liabilities is generally consistent between these two portfolios. This process is described below.

Claims estimates are derived from analysis of the results of several different actuarial models. These models take case estimates as well as payments into account and assume that reported incurred amounts or reported payment amounts will develop steadily from period to period. Other models adopt an ultimate loss ratio for each year that reflects both the long term expected level, as well as incorporating recent experience. The analysis is performed by underwriting year for the inwards reinsurance class and by accident year for the direct insurance class.

Claims are first estimated on an undiscounted basis and are then discounted to allow for the time value of money. The valuation methods adopted include an implicit allowance for future inflation but do not identify the explicit rate. This allows for both general economic inflation as well as any superimposed inflation detected in the modelling of payments experience. Superimposed inflation arises from non-economic factors such as developments of legal precedent.

The liability class of business may be subject to the emergence of new types of latent claims, but no specific allowance is included for this as at the balance sheet date. Such uncertainties are considered when setting the risk margin appropriate for this class.

A description of the processes used to determine the key assumptions is provided below:

The **average weighted term to settlement** is calculated separately by class of business, based on historical settlement patterns.

The **reinsurance percentage** for the direct insurance business is calculated based on past reinsurance recovery rates and the structure of the reinsurance arrangements in place.

3. ACTUARIAL METHODS AND ASSUMPTIONS (Continued)

The **discount rates** are derived from market yields on Government securities as at the balance date, in the currency of the expected claim payments.

Expense rate Claim handling expenses are calculated based on the projected costs of administering the remaining claims until expiry.

The **ultimate to incurred claims ratio** is derived by accident or underwriting year based on historical development of claims from period to period.

The effect of changes in the assumptions have been shown in the reconciliations of general insurance assets and liabilities in note 15 below.

Process for determining risk margin

The risk margin was determined initially for each portfolio, allowing for the uncertainty of the outstanding claims estimate for each portfolio. Uncertainty was analysed for each portfolio taking into account past volatility in general insurance claims, potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, and the general insurance environment. The estimate of uncertainty is generally greater for long tailed classes when compared to short tail classes due to the longer time until settlement of outstanding claims.

The overall risk margin was determined allowing for diversification between the different portfolios and the relative uncertainty of each portfolio. The assumptions regarding uncertainty for each class were applied to the net central estimates, and the results were aggregated, allowing for diversification in order to arrive at an overall provision that is intended to have a 75% probability of adequacy.

Risk Margins applied	2007 %	2006 %
Direct insurance	18.8	23.6
Inwards reinsurance	17.6	15.8

Sensitivity analysis — general insurance contracts

There are a number of variables which impact the amounts recognised in the financial statements arising from insurance contracts.

The profit or loss and equity of the company are sensitive to movements in a number of key variables as described below.

Variable	Description of variable
Direct and reinsurance	
Average weighted term to settlement	Expected payment patterns are used in determining the outstanding claims liability. A decrease in the average term to settlement would lead to claims being paid sooner than anticipated.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money.
Expense rate	An estimate for the internal costs of administering claims is included in the outstanding claims liability.
Ultimate to incurred claims ratio	The estimated ultimate claims cost is generally greater than the claims reported as incurred to date, due to claims that are incurred but not reported (IBNR) or due to future developments on existing claims.
Direct only	
Reinsurance percentage	The direct class assumes money will be recoverable from reinsurers on future claims paid.

3. ACTUARIAL METHODS AND ASSUMPTIONS (Continued)

The following table provides an analysis of the sensitivity of the profit after income tax and total equity to changes in these assumptions both gross and net of reinsurance.

2007

Direct Insurance

Variable	Change in variable	Assumption at 12/07 Gross	Net	Profit/(Loss) (after tax) Gross of Reinsurance $'000	Net of Reinsurance $'000
Average weighted term to settlement	+0.5 year	4.6 years	4.7 years	2,945	2,468
	-0.5 year			(4,134)	(3,491)
Reinsurance percentage	+1%	n/a	12.0%	—	212
(as % of gross IBNR)	-1%			—	196
Discount Rate[1]	+1%	6.4%	6.4%	4,596	3,886
	-1%			(4,842)	(4,197)
Expense Rate	+1%	15.0%	15.0%	(1,086)	(1,086)
	-1%			1,086	1,086
Ultimate to incurred claims ratio[2]	+1%	105.0%	106.0%	(5,965)	(2,797)
	-1%			4,478	3,841

Inwards Reinsurance

Variable	Change in variable	Assumption at 12/07 Gross	Net	Profit/(Loss) (after tax) Gross of Reinsurance $'000	Net of Reinsurance $'000
Average weighted term to settlement	+0.5 year	5.7 years	5.7 years	2,606	2,584
	-0.5 year			(4,394)	(4,411)
Reinsurance percentage	+1%	n/a	n/a	—	—
(as % of gross IBNR)	-1%			—	—
Discount Rate[1]	+1%	4.2%	4.2%	8,171	8,146
	-1%			(10,484)	(10,498)
Expense Rate	+1%	18.0%	18.0%	(1,446)	(1,445)
	-1%			1,446	1,445
Ultimate to incurred claims ratio[2]	+1%	103.0%	103.0%	(11,890)	(11,890)
	-1%			7,772	7,772

1 — This sensitivity reflects the liability movements only. As assets are invested to match the term of liabilities there is little overall profit impact from a change to interest rates.

2 — This ratio has only been adjusted for years that are not considered to be fully developed.

3. ACTUARIAL METHODS AND ASSUMPTIONS (Continued)

2006

Direct Insurance

Variable	Change in variable	Assumption at 12/06 Gross	Assumption at 12/06 Net	Profit/(Loss) (after tax) Gross of Reinsurance $'000	Profit/(Loss) (after tax) Net of Reinsurance $'000
Average weighted term to settlement	+0.5 year	4.5 years	4.6 years	3,949	3,379
	-0.5 year			(5,202)	(4,248)
Reinsurance percentage	+1%	n/a	10.3%	—	149
(as % of gross IBNR)	-1%			—	(295)
Discount Rate[1]	+1%	6.0%	6.0%	5,603	5,133
	-1%			(7,011)	(5,557)
Expense Rate	+1%	8.8%	8.8%	(2,176)	(2,176)
	-1%			2,176	2,176
Ultimate to incurred claims ratio[2]	+1%	107.9%	108.9%	(6,862)	(4,383)
	-1%			4,392	3,626

Inwards Reinsurance

Variable	Change in variable	Assumption at 12/06 Gross	Assumption at 12/06 Net	Profit/(Loss) (after tax) Gross of Reinsurance $'000	Profit/(Loss) (after tax) Net of Reinsurance $'000
Average weighted term to settlement	+0.5 year	4.4	4.4	5,615	5,582
	-0.5 year			(5,755)	(5,775)
Reinsurance percentage	+1%	n/a	n/a	n/a	n/a
(as % of gross IBNR)	-1%			n/a	n/a
Discount Rate[1]	+1%	5.0%	5.0%	9,420	9,384
	-1%			(9,917)	(9,933)
Expense Rate	+1%	15.8%	15.8%	(1,997)	(1,994)
	-1%			1,997	1,994
Ultimate to incurred claims ratio[2]	+1%	102.9%	103.0%	(13,739)	(13,739)
	-1%			7,727	7,727

1 — This sensitivity reflects the liability movements only. As assets are invested to match the term of liabilities there is little overall profit impact from a change to interest rates.

2 — This ratio has only been adjusted for years that are not considered to be fully developed.

4. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS

The company's policies and procedures in respect of managing risks are set out in this note below.

The Board has ultimate responsibility for risk management and governance, including ensuring an appropriate risk framework is in place and is operating effectively. There are, however, other bodies and individuals associated with the Company that manage and monitor financial risk.

The Board

The Board is responsible for the approval of policy regarding shareholder capital investment strategy, policyholder asset and liability strategy and setting the financial risk appetite.

The Audit Committee

The Audit Committee is responsible for ensuring the existence of effective financial risk management policies and procedures.

The Approved Actuary

The Approved Actuary is responsible for reporting on solvency and capital adequacy. A Financial Condition report (FCR) and an Insurance Liability Valuation report (ILVR) must be provided to the Board and the Australian Prudential Regulatory Authority (APRA) at least annually, the ILVR must be peer reviewed annually by an external independent actuary. The Insurance Act also imposers obligations on the Approved Actuary to bring to the attention of the company or in certain circumstances APRA any matter that the Approved Actuary thinks requires action to be taken to avoid prejudice in the interests of the policy holders.

As part of the overall governance framework the and in accordance with Prudential Standards GPS 220 Risk Management and GPS 230 Reinsurance Management issued APRA, the Board and senior management have developed, implemented and maintain a sound and prudent Risk Management Strategy (RMS) and a Reinsurance Management Strategy (REMS).

The RMS and REMS identify the Company's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Company. Annually, the Board certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Company has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to the compliance with the RMS and REMS. The RMS and REMS have been approved by both the Board and APRA.

4. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (Continued)

Key aspects of the processes established in the RMS to mitigate risks include:

- A formal regular process of risk identification and evaluation, supplemented by a documented control assessment process, is completed by management and communicated to the Board in line with the Board approved Risk Management Strategy.
- Actuarial models, using information from management information systems, to monitor claims patterns and other relevant statistics. Past experience and statistical methods are used as part of the process.
- The maintenance and use of various specialist information systems, which provide up to date and reliable data on claims liabilities.
- Documented procedures that are followed by claims staff that are experienced in the various classes of business previously written.
- Reinsurance has been used, particularly in the early period of the run-off to limit the Company's exposure to large single claims. The REMS provides that exposures continue to be monitored and where feasible reinsurance be purchased as means of limiting risk.
- The mix of investment assets is driven by the nature and term of the insurance liabilities. The management of assets and liabilities is closely monitored in an attempt to match the maturity dates of assets with the expected pattern of claim payments.

Risk and Mitigation

The Company's activities expose it to a variety of risks. The major risks associated with insurance contracts include:

a) Development of claims

There is a possibility that changes may occur in the estimate of our obligations at the end of a contract period. The tables in note 15 show the estimates of total ultimate claims at successive year-ends.

b) Terms and conditions of direct and inwards reinsurance business

There is limited scope to improve the existing terms and conditions. The company has been in orderly run off since 1999, and no new contracts have been entered into since that time.

c) Concentration of insurance risk

The exposure to concentrations of insurance risk can be mitigated with the purchase of reinsurance where management believes that the price /risk transfer is suitable.

Financial risks include:

Market risk

a) Interest rate risk

Interest rate risk arises to the extent that there is a mismatch between the fixed-interest portfolios used to back the outstanding claims liability and those outstanding claims. The interest rate risk is managed by matching the duration profiles of the investments assets and the outstanding claims liability.

The accounting policy notes describe the policies used to measure and report the assets and liabilities of the Company. Where the applicable market value is determined by discounting future cash flows, movements in interest rates will result in a reported unrealised gain or loss in the profit and loss account.

AMP Capital Investors Limited manages the investment portfolios on behalf of the Company. The Company seeks to reduce its interest rate risk through the use of investment portfolios as a hedge against its insurance liabilities. To the extent that these assets and liabilities can be matched, unrealised gains or losses on revaluation of liabilities resulting from interest rate movements will be offset by unrealised losses or gains on revaluation of investment assets.

4. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (Continued)

Interest rate sensitivity analysis

The following table demonstrates the impact of a 100 basis point change in Australian interest rates, with all other variables held constant, on the company's shareholder profit after tax. It is assumed that the change occurs as at the reporting date (31 December) and there are concurrent movements in interest rates and parallel shifts in yield curves.

Change in Variable	31 Dec 07 Impact on Profit after tax $'000	31 Dec 06 Impact on Profit after tax $'000
+100 basis points	(2,797)	(6,000)
- 100 basis points	2,797	6,000

b) Foreign Currency risk analysis

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in exchange rates.

The Company's financial assets are primarily dominated in the same currencies as its insurance contract liabilities, being United States dollar (USD), Great Britain pounds (GBP) and the European Union Currency (EURO). Where insurance contract liabilities are payable in a foreign currency other than the three mentioned above, the assets backing these liabilities are held in one of the three currencies (or Australian dollars) which best resembles an appropriate proxy.

Other exposures to foreign currency are immaterial.

The following table demonstrates the impact of a 10% increase or decrease in the relevant proxy currencies if the underlying liability currency moved 10% . It is assumed that the relevant change occurs at reporting date.

Change in Variable	31 Dec 07 Impact on Profit after tax $'000	31 Dec 06 Impact on Profit after tax $'000
+10%	(1,055)	(1,354)
- 10%	1,055	1,354

4. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to met its debt obligations or other cash outflows as they fall due because of lack of liquid assets. The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturiy profiles of assets and liabilities. As required by APRA prudential Standard GPS 220, the Company has developed and implemented a risk management strategy which is described earlier in this note to control this risk.

The table below summaries the maturity profile of the company's financial liabilities at 31 December based on contractual undiscounted obligations.

31 Dec 07

	$'000 Up to 1 year	$'000 2 to 3 years	$'000 4 to 5 years	$'000 Over 5 years	$'000 Total
Financial liabilities:					
Payables	9,835	—	—	—	9,835
Derivatives	—	535	—	443	978
Total	9.835	535	—	443	10,813

31 Dec 06

	$'000 Up to 1 year	$'000 2 to 3 years	$'000 4 to 5 years	$'000 Over 5 years	$'000 Total
Financial liabilities:					
Payables	8,853	—	—	—	8,853
Derivatives	—	308	—	753	1,061
Total	8,853	308	—	753	9,914

Credit risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitments in full and on time, or from losses arising from the change in value of traded financial instruments as a result of changes in credit risk on that instrument.

Credit risk arising from exposure to individual counter parties in the investment portfolios is managed by the investment manager, AMP Capital Investors' Compliance and Business Risk team, according to a separate investment mandate approved by the Board which aims to duration band match the insurance liability profile within specified credit criteria constraints. Compliance with the mandate is reported to the Board of Directors.

Credit risk in trade receivables in managed by analysing the credit ratings of the underlying debts.

Other than loans to related parties, there are no significant concentrations of credit risk.

4. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (Continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counter parties:

	31 Dec 07		31 Dec 06	
	Reinsurance & Other Recoveries $ 000	Other Financial Instruments $ 000	Reinsurance & Other Recoveries $ 000	Other Financial Instruments $ 000
AAA	1,168	363,098	4,309	610,982
AA	8,883	535,309	13,661	561,868
A	7,417	49,239	11,721	42,806
BBB	1,272	—	1,410	—
Below BBB	64	—	109	—
Not rated	10,696	70,723	17,637	60,488
Total	29,501	1,018,369	48,847	1,276,144

The following table provides an aged analysis of financial assets neither past due or impaired, past due and not impaired and impaired assets. Impairment is calculated in accordance with note 1.

31 Dec 07	Neither past due nor impaired $000	Past due but not impaired Under 90 days $000	More than 91 days $000	Impaired $000	TOTAL $000
Receivables	6,626	(107)	5,276	47	11,842
Reinsurance and Other recoveries	12,164	12	1,361	15,964	29,501

31 Dec 06	Neither past due nor impaired $000	Past due but not impaired Less than 90 days $000	More than 91 days $000	Impaired $000	TOTAL $000
Receivables	8,898	(14)	5,419	—	14,303
Reinsurance and Other recoveries	5,060	15,800	205	27,782	48,847

4. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (Continued)

Fair Value

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenue and expenses are recognised, in respect of each class of financial asset, financial liability and other investments are under and in Note 1.

Categories of financial instruments

	Note	2007 $'000	2006 $'000
Reinsurance and other recoveries	11	29,501	48,847
Financial assets			
Fair value through the profit and loss:			
Cash & cash equivalents	24	13,857	42,291
Receivables	10	11,842	14,303
Other financial assets	12	1,018,369	1,276,144
Financial Liabilities			
Payables	16	9,835	8,853
Income tax payable		26,227	24,649

The recorded bid price equates to net fair value for listed debt and equity securities. For derivative contracts, fair value equates to the unrealised gain/loss on the outstanding contract. For the following financial instruments, the cost carrying amount is considered to equate to their fair value:

- cash deposits
- loans to related parties
- receivables
- payables.

Derivative transactions

The Company uses derivatives in the following way:

Investment management operations

Authority has been given to the investment managers to use derivatives in managing the investment portfolios. There may be various reasons why investment in derivatives is more appropriate than investment in the underlying physical asset including hedging, liquidity and pricing.

The types of derivatives, which the investment manager can use include, interest rate swaps and futures, share price index futures and forward currency agreements.

4. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (Continued)

Extent of derivative transactions

	Notional value 2007 $'000	Fair value 2007 $'000	Notional value 2006 $'000	Fair value 2006 $'000
Investment management operations				
Interest Rate Swap Contracts	—	—	10,500	(235)
Interest Rate Futures Contracts	75,006	27	104,668	(480)
Equity Futures & Options Contracts	7,170	(220)	16,762	1,133

The notional value refers to the value of the underlying assets of the derivatives contract. The fair value is the unrealised gain/(loss) on the outstanding contracts.

Capital Management

The Company is subject to externally imposed capital management requirements. The Company must comply with Capital requirements as specified under APRA General Insurance Prudential Standards.

The primary capital management objective is to ensure the company will be able to continue as a going concern while minimising excess capital; through capital initiatives, where appropriate.

The Company's capital position is monitored by the Company's Board. There have been no changes in the capital management objectives, policies and processes from the previous period.

The company has at all times during the current and prior financial year complied with the externally imposed capital requirements imposed by Prudential Standard GPS110 and the requirements set out in its insurance license.

The Minimum Capital Requirement (MCR) as a ratio of the Company's capital base is shown in the table under.

	2007 $'000	2006 $'000
Tier 1 Capital		
Paid-up ordinary shares	1,610,100	1,814,600
General reserves	—	—
Retained earnings	(1,118,908)	(1,193,381)
Current year earnings	106,479	74,473
Excess technical provisions (net of tax)		
Less : deductions	32,679	44,573
Net Tier 1 Capital	564,992	651,119
Net Tier 2 Capital	—	—
Total Capital Base	564,992	651,119
Minimum Capital Requirement	91,649	133,113
Capital Adequacy Multiple	6.16	4.89

The entity complies with Prudential Standard GPS110 and the requirements set out in its insurance license.

5. NET PREMIUM REVENUE

	2007 $'000	2006 $'000
Gross written premium — direct	4	8
Movement in unearned premium — direct	—	20
Direct premium revenue	4	28
Gross written premium (expense)/benefit — inwards	4,689	(1,168)
Movement in unearned premium — inwards	—	—
Inwards reinsurance premium (expense)/revenue	4,689	(1,168)
Premium (expense)/revenue	**4,693**	**(1,140)**
Outwards reinsurance premium (expense)/revenue	(280)	(323)
Net Premium Revenue /(Expense)	**4,413**	**(1,463)**

6. NET CLAIMS INCURRED

2007

	Current year $'000	Prior years $'000	Total $'000
Gross claims expense			
Direct	—	(101,038)	(101,038)
Inwards reinsurance	—	(43,307)	(43,307)
Gross claims incurred — undiscounted	—	(144,345)	(144,345)
Discount movement	—	25,441	25,441
Total gross claims expense	—	(118,904)	(118,904)
Reinsurance and other recoveries revenue			
Reinsurance and other recoveries — undiscounted	—	10,018	10,018
Discount movement	—	(3,516)	(3,516)
Total reinsurance and other recoveries revenue	—	6,502	6,502
Net claims incurred	**—**	**(112,402)**	**(112,402)**

2006

	Current year $'000	Prior years $'000	Total $'000
Gross claims expense			
Direct	—	(25,847)	(25,847)
Inwards reinsurance	—	(59,464)	(59,464)
Gross claims incurred — undiscounted	—	(85,311)	(85,311)
Discount movement	—	14,049	14,049
Total gross claims expense	—	(71,262)	(71,262)
Reinsurance and other recoveries revenue			
Reinsurance and other recoveries — undiscounted	—	3,444	3,444
Discount movement	—	(556)	(556)
Total reinsurance and other recoveries revenue	—	2,888	2,888
Net claims incurred	**—**	**(68,374)**	**(68,374)**

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the risks borne in all previous financial years.

As the company stopped writing new business in late 1999, all claims development relates to prior years.

7. OPERATING EXPENSES

	2007 $'000	2006 $'000
Expenses by Nature		
Commission expenses	142	959
Write-off of Bad Debt	6	2,634
Impairment expense — premium receivables	(396)	304
Impairment expense — reinsurance receivables	(1,151)	(3,331)
Net gain on foreign currency	(2,588)	(1,059)
Investment management fees	1,279	2,142
Other management fees	23,892	25,652
External consultant costs	971	1,245
Interest on loan — subsidiary	1,061	—
Other expenses	3,372	(972)
Total Expenses	**26,588**	**27,574**
represented by:		
General administration expenses included in net claims incurred	18,553	17,612
Acquisition benefit	(114)	(1,618)
Other underwriting expenses	231	1,043
General administration expenses	6,857	10,537
Finance costs	1,061	—
Total expenses	**26,588**	**27,574**

8. NET INVESTMENT REVENUE

	2007 $'000	2006 $'000
Investment income		
Interest	37,568	49,005
Interest from/(to) related parties:		
- other related parties	28,941	31,912
Dividends and other distributions received	3,580	2,187
Dividends from related parties:		
- subsidiaries	—	645
Changes in fair value of investments:		
Realised	(29,919)	(21,115)
Unrealised	3,175	(16,674)
Total net investment revenue	**43,345**	**45,960**

9. INCOME TAX

a) Analysis of income tax expense

	2007 $'000	2006 $'000
Current tax	37,049	24,055
Decrease in deferred tax assets	7,539	7,209
Decrease in deferred tax liabilities	—	(3)
Under provided in previous years	1,584	(1,785)
Other adjustments	(500)	—
Prior year tax losses not recognised now recouped	—	—
Income tax expense	**45,672**	**29,476**

b) Relationship between income tax expense and accounting profit

The table below provides a reconciliation of differences between prima facie tax calculated as 30% of the profit before income tax for the period and the actual income tax expense recognised in the income statement for the period

In respect of income tax expense attributable to shareholders, the tax rate which applies in both 2007 and 2006 is 30% for Australia and 33% for New Zealand.

	2007 $'000	2006 $'000
Operating profit before income tax	**152,151**	**103,948**
Prima facie income tax at the rate of 30%	45,645	31,184
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/assessable in calculating taxable income:		
Non assessable income	—	3
Unrealised revaluation of controlled entity	233	—
Capital Loss on subsidiary	(1,181)	—
Other	(609)	74
Over/(Under) provided in prior years	1,584	(1,785)
Income tax expense per income statement	**45,672**	**29,476**

c) Analysis of deferred tax asset

	2007 $'000	2006 $'000
Amounts recognised in income:		
- Provision for doubtful debts	8,510	14,713
- Accruals	60	239
- Indirect Claims Costs Adjustments	16,726	20,070
- Unrealised gains/losses	6,202	9,561
- Other	—	6
- Current year's tax losses	1,181	—
Total deferred tax assets	**32,679**	**44,589**

d) Analysis of deferred tax liability

	2007 $'000	2006 $'000
Amounts recognised in income:		
- Other	—	16
Total deferred tax liability	**—**	**16**

	2007 $'000	2006 $'000
Deferred tax asset	32,679	44,589
Deferred tax liability	—	(16)
Net deferred tax asset	**32,679**	**44,573**

10. RECEIVABLES

	2007 $'000	2006 $'000
Current		
Premiums receivable — direct insurance	9	13
less: provision for impairment of premium receivable	(9)	(13)
	—	—
Premiums receivable — inwards reinsurance	9,518	9,411
less: provision for impairment of premium receivable	(2,201)	(2,594)
	7,317	6,817
Premium receivables — direct & inwards reinsurance	7,317	6,817
Other receivables	235	529
Other receivables from related parties		
-other related parties	—	1,325
Interest receivable from related parties		
-other related parties	2,494	2,498
Total current receivables	**10,046**	**11,169**
Non-current		
Premiums receivable — inwards reinsurance	1,796	3,134
Total non-current receivables	**1,796**	**3,134**

11. REINSURANCE AND OTHER RECOVERIES

	2007 $'000	2006 $'000
Expected future reinsurance recoveries undiscounted		
- on claims paid	23,191	25,988
- on outstanding claims	41,173	62,389
	64,364	88,377
Discount to present value	(8,706)	(12,222)
less: provision for impairment of reinsurance assets	(26,157)	(27,308)
Reinsurance and other recoveries receivable	29,501	48,847
Current		
Reinsurance and other recoveries receivable	31,448	39,701
less: provision for impairment of reinsurance assets	(17,745)	(20,611)
	13,703	**19,090**
Non-current		
Reinsurance and other recoveries receivable	24,211	36,454
less: provision for impairment of reinsurance assets	(8,413)	(6,697)
	15,798	**29,757**

Refer to note 15 for a reconciliation of the movement in reinsurance and other recoveries on incurred claims over the year.

12. OTHER FINANCIAL ASSETS

	Company	
	2007 $'000	2006 $'000
Current		
Quoted investments — at fair value		
Government and semi-government bonds*	63,208	31,147
Corporate bonds	44,563	79,335
Derivatives	1,818	1,875
	109,589	112,357
Unquoted investments — at fair value value		
Units held in cash management trusts		
- Other related parties	4,193	—
Units held in other unit trusts		
- Other related parties	34,847	15,151
Loan to related party in the wholly owned group	442,119	422,094
	481,159	437,245
Total current financial assets	**590,748**	**549,602**
Non-current		
Quoted investments — at fair value		
Government and semi-government bonds*	223,969	400,150
Corporate bonds	171,969	293,922
Shares in other corporations	926	935
	396,864	695,007
Unquoted investments — at fair value		
Shares in controlled entities	30,689	31,467
Shares in associated entities	68	68
	30,757	31,535
Total non-current financial assets	**427,621**	**726,542**
Total financial assets	**1,018,369**	**1,276,144**

* The Company has given security over government and semi-government bonds against letters of credit of $28.3m (31 December 2006: $44.9m). These assets provide security to the extent of 105% to 110% of the outstanding letters of credit. The security agreements do not restrict the investments from being traded.

12. OTHER FINANCIAL ASSETS (continued)

Investments in controlled entities

Name of entity	2007 %	2007 $'000	2006 %	2006 $'000
Gordian RunOff (UK) Limited	100	30,689	100	31,467
		30,689		**31,467**

Gordian RunOff (UK) Limited is incorporated in the United Kingdom and is audited by Ernst & Young UK.

13. OTHER ASSETS

	2007 $'000	2006 $'000
Current		
Deferred acquisition costs	—	—
Prepayments	164	240
Total current other assets	**164**	**240**

	2007 $'000	2006 $'000
Deferred acquisition costs as at 1 January	—	3
Amortisation charged to income	—	(3)
Deferred acquisition costs as at 31 December	**—**	**—**

14. UNEARNED PREMIUM

	2007 $'000	2006 $'000
Unearned premium liability as at 1 January	—	20
Earning of premiums written in previous periods	—	(20)
Unearned premium liability as at 31 December	**—**	**—**

15. OUTSTANDING CLAIMS

	2007 $'000	2006 $'000
Central estimate	467,488	703,638
Risk margin	64,931	103,293
	532,419	806,931
Discount to present value	(85,463)	(109,727)
Gross outstanding claims liability	**446,956**	**697,204**
Current	90,891	112,751
Non-current	356,065	584,453
Total outstanding claims	**446,956**	**697,204**

Investment assets in the form of debt securities are held to back the liability for outstanding claims and are realised on a regular basis to meet claims. The amount of claims likely to be settled within 12 months of the reporting date is classified as current.

The Company has been closed to new business since 1999 and there have been no new direct or inwards reinsurance contracts issued in the five years prior to and including this report.

As described in note 1, the outstanding claims liability is the best estimate of the present value of the expected future payments, after the inclusion of a risk margin. At each balance date, the amount of the liability is reassessed and it is likely that changes will arise in the estimates of liabilities. The tables in the following pages show the estimates of total ultimate claims at successive year ends.

15. OUTSTANDING CLAIMS (continued)

Reconciliation of movement in discounted outstanding claims liability

2007

	Gross $'000	Reinsurance $'000	Net $'000
Amount outstanding brought forward	697,204	48,847	648,357
Claim payments/ recoveries during the period	(112,791)	(11,520)	(101,271)
Effect of changes in assumptions	(118,509)	(7,853)	(110,656)
Effect of changes in exchange rates	(18,948)	27	(18,975)
Amount outstanding carried forward	**446,956**	**29,501**	**417,455**

2006

	Gross $'000	Reinsurance $'000	Net $'000
Amount outstanding brought forward	918,152	71,196	846,956
Claim payments/ recoveries during the period	(149,686)	(25,237)	(124,449)
Effect of changes in assumptions	(57,129)	2,857	(59,986)
Effect of changes in exchange rates	(14,133)	31	(14,164)
Amount outstanding carried forward	**697,204**	**48,847**	**648,357**

15. OUTSTANDING CLAIMS (continued)

Claims Development Table

	Inwards Reinsurance		Direct Insurance		Total	
Estimate of Cumulative claims	**Net $'000**	**Gross $'000**	**Net $'000**	**Gross $'000**	**Net $'000**	**Gross $'000**
31 December 2001	5,064,881	5,402,510	1,384,633	1,857,817	6,449,514	7,260,327
31 December 2002	5,026,838	5,389,980	1,415,333	1,920,262	6,442,171	7,310,242
31 December 2003	5,044,587	5,439,170	1,462,533	1,952,003	6,507,120	7,391,173
31 December 2004	4,990,587	5,379,685	1,432,295	1,882,078	6,422,882	7,261,763
31 December 2005	4,966,996	5,344,998	1,491,990	1,933,978	6,458,986	7,278,976
31 December 2006	4,938,503	5,313,834	1,463,731	1,901,401	6,402,234	7,215,235
31 December 2007	4,930,513	5,305,046	1,393,892	1,822,020	6,324,405	7,127,066
Estimate of Cumulative Claims at 31 December 2007	4,930,513	5,305,046	1,393,892	1,822,020	6,324,405	7,127,066
Cumulative Payments	4,691,017	5,064,768	1,259,843	1,650,593	5,950,860	6,715,361
Undiscounted central estimate	**239,496**	**240,278**	**134,049**	**171,427**	**373,545**	**411,705**
Effect of Discounting	43,160	43,160	33,614	42,303	76,774	85,463
Discounted Central Estimate	**196,336**	**197,118**	**100,435**	**129,124**	**296,771**	**326,242**
Risk Margin						64,931
Claims Handling Provision						55,783
Gross Outstanding Claims as per the Balance Sheet						**446,956**

16. PAYABLES

	2007 $'000	2006 $'000
Current		
Trade & other creditors	1,996	3,303
Other borrowings from related parties		
- subsidiaries		—
- other related parties	7,551	5,128
Total current payables	**9,547**	**8,431**
Non-current		
Trade & other creditors	288	422
Total non-current payables	**288**	**422**

17. INTEREST BEARING LOAN

	2007 $'000	2006 $'000
Current		
Loan		
— subsidiaries	25,723	—
Total current payables	**25,723**	**—**

18. ISSUED CAPITAL

	2007 $'000	2006 $'000
Paid up capital		
1,840,000,005 fully paid ordinary shares at $0.88 per share (2006: 1,840,000,005) at $0.99 per share	1,610,100	1,814,600
Total paid up capital	**1,610,100**	**1,814,600**
Movement in ordinary share capital		
Balance beginning of the year	1,814,600	1,978,600
Movement for the year — Capital reduction 18 August 06	—	(164,000)
Movement for the year — Capital reduction 27 June 07	(113,000)	—
Movement for the year — Capital reduction 28 May 07	(91,500)	—
Balance at the end of the period	**1,610,100**	**1,814,600**

Rights attaching to Ordinary Shares

Ordinary shares attract the following rights:

(a) to receive notice of and to attend and vote at all general meetings of the Company;

(b) to receive dividends; and

(c) in a winding up, to participate equally in the distribution of the assets of the Company (both capital and surplus), subject only to any amounts unpaid on the Share.

19. FRANKING ACCOUNT

No dividends were paid or proposed during the year.

The AMP Limited group entered into Tax Consolidation during 2003. Under Tax Consolidation, the franking account balances for group companies were transferred to the Head Entity, AMP Limited.

The entity will be required to make a payment to terminate its liability under the tax funding agreement if it leaves the tax consolidation group.

20. KEY MANAGEMENT PERSONNEL COMPENSATION

The following individuals were the key management personnel of Gordian RunOff Limited for the current and prior reporting periods (unless stated otherwise):

Name	Date of Appointment/Resignation during the current or prior reporting period
Peter Clarke	
Richard Grellman	
Paul Leaming	31-12-2007, Appointed
William Roberts	
Felix Zaccar	
Peter Hodgett	31-12-2007, Resigned
Andrew Mohl	31-12-2007, Resigned

The following table provides aggregate details of the compensation of key management personnel of Gordian RunOff Limited.

Year	Short-term employee benefits $	Post-employment benefits $	Other long-term benefits $	Termination benefits $	Share-based payments $	Total $
2007	6,396,418	204,889	—	7,667,817	2,837,771	17,106,895
2006	6,306,101	205,061	—	—	2,318,215	8,829,377

Key management personnel disclosed above, also provided services to other related entities during the year. The above remuneration amounts include all amounts paid for services rendered to related entities and those services rendered to Gordian RunOff Limited.

21. AUDITORS' REMUNERATION

	2007 $'000	2006 $'000
Amounts received, or due and receivable, by Ernst & Young for:		
— other services	237	129

Auditors' remuneration for the year ended 31 December 2007 is paid on the entity's behalf by a controlled entity within the AMP Limited Group.

22. CONTINGENT LIABILITIES

Legal disputes

The nature of the insurance reinsurance business from time to time gives rise to disputes. Several claims have been denied or recoveries disputed, giving rise to legal actions over coverage issues. Any resulting litigation/arbitration will be vigorously defended or pursued. In assessing claim liabilities or reinsurance recoveries, management has reserved based on its best estimate of the likely outcomes. The nature of these disputes are such that the quantum and timing of the outcome are uncertain.

23. RELATED PARTIES

Controlling Entity

The immediate parent entity at 31 December 2007 is AG Australia Holdings Ltd. AMP Limited at 31 December 2007 is the ultimate parent entity.

Controlled Entities

Information relating to controlled entities is included at Note 12.

Directors

The directors of the Company during the financial year, and the dates of appointments and resignations during the year are:

Peter Clarke	
Richard Grellman	
Paul Leaming	31-12-07, Appointed
William Roberts	
Felix Zaccar	
Peter Hodgett	
Andrew Mohl	31-12-07, Resigned

Other transactions with key management personnel of the Company

During the year, transactions may have been entered into between key management personnel and entities within the AMP Limited Group. These transactions are within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those available to other employees, customers or members (unless otherwise described below) and may include:

- normal personal banking with AMP Bank Limited including the provision of credit cards;
- the purchase of AMP superannuation and related products;
- financial investment services;
- other advisory services.

These transactions do not have the potential to adversely affect the decisions about the allocation of scarce resources made by users of the consolidated entity's financial statements, or discharge of accountability by key management personnel. The transactions are considered to be trivial or domestic in nature.

Transactions within the wholly owned group

Transactions between Gordian RunOff Limited and its controlled entities, and other related parties for the financial year consisted of:

- Payment of management fees for services provided;
- Provision of intercompany loan;
- Interest on intercompany loan;
- Receipt of dividend; and
- Provision of share capital.

The aggregate amounts brought to account in respect of the following types of transactions and each class of related party involved were:

	2007 $	2006 $
Amounts attributable to transactions with related parties		
Operating profit before income tax includes aggregate amounts attributable to transactions in respect of:		
Investment Expenses — other related parties	997,909	2,053,027
Interest Revenue — other related parties	28,941,231	31,911,761
Dividend Revenue — subsidiaries	—	645,161
Management Expenses — other related parties	23,891,864	25,652,346

	2007 $	2006 $
Amounts receivable from and payable to related parties		
Aggregate amounts receivable at balance date from:		
Interest receivable — other related parties	2,493,927	2,498,449
Intercompany receivables — other related parties	—	1,325,723
Loans — other related parties	442,118,711	422,093,922
Aggregate amounts payable at balance date to:		
Payables — other related parties	26,036,115	5,128,164

AMP Capital Investors Limited, a related entity within the wholly owned group, manages the majority of the investments of the consolidated entity under a management contract, which follows the normal terms and conditions for such contracts. Fees are paid or are due and payable for the management of investment portfolios under normal terms and conditions.

AMP Services Limited and Enstar Australia Limited (formerly Cobalt Solutions Australia Limited), fellow wholly owned controlled entities, provide operational and administrative (including employee related) services to the consolidated entity. The services provided are in the normal course of the business and are on normal commercial terms and conditions.

The Company advanced additional loans to AMP Life Limited. These transactions were made under normal market terms and conditions.

24. CASH FLOW RECONCILIATIONS

	2007 $'000	2006 $'000
(i) Reconciliation of cash		
Cash balance comprises:		
Cash on hand	13,457	10,141
Short term money market deposits	400	32,150
	13,857	**42,291**

	2007 $'000	2006 $'000
(ii) Reconciliation of net cash flows from operating activities to operating profit after income tax		
Operating profit after income tax	106,479	74,474
Changes in net market value of investments	23,327	16,674
Net loss/(gain) on sale of investments	29,919	21,115
Net (gain)/loss on foreign currency transactions	(15,307)	(4,618)
Changes in assets and liabilities		
— Increase in accrued interest	(5)	(11,466)
— Decrease in receivables	(18,649)	35,446
— Decrease in reinsurance and other recoveries receivable	16,872	26,216
— Decrease in other assets	(166)	3
— Decrease in unearned premiums	—	(20)
— Decrease in outstanding claims	(250,248)	(220,948)
— Decrease in accounts payable & borrowings	2,307	(28,409)
— Decrease in income taxes payable	1,578	7,206
— Decrease in deferred taxes payable, net of future tax benefit	11,895	24,291
Net cash flows used in operating activities	**(91,998)**	**(60,036)**

25. FINANCIAL SUPPORT

The Company has the benefit of the support of the immediate parent AG Australia Holdings Limited, by virtue of a guarantee dated 16 June 1992 whereby the parent has guaranteed payments under policies of insurance issued by the Company. This applies to claims made and arising prior to the date of revocation of this guarantee being 30 June 2002.

26. EVENTS OCCURRING AFTER THE REPORTING DATE

On 11 December 2007 a Sale and Purchase Agreement was entered into by the ultimate parent AMP Limited and Enstar Australia Holdings Pty Ltd for the sale of the entity.

The sale was subject to a number of conditions including regulatory approval by the Australian Prudential Regulatory Authority (APRA) who subsequently approved the Sale Agreement on 22 February 2008. The sale was then completed on 5 March 2008. Enstar Australia Holdings Pty Ltd assumed ownership of the company at this point.

The Australian Prudential Regulation Authority has approved a further reduction in capital of up to $147,000,000. Capital was subsequently reduced on 14 February 2008 for this amount via the reduction in loans to its parent entity.

In March 2008 the loan receivable from a related party was fully repaid to the Company and invested in cash.

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Report of Independent Auditors

The Board of Directors of Gordian Runoff Limited

We have audited the accompanying balance sheets of Gordian Runoff Limited as of December 31, 2007 and 2006, and the related income statements, statements of changes in equity, and cash flow statements for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gordian Runoff Limited at December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young
Sydney, Australia
May 15, 2008

GORDIAN RUNOFF LIMITED
ABN 11 052 179 647

FINANCIAL REPORT
31 DECEMBER 2006

Contents:

Gordian RunOff Limited
Income Statement
For the year ended 31 December 2006

	Note	2006 $'000	2005 $'000
Direct premium revenue		28	273
Inwards reinsurance premium (expense)/revenue		(1,168)	3,539
Outwards reinsurance premium (expense)/revenue		(323)	1,670
Net premium (expense)/revenue	**5**	**(1,463)**	**5,482**
Direct claims (benefit)/expense		(34,739)	75,805
Inwards Reinsurance claims benefit		(36,523)	(31,047)
Reinsurance & other recoveries (expense)/revenue		(2,888)	736
Net claims incurred	**6**	**(68,374)**	**44,022**
Net movement in unexpired risk liability		**—**	**(485)**
Other underwriting income		**1,040**	**896**
Acquisition benefit		(1,618)	(807)
Other underwriting expenses		1,043	1,753
Underwriting (benefit)/expense	**7**	**(575)**	**946**
Underwriting result		**68,526**	**(38,105)**
Net investment revenue	**8**	45,960	101,706
General administration expenses	**7**	10,537	(3,391)
Net profit before tax		**103,949**	**66,992**
Income tax expense/(benefit) attributable to operating profit	**9**	29,476	17,052
Net profit attributable to members of Gordian RunOff Limited		**74,473**	**49,940**

The above Income Statement should be read in conjunction with the accompanying notes.

Gordian RunOff Limited
Balance Sheet
As at 31 December 2006

	Note	2006 $'000	2005 $'000
Current assets			
Cash and cash equivalents	**23**	42,291	11,913
Receivables	**10**	11,169	39,884
Reinsurance and other recoveries receivable	**11**	19,090	30,915
Other financial assets	**12**	549,602	663,048
Other assets	**13**	240	3
Total current assets		**622,392**	**745,763**
Non-current assets			
Receivables	**10**	3,134	8,961
Reinsurance and other recoveries receivable	**11**	29,757	40,281
Other financial assets	**12**	726,542	937,068
Deferred tax assets	**9**	44,573	51,779
Total non-current assets		**804,006**	**1,038,089**
Total assets		**1,426,398**	**1,783,852**
Current liabilities			
Unearned premium liability	**14**	—	20
Outstanding claims liability	**15**	112,751	159,202
Payables	**16**	8,431	78,718
Current Tax Liabilities		24,649	358
Total current liabilities		**145,831**	**238,298**
Non-current liabilities			
Outstanding claims liability	**15**	584,453	758,950
Payables	**16**	422	1,385
Total non-current liabilities		**584,875**	**760,335**
Total liabilities		**730,706**	**998,633**
Net assets		**695,692**	**785,219**
Shareholders' equity			
Issued Capital	**17**	1,814,600	1,978,600
Accumulated losses		(1,118,908)	(1,193,381)
Total shareholders' equity		**695,692**	**785,219**

The above Balance Sheet should be read in conjunction with the accompanying notes.

Gordian RunOff Limited
Statement of Changes in Equity
For the year ended 31 December 2006

	Issued Capital $'000	Accumulated Losses $'000	Total $'000
Balance as at 1 January 2006	1,978,600	(1,193,381)	785,219
Net Profit/(loss) after income tax	—	74,473	74,473
Change in Equity — Capital reduction	(164,000)	—	(164,000)
Balance as at 31 December 2006	**1,814,600**	**(1,118,908)**	**695,692**
Balance as at 1 January 2005	1,978,600	(1,243,321)	735,279
Net Profit/(loss) after income tax	—	49,940	49,940
Balance as at 31 December 2005	**1,978,600**	**(1,193,381)**	**785,219**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Gordian RunOff Limited
Cash Flow Statement
For the year ended 31 December 2006

	Note	2006 $'000	2005 $'000
Cash flows from operating activities			
Premiums received		16,828	4,908
Reinsurance and other recoveries		25,237	63,543
Dividends received		2,833	2,178
Interest received		80,902	100,996
Other sundry receipts		7,082	(4,595)
(Payments)/refunds of outward reinsurance		(774)	1,599
Claims paid		(149,686)	(194,638)
Other underwriting (costs)/benefits		(1,362)	(1,339)
Payments to suppliers and employees		(43,116)	(29,669)
Income taxes (paid)/received		2,020	20,291
Cash flows from/(used in) operating activities	**23**	**(60,036)**	**(36,726)**
Cash flows from investing activities			
Proceeds from sale of investments		807,810	1,595,254
Payments for investments		(613,805)	(1,352,631)
Proceeds from share cancellation — related party		—	2,000
Loans received from related parties		40,000	3,123
Loans advanced to related party		—	(235,628)
Cash flows from/(used in) investing activities		**234,005**	**12,118**
Cash flows from/(used in) financing activities			
Payment for capital reduction		(164,000)	—
Cash flows from/(used in) financing activities		**(164,000)**	**—**
Net decrease in cash held		9,969	(24,608)
Effect of exchange rate changes on the balances of cash held in foreign currencies		—	608
Balance at the beginning of the year		32,322	56,322
Balance at the end of the year	**23**	**42,291**	**32,322**

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This Financial Report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements are separate financial statements as the exemption from preparing consolidated financial statements has been used. The entity and its subsidiaries have been consolidated into the financial statements of AMP Limited, of 33 Alfred St Sydney NSW Australia, an entity incorporated in Australia. Copies of these accounts can be requested from AMP Limited at this address.

The entity's significant investments in subsidiaries, including the name, country of incorporation or residence, proportion of ownership interest and can found in Note 12 to these accounts. A description of the method used to account for these investments is described under Investment in controlled entities later in this note.

The Financial Report has been prepared in accordance with the historical cost convention except for investments, which have been measured at fair value, and insurance liabilities, which have been discounted to present value.

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current year and comparative period, unless otherwise stated. The same accounting policies and methods of computation are followed by this Financial Report as compared with the 31 December 2005 Financial Report. Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 31 December 2006. When applied in future periods, these recently issued or amended standards are not expected to have a material impact on the company's results or financial position; however they may impact Financial Report disclosures.

Operating revenue

Operating revenue comprises reinsurance and general insurance earned premiums, recoveries, interest income and investment income. Investment income is brought to account on an accrual basis. Other underwriting income comprises sundry receipts.

Premium revenue and unearned premiums

Premium revenue

Premium revenue comprises premiums from direct business and from reinsurance business.

Premium revenue includes amounts charged to the policyholders or other insurers, including fire service levies but excluding stamp duties, GST and other amounts collected on behalf of third parties.

Premium revenue, including that on unclosed business, is recognised in the income statement when it has been earned. Premium revenue is recognised in the income statement from the attachment date over the period of the contract for direct business and over the period of indemnity for reinsurance business. Where time does not approximate the pattern of risk, previous claims experience is used to derive the incidence of risk.

The proportion of premium received or receivable not earned in the income statement at the reporting date is recognised in the balance sheet as an unearned premium liability.

Premiums on unclosed business are calculated as the difference between an estimate of the ultimate and booked premiums. Actuarial techniques are used to estimate the ultimate premium and are based on historical premium booking patterns.

Unearned premiums

Unearned premiums represent premium revenue attributable to future accounting periods. For direct insurances and certain inwards reinsurance classes of business, unearned premium is determined by apportioning the premiums written in the year over the period of insurance cover, reflecting the pattern in which risk emerges under these policies.

In respect of inwards reinsurance space business, premiums are unearned until the satellite launch date, and thereafter are recognised as earned according to the risks associated with the launch, post launch and in-orbit periods.

Unexpired risk liability

The adequacy of the unearned premium liability in respect of each class of business is assessed by considering current estimates of all expected future cash flows relating to future claims covered by current insurance contracts.

If the present value of the expected future cash flows relating to future claims exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs then the unearned premium liability is deemed to be deficient.

The entire deficiency is recognised immediately in the income statement. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the balance sheet as an unexpired risk liability.

Outward reinsurance premium expense and deferred reinsurance premium

Premiums ceded to reinsurers are recognised as an expense over the period of cover using the methods applicable to premium revenue as set out above.

Outstanding claims

The liability for outstanding claims is measured as the best estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Company, with an additional risk margin to allow for the inherent uncertainty in the best estimate.

The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling costs.

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs.

The liability for direct insurance includes an allowance for inflation and superimposed inflation and is measured as the present value of the expected future ultimate cost of settling claims. The expected future payments are discounted to present value using a risk free rate.

A risk margin is applied to the outstanding claims liability, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the best estimate. This risk margin increases the probability that the net liability is adequately provided for to a 75% confidence level.

Reinsurance and other recoveries

Reinsurance and other recoveries consist of receivables on paid claims and outstanding claims, and are recognised as revenue when claims are paid or the outstanding claim is raised. Reinsurance receivables are discounted to present value consistent with the discounting of outstanding claims set out above. A provision for impairment is recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The impairment charge is recognised in the income statement. Bad debts are written off as incurred.

Fire brigade levies and other statutory charges

A liability for fire brigade levies and other statutory charges is recognised on business written to the balance date. Levies and charges payable are expensed on the same basis as the recognition of the related premium revenue, with the portion relating to unearned premiums being reported as deferred statutory charges in Note 13.

Investment income

Dividend and interest income is recognised in the income statement on an effective interest method when the entity obtains control of the right to receive the revenue.

Realised gains and losses represent the change in value between the previously reported value and the amount received on sale of the asset. Unrealised gains and losses represent changes in the fair value of financial assets recognised in the period.

Assets backing general insurance liabilities

As part of its investment strategy, the Company actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities.

The Company has determined that all assets are held to back general insurance liabilities on the basis that all assets are available for the settlement of claims if required.

The following policies apply to assets held to back general insurance liabilities.

Financial assets

Financial assets are designated at fair value through profit or loss. Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant unrealised gains or losses recognised in the income statement. Details of fair value for the different types of financial assets are listed below:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand that is available on demand and deposits held at call with financial institutions. Cash and cash equivalents are carried at fair value, being the principal amount. For the purposes of the cash flow statement, cash also includes other highly liquid investments not subject to significant risk of change in value.

Cash trusts

The fair value of units in a listed cash trust reflects the quoted bid price at balance date. There is no reduction for realisation costs in the value of units in a cash trust. Unlisted unit trusts are recorded at fund managers valuations.

Debt securities

Debt securities are initially recognised at fair value, representing the purchase cost of the asset exclusive of any transaction costs. Debt securities are subsequently measured at fair value, with any realised and unrealised gains or losses arising from changes in the fair value being recognised in the income statement for the period in which they arise. The fair value of a traded interest bearing security reflects the bid price at balance date. Interest bearing securities that are not frequently traded are valued by discounting the estimated recoverable amounts, using prevailing interest rates. Debt securities are accounted for on a trade date basis.

Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value. All derivatives are carried as assets when their fair value is positive, and as liabilities when their fair value is negative. Derivatives are exchange traded and are fair valued using their publicly quoted bid price on the date of valuation.

Equity securities

Equity securities are initially recognised at fair value, representing the purchase cost of the asset exclusive of any transaction costs. Equity securities are subsequently measured at fair value, with any realised and unrealised gains or losses arising from changes in the fair value being recognised in the income statement. The fair value of a quoted equity security reflects the quoted bid price at balance date. Equity securities not traded in an organised financial market are valued at estimated fair value based on future cash flows discounted at appropriate interest rates.

Investments in controlled entities

Investments in controlled entities are valued at the lower of net assets and recoverable amount which have been adopted as a proxy for fair value. Any write down in value to recoverable amount is reported in the Income Statement.

Taxes

Income tax

Income tax expense is the tax payable on taxable income for the current period based on the income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to: (i) temporary differences between the tax bases of assets and liabilities and their balance sheet carrying amounts, and (ii) unused tax losses.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

The tax impact on income and expense items recognised directly in equity is also recognised directly in equity.

Tax Consolidation

AMP Limited, Gordian Runoff Limited and certain other wholly owned controlled entities of AMP Limited comprise a tax-consolidated group of which AMP Limited is the head entity. The implementation date for the tax-consolidated group was 30 June 2003.

Under tax consolidation, AMP Limited as head entity, assumes the following balances from subsidiaries within the tax-consolidated group:

(i) Current tax balances arising from external transactions recognised by entities in the tax-consolidated group occurring after the implementation date, and;

(ii) Deferred tax assets arising from unused tax losses and unused tax credits recognised by entities in the tax-consolidated group occurring after the implementation date.

A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group. Controlled entities in the tax-consolidated group will continue to be responsible, by the operation of the tax funding agreement, for funding tax payments required to be made by the head entity arising from underlying transactions of the controlled entities. Controlled entities will make (receive) contributions to (from) the head entity for the balances recognised by the head entity described in (i) and (ii) above. The contributions will be calculated in accordance with the tax funding agreement.

Assets and liabilities which arise as a result of differences between the periods in which the underlying transactions occur, and the period in which the funding payments under the tax funding agreement are made, are recognised as intercompany balances receivable and payable in the balance sheet. The recoverability of balances arising from the tax funding arrangements is based on the ability of the tax-consolidated group to utilise the amounts recognised by the head entity.

Goods and services tax

All revenues, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the particular expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the balance sheet.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

Foreign currency transactions and translation

Functional and presentation currency

Items included in the financial statements in each of the Gordian group entities are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The presentation currency of this financial report, and the functional currency of the parent entity, is Australian dollars.

Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at balance sheet date, with exchange gains and losses recognised in the income statement. The corresponding foreign currency translations of foreign currency denominated outstanding claims liabilities and receivables are reported as a component of claims expense and premium revenue, respectively. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Receivables

Receivables are financial assets and are measured at fair value. Given the short-term nature of most receivables, the recoverable amount approximates fair value. A provision for impairment is recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The impairment charge is recognised in the income statement. Bad debts are written off as incurred.

Payables

Trade creditors and accruals are recognised as liabilities for amounts to be paid in the future for goods and services received, whether or not billed to the entity.

Amounts Due To or From Related Parties

Amounts are carried at fair value being nominal amounts due and payable. Interest is taken up as income on an accrual basis. A provision for impairment is recognised when there is objective evidence that the related party will not be able to pay its debts.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates and judgments are applied are described below.

(a) The ultimate liability arising from claims made under insurance contracts

Provision is made at year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. IBNR claims may often not be reported to the insurer until many years after the events giving rise to the claims has happened. The liability class of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. For the short tail class, claims are typically reported soon after the claim event, and hence tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon analysis of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- the impact of large losses;
- movements in industry benchmarks.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions.

Details of specific assumptions used in deriving the outstanding claims liability at year-end are detailed in note 3.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Company may not receive amounts due to it and these amounts can be reliably measured.

3. ACTUARIAL METHODS AND ASSUMPTIONS

The entity ceased writing new business and renewals in late 1999 for both its direct insurance and inwards reinsurance business and has run an orderly runoff since. The process for determining the value of outstanding claims liabilities is generally consistent between these two portfolios. This process is described below.

Claims estimates are derived from analysis of the results of several different actuarial models. These models take case estimates as well as payments into account and assume that reported incurred amounts or reported payment amounts will develop steadily from period to period. Other models adopt an ultimate loss ratio for each year that reflects both the long term expected level, as well as incorporating recent experience. The analysis is performed by underwriting year for the inwards reinsurance class and by accident year for the direct insurance class.

Claims are first estimated on an undiscounted basis and are then discounted to allow for the time value of money. The valuation methods adopted include an implicit allowance for future inflation but do not identify the explicit rate. This allows for both general economic inflation as well as any superimposed inflation detected in the modelling of payments experience. Superimposed inflation arises from non-economic factors such as developments of legal precedent.

The liability class of business may be subject to the emergence of new types of latent claims, but no specific allowance is included for this as at the balance sheet date. Such uncertainties are considered when setting the risk margin appropriate for this class.

A description of the processes used to determine the key assumptions is provided below:

The **average weighted term to settlement** is calculated separately by class of business, based on historical settlement patterns.

The **reinsurance percentage** for the direct insurance business is calculated based on past reinsurance recovery rates and the structure of the reinsurance arrangements in place.

The **discount rates** are derived from market yields on Government securities as at the balance date, in the currency of the expected claim payments.

Expense rate Claim handling expenses are calculated based on the projected costs of administering the remaining claims until expiry.

The **ultimate to incurred claims ratio** is derived by accident or underwriting year based on historical development of claims from period to period.

The effect of changes in the assumptions have been shown in the reconciliations of general insurance assets and liabilities in note 15 below.

3. ACTUARIAL METHODS AND ASSUMPTIONS (Continued)

Process for determining risk margin

The risk margin was determined initially for each portfolio, allowing for the uncertainty of the outstanding claims estimate for each portfolio. Uncertainty was analysed for each portfolio taking into account past volatility in general insurance claims, potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, and the general insurance environment. The estimate of uncertainty is generally greater for long tailed classes when compared to short tail classes due to the longer time until settlement of outstanding claims.

The overall risk margin was determined allowing for diversification between the different portfolios and the relative uncertainty of each portfolio. The assumptions regarding uncertainty for each class were applied to the net central estimates, and the results were aggregated, allowing for diversification in order to arrive at an overall provision that is intended to have a 75% probability of adequacy.

	2006 %	2005 %
Risk Margins applied		
Direct insurance	23.6	15.1
Inwards reinsurance	15.8	14.8

Sensitivity analysis — general insurance contracts

There are a number of variables which impact the amounts recognised in the financial statements arising from insurance contracts.

The profit or loss and equity of the company are sensitive to movements in a number of key variables as described below.

Variable	Description of variable
Direct and reinsurance	
Average weighted term to settlement	Expected payment patterns are used in determining the outstanding claims liability. A decrease in the average term to settlement would lead to claims being paid sooner than anticipated.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money.
Expense rate	An estimate for the internal costs of administering claims is included in the outstanding claims liability.
Ultimate to incurred claims ratio	The estimated ultimate claims cost is generally greater than the claims reported as incurred to date, due to claims that are incurred but not reported (IBNR) or due to future developments on existing claims.
Direct only	
Reinsurance percentage	The direct class assumes money will be recoverable from reinsurers on future claims paid.

The following table provides an analysis of the sensitivity of the profit after income tax and total equity to changes in these assumptions both gross and net of reinsurance.

3. ACTUARIAL METHODS AND ASSUMPTIONS (Continued)

2006

Direct Insurance

Variable	Change in variable	Assumption at 12/06 Gross	Assumption at 12/06 Net	Profit/(Loss) (after tax) Gross of Reinsurance $'000	Profit/(Loss) (after tax) Net of Reinsurance $'000
Average weighted term to settlement	+0.5 year	4.5 years	4.6 years	3,949	3,379
	-0.5 year			(5,202)	(4,248)
Reinsurance percentage	+1%	n/a	10.3%	—	149
(as % of gross IBNR)	-1%			—	(295)
Discount Rate[1]	+1%	6.0%	6.0%	5,603	5,133
	-1%			(7,011)	(5,557)
Expense Rate	+1%	8.8%	8.8%	(2,176)	(2,176)
	-1%			2,176	2,176
Ultimate to incurred claims ratio[2]	+1%	107.9%	108.9%	(6,862)	(4,383)
	-1%			4,392	3,626

Inwards Reinsurance

Variable	Change in variable	Assumption at 12/06 Gross	Assumption at 12/06 Net	Profit/(Loss) (after tax) Gross of Reinsurance $'000	Profit/(Loss) (after tax) Net of Reinsurance $'000
Average weighted term to settlement	+0.5 year	4.4	4.4	5,615	5,582
	-0.5 year			(5,755)	(5,775)
Reinsurance percentage	+1%	n/a	n/a	n/a	n/a
(as % of gross IBNR)	-1%			n/a	n/a
Discount Rate[1]	+1%	5.0%	5.0%	9,420	9,384
	-1%			(9,917)	(9,933)
Expense Rate	+1%	15.8%	15.8%	(1,997)	(1,994)
	-1%			1,997	1,994
Ultimate to incurred claims ratio[2]	+1%	102.9%	103.0%	(13,739)	(13,739)
	-1%			7,727	7,727

1 —This sensitivity reflects the liability movements only. As assets are invested to match the term of liabilities there is little overall profit impact from a change to interest rates.

2 —This ratio has only been adjusted for years that are not considered to be fully developed.

3. ACTUARIAL METHODS AND ASSUMPTIONS (Continued)

2005

Direct Insurance

Variable	Change in variable	Assumption at 12/05 Gross	Assumption at 12/05 Net	Profit/(Loss) (after tax) Gross of Reinsurance $'000	Profit/(Loss) (after tax) Net of Reinsurance $'000
Average weighted term to settlement	+0.5 year	4.4 years	4.4 years	3,168	2,609
	-0.5 year			(5,767)	(4,956)
Reinsurance percentage	+1%	n/a	11%	—	349
(as % of gross IBNR)	-1%			—	(387)
Discount Rate[1]	+1%	5.3%	5.3%	6,820	5,762
	-1%			(7,603)	(7,271)
Expense Rate	+1%	10%	10%	(2,508)	(2,508)
	-1%			2,508	2,508
Ultimate to incurred claims ratio[2]	+1%	109%	111%	(6,940)	(5,682)
	-1%			4,285	3,564

Inwards Reinsurance

Variable	Change in variable	Assumption at 12/05 Gross	Assumption at 12/05 Net	Profit/(Loss) (after tax) Gross of Reinsurance $'000	Profit/(Loss) (after tax) Net of Reinsurance $'000
Average weighted term to settlement	+0.5 year	4.5	4.5	7,372	7,321
	-0.5 year			(7,534)	(7,564)
Reinsurance percentage	+1%	n/a	n/a	n/a	n/a
(as % of gross IBNR)	-1%			n/a	n/a
Discount Rate[1]	+1%	4.5%	4.5%	14,304	14,243
	-1%			(15,074)	(15,094)
Expense Rate	+1%	14%	14%	(2,992)	(2,987)
	-1%			2,992	2,987
Ultimate to incurred claims ratio[2]	+1%	104%	104%	(17,775)	(17,775)
	-1%			12,007	12,007

1 — This sensitivity reflects the liability movements only. As assets are invested to match the term of liabilities, there is little overall profit impact from a change to interest rates.

2 — This ratio has only been adjusted for years that are not considered to be fully developed.

4. INSURANCE CONTRACTS — RISK MANAGEMENT POLICIES AND PROCEDURES

The Company has an objective to control insurance risk thus reducing volatility. The company's policies and procedures in respect of managing risks are set out in this note below.

a) Objective in managing risks arising from insurance contracts and policies for mitigating those risks.

In accordance with Prudential Standards GPS 220 Risk Management and GPS 230 Reinsurance Management issued by the Australian Prudential Regulation Authority (APRA), the Board and senior management have developed, implemented and maintain a sound and prudent Risk Management Strategy (RMS) and a Reinsurance Management Strategy (REMS).

The RMS and REMS identify the Company's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Company. Annually, the Board certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Company has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to the compliance with the RMS and REMS. The RMS and REMS have been approved by both the Board and APRA.

Key aspects of the processes established in the RMS to mitigate risks include:

- A formal regular process of risk identification and evaluation, supplemented by a documented control assessment process, is completed by management and communicated to the Board in line with the Board approved Risk Management Strategy.
- Actuarial models, using information from management information systems, to monitor claims patterns and other relevant statistics. Past experience and statistical methods are used as part of the process.
- The maintenance and use of various specialist information systems, which provide up to date and reliable data on claims liabilities.
- Documented procedures that are followed by claims staff that are experienced in the various classes of business previously written.
- Reinsurance has been used, particularly in the early period of the run-off to limit the Company's exposure to large single claims. The REMS provides that exposures continue to be monitored and where feasible reinsurance be purchased as means of limiting risk.
- The mix of investment assets is driven by the nature and term of the insurance liabilities. The management of assets and liabilities is closely monitored in an attempt to match the maturity dates of assets with the expected pattern of claim payments.

b) Development of claims

There is a possibility that changes may occur in the estimate of our obligations at the end of a contract period. The tables in note 15 show the estimates of total ultimate claims at successive year-ends.

c) Terms and conditions of direct and inwards reinsurance business

There is limited scope to improve the existing terms and conditions. The company has been in orderly run off since 1999, and no new contracts have been entered into since that time.

d) Concentration of insurance risk

The exposure to concentrations of insurance risk is able to be mitigated with the purchase of reinsurance where management believes that the price /risk transfer is suitable.

e) Interest rate risk

Interest rate risk arises to the extent that there is a mismatch between the fixed-interest portfolios used to back the outstanding claims liability and those outstanding claims. The interest rate risk is managed by matching the duration profiles of the investments assets and the outstanding claims liability.

f) Credit risk

Other than loans to related parties, there are no significant concentrations of credit risk.

5. NET PREMIUM REVENUE

	2006 $'000	2005 $'000
Gross written premium — direct	8	204
Movement in unearned premium — direct	20	69
Direct premium revenue	28	273
Gross written premium (expense)/benefit — inwards	(1,168)	3,305
Movement in unearned premium — inwards	—	234
Inwards reinsurance premium (expense)/revenue	(1,168)	3,539
Premium (expense)/revenue	**(1,140)**	**3,812**
Outwards reinsurance premium (expense)/revenue	(323)	1,670
Net Premium (Expense)/Revenue	**(1,463)**	**5,482**

6. NET CLAIMS INCURRED

2006

	Current year $'000	Prior years $'000	Total $'000
Gross claims expense			
Direct	—	(25,847)	(25,847)
Inwards reinsurance	—	(59,464)	(59,464)
Gross claims incurred — undiscounted	—	(85,311)	(85,311)
Discount movement	—	14,049	14,049
Total gross claims expense	—	(71,262)	(71,262)
Reinsurance and other recoveries revenue			
Reinsurance and other recoveries — undiscounted	—	3,444	3,444
Discount movement	—	(556)	(556)
Total reinsurance and other recoveries revenue	—	2,888	2,888
Net claims incurred	**—**	**(68,374)**	**(68,374)**

2005

	Current year $'000	Prior years $'000	Total $'000
Gross claims expense			
Direct	—	51,635	51,635
Inwards reinsurance	—	(46,468)	(46,468)
Gross claims incurred — undiscounted	—	5,167	5,167
Discount movement	—	39,591	39,591
Total gross claims expense	—	44,758	44,758
Reinsurance and other recoveries revenue			
Reinsurance and other recoveries — undiscounted	—	7,852	7,852
Discount movement	—	(8,588)	(8,588)
Total reinsurance and other recoveries revenue	—	(736)	(736)
Net claims incurred	**—**	**44,022**	**44,022**

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the risks borne in all previous financial years.

As the company stopped writing new business in late 1999, all claims development relates to prior years.

7. OPERATING EXPENSES

	2006 $'000	2005 $'000
Expenses by Nature		
Commission expenses	959	1,263
Write-off of Bad Debt	2,634	—
Impairment expense — premium receivables	304	(919)
Impairment expense — reinsurance receivables	(3,331)	(16,877)
Net gain on foreign currency	(1,059)	283
Investment management fees	2,142	2,320
Other management fees	25,652	26,518
External consultant costs	1,245	789
Other expenses	(972)	1,078
Total Expenses	**27,574**	**14,455**
represented by:		
General administration expenses included in net claims incurred	17,612	16,900
Acquisition benefit	(1,618)	(807)
Other underwriting expenses	1,043	1,753
General administration expenses	10,537	(3,391)
Total expenses	**27,574**	**14,455**

8. NET INVESTMENT REVENUE

	2006 $'000	2005 $'000
Investment income		
Interest	49,005	68,368
Interest from related parties:		
- other related parties	31,912	24,690
Dividends and other distributions received	2,187	1,030
Dividends from related parties:		
- subsidiaries	645	1,148
Changes in fair value of investments:		
Realised	(21,115)	(49,960)
Unrealised	(16,674)	56,430
Total net investment revenue	**45,960**	**101,706**

9) INCOME TAX

b) Analysis of income tax expense

	2006 $'000	2005 $'000
Current tax	24,055	20,187
Decrease/(increase) in deferred tax assets	7,209	(2,720)
Decrease in deferred tax liabilities	(3)	—
Under provided in previous years	(1,785)	(145)
Other adjustments	—	688
Prior year tax losses not recognised now recouped	—	(958)
Income tax expense	**29,476**	**17,052**

b) Relationship between income tax expense and accounting profit

The table below provides a reconciliation of differences between prima facie tax calculated as 30% of the profit before income tax for the period and the actual income tax expense recognised in the income statement for the period

In respect of income tax expense attributable to shareholders, the tax rate which applies in both 2006 and 2005 is 30% for Australia and 33% for New Zealand.

	2006 $'000	2005 $'000
Operating profit before income tax	**103,948**	**66,992**
Primia facia income tax at the rate of 30%	31,184	20,097
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/assessable in calculating taxable income:		
Non assessable income	3	(309)
Other	74	(1,633)
Under provided in prior years	(1,785)	(145)
Previously unrecognised tax losses reducing current tax expense	—	(958)
Income tax expense per income statement	**29,476**	**17,052**

c) Analysis of deferred tax asset

	2006 $'000	2005 $'000
Amounts recognised in income:		
- Provision for doubtful debts	14,713	17,734
- Accruals	239	95
- Indirect Claims Costs Adjustments	20,070	27,707
- Unrealised gains/losses	9,561	2,055
- Other	6	1,714
- Current year's tax losses	—	2,493
Total deferred tax assets	**44,589**	**51,798**

d) Analysis of deferred tax liability

	2006 $'000	2005 $'000
Amounts recognised in income:		
- Other	16	19
Total deferred tax liability	**16**	**19**

	2006 $'000	2005 $'000
Deferred tax asset	44,589	51,798
Deferred tax liability	(16)	(19)
Net deferred tax asset	**44,573**	**51,779**

10. RECEIVABLES

	2006 $'000	2005 $'000
Current		
Premiums receivable — direct insurance	13	18
less: provision for impairment of premium receivable	(13)	—
	—	18
Premiums receivable — inwards reinsurance	9,411	21,567
less: provision for impairment of premium receivable	(2,594)	(2,333)
	6,817	19,234
Premium receivables — direct & inwards reinsurance	**6,817**	**19,252**
Other receivables	529	6,501
Other receivables from related parties -other related parties	1,325	181
Interest receivable from related parties -other related parties	2,498	13,950
Total current receivables	**11,169**	**39,884**
Non-current		
Premiums receivable — inwards reinsurance	3,134	8,961
Total non-current receivables	**3,134**	**8,961**

11. REINSURANCE AND OTHER RECOVERIES

	2006 $'000	2005 $'000
Expected future reinsurance recoveries undiscounted		
— on claims paid	25,988	43,324
— on outstanding claims	62,389	71,262
	88,377	114,586
Discount to present value	(12,222)	(12,780)
less: provision for impairment of reinsurance assets	(27,308)	(30,610)
Reinsurance and other recoveries receivable	48,847	71,196
Current		
Reinsurance and other recoveries receivable	39,701	51,704
less: provision for impairment of reinsurance assets	(20,611)	(20,789)
	19,090	**30,915**
Non-current		
Reinsurance and other recoveries receivable	36,454	50,102
less: provision for impairment of reinsurance assets	(6,697)	(9,821)
	29,757	**40,281**

Refer to note 15 for a reconciliation of the movement in reinsurance and other recoveries on incurred claims over the year.

12. OTHER FINANCIAL ASSETS

	Company	
	2006 **$'000**	**2005** **$'000**
Current		
Quoted investments — at fair value		
Government and semi-government bonds*	31,147	86,237
Corporate bonds	79,335	94,227
Shares in other corporations	—	806
Derivatives	1,875	1,295
	112,357	182,565
Unquoted investments — at fair value value		
Units held in cash management trusts		
— Other related parties	—	20,409
Units held in other unit trusts		
— Other related parties	15,151	9,446
Loan to related party in the wholly owned group	422,094	450,628
	437,245	480,483
Total current financial assets	**549,602**	**663,048**
Non-current		
Quoted investments — at fair value		
Government and semi-government bonds*	400,150	658,807
Corporate bonds	293,922	206,090
Shares in other corporations	935	—
	695,007	864,897
Unquoted investments — at fair value		
Other	—	2,328
Shares in controlled entities	31,467	69,775
Shares in associated entities	68	68
	31,535	72,171
Total non-current financial assets	**726,542**	**937,068**
Total financial assets	**1,276,144**	**937,068**

* The Company has given security over government and semi-government bonds against letters of credit of $44.9m (31 December 2005: $104.2m). These assets provide security to the extent of 105% to 110% of the outstanding letters of credit. The security agreements do not restrict the investments from being traded.

12. OTHER FINANCIAL ASSETS (continued)

Investments in controlled entities

Name of entity	2006 %	2006 $'000	2005 %	2005 $'000
Gordian RunOff (UK) Limited	100	31,467	100	25,790
South Pacific Agricultural Company Pty Limited	—	—	100	—
Gordian Mortgage Insurance Limited	—	—	100	—
Quay Rural Trust	—	—	100	43,985
		31,467		**69,775**

Gordian RunOff (UK) Limited is incorporated in the United Kingdom and is audited by Ernst & Young.

During the year South Pacific Agricultural Company Pty Ltd and Gordian Mortgage Insurance Limited were deregistered, and Quay Rural Trust was dissolved. These entities were incorporated in Australia. South Pacific Agricultural Company Pty Ltd and Quay Rural Trust were audited by PKF, formerly known as Pannell Kerr Forster and Ernst & Young audited Gordian Mortgage Insurance Limited.

13. OTHER ASSETS

	2006 $'000	2005 $'000
Current		
Deferred acquisition costs	—	3
Prepayments	240	—
Total current other assets	**240**	**3**

	2006 $'000	2005 $'000
Deferred acquisition costs as at 1 January	3	10
Amortisation charged to income	(3)	(7)
Deferred acquisition costs as at 31 December	—	**3**

	2006 $'000	2005 $'000
Deferred reinsurance premiums as at 1 January	—	540
Earning of reinsurance premiums	—	540
Deferred reinsurance premiums as at 31 December	—	—

	2006 $'000	2005 $'000
Deferred statutory charges as at 1 January	—	17
Amortisation charged to income	—	(17)
Deferred statutory charges as at 31 December	—	—

14. UNEARNED PREMIUM

	2006 $'000	2005 $'000
Current unearned premium	—	20
Total unearned premium	—	20

	2006 $'000	2005 $'000
Unearned premium liability as at 1 January	20	322
Earning of premiums written in previous periods	(20)	(302)
Unearned premium liability as at 31 December	—	**20**

15. OUTSTANDING CLAIMS

	2006 $'000	2005 $'000
Central estimate	703,638	941,105
Risk margin	103,293	119,530
	806,931	1,060,635
Discount to present value	(109,727)	(142,483)
Gross outstanding claims liability	**697,204**	**918,152**
Current	112,751	159,202
Non-current	584,453	758,950
Total outstanding claims	**697,204**	**918,152**

Investment assets in the form of debt securities are held to back the liability for outstanding claims and are realised on a regular basis to meet claims. The amount of claims likely to be settled within 12 months of the reporting date is classified as current.

The Company has been closed to new business since 1999 and there have been no new direct or inwards reinsurance contracts issued in the five years prior to and including this report.

As described in note 1, the outstanding claims liability is the best estimate of the present value of the expected future payments, after the inclusion of a risk margin. At each balance date, the amount of the liability is reassessed and it is likely that changes will arise in the estimates of liabilities. The tables in the following pages show the estimates of total ultimate claims at successive year ends.

15. OUTSTANDING CLAIMS (continued)

2006

	Gross $'000	Reinsurance $'000	Net $'000
Amount outstanding brought forward	918,152	71,196	846,956
Claim payments/ recoveries during the period	(149,686)	(25,237)	(124,449)
Effect of changes in assumptions	(57,129)	2,857	(59,986)
Effect of changes in exchange rates	(14,133)	31	(14,164)
Amount outstanding carried forward	**697,204**	**48,847**	**648,357**

2005

	Gross $'000	Reinsurance $'000	Net $'000
Amount outstanding brought forward	1,054,932	117,130	937,802
Claim payments/ recoveries during the period	(194,638)	(63,543)	(131,095)
Effect of changes in assumptions	37,963	14,558	23,405
Effect of changes in exchange rates	19,895	3,051	16,844
Amount outstanding carried forward	**918,152**	**71,196**	**846,956**

Claims Development Table

	Inwards Reinsurance		Direct Insurance		Total	
	Net $'000	Gross $'000	Net $'000	Gross $'000	Net $'000	Gross $'000
Estimate of Cumulative claims						
31 December 2001	5,546,741	5,969,117	1,384,633	1,857,817	6,931,374	7,826,934
31 December 2002	5,501,089	5,958,853	1,415,333	1,920,262	6,916,422	7,879,115
31 December 2003	5,505,440	5,962,356	1,462,533	1,952,003	6,967,973	7,914,359
31 December 2004	5,450,936	5,901,231	1,432,295	1,882,078	6,883,231	7,783,309
31 December 2005	5,423,564	5,861,248	1,491,990	1,933,978	6,915,554	7,795,226
31 December 2006	5,400,793	5,835,799	1,443,852	1,901,401	6,844,645	7,737,200
Estimate of Cumulative Claims at 31 December 2006	5,400,793	5,835,799	1,443,852	1,901,401	6,844,645	7,737,200
Cumulative Payments	5,069,792	5,500,299	1,219,629	1,600,155	6,289,421	7,100,454
Undiscounted central estimate	**331,001**	**335,500**	**224,223**	**301,246**	**555,224**	**636,746**
Effect of Discounting	55,511	55,564	41,995	54,163	97,506	109,727
Discounted Central Estimate	**275,490**	**279,936**	**182,228**	**247,083**	**457,718**	**527,019**
Risk Margin						103,293
Claims Handling Provision						66,892
Gross Outstanding Claims as per the Balance Sheet						**697,204**

15. OUTSTANDING CLAIMS (continued)

The risk margin is intended to achieve a 75% probability of adequacy. The risk margin has been determined consistent with the calculation of the outstanding claims liability as disclosed in note 3.

	2006 $'000	2005 $'000
Unexpired Risk Liability		
Central estimate	—	—
Net unexpired risk liability	—	—

a) Movement in unexpired risk liability

	2006 $'000	2005 $'000
Unexpired risk liability as at 1 January	—	485
Recognition of additional unexpired risk liability in the period	—	—
Release of unexpired risk liability recorded in previous periods	—	(485)
Unexpired risk liability as at 31 December	—	—

b) Deficiency recognised in the income statement

	2006 $'000	2005 $'000
Gross movement in unexpired risk liability	—	(485)
Reinsurance on unexpired risk liability	—	—
Net movement in unexpired risk liability	—	(485)
Total deficiency recognised in income statement	—	**(485)**

16. PAYABLES

	2006 $'000	2005 $'000
Current		
Trade & other creditors	3,303	34,284
Other borrowings from related parties		
- subsidiaries	—	43,985
- other related parties	5,128	449
Total current payables	**8,431**	**78,718**
Non-current		
Trade & other creditors	422	1,385
Total non-current payables	**422**	**1,385**

17. ISSUED CAPITAL

	2006 $'000	2005 $'000
Paid up capital		
1,840,000,005 fully paid ordinary shares at $0.99 per share (2004: 1,840,000,005) at $1.08 per share	1,814,600	1,978,600
Total paid up capital	**1,814,600**	**1,978,600**
Movement in ordinary share capital		
Balance beginning of the year	1,978,600	1,978,600
Movement for the year — Capital reduction 18 August 06	(164,000)	—
Balance at the end of the period	**1,814,600**	**1,978,600**

Rights attaching to Ordinary Shares

Ordinary shares attract the following rights:

(a) to receive notice of and to attend and vote at all general meetings of the Company;

(b) to receive dividends; and

(c) in a winding up, to participate equally in the distribution of the assets of the Company (both capital and surplus), subject only to any amounts unpaid on the Share.

18. FRANKING ACCOUNT

No dividends were paid or proposed during the year.

The AMP Limited group entered into Tax Consolidation during 2003. Under Tax Consolidation, the franking account balances for group companies were transferred to the Head Entity, AMP Limited.

19. KEY MANAGEMENT PERSONNEL COMPENSATION

The following individuals were the key management personnel of Gordian RunOff Limited for the current and prior reporting periods (unless stated otherwise):

Name	Date of Appointment/Resignation during the current or prior reporting period
Peter Clarke	
Richard Grellman	
Peter Hodgett	
Andrew Mohl	
William Roberts	
Felix Zaccar	
Bruce Robertson	09-05-2005, Resigned

The following table provides aggregate details of the compensation of key management personnel of Gordian RunOff Limited.

Year	Short-term employee benefits $	Post-employment benefits $	Other long-term benefits $	Termination benefits $	Share-based payments $	Total $
2006	6,306,101	205,061	—	—	2,318,215	8,829,377
2005	5,737,253	254,791	—	—	2,079,046	8,071,090

Key management personnel disclosed above, also provided services to other related entities during the year. The above remuneration amounts include all amounts paid for services rendered to related entities and those services rendered to Gordian Runoff Ltd.

20. AUDITORS' REMUNERATION

	2006 $'000	2005 $'000
Amounts received, or due and receivable, by Ernst & Young for:		
- other services	129	92

Auditors' remuneration for the year ended 31 December 2006 is paid on the entity's behalf by a controlled entity within The AMP Limited Group.

21. CONTINGENT LIABILITIES

Legal disputes

The nature of the reinsurance business from time to time gives rise to disputes. Several claims have been denied or recoveries disputed, giving rise to legal actions over coverage issues. Any resulting litigation will be vigorously defended. In assessing claim liabilities or reinsurance recoveries, management has reserved based on its best estimate of the likely outcomes. The nature of these disputes are such that the quantum and timing of the outcome are uncertain.

22. RELATED PARTIES

Controlling Entity

The immediate parent entity is AG Australia Holdings Ltd. AMP Limited is the ultimate parent entity.

Controlled Entities

Information relating to controlled entities is included at Note 12.

Directors

The directors of the Company during the financial year, and the dates of appointments and resignations during the year are:

Peter Clarke	
Richard Grellman	
Peter Hodgett	
Andrew Mohl	
William Roberts	
Felix Zaccar	
Bruce Robertson	09-05-2005, Resigned

Other transactions with key management personnel of the Company

During the year, transactions may have been entered into between key management personnel and entities within the AMP Limited Group. These transactions are within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those available to other employees, customers or members (unless otherwise described below) and may include:

- normal personal banking with AMP Bank Limited including the provision of credit cards;
- the purchase of AMP superannuation and related products;
- financial investment services;
- other advisory services.

These transactions do not have the potential to adversely affect the decisions about the allocation of scarce resources made by users of the consolidated entity's financial statements, or discharge of accountability by key management personnel. The transactions are considered to be trivial or domestic in nature.

22. RELATED PARTIES (Continued)

Transactions within the wholly owned group

Transactions between Gordian RunOff Limited and its controlled entities, and other related parties for the financial year consisted of:

- Payment of management fees for services provided;
- Provision of intercompany loan;
- Interest on intercompany loan;
- Receipt of dividend; and
- Provision of share capital.

The aggregate amounts brought to account in respect of the following types of transactions and each class of related party involved were:

	2006 $	2005 $
Amounts attributable to transactions with related parties		
Operating profit before income tax includes aggregate amounts attributable to transactions in respect of:		
Investment Expenses — other related parties	2,053,027	2,319,674
Interest Revenue — other related parties	31,911,761	24,690,451
Dividend Revenue — subsidiaries	645,161	1,148,199
Management Expenses — other related parties	25,652,346	26,517,726

	2006 $	2005 $
Amounts receivable from and payable to related parties		
Aggregate amounts receivable at balance date from:		
Interest receivable — other related parties	2,498,449	13,950,313
Intercompany receivables — other related parties	1,325,723	180,514
Loans — other related parties	422,093,922	450,628,452
Aggregate amounts payable at balance date to:		
Payables — subsidiaries	—	43,984,858
Payables — other related parties	5,128,164	448,549

AMP Capital Investors Limited, a related entity within the wholly owned group, manages the majority of the investments of the consolidated entity under a management contract, which follows the normal terms and conditions for such contracts. Fees are paid or are due and payable for the management of investment portfolios under normal terms and conditions.

AMP Services Limited and Enstar Australia Ltd (formerly Cobalt Solutions Australia Limited), fellow wholly owned controlled entities, provide operational and administrative (including employee related) services to the consolidated entity. The services provided are in the normal course of the business and are on normal commercial terms and conditions.

The Company advanced additional loans to AMP Life Limited. These transactions were made under normal market terms and conditions.

23. CASH FLOW RECONCILIATIONS

(i) Reconciliation of cash

	2006 $'000	2005 $'000
Cash balance comprises:		
Cash on hand	10,141	10,010
Short term money market deposits	32,150	1,903
	42,291	**11,913**
Units in cash managed trusts	—	20,409
	42,291	**32,322**

(ii) Reconciliation of net cash flows from operating activities to operating profit after income tax

	2006 $'000	2005 $'000
Operating profit after income tax	74,474	64,940
Changes in net market value of investments	16,674	(56,430)
Net loss/(gain) on sale of investments	21,115	49,960
Net (gain)/loss on foreign currency transactions	(4,618)	283
Changes in assets and liabilities		
- Increase in receivables	(11,466)	—
- Decrease in receivables	35,446	2,923
- Decrease in reinsurance and other recoveries receivable	26,216	45,933
- Decrease in other assets	3	601
- Decrease in unearned premiums	(20)	(302)
- Decrease in outstanding claims	(220,948)	(137,265)
- Decrease in accounts payable & borrowings	(28,409)	(29,712)
- Decrease in income taxes payable	7,206	358
- Decrease in deferred taxes payable, net of future tax benefit	24,291	21,985
Net cash flows used in operating activities	**(60,036)**	**(36,726)**

24. SEGMENT REPORTING

(a) Primary reporting format — business segment

Business Segment Information

Direct Insurance

Comprises corporate insurance operations in run-off.

Inwards Reinsurance

Comprises inwards reinsurance operations in run-off.

2006	Direct Insurance $'000	Inwards Reinsurance $'000	Unallocated $'000	Total $'000
Net premium revenue	28	(1,491)	—	(1,463)
Net claims incurred	(33,114)	(35,260)	—	(68,374)
Other underwriting income	(3)	2,661	—	2,658
Underwriting expenses	15	1,028	—	1,043
Underwriting result	33,124	35,402	—	68,526
Net investment revenue/(expense)	11,232	(7,769)	42,497	45,960
General administration expenses/(benefit)	—	—	10,537	10,537
Net profit before tax	44,356	27,633	31,960	103,949
Income tax expense	—	—	29,476	29,476
Net profit after tax attributable to members of Gordian Runoff Limited	44,356	27,633	2,484	74,473

	Direct Insurance $'000	Inwards Reinsurance $'000	Unallocated $'000	Total $'000
Total Revenues	44,374	26,000	42,497	112,871
Total Expenses	18	(1,633)	10,537	8,922
Net profit before tax	44,356	27,633	31,960	103,949
Other segment items included in the income statement are as follows:				
Impairment of premium receivables	13	291	—	304
Impairment of reinsurance receivables	(1,265)	(2,066)	—	(3,331)
The segment assets and liabilities are as follows :				
Assets	355,419	419,860	651,119	1,426,398
Liabilities	407,159	323,547	—	730,706

Segment assets include investments, premium receivables, and reinsurance and other recoveries receivable Segment liabilities include outstanding claims liabilities & other payables.

The entity has not incurred capital expenditure in the reporting periods.

24. SEGMENT REPORTING (Continued)

2005	Direct Insurance $'000	Inwards Reinsurance $'000	Unallocated $'000	Total $'000
Net premium revenue	770	4,712	—	5,482
Net claims incurred	77,977	(33,955)	—	44,022
Movement in unexpired risk liability	—	(485)	—	(485)
Other underwriting income	771	125	—	896
Underwriting expenses	279	667	—	946
Underwriting result	(76,715)	38,610	—	(38,105)
Net investment revenue/(expense)	18,189	48,036	35,481	101,706
General administration expenses/(benefit)	—	—	(3,391)	(3,391)
Net profit before tax	(58,526)	86,646	38,872	66,992
Income tax expense	—	—	17,052	17,052
Net profit after tax attributable to members of Gordian Runoff Limited	(58,526)	86,646	21,820	49,940

	Direct Insurance $'000	Inwards Reinsurance $'000	Unallocated $'000	Total $'000
Total Revenues	17,061	87,188	35,481	139,730
Total Expenses	75,587	542	(3,391)	72,738
Net profit before tax	(58,526)	86,646	38,872	66,992
Other segment items included in the income statement are as follows:				
Impairment of premium receivables	(18)	(901)	—	(919)
Impairment of reinsurance receivables	(1,950)	(14,927)	—	(16,877)
The segment assets and liabilities are as follows :				
Assets	393,586	656,825	733,440	1,783,851
Liabilities	381,209	617,423	—	998,632

Segment assets include investments, premium receivables, and reinsurance and other recoveries receivable Segment liabilities include outstanding claims liabilities & other payables.

The entity has not incurred capital expenditure in the reporting periods.

(b) Secondary Reporting Format

The international segment relates to the inwards reinsurance business. Reinsurance cover is non-country specific. Gordian RunOff Limited ceased writing new business and renewals in late 1999.and has operated an orderly runoff since that time.

	2006 $'000	2005 $'000
Revenue		
Australia	81,194	53,050
International	31,677	86,680
Total Revenue	**112,871**	**139,730**
Assets		
Australia	975,071	1,101,236
International	451,327	682,615
Total Assets	**1,426,398**	**1,783,851**

25. FINANCIAL INSTRUMENTS AND DERIVATIVES

(a) Fair values

The recorded bid price equates to net fair value for listed debt and equity securities. For derivative contracts, fair value equates to the unrealised gain/loss on the outstanding contract. For the following financial instruments, the cost carrying amount is considered to equate to their fair value:

- cash deposits
- loans to related parties
- receivables
- payables.

(b) Special terms and conditions

All financial investments of the Company are held or issued on normal commercial terms at market rates of interest. There are no special terms or conditions affecting the nature and timing of the financial instruments not otherwise disclosed in these accounts. The accounting policies and terms and conditions for each class of financial asset or liability at the balance date are detailed in Note 1 and throughout the other notes to these financial statements.

25. FINANCIAL INSTRUMENTS AND DERIVATIVES (continued)

(c) Credit risk

Trading investments are recorded in the accounts at fair value, which represents the Group's exposure to credit risk in relation to these instruments. The Company's credit risk exposure to derivatives is the fair value as recorded above.

The credit risk of the Company arising from exposure to individual entities in investment portfolios is monitored and controlled by AMP Capital Investors Limited in accordance with Group Credit Policy guidelines.

Credit risk in trade receivables in managed by analysing the credit ratings of the underlying debts.

(d) Currency Exposure

In addition to functional currency, the consolidated group has exposure to investments and investment cashflows denominated in US dollars, pounds sterling, and euro.

(e) Interest rate risk on financial instruments

The accounting policy notes describe the policies used to measure and report the assets and liabilities of the Group. Where the applicable market value is determined by discounting future cash flows, movements in interest rates will result in a reported unrealised gain or loss in the profit and loss account.

AMP Capital Investors Limited manages investment portfolios on behalf of the Company. The Company seeks to reduce its interest rate risk through the use of investment portfolios as a hedge against the insurance liabilities of the Group. To the extent that these assets and liabilities can be matched, unrealised gains or losses on revaluation of liabilities resulting from interest rate movements will be offset by unrealised losses or gains on revaluation of investment assets.

The Company's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at the reporting date, are as follows:

25. FINANCIAL INSTRUMENTS AND DERIVATIVES (Continued)

(f) Interest rate risk on financial instruments

For the year ended 2006	Floating Interest Rate $000's	Fixed interest rate Maturing in 0-1 year $000's	1-2 years $000's	2-3 years $000's	3-4 years $000's	4-5 years $000's	> 5 years $000's	Non Interest Bearing $000's	Total $000's	Weighted Average Interest rate
Financial Assets										
Cash deposits	42,291								42,291	5.57%
Cash trusts and short term money markets*	—								—	N/A
Other Unit trusts*	15,151								15,151	N/A
Debt securities*		110,482	187,311	106,463	76,631	58,204	265,463		804,554	5.72%
Derivatives*								1,875	1,875	N/A
Shares								32,470	32,470	N/A
Related Party Loan	422,094								422,094	7.06%
Receivables								14,303	14,303	N/A
Total Financial Assets	**479,536**	**110,482**	**187,311**	**106,463**	**76,631**	**58,204**	**265,463**	**48,648**	**1,332,738**	
Financial Liabilities										
Payables	—	—	—	—	—	—	—	8,853	8,853	N/A
Total Financial Liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**8,853**	**8,853**	

For the year ended 2005	Floating Interest Rate $000's	Fixed interest rate Maturing in 0-1 year $000's	1-2 years $000's	2-3 years $000's	3-4 years $000's	4-5 years $000's	> 5 years $000's	Non Interest Bearing $000's	Total $000's	Weighted Average Interest rate
Financial Assets										
Cash deposits	11,913								11,913	4.30%
Cash trusts and short term money markets*	20,409								20,409	N/A
Other Unit trusts*	9,446								9,446	N/A
Debt securities*		180,464	109,200	193,104	140,798	76,491	347,632		1,047,689	4.83%
Derivatives*								1,295	1,295	N/A
Shares								70,649	70,649	N/A
Related Party Loan	450,628								450,628	6.79%
Receivables								48,845	48,845	N/A
Total Financial Assets	**492,396**	**180,464**	**109,200**	**193,104**	**140,798**	**76,491**	**347,632**	**120,789**	**1,660,874**	
Financial Liabilities										
Payables	—	—	—	—	—	—	—	80,103	80,103	N/A
Total Financial Liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**80,103**	**80,103**	

* These balances include investments held in technical reserves which are used to meet insurance liabilities. The company seeks to match the duration of these assets to the corresponding insurance liability to reduce the exposure of the company to interest rate movement.

25. FINANCIAL INSTRUMENTS AND DERIVATIVES (continued)

(g) Specific purposes for which derivative transactions are undertaken

The Group uses derivatives in the following way:

Investment management operations

Group entities have given authority to AMP Capital Investors Limited (the investment manager) to use derivatives in managing investment portfolios. There may be various reasons why investment in derivatives is more appropriate than investment in the underlying physical asset including hedging, liquidity and pricing.

The types of derivatives, which the investment manager can use include, interest rate swaps and futures, share price index futures and forward currency agreements.

Extent of derivative transactions

	Notional value 2006 $'000	Fair value 2006 $'000	Notional value 2005 $'000	Fair value 2005 $'000
Investment management operations				
Interest Rate Swap Contracts	10,500	(235)	46,500	180
Interest Rate Futures Contracts	104,668	(480)	32,356	134
Equity Futures & Options Contracts	16,762	1,133	23,944	724

The notional value refers to the value of the underlying assets of the derivatives contract. The fair value is the unrealised gain/(loss) on the outstanding contracts.

26. CAPITAL ADEQUACY

	2006 $'000	2005 $'000
Tier 1 Capital		
Paid-up ordinary shares	1,814,600	1,978,600
General reserves	—	—
Retained earnings	(1,193,381)	(1,243,321)
Current year earnings	74,473	49,940
Excess technical provisions (net of tax)		—
Less : deductions	44,573	51,779
Net Tier 1 Capital	651,119	733,440
Net Tier 2 Capital	—	—
Total Capital Base	651,119	733,440
Minimum Capital Requirement	133,113	172,298
Capital Adequacy Multiple	4.89	4.25

The entity complies with Prudential Standard GPS110 and the requirements set out in its insurance license.

27. FINANCIAL SUPPORT

The Company has the benefit of the support of the immediate parent AG Australia Holdings Limited, by virtue of a guarantee dated 16 June 1992 whereby it has guaranteed payments under policies of insurance issued by the Company. This applies to claims made and arising prior to the date of revocation of this guarantee being 30 June 2002.

28. EVENTS OCCURRING AFTER THE REPORTING DATE

The Australian Prudential Regulation Authority has approved a further reduction in capital of up to $91,500,000.

With the exception of the above, no other matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect:

i) the entity's operations in future financial years; or

ii) the results of those operations in future financial years; or

iii) the entity's state of affairs in future financial years.

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Report of Independent Auditors

The Board of Directors of Gordian Runoff Limited

We have audited the accompanying balance sheets of Gordian Runoff Limited as of December 31, 2006 and 2005, and the related income statements, statements of changes in equity, and cash flow statements for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gordian Runoff Limited at December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young
Sydney, Australia
May 15, 2008

TGI AUSTRALIA LIMITED
ABN 12 000 041 458

Financial Report
31 DECEMBER 2007

Contents:

TGI Australia Ltd
Income Statement
For the year ended 31 December 2007

	Note	31 Dec 07 $'000	31 Dec 06 $'000
Direct Premium Revenue		1,739	1,622
Outwards reinsurance expense		257	722
Net premium revenue	5	1,482	900
Direct claims expense/(benefit)		(10,538)	21,335
Reinsurance and other recoveries revenue		995	23,863
Net claims incurred	6	(11,533)	(2,528)
Other underwriting income		223	548
Other underwriting expenses		43	61
Underwriting expenses	7	43	61
Underwriting result		13,195	3,915
Net investment revenue	8	8,435	6,386
General and administration expenses	7	3,218	2,240
Net profit before tax		18,412	8,061
Income tax expense	9	6,262	2,610
Net profit attributable to members of TGI Australia Ltd		12,150	5,451

The above Income Statement should be read in conjunction with the accompanying notes.

TGI Australia Ltd
Balance Sheet
As at 31 December 2007

	Note	31 Dec 07 $'000	31 Dec 06 $'000
Current Assets			
Cash and cash equivalents	24	1,596	971
Receivables	10	1,210	7,458
Reinsurance and other recoveries receivable	11	12,711	14,566
Other financial assets	12	93,882	80,320
Other	13	356	364
Total Current Assets		109,755	103,679
Non — Current Assets			
Reinsurance and other recoveries receivable	11	23,595	27,778
Other financial assets	12	51,906	63,686
Deferred tax assets	9	4,099	5,708
Total Non — Current Assets		79,600	97,172
Total Assets		189,355	200,851
Current Liabilities			
Unearned premiums	14	834	750
Outstanding claims liability	15	19,161	24,868
Payables	16	904	1,490
Current tax liability		2,751	—
Total Current Liabilities		23,650	27,108
Non — Current Liabilities			
Outstanding claims liability	15	61,623	81,815
Deferred tax liability	9	29	25
Total Non — Current Liabilities		61,652	81,840
Total Liabilities		85,302	108,948
Net Assets		104,053	91,903
Shareholder's Equity			
Issued Capital	17	30,000	30,000
Retained profits	18	74,053	61,903
Total Shareholder's Equity		104,053	91,903

The above Balance Sheet should be read in conjunction with the accompanying notes.

TGI Australia Ltd
Statement of Changes in Equity
For the year ended 31 December 2007

	Issued Capital $'000	Retained Earnings $'000	Total $'000
Balance as at 1 January 2007	30,000	61,903	91,903
Net Profit/(loss) after income tax	—	12,150	12,150
Other changes in equity- Dividends paid	—	—	—
Balance as at 31 December 2007	30,000	74,053	104,053
Balance as at 1 January 2006	30,000	76,452	106,452
Net Profit/(loss) after income tax	—	5,451	5,451
Other changes in equity- Dividends paid	—	(20,000)	(20,000)
Balance as at 31 December 2006	30,000	61,903	91,903

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

TGI Australia Ltd
Cashflow Statement
For the year ended 31 December 2007

	Note	31 Dec 07 $'000	31 Dec 06 $'000
Cash flows from operating activities			
Premium received		1,150	818
Reinsurance recoveries received		6,419	23,557
Other sundry receipts		15	52
Outward reinsurance paid		(249)	(121)
Claims paid		(12,450)	(28,382)
Distributions received		372	1,459
Interest received		3,700	6,599
Investment expenses		(139)	(253)
Other underwriting expenses		(2,346)	(4,839)
Income taxes paid		1,726	(5,324)
Net cash flows from operating activities	24	(1,802)	(6,434)
Cash flows from investing activities			
Loans advanced to related parties		(10,000)	(10,000)
Purchase of investments		(82,064)	(70,637)
Sale of investments		92,870	108,035
Net cash flows from investing activities		806	27,398
Cash flows from financing activities			
Dividends paid		—	(20,000)
Net cash flows from financing activities		—	(20,000)
Net (decrease)/increase in cash		(996)	964
Cash at the beginning of the year		2,592	1,628
Cash at the end of the year	24	1,596	2,592

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

1. SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

This Financial Report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

The Financial Report has been prepared in accordance with the historical cost convention except for investments, which have been measured at fair value.

Accounting judgements and estimates

In the course of its operations the company applies judgements and makes estimates that affect the amounts recognised in the financial report. Estimates are based on a combination of historical experience and expectations of future events that are believed to be reasonable at the time.

Accounting Standards issued but not yet effective

Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 31 December 2007, except IFRS8 Operating Segments. The adoption of IFRS8 has removed the requirement for Operating Segment disclosures in this Financial Report.

When applied in future periods, all other recently issued or amended standards are not expected to have a material impact on the company's results or financial position; however they may impact Financial Report disclosures.

Changes in accounting policy

Since 1 January 2007, the company has adopted a number of Accounting Standards and Interpretations which were mandatory for annual periods beginning on or after 1 January 2007. Adoption of these Standards and Interpretations has not had any effect on the financial position or performance of the Company.

Operating revenue

Operating revenue comprises general insurance earned premiums, recoveries, investment income and interest income. Investment income is brought to account on an accrual basis. Other underwriting income comprises of sundry receipts.

Premium Revenue and Unearned premiums

(i) Premium revenue

General insurance premiums comprise amounts charged to policyholders or other insurers, including fire service levies, but excluding stamp duties and GST collected on behalf of third parties. The earned portion of premiums received and receivable, including unclosed business, is recognised as operating revenue. Movements in the provisions for impairment of premium receivables have been included in premium revenue.

(ii) Unearned premiums

Unearned premiums represent premium revenue attributable to future accounting periods. Unearned premium is determined by apportioning the premiums written in the year evenly over the period of insurance cover, reflecting the pattern in which risk emerges under these policies.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

Unexpired risk liability

The adequacy of the unearned premium liability in respect of each class of business is assessed by considering current estimates of all expected future cash flows relating to future claims covered by current insurance contracts.

If the present value of the expected future cash flows relating to future claims exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs then the unearned premium liability is deemed to be deficient.

The entire deficiency is recognised immediately in the income statement. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the balance sheet as an unexpired risk liability.

Outstanding Claims

The liability for outstanding claims is measured as the best estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Company, with an additional risk margin to allow for the inherent uncertainty in the best estimate.

The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling costs.

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs.

The liability includes an allowance for inflation and superimposed inflation and is measured as the present value of the expected future ultimate cost of settling claims. The expected future payments are discounted to present value using a risk free rate.

A risk margin is applied to the outstanding claims liability, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the best estimate. This risk margin increases the probability that the net liability is adequately provided for to a 75% confidence level.

Outwards reinsurance premium expense and deferred reinsurance premium

Premiums ceded to reinsurers are recognised as an expense over the period of cover using the methods applicable to premium revenue as set out in the premium revenue note above.

Reinsurance and other recoveries

Reinsurance and other recoveries consist of receivables on paid claims and outstanding claims and are recognised as revenue when claims are paid or the outstanding claim is raised. Reinsurance receivables are discounted to present value consistent with the discounting of outstanding claims. A provision for impairment is recognised when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of the receivables. The impairment charge is recognised in the income statement. Bad debts are written off as incurred.

Fire brigade levies and other statutory charges

A liability for fire brigade levies and other statutory charges is recognised on business written to the balance date. Levies and charges payable are expensed on the same basis as the recognition of the related premium revenue, with the portion relating to unearned premiums being reported as deferred statutory charges.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

Investment Income

Dividend and interest income is recognised in the income statement on an effective interest method when the entity obtains control of the right to receive the revenue.

Realised gains and losses represent the change in value between the previously reported value and the amount received on sale of the asset. Unrealised gains and losses represent changes in the fair value of financial assets recognised in the period.

Assets backing general insurance liabilities

As part of its investment strategy, the Company actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities.

The Company has determined that all assets are held to back general insurance liabilities on the basis that all assets of the Company are available for the settlement of claims if required. The following policies apply to assets held to back general insurance liabilities.

Financial assets

Financial assets are designated at fair value through profit or loss. Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant unrealised gains or losses recognised in the income statement. Details of fair value for the different types of financial assets are listed below:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand that is available on demand and deposits held at call with financial institutions. Cash and cash equivalents are carried at fair value, being the principal amount. For the purposes of the cash flow statement, cash also includes other highly liquid investments not subject to significant risk of change in value.

Cash trusts

The fair value of units in a listed cash trust reflects the quoted bid price at balance date. There is no reduction for realisation costs in the value of units in a cash trust. Unlisted unit trusts are recorded at fund managers valuations.

Debt securities

Debt securities are initially recognised at fair value, representing the purchase cost of the asset exclusive of any transaction costs. Debt securities are subsequently measured at fair value, with any realised and unrealised gains or losses arising from changes in the fair value being recognised in the income statement for the period in which they arise. The fair value of a traded interest bearing security reflects the bid price at balance date. Interest bearing securities that are not frequently traded are valued by discounting the estimated recoverable amounts, using prevailing interest rates. Debt securities are accounted for on a trade date basis.

Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value. All derivatives are carried as assets when their fair value is positive, and as liabilities when their fair value is negative. Derivatives are exchange traded and are fair valued using their publicly quoted bid price on the date of valuation.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

Income Tax

Income tax

Income tax expense is the tax payable on taxable income for the current period based on the income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to: (i) temporary differences between the tax bases of assets and liabilities and their balance sheet carrying amounts, and (ii) unused tax losses.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

Tax Consolidation

AMP Limited, TGI Australia Ltd and certain other wholly owned controlled entities of AMP Limited comprise a tax-consolidated group of which AMP Limited is the head entity. The implementation date for the tax-consolidated group was 30 June 2003.

Under tax consolidation, AMP Limited as head entity, assumes the following balances from subsidiaries within the tax-consolidated group:

(i) Current tax balances arising from external transactions recognised by entities in the tax-consolidated group occurring after the implementation date, and;

(ii) Deferred tax assets arising from unused tax losses and unused tax credits recognised by entities in the tax-consolidated group occurring after the implementation date.

A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group. Controlled entities in the tax-consolidated group will continue to be responsible, by the operation of the tax funding agreement, for funding tax payments required to be made by the head entity arising from underlying transactions of the controlled entities. Controlled entities will make (receive) contributions to (from) the head entity for the balances recognised by the head entity described in (i) and (ii) above. The contributions will be calculated in accordance with the tax funding agreement.

Assets and liabilities which arise as a result of differences between the periods in which the underlying transactions occur, and the period in which the funding payments under the tax funding agreement are made, are recognised as intercompany balances receivable and payable in the balance sheet. The recoverability of balances arising from the tax funding arrangements is based on the ability of the tax-consolidated group to utilise the amounts recognised by the head entity.

The entity will be required to make a payment to terminate its liability under the tax funding agreement if it leaves the tax consolidation group.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

Goods and Services Tax (GST)

All revenues, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the particular expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the balance sheet.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

Foreign currency transactions and translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The presentation currency of this financial report, and the functional currency, is Australian dollars.

Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at balance sheet date, with exchange gains and losses recognised in the income statement. The corresponding foreign currency translations of overseas outstanding claims liabilities and receivables are reported as a component of claims expense and premium revenue, respectively. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Receivables

Receivables are financial assets and are measured at fair value. Given the short-term nature of most receivables, the recoverable amount approximates fair value. A provision for impairment is recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The impairment charge is recognised in the income statement. Bad debts are written off as incurred.

Payables

Trade creditors and accruals are recognised as liabilities for amounts to be paid in the future for goods and services received, whether or not billed to the entity.

Amounts Due To or From Related Parties

Amounts are carried at fair value being nominal amounts due and payable. Interest is taken up as income on an accrual basis. A provision for impairment is recognised when there is objective evidence that the related party will not be able to pay its debt.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates and judgements are applied are described below.

(a) The ultimate liability arising from claims made under insurance contracts

Provision is made at year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. IBNR claims may often not be reported to the insurer until many years after the events giving rise to the claims has happened. The liability class of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. For the short tail class, claims are typically reported soon after the claim event, and hence tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon analysis of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- the impact of large losses;
- movements in industry benchmarks.

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions.

Details of specific assumptions used in deriving the outstanding claims liability at year-end are detailed in note 3.

(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Company may not receive amounts due to it and these amounts can be reliably measured.

3. ACTUARIAL METHODS AND ASSUMPTIONS

Claims estimates are derived from analysis of the results of several different actuarial models. These models take case estimates as well as payments into account and assume that reported incurred amounts or reported payment amounts will develop steadily from period to period. Other models adopt an ultimate loss ratio for each year that reflects both the long term expected level, as well as incorporating recent experience. The analysis is performed by accident year for the direct insurance class.

Claims are first estimated on an undiscounted basis and are then discounted to allow for the time value of money. The valuation methods adopted include an implicit allowance for future inflation but do not identify the explicit rate. This allows for both general economic inflation as well as any superimposed inflation detected in the modelling of payments experience. Superimposed inflation arises from non-economic factors such as developments of legal precedent.

The liability class of business may be subject to the emergence of new types of latent claims, but no specific allowance is included for this as at the balance sheet date. Such uncertainties are considered when setting the risk margin appropriate for this class.

A description of the processes used to determine the key assumptions is provided below:

The **average weighted term to settlement** is calculated separately by class of business, based on historical settlement patterns.

The **reinsurance percentage** is calculated based on past reinsurance recovery rates and the structure of the reinsurance arrangements in place.

The **discount rates** are derived from market yields on Government securities as at the balance date, in the currency of the expected claim payments.

Expense rate. Claim handling expenses are calculated based on the projected costs of administering the remaining claims until expiry.

The **ultimate to incurred claims ratio** is derived by accident or underwriting year based on historical development of claims from period to period.

The effect of changes in the assumptions have been shown in the reconciliations of general insurance assets and liabilities in Note 15.

Process for determining risk margin

The risk margin was determined initially for each portfolio, allowing for the uncertainty of the outstanding claims estimate for each portfolio. Uncertainty was analysed for each portfolio taking into account past volatility in general insurance claims, potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, and the general insurance environment. The estimate of uncertainty is generally greater for long tailed classes when compared to short tail classes due to the longer time until settlement of outstanding claims.

The overall risk margin was determined allowing for diversification between the different portfolios and the relative uncertainty of each portfolio. The assumptions regarding uncertainty for each class were applied to the net central estimates, and the results were aggregated, allowing for diversification in order to arrive at an overall provision that is intended to have a 75% probability of adequacy.

	2007 %	2006 %
Risk Margins applied	18.8	29.0

3. ACTUARIAL METHODS AND ASSUMPTIONS (continued)

Sensitivity analysis — general insurance contracts

There are a number of variables which impact the amounts recognised in the financial statements arising from insurance contracts.

The profit or loss and equity of the Company are sensitive to movements in a number of key variables as described below.

Variable	Description of variable
Average weighted term to settlement	Expected payment patterns are used in determining the outstanding claims liability. A decrease in the average term to settlement would lead to claims being paid sooner than anticipated.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money.
Expense rate	An estimate for the internal costs of administering claims is included in the outstanding claims liability.
Ultimate to incurred claims ratio	The estimated ultimate claims cost is generally greater than the claims reported as incurred to date, due to claims that are incurred but not reported (IBNR) or due to future developments on existing claims.
Reinsurance percentage	Assumes money will be recoverable from reinsurers on future claims paid.

The following table provides an analysis of the sensitivity of the profit after income tax and total equity to changes in these assumptions both gross and net of reinsurance.

2007

Variable	Change in variable	Assumption at 12/07 Gross %	Net %	Profit/(Loss) (after tax) Gross $'000	Net $'000
Average weighted term to settlement	+0.5 year	3.3	3.7	1,671	984
	-0.5 year	3.3	3.7	(1,767)	(1,015)
Reinsurance percentage	+1%	n/a	8.0	—	52
(as % of gross IBNR)	-1%	n/a	8.0	—	(52)
Discount Rate[1]	+1%	6.4	6.2	1,522	1016
	-1%	6.4	6.2	(1,629)	(1,095)
Expense Rate	+1%	17.0	n/a	(474)	(474)
	-1%	17.0	n/a	474	474
Ultimate to incurred claims ratio[2]	+1%	101.7	n/a	(3,310)	(1,966)
	-1%	101.7	n/a	1,497	810

1 — This sensitivity reflects the liability movements only. As assets are invested to match the term of liabilities, there is little overall profit impact from a change to interest rates.

2 — This ratio has only been adjusted for years that are not considered to be fully developed.

3. ACTUARIAL METHODS AND ASSUMPTIONS (continued)

2006

Variable	Change in variable	Assumption at 12/06 Gross %	Net %	Profit/(Loss) (after tax) Gross $'000	Net $'000
Average weighted term to settlement	+0.5 year	3.3	3.6	2,010	1,347
	-0.5 year	3.3	3.6	(2,214)	(1,387)
Reinsurance percentage	+1%	n/a	9.0	—	97
(as % of gross IBNR)	-1%	n/a	9.0	—	(97)
Discount Rate[1]	+1%	5.9	5.9	2,058	1,437
	-1%	5.9	5.9	(2,201)	(1,543)
Expense Rate	+1%	17.3	17.3	(623)	(623)
	-1%	17.3	17.3	623	623
Ultimate to incurred claims ratio[2]	+1%	102.5	102.5	(3,732)	(2,355)
	-1%	102.5	102.5	2,066	1,392

1 — This sensitivity reflects the liability movements only. As assets are invested to match the term of liabilities, there is little overall profit impact from a change to interest rates.

2 — This ratio has only been adjusted for years that are not considered to be fully developed.

4. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS

The company's policies and procedures in respect of managing risks are set out in this note below.

The Board has ultimate responsibility for risk management and governance, including ensuring an appropriate risk framework is in place and is operating effectively. There are, however, other bodies and individuals associated with the Company that manage and monitor financial risk.

The Board

The Board is responsible for the approval of policy regarding shareholder capital investment strategy, policyholder asset and liability strategy and setting the financial risk appetite.

The Audit Committee

The Audit Committee is responsible for ensuring the existence of effective financial risk management policies and procedures.

The Approved Actuary

The Approved Actuary is responsible for reporting on solvency and capital adequacy. A Financial Condition report (FCR) and an Insurance Liability Valuation report (ILVR) must be provided to the Board and the Australian Prudential Regulatory Authority (APRA) at least annually, the ILVR must be peer reviewed annually by an external independent actuary. The Insurance Act also imposers obligations on the Approved Actuary to bring to the attention of the company or in certain circumstances APRA any matter that the Approved Actuary thinks requires action to be taken to avoid prejudice in the interests of the policy holders.

4. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (Continued)

As part of the overall governance framework the and in accordance with Prudential Standards GPS 220 Risk Management and GPS 230 Reinsurance Management issued APRA, the Board and senior management have developed, implemented and maintain a sound and prudent Risk Management Strategy (RMS) and a Reinsurance Management Strategy (REMS).

The RMS and REMS identify the Company's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Company. Annually, the Board certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Company has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to the compliance with the RMS and REMS. The RMS and REMS have been approved by both the Board and APRA.

Key aspects of the processes established in the RMS to mitigate risks include:

- A formal regular process of risk identification and evaluation, supplemented by a documented control assessment process, is completed by management and communicated to the Board in line with the Board approved Risk Management Strategy.
- Actuarial models, using information from management information systems, to monitor claims patterns and other relevant statistics. Past experience and statistical methods are used as part of the process.
- The maintenance and use of various specialist information systems, which provide up to date and reliable data on claims liabilities.
- Documented procedures that are followed by claims staff that are experienced in the various classes of business previously written.
- Reinsurance has been used, particularly in the early period of the run-off to limit the Company's exposure to large single claims. The REMS provides that exposures continue to be monitored and where feasible reinsurance be purchased as means of limiting risk.
- The mix of investment assets is driven by the nature and term of the insurance liabilities. The management of assets and liabilities is closely monitored in an attempt to match the maturity dates of assets with the expected pattern of claim payments.

Risk and Mitigation

The Company's activities expose it to a variety of risks.

The major risks associated with insurance contracts include:

a) Development of claims

   There is a possibility that changes may occur in the estimate of our obligations at the end of a contract period. The tables in note 15 show the estimates of total ultimate claims at successive year-ends.

b) Terms and conditions of direct and inwards reinsurance business

   There is limited scope to improve the existing terms and conditions. The company has been in orderly run off since 1999, and no new contracts have been entered into since that time with the exception of riskcap.

c) Concentration of insurance risk

   The exposure to concentrations of insurance risk can be mitigated with the purchase of reinsurance where management believes that the price /risk transfer is suitable.

4. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (Continued)

Financial risks include:

Market risk

a) Interest rate risk

Interest rate risk arises to the extent that there is a mismatch between the fixed-interest portfolios used to back the outstanding claims liability and those outstanding claims. The interest rate risk is managed by matching the duration profiles of the investments assets and the outstanding claims liability.

The accounting policy notes describe the policies used to measure and report the assets and liabilities of the Company. Where the applicable market value is determined by discounting future cash flows, movements in interest rates will result in a reported unrealised gain or loss in the profit and loss account.

AMP Capital Investors Limited manages the investment portfolios on behalf of the Company. The Company seeks to reduce its interest rate risk through the use of investment portfolios as a hedge against its insurance liabilities. To the extent that these assets and liabilities can be matched, unrealised gains or losses on revaluation of liabilities resulting from interest rate movements will be offset by unrealised losses or gains on revaluation of investment assets.

Interest rate sensitivity analysis

The following table demonstrates the impact of a 100 basis point change in Australian interest rates, with all other variables held constant, on the company's shareholder profit after tax. It is assumed that the change occurs as at the reporting date (31 December) and there are concurrent movements in interest rates and parallel shifts in yield curves.

Change in Variable	**31 Dec 07** Impact on Profit after tax $'000	**31 Dec 06** Impact on Profit after tax $'000
+100 basis points	(697)	(1,000)
- 100 basis points	697	1,000

b) Foreign Currency risk analysis

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in exchange rates.

The Company's financial assets are all held in Australian dollars. This matches the currency profile of the liabilities with the exception of some policies written in USD. As a result the entity is exposed to some currency mismatch.

Other exposures to foreign currency are immaterial.

Foreign Currency sensitivity analysis

The following table demonstrates the impact of a 10% increase or decrease in the Australian dollar against the USD, where the USD is seen as the relevant proxy of liabilities. It is assumed that the relevant change occurs at reporting date.

Change in Variable	**31 Dec 07** Impact on Profit after tax $'000	**31 Dec 06** Impact on Profit after tax $'000
+10%	(710)	(1,033)
– 10%	710	1,033

4. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to met its debt obligations or other cash outflows as they fall due because of lack of liquid assets. The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. As required by APRA prudential Standard GPS 220, the Company has developed and implemented a risk management strategy which is described earlier in this note to control this risk.

The table below summaries the maturity profile of the company's financial liabilities at 31 December based on contractual undiscounted obligations.

31 Dec 07

	$'000 Up to 1 year	$'000 2 to 3 years	$'000 4 to 5 years	$'000 Over 5 years	$'000 Total
Financial liabilities:					
Payables	904	—	—	—	904
Deferred Tax Liability	—	10	7	12	29
Derivatives	—	136	—	62	198
Total	904	146	7	74	1,131

31 Dec 06

	$'000 Up to 1 year	$'000 2 to 3 years	$'000 4 to 5 years	$'000 Over 5 years	$'000 Total
Financial liabilities:					
Payables	1,490	—	—	—	1,490
Deferred tax liability	—	9	6	10	25
Derivatives	—	177	—	16	193
Total	1,490	186	6	26	1,708

Credit risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitments in full and on time, or from losses arising from the change in value of traded financial instruments as a result of changes in credit risk on that instrument.

Credit risk arising from exposure to individual counter parties in the investment portfolios is managed by the investment manager, AMP Capital Investors' Compliance and Business Risk team, according to a separate investment mandate approved by the Board which aims to duration band match the insurance liability profile within specified credit criteria constraints. Compliance with the mandate is reported to the Board of Directors.

Credit risk in trade receivables in managed by analysing the credit ratings of the underlying debts.

Other than loans to related parties, there are no significant concentrations of credit risk.

TGI Australia Ltd

Notes to the financial statements for the year ended 31 December 2007

4. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (Continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counter parties:

	31 Dec 07		31 Dec 06	
	Reinsurance & Other Recoveries $000	Other Financial Instruments $000	Reinsurance & Other Recoveries $000	Other Financial Instruments $000
AAA	7,652	47,849	9780	60,345
AA	9,692	85,460	11,707	70,581
A	15,437	4,765	18,736	5,843
BBB			14	
Below BBB				
Not rated	6,197	7,714	4,555	7,237
Total	38,978	145,788	44,292	144,006

The following table provides an aged analysis of financial assets neither past due or impaired, past due and not impaired and impaired assets. Impairment is calculated in accordance with note 1.

		Past due but not impaired			
31 Dec 07	Neither past due nor impaired $000	Under 90 days $000	More than 91 days $000	Impaired $000	TOTAL $000
Receivables	1,167	43			1,210
Reinsurance and Other recoveries	30,578	362	824	7,214	38,978
Other Financial Instruments	145,788				145,788

		Past due but not impaired			
31 Dec 06	Neither past due nor impaired $000	Less than 90 days $000	More than 91 days $000	Impaired $000	TOTAL $000
Receivables	7,450	8			7,458
Reinsurance and Other recoveries	35,824	218	5,413	2,837	44,292
Other Financial Instruments	144,006				144,006

4. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (Continued)

Fair Value

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenue and expenses are recognised, in respect of each class of financial asset, financial liability and other investments are under and in Note 1.

Categories of financial instruments

	Note	2007 $'000	2006 $'000
Financial assets			
Reinsurance and other recoveries	11	36,306	42,344
Fair value through the profit and loss:			
Loans to related parties	23	73,070	58,715
Receivables	10	1,210	7,458
Cash & cash equivalents	24	1,596	971
Other financial assets	12	145,788	144,006
Financial Liabilities			
Payables	16	904	1,490
Income tax payable		2,751	—
Deferred Tax Liability	9	29	25

The recorded bid price equates to net fair value for listed debt and equity securities. For derivative contracts, fair value equates to the unrealised gain/loss on the outstanding contract. For the following financial instruments, the cost carrying amount is considered to equate to their fair value:

- cash deposits
- loans to related parties
- receivables
- payables.

Derivative transactions

The Company uses derivatives in the following way:

Investment management operations

Authority has been given to the investment managers to use derivatives in managing the investment portfolios. There may be various reasons why investment in derivatives is more appropriate than investment in the underlying physical asset including hedging, liquidity and pricing.

The types of derivatives, which the investment manager can use include, interest rate swaps and futures, share price index futures and forward currency agreements.

4. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (Continued)

Extent of derivative transactions

	Notional value 2007 $'000	Fair value 2007 $'000	Notional value 2006 $'000	Fair value 2006 $'000
Investment management operations				
Interest Rate Swap Contracts	—	—	1,800	(40)
Interest Rate Futures Contracts	19,366	(111)	19,286	(74)
Equity Futures & Options Contracts	—	—	—	—

The notional value refers to the value of the underlying assets of the derivatives contract. The fair value is the unrealised gain/(loss) on the outstanding contracts.

Capital Management

The Company is subject to externally imposed capital management requirements. The Company must comply with Capital requirements as specified under APRA General Insurance Prudential Standards.

The primary capital management objective is to ensure the company will be able to continue as a going concern while minimising excess capital; through capital initiatives, where appropriate.

The Company's capital position is monitored by the Company's Board. There have been no changes in the capital management objectives, policies and processes from the previous period.

The company has at all times during the current and prior financial year complied with the externally imposed capital requirements imposed by Prudential Standard GPS110 and the requirements set out in its insurance license.

The Minimum Capital Requirement (MCR) as a ratio of the Company's capital base is shown in the table under.

	31 Dec 07 $'000	31 Dec 06 $'000
Tier 1 Capital		
Paid-up ordinary shares	30,000	30,000
General reserves	—	—
Retained earnings	61,782	56,452
Current year earnings	12,144	5,330
Excess technical provisions (net of tax)		—
Less : deductions	(4,070)	(5,683)
Net Tier 1 Capital	99,856	86,099
Net Tier 2 Capital	—	—
Total Capital Base	99,856	86,099
Minimum Capital Requirement	15,880	19,769
Capital adequacy multiple	6.29	4.36

The entity complies with Prudential Standard GPS110 and the requirements set out in its insurance licence.

5. NET PREMIUM REVENUE

	2007 $'000	2006 $'000
Gross written premium	1,823	1,681
Movement in unearned premium	(84)	(59)
Premium revenue	1,739	1,622
Outwards reinsurance expense	257	722
Net Premium Revenue	**1,482**	**900**

6. NET CLAIMS INCURRED

	31-Dec-07			31-Dec-06		
	Current year $'000	Prior years $'000	Total $'000	Current year $'000	Prior years $'000	Total $'000
Gross claims expense						
Gross claims incurred — undiscounted	741	(14,240)	(13,499)	2,202	15,435	17,637
Discount movement	(241)	3,202	2,961	(705)	4,403	3,698
Claims incurred — discounted	500	(11,038)	(10,538)	1,497	19,838	21,335
Reinsurance and other recoveries revenues						
Reinsurance and other recoveries — undiscounted	(19)	(246)	(265)	—	(25,650)	(25,650)
Discount movement	6	(736)	(730)	—	1,787	1,787
Reinsurance and other recoveries — discounted	(13)	(982)	(995)	—	(23,863)	(23,863)
Net claims incurred — discounted	487	(12,020)	(11,533)	1,497	(4,025)	(2,528)

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the risks borne in all previous financial years.

7. OPERATING EXPENSES

Expenses by Nature	2007 $'000	2006 $'000
Commission expense/(benefit)	—	61
Write-off of Bad Debt	—	4,212
Impairment expense — premium receivables	—	44
Impairment expense/(benefit) — reinsurance receivables	918	(3,977)
Investment management fees	162	278
Other management fees	4,847	1,562
External consultant costs	135	58
Other expenses	109	3,209
Total Expenses	6,171	5,447
represented by:		
General administration expenses included in net claims incurred	2,910	3,146
Other underwriting expenses	43	61
General administration expenses	3,218	2,240
Total expenses	6,171	5,447

8. NET INVESTMENT REVENUE

	2007 $'000	2006 $'000
Interest	4,575	6,551
Interest from related parties:		
- other related parties	4,501	2,564
Distributions received	372	1,459
Changes in fair value of investments:		
Realised (loss)/gain	(2,268)	(1,879)
Unrealised loss	1,255	(2,309)
Total Net Investment Revenue	8,435	6,386

9. INCOME TAX

(a) Analysis of income tax expense

	2007 $'000	2006 $'000
Current tax	4,538	591
Decrease in deferred tax assets	1,005	3,819
Increase in deferred tax liabilities	4	(1,777)
(Under)/over provided in previous years	715	(23)
Income tax expense	**6,262**	**2,610**

(b) Relationship between income tax expense and accounting profit

The table below provides a reconciliation of differences between prima facie tax calculated as 30% of the profit before income tax for the period and the actual income tax expense recognised in the income statement for the period.

In respect of income tax expense attributable to shareholders, the tax rate which applies in both 2007 and 2006 is 30%.

	2007 $'000	2006 $'000
Operating profit before income tax	18,412	8,061
Prima facie income tax at the rate of 30%	5,524	2,418
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/assessable in calculating taxable income:		
Non assessable income		(281)
Other	24	473
Under provided in prior years — deferred tax balances	714	—
Income tax expense per income statement	**6,261**	**2,610**

(c) Analysis of deferred tax asset

	2007 $'000	2006 $'000
Amounts recognised in income:		
- Provision for doubtful debts	861	586
- Accruals	20	4
- Indirect Claims Costs Adjustments	3,019	4,092
- Other	199	1,026
Total deferred tax assets	**4,099**	**5,708**

(d) Analysis of deferred tax liability

Amounts recognised in income		
- Unrealised gains/losses	29	25
Total deferred tax liability	**29**	**25**

10. RECEIVABLES

	31 Dec 07 $'000	31 Dec 06 $'000
Current		
Premiums receivable — direct insurance	671	—
less provision for impairment of premium receivable	—	—
	671	—
Other receivables	120	4,172
less provision for impairment of other receivables	—	—
	120	4,172
Other receivables from related parties		
- other related parties	—	3,013
Interest receivable from related parties		
- other related parties	419	273
Total current receivables	1,210	7,458

11. REINSURANCE AND OTHER RECOVERIES

	31 Dec 07 $'000	31 Dec 06 $'000
Expected future reinsurance and other recoveries undiscounted		
- on claims paid	5,627	6,138
- on outstanding claims	39,712	45,252
Discount to present value	(6,361)	(7,092)
less provision for impairment of reinsurance and other recoveries	(2,672)	(1,954)
Reinsurance and other recoveries receivable	36,306	42,344
Reinsurance and other recoveries receivable — current	15,103	16,234
less provision for impairment of reinsurance and other recoveries	(2,392)	(1,668)
Reinsurance and other recoveries receivable — Current	12,711	14,566
Reinsurance and other recoveries receivable — non current	23,876	28,063
less provision for impairment of reinsurance and other recoveries	(281)	(285)
Reinsurance and other recoveries receivable — Non current	23,595	27,778

Refer to Note 15 for a reconciliation of the movement in reinsurance and other recoveries on incurred claims over the year.

12. OTHER FINANCIAL ASSETS

	31 Dec 07 $'000	31 Dec 06 $'000
Current		
Quoted investments — at fair value:		
Government and semi-government bonds	4,080	1,364
Corporate bonds	8,789	11,093
Deposit on futures	339	287
Derivatives	(111)	
	13,097	12,744
Unquoted investments — at fair value:		
Units held in cash managed trust		
- Other related parties	1,238	1,621
Units held in other unit trusts	6,477	7,240
Loan — Other related parties	73,070	58,715
	80,785	67,576
Total current financial assets	93,882	80,320
Non-Current		
Quoted investments — at fair value:		
Government and semi-government bonds	30,275	32,236
Corporate bonds	21,631	31,564
Derivatives	—	(114)
Total non current financial assets	51,906	63,686
Total other financial assets	145,788	144,006

13. OTHER ASSETS

	31 Dec 07 $'000	31 Dec 06 $'000
Deferred reinsurance expense	331	332
Other- prepayments	25	32
Total other assets	356	364

14. UNEARNED PREMIUM

	2007 $'000	2006 $'000
Current unearned premium	834	750
Non-current unearned premium	—	—
Total unearned premium	**834**	**750**
Unearned premium liability as at 1 January	750	809
Deferral of premiums on contracts written in the period	834	750
Earning of premiums written in previous periods	(750)	(809)
Unearned premium liability as at 31 December	**834**	**750**

During the year the unearned premium liability in respect of TGI was found to be sufficient. As a result no unexpired risk reserve was required.

15. OUTSTANDING CLAIMS

	31 Dec 07 $'000	31 Dec 06 $'000
Central estimate	89,414	106,797
Risk margin	7,516	15,444
Discount to present value	(16,146)	(15,558)
Total Outstanding Claims	80,784	106,683
Current	19,161	24,868
Non-Current	61,623	81,815
	80,784	106,683

Investment assets in the form of debt securities are held to back the liability for outstanding claims and are realised on a regular basis to meet claims. The amount of claims likely to be settled within 12 months of the reporting date is classified as current.

15. OUTSTANDING CLAIMS (continued)

Reconciliation of movement in discounted outstanding claims liability

2007	**Gross $'000**	**Reinsurance $'000**	**Net $'000**
Amount outstanding carried forward	106,683	42,186	64,497
less Claim payments/recoveries received in the period	(12,450)	(6,419)	(6,031)
Effect of change in assumptions	(12,480)	729	(13,209)
Effect of change in exchange rates	(969)	(390)	(579)
Outstanding amount carried forward	80,784	36,106	44,678

2006	**Gross $'000**	**Reinsurance $'000**	**Net $'000**
Amount outstanding carried forward	113,730	41,880	71,850
less Claim payments/recoveries received in the period	(28,382)	(23,557)	(4,825)
Effect of change in assumptions	21,922	24,068	(2,146)
Effect of change in exchange rates	(587)	(205)	(382)
Outstanding amount carried forward	106,683	42,186	64,497

As described in note 1, the outstanding claims liability is the best estimate of the present value of the expected future payments, after the inclusion of a risk margin. At each balance date, the amount of the liability is reassessed and it is likely that changes will arise in the estimates of liabilities. The table under show the estimates of total ultimate claims at successive year ends.

Estimate of Cumulative claims	**Net $'000**	**Gross $'000**
31 December 2001	652,869	959,696
31 December 2002	645,066	988,296
31 December 2003	632,396	970,761
31 December 2004	610,081	960,133
31 December 2005	596,238	956,555
31 December 2006	596,961	982,344
32 December 2007	592,266	976,769
Estimate of Cumulative Claims at 31 December 2007	592,266	976,769
Cumulative Payments	555,708	900,498
Undiscounted central estimate	**36,558**	**76,271**
Effect of Discounting	6,703	13,065
Discounted Central Estimate	**29,855**	**63,206**
Risk Margin		7,516
Claims Administration Expense Provision		10,062
Gross Outstanding Claims as per the Balance Sheet		**80,784**

16. PAYABLES

	31 Dec 07 $'000	31 Dec 06 $'000
Current		
Trade creditors and other creditors	265	1,413
Other borrowings from related parties		
- other related parties	639	77
	904	1,490

17. ISSUED CAPITAL

	31 Dec 07 $'000	31 Dec 06 $'000
Paid up capital:		
15,000,000 Ordinary Shares at $2 per share	30,000	30,000
(2006: 15,000,000 Ordinary Sharesat $2 per share)		
Total	30,000	30,000
Movement in share capital		
Balance beginning of year	30,000	30,000
Balance end of year	30,000	30,000

Rights attaching to Ordinary Shares

Ordinary shares attract the following rights:

(a) to receive notice of and to attend and vote at all general meetings of the Company;

(b) to receive dividends; and

(c) in a winding up, to participate equally in the distribution of the assets of the Company (both capital and surplus), subject only to any amounts unpaid on the share.

18. RETAINED PROFITS

	31 Dec 07 $'000	31 Dec 06 $'000
Retained profits at beginning of the financial year	61,903	76,452
Operating profit/(loss) after Income Tax	12,150	5,451
Dividend Paid	—	(20,000)
Retained Profits at the end of the financial year	74,053	61,903

	31 Dec 07 $'000	31 Dec 06 $'000
Dividends paid on ordinary shares		
- Dividend paid on 12 April 2006		20,000
Unfranked dividend of $1.33 per share		
Dividends paid during the year	—	20,000

19. FRANKING ACCOUNT

The AMP Limited group entered into Tax Consolidation during 2003. Under Tax Consolidation, the franking account balances for group companies were transferred to the Head Entity, AMP Limited.

20. KEY MANAGEMENT PERSONNEL COMPENSATION

The following individuals were the key management personnel of TGI Australia Limited for the current and prior reporting periods (unless stated otherwise):

Name	Date of Appointment/Resignation during the current or prior reporting period
Peter Clarke	
Richard Grellman	
Paul Leaming	31-12-2007, Appointed
William Roberts	
Felix Zaccar	
Peter Hodgett	31-12-2007, Resigned
Andrew Mohl	31-12-2007, Resigned

The following table provides aggregate details of the compensation of key management personnel of TGI Australia Limited.

Year	Short-term employee benefits $	Post-employment benefits $	Other long-term benefits $	Termination benefits $	Share-based payments $	Total $
2007	6,396,418	204,889	—	7,667,817	2,837,771	17,106,895
2006	6,306,101	205,061	—	—	2,318,215	8,829,377

Key management personnel disclosed above, also provided services to other related entities during the year. The above remuneration amounts include all amounts paid for services rendered to related entities and those services rendered to TGI Australia Limited.

21. AUDITORS' REMUNERATION

Auditors' remuneration for the year ended 31 December 2007 is paid on the Company's behalf by a controlled entity within the AMP Limited Group.

22. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2007 (2006: Nil).

23. RELATED PARTIES

Controlling Entity

The immediate parent entity at December 2007 is AMP General Insurance Limited. AMP Limited is the ultimate parent entity at 31 December 2007.

Directors

The directors of the company during the financial year and the dates of appointments and resignations during the year are:

Name	Date of Appointment/Resignation during the current or prior reporting period
Peter Clarke	
Richard Grellman	
Paul Leaming	31-12-07, Appointed
William Roberts	
Felix Zaccar	
Peter Hodgett	
Andrew Mohl	31-12-07, Resigned

Other Transactions

The directors and their director related entities receive normal dividends on their ordinary share holdings in AMP Limited.

Other transactions with key management personnel of the Company

During the year, transactions were entered into between Directors or their Director related entities and entities within the AMP Limited Group. These transactions are within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those available to other employees, customers or members (unless otherwise described below) and include:

- normal personal banking with AMP Bank Limited including the provision of credit cards;
- the purchase of AMP superannuation and related products;
- financial investment services;
- other advisory services.

These transactions do not have the potential to adversely affect the decisions about the allocation of scarce resources made by users of the entity's financial statements, or discharge of accountability by key management personnel. The transactions are considered to be trivial or domestic in nature.

23. RELATED PARTIES (continued)

Transactions with Related Parties

Transactions between TGI Australia Limited and other related parties for the financial year consisted of:

- Payment of management fees for services provided
- Provision of share capital
- Provision of intercompany loans
- Underwriting the self insurance program of the AMP group

The aggregate amounts brought to account in respect of the following types of transactions and each class of related party involved were:

	31 Dec 07 $	31 Dec 06 $
Amounts attributable to transactions with related parties		
Operating profit/(loss) before income tax for the financial year includes aggregate amounts attributable to transactions in respect of:		
Gross Written Premium — other related parties	1,260,000	1,081,000
Investment Expenses — other related parties	87,267	226,061
Management Expense — other related parties	4,872,077	4,857,230
Units held in cash managed trust	1,238,000	1,621,000
Interest Received — other related parties	4,500,837	2,564,102
Aggregate amounts receivable at balance date from:		
Current		
Receivable — other related parties	—	3,013,123
Interest receivable — other related parties	418,899	272,567
Interest Bearing Loans — other related parties	73,069,595	58,715,091
Aggregate amounts payable at balance date to:		
Current		
Payables — other related parties	638,604	77,302

AMP Capital Investors Limited, a related entity within the wholly owned group, manages the majority of the investments of the company under a management contract which follows the normal terms and conditions for such contracts. Fees are paid or are due and payable for the management of investment portfolios under normal terms and conditions.

AMP Services Limited and Enstar Australia Limited (formerly Cobalt Solutions Australia Limited), fellow wholly controlled entities, provide operational and administrative (including employee related) services to the company with the exception of certain financing arrangements, finance leasing and agent related services. The services provided are in the normal course of the business and are on normal commercial terms and conditions.

TGI Australia Limited continues to administer the self insurance program of the AMP Group for underwriting years 2001/2002 and 2002/2003 as well as providing certain AMP Life subsidiaries with professional indemnity cover via the reactivated RiskCap program.

24. CASH FLOW RECONCILIATION

(i) Reconciliation of cash

	2007 $'000	2006 $'000
Cash on Trust	—	1,622
Cash at call	1,596	971
	1,596	2,592

(ii) Reconciliation of net cash flows from operating activities to operating profit after income tax:

	2007 $'000	2006 $'000
Operating profit / (loss) after income tax	12,150	5,452
Changes in net market value of investments	(2,269)	1,879
Net (gain)/loss on sale of investments	1,255	2,309
Bad debts written off	—	4,212
Changes in assets and liabilities		
(Increase) / decrease in accrued interest	(4,501)	(2,564)
(Increase) / decrease in premium debtors	—	44
Increase / (decrease) in doubtful debts provision	718	(3,934)
Decrease / (increase) in receivables	7,561	(5,958)
Increase / (decrease) in unearned premium provision	84	(58)
Decrease / (increase) in reinsurance recoveries	5,319	(586)
Increase / (decrease) in accounts payable	(586)	(734)
Increase / (decrease) in claims outstanding	(25,898)	(7,048)
Increase / (decrease) in tax provisions	4,365	552
Net cash outflow from operating activities	(1,802)	(6,434)

25. EVENTS OCCURRING AFTER THE REPORTING DATE

On 11 December 2007 a Sale and Purchase Agreement was entered into by the ultimate parent AMP Limited and Enstar Australia Holdings Pty Ltd for the sale of the entity. The sale was subject to multiple conditions including regulatory approval by the Australian Prudential Regulatory Authority (APRA) and was completed on 05/03/08.

A dividend of $36.9m was paid on 18 February 2008

In March 2008 the loan receivable from a related party was fully repaid to the Company and invested in cash.

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Report of Independent Auditors

The Board of Directors of TGI Australia Limited

We have audited the accompanying balance sheets of TGI Australia Limited as of December 31, 2007 and 2006, and the related income statements, statements of changes in equity, and cash flow statements for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TGI Australia Limited at December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young
Sydney, Australia
May 15, 2008

TGI AUSTRALIA LIMITED
ABN 12 000 041 458

Financial Report
31 DECEMBER 2006

Contents:

TGI Australia Ltd
Income Statement
For the year ended 31 December 2006

	Note	31 Dec 06 $'000	31 Dec 05 $'000
Direct Premium Revenue		1,622	1,211
Outwards reinsurance expense		722	592
Net premium revenue	5	900	619
Direct claims expense/(benefit)		21,335	(7,167)
Reinsurance and other recoveries revenue		23,863	13,142
Net Claims Incurred	6	(2,528)	(20,309)
Other Underwriting Income		548	766
Acquisition benefit		—	(7)
Other underwriting expenses		61	207
Underwriting expenses	7	61	200
Underwriting result		3,915	21,494
Net Investment Revenue	8	6,386	10,728
General and administration expenses	7	2,240	2,600
Net profit before tax		8,061	29,622
Income tax expense	9	2,610	8,723
Net profit attributable to members of TGI Australia Ltd		5,451	20,899

The above Income Statement should be read in conjunction with the accompanying notes.

TGI Australia Ltd
Balance Sheet
As at 31 December 2006

	Note	31 Dec 06 $'000	31 Dec 05 $'000
Current Assets			
Cash and cash equivalents	25	971	437
Receivables	10	7,458	2,920
Reinsurance and other recoveries receivable	11	14,566	17,363
Other financial assets	12	80,320	78,635
Other	13	364	237
Total Current Assets		103,679	99,592
Non — Current Assets			
Reinsurance and other recoveries receivable	11	27,778	24,517
Other financial assets	12	63,686	92,871
Deferred tax assets	9	5,708	9,602
Total Non — Current Assets		97,172	126,990
Total Assets		200,851	226,582
Current Liabilities			
Unearned premiums	14	750	809
Outstanding claims liability	15	24,868	29,904
Payables	16	1,490	2,224
Current tax liability		—	1,564
Total Current Liabilities		27,108	34,501
Non — Current Liabilities			
Outstanding claims liability	15	81,815	83,826
Deferred tax liability	9	25	1,803
Total Non — Current Liabilities		81,840	85,629
Total Liabilities		108,948	120,130
Net Assets		91,903	106,452
Shareholder's Equity			
Issued Capital	17	30,000	30,000
Retained profits	18	61,903	76,452
Total Shareholder's Equity		91,903	106,452

The above Balance Sheet should be read in conjunction with the accompanying notes.

TGI Australia Ltd
Statement of Changes in Equity
For the year ended 31 December 2006

	Issued Capital $'000	Retained Earnings $'000	Total $'000
Balance as at 1 January 2006	30,000	76,452	106,452
Net Profit/(loss) after income tax	—	5,451	5,451
Other changes in equity- Dividends paid	—	(20,000)	(20,000)
Balance as at 31 December 2006	30,000	61,903	91,903
Balance as at 1 January 2005	30,000	55,553	85,553
Net Profit/(loss) after income tax	—	20,899	20,899
Balance as at 31 December 2005	30,000	76,452	106,452

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

TGI Australia Ltd
Cashflow Statement
For the year ended 31 December 2006

	Note	31 Dec 06 $'000	31 Dec 05 $'000
Cash Flows from Operating Activities:			
Premium Received		818	1,723
Reinsurance recoveries received		23,557	26,042
Other sundry receipts		52	750
Outward reinsurance paid		(121)	(579)
Claims paid		(28,382)	(41,836)
Distributions received		1,459	550
Interest received		6,599	9,183
Investment expenses		(253)	(392)
Other underwriting expenses		(4,839)	(8,313)
Income taxes paid		(5,324)	(10,970)
		(6,434)	(23,838)
Cash Flows from Investing Activities			
Loans advanced to related parties		(10,000)	(45,000)
Purchase of investments		(70,637)	(181,743)
Sale of investments		108,035	243,841
		27,398	17,098
Cash Flows from Financing Activities			
Dividends paid		(20,000)	—
		(20,000)	—
Net (decrease)/increase in cash		964	(6,740)
Cash at the beginning of the year		1,628	8,368
Cash at the end of the year	25	2,592	1,628

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

1. SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

This Financial Report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Financial Report has been prepared in accordance with the historical cost convention except for investments, which have been measured at fair value, and insurance liabilities, which have been discounted to present value.

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current year and comparative period, unless otherwise stated. The same accounting policies and methods of computation are followed by this Financial Report as compared with the 31 December 2005 Financial Report. Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 31 December 2006. When applied in future periods, these recently issued or amended standards are not expected to have a material impact on the company's results or financial position; however they may impact Financial Report disclosures.

Operating revenue

Operating revenue comprises general insurance earned premiums, recoveries, investment income and interest income. Investment income is brought to account on an accrual basis. Other underwriting income comprises of sundry receipts.

Premium Revenue and Unearned premiums

(i) Premium revenue

General insurance premiums comprise amounts charged to policyholders or other insurers, including fire service levies, but excluding stamp duties and GST collected on behalf of third parties. The earned portion of premiums received and receivable, including unclosed business, is recognised as operating revenue. Movements in the provisions for impairment of premium receivables have been included in premium revenue.

(ii) Unearned premiums

Unearned premiums represent premium revenue attributable to future accounting periods. Unearned premium is determined by apportioning the premiums written in the year evenly over the period of insurance cover, reflecting the pattern in which risk emerges under these policies.

Unexpired risk liability

The adequacy of the unearned premium liability in respect of each class of business is assessed by considering current estimates of all expected future cash flows relating to future claims covered by current insurance contracts.

If the present value of the expected future cash flows relating to future claims exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs then the unearned premium liability is deemed to be deficient.

The entire deficiency is recognised immediately in the income statement. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the balance sheet as an unexpired risk liability.

Outstanding Claims

The liability for outstanding claims is measured as the best estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Company, with an additional risk margin to allow for the inherent uncertainty in the best estimate.

The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling costs.

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs.

The liability includes an allowance for inflation and superimposed inflation and is measured as the present value of the expected future ultimate cost of settling claims. The expected future payments are discounted to present value using a risk free rate.

A risk margin is applied to the outstanding claims liability, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the best estimate. This risk margin increases the probability that the net liability is adequately provided for to a 75% confidence level.

Outwards reinsurance premium expense and deferred reinsurance premium

Premiums ceded to reinsurers are recognised as an expense over the period of cover using the methods applicable to premium revenue as set out in the premium revenue note above.

Reinsurance and other recoveries

Reinsurance and other recoveries consist of receivables on paid claims and outstanding claims and are recognised as revenue when claims are paid or the outstanding claim is raised. Reinsurance receivables are discounted to present value consistent with the discounting of outstanding claims. A provision for impairment is recognised when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of the receivables. The impairment charge is recognised in the income statement. Bad debts are written off as incurred.

Fire brigade levies and other statutory charges

A liability for fire brigade levies and other statutory charges is recognised on business written to the balance date. Levies and charges payable are expensed on the same basis as the recognition of the related premium revenue, with the portion relating to unearned premiums being reported as deferred statutory charges.

Investment Income

Dividend and interest income is recognised in the income statement on an effective interest method when the entity obtains control of the right to receive the revenue.

Realised gains and losses represent the change in value between the previously reported value and the amount received on sale of the asset. Unrealised gains and losses represent changes in the fair value of financial assets recognised in the period.

Assets backing general insurance liabilities

As part of its investment strategy, the Company actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities.

The Company has determined that all assets are held to back general insurance liabilities on the basis that all assets of the Company are available for the settlement of claims if required. The following policies apply to assets held to back general insurance liabilities.

Financial assets

Financial assets are designated at fair value through profit or loss. Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant unrealised gains or losses recognised in the income statement. Details of fair value for the different types of financial assets are listed below:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand that is available on demand and deposits held at call with financial institutions. Cash and cash equivalents are carried at fair value, being the principal amount. For the purposes of the cash flow statement, cash also includes other highly liquid investments not subject to significant risk of change in value.

Cash trusts

The fair value of units in a listed cash trust reflects the quoted bid price at balance date. There is no reduction for realisation costs in the value of units in a cash trust. Unlisted unit trusts are recorded at fund managers valuations.

Debt securities

Debt securities are initially recognised at fair value, representing the purchase cost of the asset exclusive of any transaction costs. Debt securities are subsequently measured at fair value, with any realised and unrealised gains or losses arising from changes in the fair value being recognised in the income statement for the period in which they arise. The fair value of a traded interest bearing security reflects the bid price at balance date. Interest bearing securities that are not frequently traded are valued by discounting the estimated recoverable amounts, using prevailing interest rates. Debt securities are accounted for on a trade date basis.

Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value. All derivatives are carried as assets when their fair value is positive, and as liabilities when their fair value is negative. Derivatives are exchange traded and are fair valued using their publicly quoted bid price on the date of valuation.

Income Tax

Income tax

Income tax expense is the tax payable on taxable income for the current period based on the income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to: (i) temporary differences between the tax bases of assets and liabilities and their balance sheet carrying amounts, and (ii) unused tax losses.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

Tax Consolidation

AMP Limited, TGI Australia Ltd and certain other wholly owned controlled entities of AMP Limited comprise a tax-consolidated group of which AMP Limited is the head entity. The implementation date for the tax-consolidated group was 30 June 2003.

Under tax consolidation, AMP Limited as head entity, assumes the following balances from subsidiaries within the tax-consolidated group:

(i) Current tax balances arising from external transactions recognised by entities in the tax-consolidated group occurring after the implementation date, and;

(ii) Deferred tax assets arising from unused tax losses and unused tax credits recognised by entities in the tax-consolidated group occurring after the implementation date.

A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group. Controlled entities in the tax-consolidated group will continue to be responsible, by the operation of the tax funding agreement, for funding tax payments required to be made by the head entity arising from underlying transactions of the controlled entities. Controlled entities will make (receive) contributions to (from) the head entity for the balances recognised by the head entity described in (i) and (ii) above. The contributions will be calculated in accordance with the tax funding agreement.

Assets and liabilities which arise as a result of differences between the periods in which the underlying transactions occur, and the period in which the funding payments under the tax funding agreement are made, are recognised as intercompany balances receivable and payable in the balance sheet. The recoverability of balances arising from the tax funding arrangements is based on the ability of the tax-consolidated group to utilise the amounts recognised by the head entity.

Goods and Services Tax (GST)

All revenues, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the particular expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the balance sheet.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

Foreign currency transactions and translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The presentation currency of this financial report, and the functional currency, is Australian dollars.

Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at balance sheet date, with exchange gains and losses recognised in the income statement. The corresponding foreign currency translations of overseas outstanding claims liabilities and receivables are reported as a component of claims expense and premium revenue, respectively. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Receivables

Receivables are financial assets and are measured at fair value. Given the short-term nature of most receivables, the recoverable amount approximates fair value. A provision for impairment is recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The impairment charge is recognised in the income statement. Bad debts are written off as incurred.

Payables

Trade creditors and accruals are recognised as liabilities for amounts to be paid in the future for goods and services received, whether or not billed to the entity.

Amounts Due To or From Related Parties

Amounts are carried at fair value being nominal amounts due and payable. Interest is taken up as income on an accrual basis. A provision for impairment is recognised when there is objective evidence that the related party will not be able to pay its debt.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates and judgements are applied are described below.

(a) The ultimate liability arising from claims made under insurance contracts

Provision is made at year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. IBNR claims may often not be reported to the insurer until many years after the events giving rise to the claims has happened. The liability class of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. For the short tail class, claims are typically reported soon after the claim event, and hence tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon analysis of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- the impact of large losses;
- movements in industry benchmarks.

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions.

Details of specific assumptions used in deriving the outstanding claims liability at year-end are detailed in note 3.

(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Company may not receive amounts due to it and these amounts can be reliably measured.

3. ACTUARIAL METHODS AND ASSUMPTIONS

Claims estimates are derived from analysis of the results of several different actuarial models. These models take case estimates as well as payments into account and assume that reported incurred amounts or reported payment amounts will develop steadily from period to period. Other models adopt an ultimate loss ratio for each year that reflects both the long term expected level, as well as incorporating recent experience. The analysis is performed by accident year for the direct insurance class.

Claims are first estimated on an undiscounted basis and are then discounted to allow for the time value of money. The valuation methods adopted include an implicit allowance for future inflation but do not identify the explicit rate. This allows for both general economic inflation as well as any superimposed inflation detected in the modelling of payments experience. Superimposed inflation arises from non-economic factors such as developments of legal precedent.

The liability class of business may be subject to the emergence of new types of latent claims, but no specific allowance is included for this as at the balance sheet date. Such uncertainties are considered when setting the risk margin appropriate for this class.

A description of the processes used to determine the key assumptions is provided below:

The **average weighted term to settlement** is calculated separately by class of business, based on historical settlement patterns.

The **reinsurance percentage** is calculated based on past reinsurance recovery rates and the structure of the reinsurance arrangements in place.

The **discount rates** are derived from market yields on Government securities as at the balance date, in the currency of the expected claim payments.

Expense rate. Claim handling expenses are calculated based on the projected costs of administering the remaining claims until expiry.

The **ultimate to incurred claims ratio** is derived by accident or underwriting year based on historical development of claims from period to period.

The effect of changes in the assumptions have been shown in the reconciliations of general insurance assets and liabilities in Note 15.

Process for determining risk margin

The risk margin was determined initially for each portfolio, allowing for the uncertainty of the outstanding claims estimate for each portfolio. Uncertainty was analysed for each portfolio taking into account past volatility in general insurance claims, potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, and the general insurance environment. The estimate of uncertainty is generally greater for long tailed classes when compared to short tail classes due to the longer time until settlement of outstanding claims.

The overall risk margin was determined allowing for diversification between the different portfolios and the relative uncertainty of each portfolio. The assumptions regarding uncertainty for each class were applied to the net central estimates, and the results were aggregated, allowing for diversification in order to arrive at an overall provision that is intended to have a 75% probability of adequacy.

	2006 %	2005 %
Risk Margins applied	29.0	19.5

Sensitivity analysis – general insurance contracts

There are a number of variables which impact the amounts recognised in the financial statements arising from insurance contracts.

The profit or loss and equity of the Company are sensitive to movements in a number of key variables as described below.

Variable	Description of variable
Average weighted term to settlement	Expected payment patterns are used in determining the outstanding claims liability. A decrease in the average term to settlement would lead to claims being paid sooner than anticipated.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money.
Expense rate	An estimate for the internal costs of administering claims is included in the outstanding claims liability.
Ultimate to incurred claims ratio	The estimated ultimate claims cost is generally greater than the claims reported as incurred to date, due to claims that are incurred but not reported (IBNR) or due to future developments on existing claims.
Reinsurance percentage	Assumes money will be recoverable from reinsurers on future claims paid.

The following table provides an analysis of the sensitivity of the profit after income tax and total equity to changes in these assumptions both gross and net of reinsurance.

2006

	Change in	Assumption at 12/06		Profit/(Loss) (after tax)	
Variable	**variable**	**Gross %**	**Net %**	**Gross $'000**	**Net $'000**
Average weighted term to settlement	+0.5 year	3.3	3.6	2,010	1,347
	-0.5 year	3.3	3.6	(2,214)	(1,387)
Reinsurance percentage	+1%	n/a	9.0	—	97
(as % of gross IBNR)	-1%	n/a	9.0	—	(97)
Discount Rate[1]	+1%	5.9	5.9	2,058	1,437
	-1%	5.9	5.9	(2,201)	(1,543)
Expense Rate	+1%	17.3	17.3	(623)	(623)
	-1%	17.3	17.3	623	623
Ultimate to incurred claims ratio[2]	+1%	102.5	102.5	(3,732)	(2,355)
	-1%	102.5	102.5	2,066	1,392

1 — This sensitivity reflects the liability movements only. As assets are invested to match the term of liabilities, there is little overall profit impact from a change to interest rates.

2 — This ratio has only been adjusted for years that are not considered to be fully developed.

2005

Variable	Change in variable	Assumption at 12/05 Gross %	Net %	Profit/(Loss) (after tax) Gross $'000	Net $'000
Average weighted term to settlement	+0.5 year	3.5	3.6	2,008	1,386
	-0.5 year	3.5	3.6	(2,163)	(1,525)
Reinsurance percentage	+1%	n/a	18.0	—	161
(as % of gross IBNR)	-1%	n/a	18.0	—	(161)
Discount Rate[1]	+1%	5.2	5.2	2,014	1,385
	-1%	5.2	5.2	(2,148)	(1,488)
Expense Rate	+1%	21.9	21.9	(669)	(669)
	-1%	21.9	21.9	669	669
Ultimate to incurred claims ratio[2]	+1%	103.3	103.3	(4,901)	(3,268)
	-1%	103.3	103.3	2,940	1,994

1 — This sensitivity reflects the liability movements only. As assets are invested to match the term of liabilities, there is little overall profit impact from a change to interest rates.

2 — This ratio has only been adjusted for years that are not considered to be fully developed.

4. INSURANCE CONTRACTS – RISK MANAGEMENT POLICIES AND PROCEDURES.

The Company has an objective to control insurance risk thus reducing volatility. The company's policies and procedures in respect of managing risks are set out in this note below.

a) Objective in managing risks arising from insurance contracts and policies for mitigating those risks.

In accordance with Prudential Standards GPS 220 Risk Management and GPS 230 Reinsurance Management issued by the Australian Prudential Regulation Authority (APRA), the Board and senior management have developed, implemented and maintain a sound and prudent Risk Management Strategy (RMS) and a Reinsurance Management Strategy (REMS).

The RMS and REMS identify the Company's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Company. Annually, the Board certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Company has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to the compliance with the RMS and REMS. The RMS and REMS have been approved by both the Board and APRA.

Key aspects of the processes established in the RMS to mitigate risks include:

- A formal regular process of risk identification and evaluation, supplemented by a documented control assessment process, is completed by management and communicated to the Board in line with the Board approved Risk Management Strategy.
- Actuarial models, using information from management information systems, to monitor claims patterns and other relevant statistics. Past experience and statistical methods are used as part of the process.
- The maintenance and use of various specialist information systems, which provide up to date and reliable data on claims liabilities.
- Documented procedures that are followed by claims staff that are experienced in the various classes of business previously written.
- Reinsurance has been used, to limit the Company's exposure to large single claims. The REMS provides that exposures continue to be monitored and where feasible reinsurance be purchased as means of limiting risk.
- The mix of investment assets is driven by the nature and term of the insurance liabilities. The management of assets and liabilities is closely monitored in an attempt to match the maturity dates of assets with the expected pattern of claim payments.

b) Development of claims

There is a possibility that changes may occur in the estimate of our obligations at the end of a contract period. The tables in note 15 show our estimates of total ultimate claims at successive year-ends.

c) Terms and conditions of direct and inwards reinsurance business

There is limited scope to improve the existing terms and conditions. The company is been in orderly run off since 1999, and no new contracts have been entered into since that time with the exception of the Riskcap self insurance program.

d) Concentration of insurance risk

The exposure to concentrations of insurance risk is able to be mitigated with the purchase of reinsurance where management believes that the price /risk transfer is suitable.

e) Interest rate risk

Interest rate risk arises to the extent that there is a mismatch between the fixed-interest portfolios used to back the outstanding claims liability and those outstanding claims. The interest rate risk is managed by matching the duration profiles of the investments assets and the outstanding claims liability.

f) Credit risk

Other than loans to related parties, there are no significant concentrations of credit risk.

5. NET PREMIUM REVENUE

	2006 $'000	2005 $'000
Gross written premium	1,681	1,760
Movement in unearned premium	(59)	(549)
Premium revenue	1,622	1,211
Outwards reinsurance expense	722	592
Net Premium Revenue	**900**	**619**

6. NET CLAIMS INCURRED

	31-Dec-06			31-Dec-05		
	Current year $'000	Prior years $'000	Total $'000	Current year $'000	Prior years $'000	Total $'000
Gross claims expense						
Gross claims incurred — undiscounted	2,202	15,435	17,637	—	(16,528)	(16,528)
Discount movement	(705)	4,403	3,698	—	9,361	9,361
Claims incurred — discounted	1,497	19,838	21,335	—	(7,167)	(7,167)
Reinsurance and other recoveries revenues						
Reinsurance and other recoveries — undiscounted	—	(25,650)	(25,650)	—	(10,265)	(10,265)
Discount movement	—	1,787	1,787	—	(2,877)	(2,877)
Reinsurance and other recoveries — discounted	—	(23,863)	(23,863)	—	(13,142)	(13,142)
Net claims incurred — discounted	1,497	(4,025)	(2,528)	—	(20,309)	(20,309)

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the risks borne in all previous financial years.

7. OPERATING EXPENSES

Expenses by Nature	**2006 $'000**	**2005 $'000**
Commission expense/(benefit)	61	(7)
Write-off of Bad Debt	4,212	42
Impairment expense — premium receivables	44	37
Impairment expense/(benefit) — reinsurance receivables	(3,977)	(211)
Investment management fees	278	370
Other management fees	1,562	2,226
External consultant costs	58	(48)
Other expenses	63	392
Total Expenses	2,301	2,800

represented by:		
General administration expenses included in net claims incurred	(3,146)	(4,157)
Acquisition benefit	—	(7)
Other underwriting expenses	61	207
General administration expenses	5,386	6,757
Total expenses	2,301	2,800

8. NET INVESTMENT REVENUE

	2006 $'000	**2005 $'000**
Interest	6,551	9,215
Interest from related parties:		
- other related parties	2,564	1,424
Distributions received	1,459	550
Changes in fair value of investments:		
Realised (loss)/gain	(1,879)	2,332
Unrealised loss	(2,309)	(2,793)
Total Net Investment Revenue	6,386	10,728

9. INCOME TAX

(a) Analysis of income tax expense

	2006 $'000	2005 $'000
Current tax	591	5,199
Decrease in deferred tax assets	3,819	2,986
Increase in deferred tax liabilities	(1,777)	112
(Under)/over provided in previous years	(23)	426
Income tax expense	**2,610**	**8,723**

(b) Relationship between income tax expense and accounting profit

The table below provides a reconciliation of differences between prima facie tax calculated as 30% of the profit before income tax for the period and the actual income tax expense recognised in the income statement for the period.

In respect of income tax expense attributable to shareholders, the tax rate which applies in both 2006 and 2005 is 30%.

	2006 $'000	2005 $'000
Operating profit before income tax	8,061	29,622
Prima facie income tax at the rate of 30%	2,418	8,886
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/assessable in calculating taxable income:		
Non assessable income	(281)	—
Other	473	(589)
Under provided in prior years — deferred tax balances	—	426
Income tax expense per income statement	**2,610**	**8,723**

(c) Analysis of deferred tax asset

	2006 $'000	2005 $'000
Amounts recognised in income:		
- Provision for doubtful debts	586	1,766
- Accruals	4	108
- Indirect Claims Costs Adjustments	4,092	5,459
- Unrealised gains/losses	—	12
- Other	1,026	
Total deferred tax assets	**4,682**	**9,602**

(d) Analysis of deferred tax liability

Amounts recognised in income		
- Unrealised gains/losses	25	225
- Other	—	1,578
Total deferred tax liability	**25**	**1,803**

TGI Australia Ltd

Notes to the financial statements for the year ended 31 December 2006

10. RECEIVABLES

	31 Dec 06 $'000	31 Dec 05 $'000
Current		
Premiums receivable — direct insurance	—	44
less provision for impairment of premium receivable	—	(44)
	—	—
Other receivables	4,172	4,734
less provision for impairment of other receivables	—	(4,014)
	4,172	720
Other receivables from related parties		
- other related parties	3,013	789
Interest receivable from related parties		
- other related parties	273	1,411
Total current receivables	7,458	2,920

In 2006, other receivables include income tax recoverable under the tax sharing agreement of $3,415,000 as PAYG installments made throughout the year exceed the current tax payable.

The provision for impairment in 2005 of $4,014,000 was written off as a bad debt in 2006

11. REINSURANCE AND OTHER RECOVERIES

	31 Dec 06 $'000	31 Dec 05 $'000
Expected future reinsurance and other recoveries undiscounted		
- on claims paid	6,138	11,309
- on outstanding claims	45,252	38,118
Discount to present value	(7,092)	(5,716)
less provision for impairment of reinsurance and other recoveries	(1,954)	(1,831)
Reinsurance and other recoveries receivable	42,344	41,880
Reinsurance and other recoveries receivable — current	16,234	18,849
less provision for impairment of reinsurance and other recoveries	(1,668)	(1,486)
Reinsurance and other recoveries receivable — Current	14,566	17,363
Reinsurance and other recoveries receivable — non current	28,063	24,862
less provision for impairment of reinsurance and other recoveries	(285)	(345)

Refer to Note 15 for a reconciliation of the movement in reinsurance and other recoveries on incurred claims over the year.

12. OTHER FINANCIAL ASSETS

	31 Dec 06 $'000	31 Dec 05 $'000
Current		
Quoted investments — at fair value:		
Government and semi-government bonds	1,364	12,128
Corporate bonds	11,093	8,662
Deposit on futures	287	106
	12,744	20,896
Unquoted investments — at fair value:		
Units held in cash managed trust		
- Other related parties	1,621	1,191
Units held in other unit trusts	7,240	11,535
Loan — Other related parties	58,715	45,013
	67,576	57,739
Total current financial assets	80,320	78,635
Non-Current		
Quoted investments — at fair value:		
Government and semi-government bonds	32,236	46,472
Corporate bonds	31,564	46,111
Derivatives	(114)	288
Total non current financial assets	63,686	92,871
Total other financial asstes	144,006	171,506

13. OTHER ASSETS

	31 Dec 06 $'000	31 Dec 05 $'000
Deferred reinsurance expense	332	237
Other — Prepayments	32	—
	364	237
Other Assets — Current	364	237
	364	237

14. UNEARNED PREMIUM

	2006 $'000	2005 $'000
Current unearned premium	750	809
Non-current unearned premium	—	—
Total unearned premium	**750**	**809**
Unearned premium liability as at 1 January	809	260
Deferral of premiums on contracts written in the period	750	574
Earning of premiums written in previous periods	(809)	(25)
Unearned premium liability as at 31 December	**750**	**809**

During the year the unearned premium liability in respect of TGI was found to be sufficient. As a result no unexpired risk reserve was required.

15. OUTSTANDING CLAIMS

	31 Dec 06 $'000	31 Dec 05 $'000
Central estimate	106,797	117,974
Risk margin	15,444	18,560
Discount to present value	(15,558)	(22,804)
Total Outstanding Claims	106,683	113,730
Current	24,868	29,904
Non-Current	81,815	83,826
	106,683	113,730

Investment assets in the form of debt securities are held to back the liability for outstanding claims and are realised on a regular basis to meet claims. The amount of claims likely to be settled within 12 months of the reporting date is classified as current.

15. OUTSTANDING CLAIMS (continued)

Reconciliation of movement in discounted outstanding claims liability

2006	Gross $'000	Reinsurance $'000	Net $'000
Amount outstanding brought forward	113,730	41,880	71,850
less Claim payments/recoveries received in the period	(28,382)	(23,557)	(4,825)
Effect of change in assumptions	21,922	24,068	(2,146)
Effect of change in exchange rates	(587)	(205)	(382)
Outstanding amount brought forward	106,683	42,186	64,497

2005	Gross $'000	Reinsurance $'000	Net $'000
Amount outstanding brought forward	167,349	54,840	112,509
less Claim payments/recoveries received in the period	(41,836)	(26,042)	(15,794)
Effect of change in assumptions	(11,072)	13,307	(24,379)
Effect of change in exchange rates	(711)	(225)	(486)
Outstanding amount brought forward	113,730	41,880	71,850

As described in note 1, the outstanding claims liability is the best estimate of the present value of the expected future payments, after the inclusion of a risk margin. At each balance date, the amount of the liability is reassessed and it is likely that changes will arise in the estimates of liabilities. The table under show the estimates of total ultimate claims at successive year ends.

Estimate of Cumulative claims

	Net $'000	Gross $'000
31 December 2001	652,869	959,696
31 December 2002	645,066	988,296
31 December 2003	632,396	970,761
31 December 2004	610,081	960,133
31 December 2005	596,238	956,555
31 December 2006	596,961	982,344
Estimate of Cumulative Claims at 31 December 2006	596,961	982,344
Cumulative Payments	549,057	889,187
Undiscounted central estimate	**47,904**	**93,157**
Effect of Discounting	8,466	15,558
Discounted Central Estimate	**39,438**	**77,599**
Risk Margin		15,444
Claims Administration Expense Provision		13,640
Gross Outstanding Claims as per the Balance Sheet		**106,683**

16. PAYABLES

	31 Dec 06 $'000	31 Dec 05 $'000
Current		
Trade creditors and other creditors	1,413	1,394
Other creditors	—	774
Other borrowings from related parties — other related parties	77	56
	1,490	2,224

17. ISSUED CAPITAL

	31 Dec 06 $'000	31 Dec 05 $'000
Paid up capital:		
15,000,000 Ordinary Shares at $2 per share	30,000	30,000
(2005: 15,000,000 Ordinary Sharesat $2 per share)		
Total	30,000	30,000
Movement in share capital		
Balance beginning of year	30,000	30,000
Balance end of year	30,000	30,000

Rights attaching to Ordinary Shares

Ordinary shares attract the following rights:

(a) to receive notice of and to attend and vote at all general meetings of the Company;

(b) to receive dividends; and

(c) in a winding up, to participate equally in the distribution of the assets of the Company (both capital and surplus), subject only to any amounts unpaid on the share.

18. RETAINED PROFITS

	31 Dec 06 $'000	31 Dec 05 $'000
Retained profits at beginning of the financial year	76,452	55,553
Operating profit/(loss) after Income Tax	5,451	20,899
Dividend Paid	(20,000)	—
Retained Profits at the end of the financial year	61,903	76,452

	31 Dec 06 $'000	31 Dec 05 $'000
Dividends paid on ordinary shares		
- Dividend paid on 12 April 2006	20,000	—
Unfranked dividend of $1.33 per share		
Dividends paid during the year	20,000	—

19. FRANKING ACCOUNT

The AMP Limited group entered into Tax Consolidation during 2003. Under Tax Consolidation, the franking account balances for group companies were transferred to the Head Entity, AMP Limited.

20. SEGMENT REPORTING

The company operated in one industry, being direct insurance, underwritten in Australia.

21. KEY MANAGEMENT PERSONNEL COMPENSATION

The following individuals were the key management personnel of TGI Australia Limited for the current and prior reporting periods (unless stated otherwise):

Name	Date of Appointment/Resignation during the current or prior reporting period
Peter Clarke	
Richard Grellman	
Peter Hodgett	
Andrew Mohl	
William Roberts	
Bruce Robertson	09-05-2005, Resigned
Felix Zaccar	

The following table provides aggregate details of the compensation of key management personnel of TGI Australia Limited.

Year	Short-term employee benefits $	Post-employment benefits $	Other long -term benefits $	Termination benefits $	Share-based payments $	Total $
2006	6,306,101	205,061	—	—	2,318,215	8,829,377
2005	5,737,253	254,791	—	—	2,079,046	8,071,090

Key management personnel disclosed above, also provided services to other related entities during the year. The above remuneration amounts include all amounts paid for services rendered to related entities and those services rendered to TGI Australia Limited.

22. AUDITORS' REMUNERATION

Auditors' remuneration for the year ended 31 December 2006 is paid on the Company's behalf by a controlled entity within the AMP Limited Group.

23. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2006 (2005: Nil).

24. RELATED PARTIES

Controlling Entity

The immediate parent entity is AMP General Insurance Limited. AMP Limited is the ultimate parent entity.

Directors

The directors of the company during the financial year and the dates of appointments and resignations during the year are:

Name	Date of Appointment/Resignation during the current or prior reporting period
Peter Clarke	
Richard Grellman	
Peter Hodgett (alternate for Andrew Mohl)	
Andrew Mohl	
William Roberts	
Bruce Robertson	09-05-2005, Resigned
Felix Zaccar	

Other Transactions

The directors and their director related entities receive normal dividends on their ordinary share holdings in AMP Limited.

Other transactions with key management personnel of the Company

During the year, transactions were entered into between Directors or their Director related entities and entities within the AMP Limited Group. These transactions are within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those available to other employees, customers or members (unless otherwise described below) and include:

- normal personal banking with AMP Bank Limited including the provision of credit cards;
- the purchase of AMP superannuation and related products;
- financial investment services;
- other advisory services.

These transactions do not have the potential to adversely affect the decisions about the allocation of scarce resources made by users of the entity's financial statements, or discharge of accountability by key management personnel. The transactions are considered to be trivial or domestic in nature.

24. RELATED PARTIES (continued)

Transactions with Related Parties

Transactions between TGI Australia Limited and other related parties for the financial year consisted of:

- Payment of management fees for services provided
- Provision of share capital
- Provision of intercompany loans
- Underwriting the self insurance program of the AMP group

The aggregate amounts brought to account in respect of the following types of transactions and each class of related party involved were:

	31 Dec 06 $	31 Dec 05 $
Amounts attributable to transactions with related parties		
Operating profit/(loss) before income tax for the financial year includes aggregate amounts attributable to transactions in respect of:		
Gross Written Premium — other related parties	1,081,000	1,153,000
Investment Expenses — other related parties	226,061	369,933
Management Expense — other related parties	4,857,230	6,402,314
Interest Received — other related parties	2,564,102	1,423,555
Aggregate amounts receivable at balance date from:		
Current		
Receivable — other related parties	3,013,123	789,266
Interest receivable — other related parties	272,567	1,410,533
Interest Bearing Loans — other related parties	58,715,091	45,013,022
Aggregate amounts payable at balance date to:		
Current		
Payables — other related parties	77,302	56,000

AMP Capital Investors Limited, a related entity within the wholly owned group, manages the majority of the investments of the company under a management contract which follows the normal terms and conditions for such contracts. Fees are paid or are due and payable for the management of investment portfolios under normal terms and conditions.

AMP Services Limited and Enstar Australia Limited (formerly Cobalt Solutions Australia Limited), fellow wholly controlled entities, provide operational and administrative (including employee related) services to the company with the exception of certain financing arrangements, finance leasing and agent related services. The services provided are in the normal course of the business and are on normal commercial terms and conditions.

TGI Australia Limited continues to administer the self insurance program of the AMP Group for underwriting years 2001/2002 and 2002/2003 as well as providing certain AMP Life subsidiaries with professional indemnity cover via the reactivated RiskCap program.

25. CASH FLOW RECONCILIATION

(i) Reconciliation of cash

	2006 $'000	2005 $'000
Cash on Trust	1,622	1,191
Cash at call	971	437
	2,592	1,628

(ii) Reconciliation of net cash flows from operating activities to operating profit after income tax:

	2006 $'000	2005 $'000
Operating profit / (loss) after income tax	5,452	20,899
Changes in net market value of investments	1,879	(2,332)
Net (gain)/loss on sale of investments	2,309	2,793
Bad debts written off	4,212	—
Changes in assets and liabilities		
(Increase) / decrease in accrued interest	(2,564)	—
(Increase) / decrease in premium debtors	44	6
Increase / (decrease) in doubtful debts provision	(3,934)	(175)
Decrease / (increase) in receivables	(5,958)	1,446
Increase / (decrease) in unearned premium provision	(58)	549
Decrease / (increase) in reinsurance recoveries	(586)	13,139
Increase / (decrease) in accounts payable	(734)	(574)
Increase / (decrease) in claims outstanding	(7,048)	(53,619)
Increase / (decrease) in tax provisions	552	(5,969)
Net cash outflow from operating activities	(6,434)	(23,838)

26. FINANCIAL INSTRUMENTS AND DERIVATIVES

(a) Specific purposes for which derivative transactions are undertaken

The Company uses derivatives in the following way:

Investment management operations

The Company has given authority to AMP Capital Investors Limited (the investment manager) to use derivatives in managing investment portfolios. There may be various reasons why investment in derivatives is more appropriate than investment in the underlying physical asset including hedging, liquidity and pricing.

The types of derivatives which the investment manager uses are interest rate swaps and futures.

(b) Extent of derivative transactions

	Notional value 31 Dec 2006 $'000	Net market value 31 Dec 2006 $'000	Notional value 31 Dec 2005 $'000	Net market value 31 Dec 2005 $'000
Investment management operations				
Commercial Bond contract	19,286	213	25,560	288

The notional value refers to the value of the underlying assets of the derivatives contract. The fair value is the unrealised gain/(loss) on the outstanding contracts.

The interest rate contracts used by the Company are for hedging purposes.

(c) Fair Values

The recorded bid price equates to net fair value for listed debt and equity securities. For derivative contracts, fair value equates to the unrealised gain/loss on the outstanding contract. For the following financial instruments, the cost carrying amount is considered to equate to their fair value:

- cash deposits
- loans to related parties
- receivables
- payables.

(d) Special terms and conditions

All financial instruments of the Company are held or issued on normal commercial terms at market rates of interest. There are no special terms or conditions affecting the nature and timing of the financial instruments not otherwise disclosed in these accounts. The accounting policies and terms and conditions for each class of financial asset or liability at the balance date are detailed in Note 1 and throughout the other notes to these financial statements.

26. FINANCIAL INSTRUMENTS AND DERIVATIVES (continued)

(e) Credit risk

Trading investments are recorded in the accounts at fair value which represents the Company's exposure to credit risk in relation to these instruments. The Company's credit risk exposure to derivatives is the fair value as recorded above.

The credit risk of the Company arising from exposure to individual entities in investment portfolios is monitored and controlled by AMP Capital Investors Limited in accordance with Credit Policy guidelines.

Credit risk in trade receivables in managed by analysing the credit ratings of the underlying debts.

(f) Interest rate risk on financial instruments

The accounting policy notes describe the policies used to measure and report the assets and liabilities of the Company. Where the applicable market value is determined by discounting future cash flows, movements in interest rates will result in a reported unrealised gain or loss in the profit and loss account.

AMP Capital Investors Limited manages investment portfolios on behalf of the Company. The Company seeks to reduce its interest rate risk through the use of investment portfolios as a hedge against the insurance liabilities of the Company. To the extent that these assets and liabilities can be matched, unrealised gains or losses on revaluation of liabilities resulting from interest rate movements will be offset by unrealised losses or gains on revaluation of investment assets.

The Company uses derivatives to manage the interest rate risk on its other interest sensitive assets and liabilities set out in Note 25(a).

The Company's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at the reporting date, are as follows:

26. FINANCIAL INSTRUMENTS AND DERIVATIVES (continued)

For the year ended 2006	Floating Interest Rate $000's	Fixed interest rate Maturing in 0-1 year $000's	1-2 years $000's	2-3 years $000's	3-4 years $000's	4-5 years $000's	> 5 years $000's	Non Interest Bearing $000's	Total $000's	Weighted Average Interest rate
Financial Assets										
Receivables								7,458	7,458	
Debtors and Reinsurance								44,388	44,388	
Cash at bank	971								971	4.90%
Cash Trusts	1,621								1,621	6.00%
Other Trusts								7,240	7,240	
Government and Semi-government stocks and bonds		1,364	13,502				18,737		33,603	5.79%
Corporate bonds		11,093	7,498	9,110	3,949	3,232	7,777		42,659	6.64%
Deposits on Futures								287	287	
Derivatives								(114)	(114)	
Related Party Loan		58,715							58,715	7.06%
Total Financial Assets	2,592	71,172	21,000	9,110	3,949	3,232	26,514	59,259	196,828	
Financial Liabilities										
Payables								1,490	1,490	
Total Financial Liabilities	—	—	—	—	—	—	—	1,490	1,490	

For the year ended 2005	Floating Interest Rate $000's	Fixed interest rate Maturing in 0-1 year $000's	1-2 years $000's	2-3 years $000's	3-4 years $000's	4-5 years $000's	> 5 years $000's	Non Interest Bearing $000's	Total $000's	Weighted Average Interest rate
Financial Assets										
Receivables								6,978	6,978	
Debtors and Reinsurance								43,711	43,711	
Cash at bank	437								437	4.48%
Cash Trusts	1,191								1,191	5.44%
Other Trusts								11,535	11,535	
Government and Semi-government stocks and bonds		12,128	3,084	10,568	3,732	653	28,435		58,600	5.12%
Corporate bonds		8,662	12,744	12,121	6,901	5,644	8,701		54,773	5.81%
Deposits on Futures								106	106	
Derivatives								288	288	
Related Party Loan		45,013							45,013	6.79%
Total Financial Assets	1,628	20,790	15,828	22,689	10,633	6,297	37,136	62,618	222,632	
Financial Liabilities										
Payables								2,224	2,224	
Total Financial Liabilities	—	—	—	—	—	—	—	2,224	2,224	

27. CAPITAL ADEQUACY

	$'000	$'000
Tier 1 Capital		
Paid-up ordinary shares	30,000	30,000
General reserves	—	—
Retained earnings	56,452	55,553
Current year earnings	5,330	20,899
Excess technical provisions (net of tax)	—	—
Less : deductions	(5,683)	(27,799)
Net Tier 1 Capital	86,099	78,653
Net Tier 2 Capital	—	—
Total Capital Base	86,099	78,653
Minimum Capital Requirement	19,769	43,829
Capital adequacy multiple	4.36	1.79

The entity complies with Prudential Standard GPS110 and the requirements set out in its insurance licence.

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Report of Independent Auditors

The Board of Directors of TGI Australia Limited

We have audited the accompanying balance sheets of TGI Australia Limited as of December 31, 2006 and 2005, and the related income statements, statements of changes in equity, and cash flow statements for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TGI Australia Limited at December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young
Sydney, Australia
May 15, 2008

Exhibit 99.4

ENSTAR AUSTRALIA LIMITED
(Formerly COBALT SOLUTIONS AUSTRALIA LIMITED)

ABN 99 096 363 923

FINANCIAL REPORT
31 DECEMBER 2007

Contents:

Enstar Australia Limited (formerly Cobalt Solutions Australia Limited)

Income Statement
For the year ended 31 December 2007

	Note	2007 $'000	2006 $'000
Revenues	2	28,948	30,020
Expenses	3	(21,165)	(23,748)
Profit before income tax expense		7,783	6,272
Income tax expense	4	(1,840)	(2,459)
Net profit after income tax expense, attributable to members of Enstar Australia Limited (formerly Cobalt Solutions Australia Limited)		5,943	3,813

The above Income Statement should be read in conjunction with the accompanying notes.

Enstar Australia Limited (formerly Cobalt Solutions Australia Limited)

Balance Sheet
As at 31 December 2007

	Note	2007 $'000	2006 $'000
Current Assets			
Cash & Cash equivalents	12	8,032	8,990
Receivables	5	7,910	6,291
Total current assets		15,942	15,281
Non-current assets			
Plant & Equipment	6	14	34
Deferred tax assets	4	988	717
Total non-current assets		1,002	751
Total assets		16,944	16,032
Current liabilities			
Payables	7	3,942	4,815
Deferred Income	8	37	—
Current tax liabilities		102	—
Total current liabilities		4,081	4,815
Non-current liabilities			
Payables	7	703	—
Total non-current liabilities		703	—
Total liabilities		4,784	4,815
Net assets		12,160	11,217
Equity	11	—	—
Retained profits		12,160	11,217
Total equity		12,160	11,217

The above Balance Sheet should be read in conjunction with the accompanying notes.

Enstar Australia Limited (formerly Cobalt Solutions Australia Limited)

Statement of Cash Flows
For the year ended 31 December 2007

	Note	2007 $'000	2006 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		63,074	72,560
Cash payments in the course of operations		(56,062)	(69,967)
Investment income received		522	940
Income tax paid		(3,487)	(5,672)
Cash flows from operating activities	12	4,047	(2,139)
Cash flows from investing activities			
Payments for plant and equipment		(5)	(29)
Cash flows used in investing activities		(5)	(29)
Cash flows from financing activities			
Dividend Paid		(5,000)	(18,000)
Cash flows used in financing activities		(5,000)	(18,000)
Net increase/(decrease) in cash held		(958)	(20,168)
Balance at the beginning of the year		8,990	29,158
Balance at the end of the year	12	8,032	8,990

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Enstar Australia Limited (formerly Cobalt Solutions Australia Limited)

Statement Of Changes in Equity

For the year ended 31 December 2007

	Note	Issued Capital $'000	Accumulated Profit $'000	Total $'000
Balance as at 1 January 2007		—	11,217	11,217
Net Profit after income tax			5,943	5,943
Total Recognised income and expense			5,943	5,943
Dividends paid & payable	10		(5,000)	(5,000)
Balance as at 31 December 2007		—	12,160	12,160
Balance as at 1 January 2006		—	17,404	17,404
Net Profit after income tax			3,813	3,813
Total Recognised income and expense			3,813	3,813
Dividends paid & payable	10		(10,000)	(10,000)
Balance as at 31 December 2006		—	11,217	11,217

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

This Financial Report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

The Financial Report has been prepared in accordance with the historical cost convention except for investments, which have been measured at fair value.

Accounting judgements and estimates

In the course of its operations the company applies judgements and makes estimates that affect the amounts recognised in the financial report. Estimates are based on a combination of historical experience and expectations of future events that are believed to be reasonable at the time.

Accounting Standards issued but not yet effective

Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 31 December 2007, except IFRS8 Operating Segments. The adoption of IFRS8 has removed the requirement for Operating Segment disclosures in this Financial Report.

When applied in future periods, all other recently issued or amended standards are not expected to have a material impact on the company's results or financial position; however they may impact Financial Report disclosures.

Changes in accounting policy

Since 1 January 2007, the company has adopted a number of Accounting Standards and Interpretations which were mandatory for annual periods beginning on or after 1 January 2007. Adoption of these Standards and Interpretations has not had any effect on the financial position or performance of the Company.

b) Revenue Recognition

Rendering of Services

Revenue from the rendering of services is recognised in the period in which the service is provided, having regard to the stage of completion of the contract.

In certain circumstances revenue may be received in advance of the period to which it relates. In these instances, the revenue is deferred to future periods as disclosed in Deferred Income, Note 8 to the accounts.

Interest Income

Interest income is recognised when the right to receive interest has been established.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Taxes

Income tax

Income tax expense is the tax payable on taxable income for the current period based on the income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to:

(i) temporary differences between the tax bases of assets and liabilities and their balance sheet carrying amounts, and

(ii) unused tax losses.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

The tax impact on income and expense items recognised directly in equity is also recognised directly in equity.

Deferred tax is not discounted to present value.

Tax Consolidation

AMP Limited, Enstar Australia Ltd (formerly Cobalt Solutions Australia Ltd), and certain other wholly owned controlled entities of AMP Limited comprise a tax-consolidated group of which AMP Limited is the head entity. The implementation date for the tax-consolidated group was 30 June 2003.

Under tax consolidation, AMP Limited as head entity, assumes the following balances from subsidiaries within the tax-consolidated group:

i) Current tax balances arising from external transactions recognised by entities in the tax- consolidated group occurring after the implementation date, and;

ii) Deferred tax assets arising from unused tax losses and unused tax credits recognised by entities in the tax-consolidated group occurring after the implementation date.

A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group. Controlled entities in the tax-consolidated group will continue to be responsible, by the operation of the tax funding agreement, for funding tax payments required to be made by the head entity arising from underlying transactions of the controlled entities. Controlled entities will make (receive) contributions to (from) the head entity for the balances recognised by the head entity described in (i) and (ii) above. The contributions will be calculated in accordance with the tax funding agreement. .

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The entity will be required to make a payment to terminate its liability under the tax funding agreement if it leaves the tax consolidation group.

The contributions are payable as set out in the agreement and reflect the timing of AMP Limited's obligations to make payments to the relevant tax authorities.

Assets and liabilities which arise as a result of balances transferred from entities within the tax consolidated group to the head entity, are recognised as related party balances receivable and payable in the Balance sheet. The recoverability of balances arising from the tax funding arrangements is based on the ability of the tax-consolidated group to utilise the amounts recognised by the head entity.

Cobalt UK Branch

Tax losses arising in the UK branch will be recognised as a deferred tax asset to the extent it is considered probable that they will be available to be offset against assessable income available in a related party in the UK

Goods and Services Tax

All revenues, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable
from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the particular expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the balance sheet.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

d) Foreign Currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which that entity operates (the functional currency).

The presentation currency of this Financial Report, and the functional currency of the parent entity, is Australian dollars.

Transactions and balances

Revenue and expenditure items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date, with exchange gains and losses being recognised in the income statement.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand that is available on demand and deposits that are held at call with financial institutions. Cash and cash equivalents are carried at fair value, being the principal amount.

For the purpose of the cash flow statement, cash also includes other highly liquid investments not subject to significant risk of change in value, with short periods to maturity net of outstanding bank overdrafts.

f) Receivables

Receivables are carried at nominal amounts due less any provision for impairment. A provision for impairment is recognised when collection of the full nominal amount is no longer probable. Impairment of an asset is reviewed each balance date. Any applicable terms or conditions are set out in Note 5.

g) Plant & Equipment

Cost

Plant & equipment is carried at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Items of plant and equipment are depreciated over their estimated useful lives.

The assets residual lives, useful lives and amortisation methods are reviewed, and adjusted for if appropriate, at each financial year end.

The depreciation rates and method used for each class, for the current year, is:

	Depreciation rate	Depreciation method
Computer racks	10%	Straight line
Computer hardware(pre Oct 06)	25%	Straight line
Computer hardware(post Oct06)	20%	Straight line
Computer peripherals	40%	Straight line
Computers	50%	Straight line

h) Leases

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

Operating leases

The minimum lease payments of 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.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance leases

There are no leases that have been classified as finance leases.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Payables

Trade Creditors and accruals are recognised as liabilities for amounts to be paid in the future for goods and services received, whether or not billed to the entity.

Terms and conditions are set out in Note 7.

j) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

2. REVENUE

	2007 $'000	2006 $'000
Revenue from operating activities:		
Management fees	28,458	29,083
Total Revenue from operating activities	28,458	29,083
Revenue from non-operating activities		
Investment income	490	937
Total Revenue from non-operating activities	490	937
Total Revenues	28,948	30,020

3. EXPENSES

	2007 $'000	2006 $'000
Profit before income tax is arrived after charging the following items:		
Personnel Costs	15,153	16,206
Occupancy and Related property expenses	2,904	3,440
IT & Communication	1,227	1,623
Advertising & Promotions	425	484
Other expenses	1,456	1,995
Total expenses	21,165	23,748

The majority of the costs above are incurred by way of management fee paid to AMP Services Ltd.

4. INCOME TAX

	2007 $'000	**2006 $'000**
a) Analysis of income tax expense		
Current tax	2,125	1,663
Decrease in deferred tax assets	96	458
Write off of prior year losses	—	338
Over provided in previous years	(381)	—
Income tax expense	1,840	2,459

b) Relationship between income tax expense and accounting profit

The table below provides a reconciliation of differences between prima facie tax calculated as 30% of the profit before income tax for the period and the actual income tax expense recognised in the income statement for the period.

In respect of income tax expense, the tax rate which applies in both 2007 and 2006 is 30% for Australia and UK.

	2007 $'000	**2006 $'000**
Operating profit before income tax	7,783	6,272
Prima facie income tax calculated at 30% (2006: 30 %)	2,335	1,882
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/assessable in calculating taxable income:		
Other	(495)	577
Income tax expense per income statement	1,840	2,459

c) Analysis of deferred tax asset

	2007 $'000	**2006 $'000**
Amounts recognised in income:		
Accruals	288	308
Other	149	409
Current year's tax losses	368	—
Prior year's tax losses	183	—
Total deferred tax assets	988	717

5. RECEIVABLES (CURRENT)

	2007 $'000	2006 $'000
Trade debtors	94	88
Amounts receivable from related parties	7,506	2,680
Other debtors	310	3,523
Total receivables (current)	7,910	6,291

Amounts receivable from related parties are settled pursuant to client management agreements.

Other receivables are non-interest bearing and are normally settled on 30-day terms.

6. PLANT AND EQUIPMENT

	2007 $'000	2006 $'000
Gross carrying amount	89	83
Less accumulated depreciation and impairment loss	75	49
Total Plant & Equipment	14	34
Carrying amount at beginning of the year	34	37
Additions	5	29
Recoverable amount write-down	—	(5)
Depreciation expense	(25)	(27)
Total Plant & Equipment	14	34

7. PAYABLES

	2007 $'000	2006 $'000
Amount due to other related parties	1,599	2,331
Sundry Payables	146	146
Trade creditors and accruals	2,197	2,338
Payables (current)	3,942	4,815
Other Payables	703	—
Payables (non-current)	703	—
Total Payables	4,645	—

Sundry payables are non-interest bearing balances due to third parties pursuant to client management agreements. Trade creditors are non-interest bearing and are normally settled on less than 30 day terms.

8. DEFERRED INCOME (CURRENT)

	2007 $'000	2006 $'000
Deferred Income	37	—
Total Deferred Income (current)	37	—

9. PROVISIONS (CURRENT)

	2007 $'000	2006 $'000
Provision for dividend payable	—	—
Total Provisions	—	—
Movements in Provisions		
Balance at the beginning of the year	—	8,000
Additional provisions recognised (dividend Payable)	5,000	—
Amount paid during the period	(5,000)	(8,000)
Unused amounts reversed during the period	—	—
Balance at the end of the year	—	—

10. DIVIDENDS PAID

	2007 $'000	2006 $'000
(a) Dividends paid on ordinary shares during the year		
- Dividend paid on 27 June 2007	5,000	—
Unfranked Dividend of $2.5m per Ordinary Share		
- Dividend paid on 9 February 2006	—	8,000
Unfranked Dividend of $4m per Ordinary Share		
- Dividend paid on 27 June 2006	—	10,000
Unfranked Dividend of $5m per Ordinary Share		
Dividends paid during year	5,000	18,000

11. CONTRIBUTED EQUITY

	2007 $	2006 $
Issued & Paid up capital		
Two fully paid ordinary shares at $1 each	2	2

Ordinary shares attract the following rights:

(a) to receive notice of and to attend and vote at all general meetings of the Company;

(b) to receive dividends; and in a winding up, to participate equally in the distribution of the assets of;

(c) the Company (both capital and surplus), subject only to any amounts unpaid on the share.

12. STATEMENT OF CASH FLOWS

	2007 $'000	2006 $'000
(a) Reconciliation of the profit after tax to the net cash flows from operating activities		
Net Profit after tax	5,943	3,813
Non-Cash Items:		
Depreciation and impairment of plant & equipment	25	32
Changes in assets/liabilities:		
(Increase)/decrease in receivables/other assets	(1,619)	(4,508)
Decrease/(Increase) in current year tax losses	(338)	338
(Increase)/decrease in prior year tax overprovision	(381)	—
(Increase)/decrease in deferred tax assets	67	287
Increase/(decrease) in current Tax liabilities	484	(2,153)
Increase/(decrease) in payables/ deferred income/provisions	(133)	52
Net cash flows from/(used in) operating activities	4,047	(2,139)
(b) Reconciliation of cash		
Cash balance comprises:		
- cash at bank	8,032	8,990
Closing cash balance	8,032	8,990

13. FRANKING ACCOUNT

The AMP Limited group entered into Tax Consolidation during 2003. Under Tax Consolidation, the franking account balances for group companies are transferred to the Head Entity, AMP Limited.

14. LEASE EXPENDITURE COMMITMENTS

Operating leases

	2007 $'000	2006 $'000
Minimum lease payments		
- not later than one year	412	407
- later than one year and not later than five years	192	566
Aggregate leases expenditure contracted for at balance date	604	973
Aggregate expenditure commitments comprise:		
Amounts not provided for :		
rental commitments	604	973
Aggregate leases expenditure contracted for at balance date	604	973

15. AUDITORS' REMUNERATION

Auditors' remuneration for the year ended 31 December 2007 is paid on the Company's behalf by a controlled entity within the AMP Limited Group.

	2007 $	2006 $
Amounts paid or payable to auditors of the company for:		
- Other services	35,155	10,047
Total Auditors' Remuneration	35,155	10,047

16. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS

The company's policies and procedures in respect of managing risks are set out in this note below.

Enstar Australia Limited (formerly Cobalt Solutions Australia Limited) has an established risk management framework that meets the needs of its operations.

There are a number of interlinked risk management processes operating to ensure identification, assessment, treatment and monitoring of the risk environment. The main components, in summary, are:

- Development of the risk management culture.
- Assessment and monitoring of risks facing the business

There were two main mechanisms addressing risks :

1) Risk registers.
2) Control self assessment process.

Reporting of risk information

Information reported and reviewed by the Operational Risk Committee is then reported to the Audit Committee.

The Board has ultimate responsibility for risk management and governance, including ensuring an appropriate risk framework is in place and is operating effectively.

Risk and Mitigation

The Company's activities expose it to a variety of risks.

Financial risks include:

Market risk

Foreign Currency risk analysis

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in exchange rates.

The Company's financial assets are primarily dominated in Australian dollar with a small exposure in Great Britain Pounds (GBP) via its branch operations in the United Kingdom.

The carrying amount of the Company's foreign currency dominated monetary assets and liabilities are:

	31 Dec 07 $'000	31 Dec 06 $'000
Assets	925	406
Liabilities	—	—

16. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL NSTRUMENTS (continued)

The following table demonstrates the impact of a 5% increase or decrease in GBP rate against the AUD. It is assumed that the relevant change occurs at reporting date.

Change in Variable	**31 Dec 07** Impact on Profit after tax and equity $'000	**31 Dec 06** Impact on Profit after tax and equity $'000
+5%	46	20
- 5%	(46)	(20)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to met its debt obligations or other cash outflows as they fall due because of lack of liquid assets. The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities.

The table below summaries the maturity profile of the company's financial liabilities at 31 December based on contractual obligations.

		31 Dec 07	
	Up to 1 year **$'000**	More than 1 year **$'000**	Total **$'000**
Financial liabilities:			
Payables	3,942	703	4,645
Total	3,942	703	4,645

		31 Dec 06	
	Up to 1 year **$'000**	More than 1 year **$'000**	Total **$'000**
Financial liabilities:			
Payables	4,815	—	4,815
Total	4,815	—	4,815

16. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL NSTRUMENTS (continued)

Credit risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitments in full and on time, or from losses arising from the change in value of traded financial instruments as a result of changes in credit risk on that instrument.

Credit risk in trade receivables in managed by analysing the terms of trade against outstanding debtors

Other than intercompany receivables, there are no significant concentrations of credit risk.

The following table provides an aged analysis of financial assets neither past due or impaired, past due and not impaired and impaired assets. Impairment is assessed in accordance with note 1(f).

	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		<30 days	31 to 60 days	61 to 90 days	More than 91 days		
31 Dec 07	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Receivables	7,757	122	11	10	10	—	7,910

	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		<30 days	31 to 60 days	61 to 90 days	More than 91 days		
31 Dec 06	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Receivables	648	5,591	28		24	—	6,291

Fair Value

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenue and expenses are recognised, in respect of each class of financial asset, financial liability and other investments are under and in Note 1.

Categories of financial instruments

	Note	**2007 $'000**	**2006 $'000**
Financial assets			
Receivables	5	7,910	6,291
Cash & cash equivalents	12	8,032	8,990
Financial Liabilities			
Payables	7	4,645	4,815

For the following financial instruments, the cost carrying amount is considered to equate to their fair value:

- cash deposits
- receivables
- payables.

17. CAPITAL MANAGEMENT

The primary capital management objective is to ensure the company will be able to continue as a going concern while minimising excess capital through capital initiatives, such as dividends, where appropriate.

The company's capital position is monitored by the Company's Board. As the Company forms part of the AMP Group, the company's capital management policies and processes are determined in line with AMP Group's capital management strategy.

There have been no changes in the capital management objectives, policies and processes from the previous period.

The company's capital comprises contributed equity, reserves and retained earnings. These balances and the movements in these balances are disclosed in the Statement of Changes in Equity.

18. RELATED PARTY DISCLOSURES

(a) The parent of Enstar Australia Limited (formerly Cobalt Solutions Australia Limited) at 31 December 2007 is AMP Group Services Limited. The ultimate controlling entity is AMP Limited.

Key management personnel compensation

The following individuals were the key management personnel of Enstar Australia Limited (formerly Cobalt Solutions Australia Limited) for the current and prior reporting periods (unless stated otherwise):

Name	Date of Appointment/Resignation of directors during the current or prior reporting period
Simon J Hoole	
Peter W Clarke	
Peter M Hodgett	Resigned 31 December 2007
Paul D Leaming	Appointed 31 December 2007

The following table provides aggregate details of the compensation of key management personnel of The Company.

Year	Short-term employee benefits $	Post-employment benefits $	Other long-term benefits $	Termination benefits $	Share-based payments $	Total $
2007	2,309,865	242,536	—	2,335,571	633,581	5,521,553
2006	2,256,909	236,871	—	—	633,268	3,127,048

Key management personnel disclosed above, also provided services to other related entities during the year. The above remuneration amounts include all amounts paid for services rendered to related entities and those services rendered to Enstar Australia Limited (formerly Cobalt Solutions Australia Limited).

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

The directors and their director related entities receive normal dividends on their ordinary share holdings in AMP Limited.

18. RELATED PARTY DISCLOSURES (continued)

Other transactions with key management personnel of the Company

During the year, transactions may have been entered into between key management personnel and entities within the AMP Limited Group. These transactions are within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those available to other employees, customers or members (unless otherwise described below) and may include:

- normal personal banking with AMP Bank Limited including the provision of credit cards;
- the purchase of AMP superannuation and related products;
- financial investment services;
- other advisory services.

These transactions do not have the potential to adversely affect the decisions about the allocation of scarce resources made by users of the entity's financial statements, or discharge of accountability by key management personnel. The transactions are considered to be trivial or domestic in nature.

Transactions with other related parties

The following related party transactions occurred during the financial year:

Enstar Australia Limited (formerly Cobalt Solutions Australia Limited) is a company in the wholly owned group comprising AMP Limited (the ultimate parent entity) and its wholly owned controlled entities.

Services provided to the entity are in the normal course of business and on normal commercial terms and conditions. Management fee expenses of $19,500,000 (2006:$18,900,000) were charged during the year from a related party. At reporting date, $1,600,000 (2006: $1,400,000) remained outstanding, forming part of the balance payable to related parties.

Management services were provided by the entity to related parties pursuant to management agreements. Fee revenue totalled $27,000,000 (2006:$27,800,000). At reporting date, there were no outstanding amounts remaining from related parties (2006: $700,000).

19. ECONOMIC DEPENDENCY

A substantial part of the company's Revenue and Profit before Income Tax, is and will likely continue to be derived from the provision of management services to a related entity.

20. EVENTS OCCURRING AFTER THE REPORTING DATE

On 11 December 2007 a Sale and Purchase Agreement was entered into by the ultimate parent AMP Limited and Enstar Australia Holdings Pty Ltd for the sale of the entity.

The sale was subject to a number of conditions including regulatory approval by the Australian Prudential Regulatory Authority (APRA) and was expected to be completed in quarter one 2008.

APRA subsequently approved the Sale Agreement on 22 February 2008. The sale was then completed on 5 March 2008. Enstar Australia Holdings Pty Ltd assumed ownership of the company at this point.

Effective from March 2008 the company changed its name to Enstar Australia Limited.

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Report of Independent Auditors

The Board of Directors of Enstar Australia Limited (formerly Cobalt Solutions Australia Limited)

We have audited the accompanying balance sheets of Enstar Australia Limited (formerly Cobalt Solutions Australia Limited) as of December 31, 2007 and 2006, and the related income statements, statements of changes in equity, and cash flow statements for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enstar Australia Limited (formerly Cobalt Solutions Australia Limited) at December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young
Sydney, Australia
May 15, 2008

ENSTAR AUSTRALIA LIMITED (Formerly COBALT SOLUTIONS AUSTRALIA LIMITED)

ABN 99 096 363 923

FINANCIAL REPORT
31 DECEMBER 2006

Contents:

Income Statement
For the year ended 31 December 2006

	Note	2006 $'000	2005 $'000
Revenues	2	30,020	38,935
Expenses	3	(23,748)	(23,095)
Profit before income tax expense		6,272	15,840
Income tax expense	4	(2,459)	(4,829)
Net profit after income tax expense, attributable to members of Enstar Australia Ltd (formerly Cobalt Solutions Australia Ltd)		3,813	11,011

The above Income Statement should be read in conjunction with the accompanying notes.

Balance Sheet
As at 31 December 2006

	Note	2006 $'000	2005 $'000
Current Assets			
Cash & Cash equivalents	11	8,990	29,158
Receivables	5	6,291	1,783
Total current assets		15,281	30,941
Non-current assets			
Plant & Equipment	6	34	37
Deferred tax assets	4	717	1,342
Total non-current assets		751	1,379
Total assets		16,032	32,320
Current liabilities			
Payables	7	4,815	4,713
Deferred Income	7	—	50
Current tax liabilities		—	2,153
Provisions	8	—	8,000
Total current liabilities		4,815	14,916
Total liabilities		4,815	14,916
Net assets		11,217	17,404
Equity	10	—	—
Retained profits		11,217	17,404
Total equity		11,217	17,404

The above Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Cash Flows
For the year ended 31 December 2006

	Note	2006 $ 000	2005 $ 000
Cash flows from operating activities			
Cash receipts in the course of operations		72,560	87,407
Cash payments in the course of operations		(69,967)	(73,134)
Investment income received		940	1,347
Income tax paid		(5,672)	(5,657)
Cash flows from operating activities	11	(2,139)	9,963
Cash flows from investing activities			
Payments for plant and equipment		(29)	(29)
Cash flows used in investing activities		(29)	(29)
Cash flows from financing activities			
Dividend Paid		(18,000)	(10,000)
Cash flows used in financing activities		(18,000)	(10,000)
Net increase/(decrease) in cash held		(20,168)	(66)
Balance at the beginning of the year		29,158	29,224
Balance at the end of the year	11	8,990	29,158

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Statement Of Changes in Equity
For the year ended 31 December 2006

	Note	Issued Capital $000	Accumulated Profit $000	Total $000
Balance as at 1 January 2006		—	17,404	17,404
Net Profit after income tax			3,813	3,813
Total Recognised income and expense			3,813	3,813
Other changes in equity			—	—
Dividends paid & payable	9		(10,000)	(10,000)
Balance as at 31 December 2006		—	11,217	11,217
Balance as at 1 January 2005		—	24,393	24,393
Net Profit after income tax			11,011	11,011
Total Recognised income and expense			11,011	11,011
Other changes in equity			—	—
Dividends paid & payable	9		(18,000)	(18,000)
Balance as at 31 December 2005		—	17,404	17,404

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

This Financial Report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Financial Report has been prepared in accordance with the historical cost convention except for investments, which have been measured at fair value.

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current year and comparative period, unless otherwise stated. The same accounting policies and methods of computation are followed by this Financial Report as compared with the 31 December 2005 Financial Report. Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 31 December 2006. When applied in future periods, these recently issued or amended standards are not expected to have a material impact on the company's results or financial position; however they may impact Financial Report disclosures.

b) Revenue Recognition

Rendering of Services

Revenue from the rendering of services is recognised in the period in which the service is provided, having regard to the stage of completion of the contract.

In certain circumstances revenue may be received in advance of the period to which it relates. In these instances, the revenue is deferred to future periods as disclosed in Deferred Income, Note 7 to the accounts.

Interest Income

Interest income is recognised when the right to receive interest has been established.

c) Taxes

Income tax

Income tax expense is the tax payable on taxable income for the current period based on the income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to:

(i) temporary differences between the tax bases of assets and liabilities and their balance sheet carrying amounts, and

(ii) unused tax losses.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Taxes (continued)

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

The tax impact on income and expense items recognised directly in equity is also recognised directly in equity.

Deferred tax is not discounted to present value.

Tax Consolidation

AMP Limited, Enstar Australia Ltd (formerly Cobalt Solutions Australia Ltd), and certain other wholly owned controlled entities of AMP Limited comprise a tax-consolidated group of which AMP Limited is the head entity. The implementation date for the tax-consolidated group was 30 June 2003.

Under tax consolidation, AMP Limited as head entity, assumes the following balances from subsidiaries within the tax-consolidated group:

i) Current tax balances arising from external transactions recognised by entities in the tax- consolidated group occurring after the implementation date, and;

ii) Deferred tax assets arising from unused tax losses and unused tax credits recognised by entities in the tax-consolidated group occurring after the implementation date.

A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group. Controlled entities in the tax-consolidated group will continue to be responsible, by the operation of the tax funding agreement, for funding tax payments required to be made by the head entity arising from underlying transactions of the controlled entities. Controlled entities will make (receive) contributions to (from) the head entity for the balances recognised by the head entity described in (i) and (ii) above. The contributions will be calculated in accordance with the tax funding agreement. . The contributions are payable as set out in the agreement and reflect the timing of AMP Limited's obligations to make payments to the relevant tax authorities.

Assets and liabilities which arise as a result of balances transferred from entities within the tax consolidated group to the head entity, are recognised as related party balances receivable and payable in the Balance sheet. The recoverability of balances arising from the tax funding arrangements is based on the ability of the tax-consolidated group to utilise the amounts recognised by the head entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Taxes (continued)

Goods and Services Tax

All revenues, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable
from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the particular expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the balance sheet.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

d) Foreign Currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which that entity operates (the functional currency).

The presentation currency of this Financial Report, and the functional currency of the parent entity, is Australian dollars.

Transactions and balances

Revenue and expenditure items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date, with exchange gains and losses being recognised in the income statement.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

e) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand that is available on demand and deposits that are held at call with financial institutions. Cash and cash equivalents are carried at fair value, being the principal amount.

For the purpose of the cash flow statement, cash also includes other highly liquid investments not subject to significant risk of change in value, with short periods to maturity net of outstanding bank overdrafts.

f) Receivables

Receivables are carried at nominal amounts due less any provision for impairment. A provision for impairment is recognised when collection of the full nominal amount is no longer probable. Impairment of an asset is reviewed each balance date. Any applicable terms or conditions are set out in Note 5.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Plant & Equipment

Cost

Plant & equipment is carried at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Items of plant and equipment are depreciated over their estimated useful lives.

The assets residual lives, useful lives and amortisation methods are reviewed, and adjusted for if appropriate, at each financial year end.

The depreciation rates and method used for each class, for the current year, is:

	Depreciation rate	Depreciation method
Computer racks	10%	Straight line
Computer hardware	25%	Straight line
Computer peripherals	40%	Straight line
Computers	50%	Straight line

Previous years,

	Depreciation rate	Depreciation method
Computers	40%	Prime cost

h) Leases

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

Operating leases

The minimum lease payments of 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.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance leases

There are no leases that have been classified as finance leases.

i) Payables

Trade Creditors and accruals are recognised as liabilities for amounts to be paid in the future for goods and services received, whether or not billed to the entity.

Terms and conditions are set out in Note 7.

j) Provisions

Provisions are recognised when:

- There is a present obligation (legal or constructive) as a result of a past event.
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

2. REVENUE

	2006 $'000	2005 $'000
Revenue from operating activities		
Management fees	29,083	32,588
Other Revenue	—	5,000
Total Revenue from operating activities	29,083	37,588
Revenue from non-operating activities		
Investment income	937	1,347
Total Revenue from non-operating activities	937	1,347
Total Revenues	30,020	38,935

3. EXPENSES

	2006 $'000	2005 $'000
Profit before income tax is arrived after charging the following items:		
Personnel Costs	16,206	16,941
Occupancy and Related property expenses	3,440	3,346
IT & Communication	1,623	1,722
Advertising & Promotions	484	219
Other expenses	1,995	867
Total expenses	23,748	23,095

The majority of the costs above are incurred by way of management fee paid to AMP Services Ltd.

4. INCOME TAX

	2006 $'000	2005 $'000
a) Analysis of income tax expense Current tax	1,663	4,121
Decrease in deferred tax assets	458	646
Write off of prior year losses	338	62
Income tax expense	2,459	4,829

b) Relationship between income tax expense and accounting profit

The table below provides a reconciliation of differences between prima facie tax calculated as 30% of the profit before income tax for the period and the actual income tax expense recognised in the income statement for the period.

In respect of income tax expense, the tax rate which applies in both 2006 and 2005 is 30% for Australia and UK.

	2006 $'000	2005 $'000
Operating profit before income tax	6,272	15,840
Prima facie income tax calculated at 30% (2005: 30 %)	1,882	4,752
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/assessable in calculating taxable income:		
Other	577	77
Income tax expense per income statement	2,459	4,829

c) Analysis of deferred tax asset

	2006 $'000	2005 $'000
Amounts recognised in income:		
Accruals	308	413
Unrealised gains/losses	—	2
Other	409	589
Current year's tax losses	—	338
Total deferred tax assets	717	1,342

5. RECEIVABLES (CURRENT)

	2006 $'000	2005 $'000
Trade debtors	88	121
Amounts receivable from related parties	2,680	1,363
Other debtors	3,523	299
Total receivables (current)	6,291	1,783

Receivables are non-interest bearing and are normally settled on 30-day terms. In 2006, other debtors include income tax recoverable under the tax sharing agreement of $1,701k as PAYG instalments made throughout the year exceed the current tax payable.

6. PLANT AND EQUIPMENT

	2006 $'000	2005 $'000
Gross carrying amount	83	59
Less accumulated depreciation and impairment loss	49	22
Total Plant & Equipment	34	37
Carrying amount at beginning of the year	37	94
Additions	29	29
Recoverable amount write-down	(5)	(42)
Depreciation expense	(27)	(44)
Total Plant & Equipment	34	37

7. PAYABLES AND DEFERRED INCOME (CURRENT)

	2006 $'000	2005 $'000
Amount due to other related parties	2,331	2,617
Sundry Payables	146	658
Trade creditors and accruals	2,338	1,438
Total Payables (current)	4,815	4,713
Deferred Income	—	50
Total Deferred Income (current)	—	50

Sundry payables are non-interest bearing balances due to third parties pursuant to client management agreements. Trade creditors are non-interest bearing and are normally settled on less than 30 day terms.

8. PROVISIONS (CURRENT)

	2006 $'000	2005 $'000
Provision for dividend payable	—	8,000
Total Provisions	—	8,000
Movements in Provisions		
Balance at the beginning of the year	8,000	1,490
Additional provisions recognised (dividend Payable)	—	18,000
Amount paid during the period	(8,000)	(10,000)
Unused amounts reversed during the period	—	(1,490)
Balance at the end of the year	—	8,000

9. DIVIDENDS PAID

	2006 $'000	2005 $'000
(a) Dividends paid on ordinary shares during the year		
-Dividend paid on 9 February 2006	8,000	
Unfranked Dividend of $4m per Ordinary Share		
-Dividend paid on 27 June 2006	10,000	
Unfranked Dividend of $5m per Ordinary Share		
-Dividend paid on 10 June 2005		10,000
Unfranked Dividend of $5m per Ordinary Share		
Dividends paid during year	18,000	10,000
(b) Dividends proposed but not recognised at 31 December		
- Dividends on ordinary shares:	—	—
Unfranked Dividend of $4m per Ordinary Share		

10. CONTRIBUTED EQUITY

	2006 $	2005 $
Issued & Paid up capital		
Two fully paid ordinary shares at $1 each	—	—

Ordinary shares attract the following rights:

(a) to receive notice of and to attend and vote at all general meetings of the Company;

(b) to receive dividends; and in a winding up, to participate equally in the distribution of the assets of;

(c) the Company (both capital and surplus), subject only to any amounts unpaid on the share.

11. STATEMENT OF CASH FLOWS

	2006 $'000	2005 $'000
(a) Reconciliation of the profit after tax to the net cash flows from operating activities		
Net Profit after tax	3,813	11,011
Non-Cash Items:		
Depreciation and impairment of plant & equipment	32	85
Changes in assets/liabilities:		
(Increase)/decrease in receivables/other assets	(4,508)	(300)
Decrease/(Increrase) in current year tax losses	338	—
(Increase)/decrease in deferred tax assets	287	308
Increase/(decrease) in current Tax liabilities	(2,153)	(1,283)
Increase/(decrease) in payables/ deferred income/provisions	52	142
Net cash flows from/(used in) operating activities	(2,139)	9,963
(b) Reconciliation of cash		
Cash balance comprises:		
- cash at bank	8,990	29,158
Closing cash balance	8,990	29,158

12. FRANKING ACCOUNT

The AMP Limited group entered into Tax Consolidation during 2003. Under Tax Consolidation, the franking account balances for group companies are transferred to the Head Entity, AMP Limited.

13. SEGMENT INFORMATION

Primary Segment

The company operates predominantly in one business segment, which is the provision of professional run-off and management services to insurance and reinsurance companies.

Secondary Segment

There are two geographical segments, UK and Australia.

The company generally accounts for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices. Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

Segment accounting policies are the same as the company's policies described in Note 1.

	UK		Aust		Consolidated	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**	**2006 $'000**	**2005 $'000**
Segment Revenue	150	134	29,870	38,801	30,020	38,935
Segment Assets	406	420	15,626	31,900	16,032	32,320
Segment liabilities	1,763	712	3,052	14,204	4,815	14,916
Depreciation	—	—	27	44	27	44

14. LEASE EXPENDITURE COMMITMENTS

Operating leases

Minimum lease payments	**2006 $'000**	**2005 $'000**
- not later than one year	407	107
- later than one year and not later than five years	566	64
Aggregate leases expenditure contracted for at balance date	973	171

Aggregate expenditure commitments comprise:		
Amounts not provided for :		
rental commitments	973	171
Aggregate leases expenditure contracted for at balance date	973	171

15. AUDITORS' REMUNERATION

Auditors' remuneration for the year ended 31 December 2006 is paid on the Company's behalf by a controlled entity within the AMP Limited Group.

	2006 $	2005 $
Amounts paid or payable to auditors of the company for:		
— Other services	10,047	15,193
Total Auditors' Remuneration	10,047	15,193

16. FINANCIAL INSTRUMENTS

(a) Terms, Conditions and Accounting Policies

The accounting policies and terms and conditions for each class of financial asset and financial liability at the balance date are detailed in Note 1 and throughout other notes to the financial statements.

(b) Interest Rate Risk

The following tables provide information about certain financial assets and financial liabilities showing the interest rate categories for each class and the weighted average interest rate for each class.

2006

	Floating Interest Rate $'000	Non-Interest- Bearing $'000	Total $ $'000	Weighted Average Interest rate %
Financial Assets				
Cash	8,990	—	8,990	5.15
Trade and other receivables	—	3,611	3,611	
Receivables— other related parties	—	2,680	2,680	
Total Financial Assets	8,990	6,291	15,281	
Financial Liabilities				
Payables & Provision	—	4,815	4,815	
Total Financial Liabilities	—	4,815	4,815	

16. FINANCIAL INSTRUMENTS (continued)

2005

	Floating Interest Rate $'000	Non-Interest-Bearing $'000	Total $ $'000	Weighted Average Interest rate %
Financial Assets				
Cash	29,158	—	29,158	4.69
Trade and other receivables	—	420	420	
Receivables— other related parties	—	1,363	1,363	
Total Financial Assets	29,158	1,783	30,941	
Financial Liabilities				
Payables & Provision	—	14,916	14,916	
Total Financial Liabilities		14,916	14,916	

(c) Net Fair Values

All financial assets and liabilities are recorded at the cost carrying amounts, which approximates net fair values, except as described elsewhere in the notes.

(d) Credit Risk Exposure

The economic entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of these assets as indicated in the balance sheet.

17. RELATED PARTY DISCLOSURES

(a) The parent of Enstar Australia Ltd (formerly Cobalt Solutions Australia Ltd) is AMP Group Services Limited. The ultimate controlling entity is AMP Limited.

Key management personnel compensation

The following individuals were the key management personnel of Enstar Australia Ltd (formerly Cobalt Solutions Australia Ltd) for the current and prior reporting periods (unless stated otherwise):

Name	Date of Appointment/Resignation of directors during the current or prior reporting period
Simon J Hoole	Appointed 13 November 2002
Peter W Clarke	Appointed 12 February 2003
Peter M Hodgett	Appointed 20 November 2003

Key management personnel disclosed above, also provided services to other related entities during the year. The below remuneration amounts include all amounts paid for services rendered to related entities and those services rendered to Enstar Australia Ltd (formerly Cobalt Solutions Australia Ltd).

17. RELATED PARTY DISCLOSURES (continued)

The following table provides aggregate details of the compensation of key management personnel of Cobalt Solutions Services Limited.

Year	Short-term employee benefits $	Post-employment benefits $	Other long-term benefits $	Termination benefits $	Share-based payments $	Total $
2006	2,256,909	236,871	—	—	633,268	3,127,048
2005	2,134,756	297,035	—	—	544,202	2,975,993

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

The directors and their director related entities receive normal dividends on their ordinary share holdings in AMP Limited.

Other transactions with key management personnel of the Company

During the year, transactions were entered into between Directors or their Director related entities and entities within the AMP Limited Group. These transactions are within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those available to other employees, customers or members (unless otherwise described below) and include:

- normal personal banking with AMP Bank Limited including the provision of credit cards;
- the purchase of AMP superannuation and related products;
- financial investment services;
- other advisory services.

These transactions do not have the potential to adversely affect the decisions about the allocation of scarce resources made by users of the entity's financial statements, or discharge of accountability by key management personnel. The transactions are considered to be trivial or domestic in nature.

Transactions with other related parties

The following related party transactions occurred during the financial year:

Enstar Australia Ltd (formerly Cobalt Solutions Australia Ltd) is a company in the wholly owned group comprising AMP Limited (the ultimate parent entity) and its wholly owned controlled entities.

Services provided to the entity are in the normal course of business and on normal commercial terms and conditions. Management fee expenses of $18,900,000 (2005:$15,200,000) were charged during the year from a related party. At reporting date, $1,400,000 (2005: $2,600,000) remained outstanding, forming part of the balance payable to related parties.

Management services were provided by the entity to related parties pursuant to management agreements. Fee revenue totalled $27,800,000 (2005:$30,000,000). At reporting date, $700,000 remained outstanding, (2005: $1,400,000) and is included in the receivables balance from related parties.

18. ECONOMIC DEPENDENCY

A substantial part of the company's Revenue and Profit before Income Tax, is and will likely continue to be derived from the provision of management services to a related entity.

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Report of Independent Auditors

The Board of Directors of Enstar Australia Limited (formerly Cobalt Solutions Australia Limited)

We have audited the accompanying balance sheets of Enstar Australia Limited (formerly Cobalt Solutions Australia Limited) as of December 31, 2006 and 2005, and the related income statements, statements of changes in equity, and cash flow statements for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enstar Australia Limited (formerly Cobalt Solutions Australia Limited) at December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young
Sydney, Australia
May 15, 2008

Exhibit 99.5

HARRINGTON SOUND LIMITED
(formerly AMP GENERAL INSURANCE LIMITED)
ABN 30 008 405 632

Financial Report
31 DECEMBER 2007

Contents:

Harrington Sound Ltd (formerly AMP General Insurance Limited)

Income Statement

For the year ended 31 December 2007

	Note	31 Dec 07 $'000	31 Dec 06 $'000
Direct Premium Revenue		—	—
Outwards reinsurance expense		—	—
Net premium revenue		—	—
Direct claims benefit		30,939	19,985
Reinsurance and other recoveries expense		(30,556)	(19,982)
Net Claims Benefit		383	3
Other underwriting expenses	7	—	(1)
Underwriting result		383	4
Other Income	6	203	124
Net Investment Revenue	5	151	20,314
General and administration expenses/(revenue)	7	57	(52)
Net profit before tax		680	20,494
Income tax expense	8	196	112
Net profit attributable to members of Harrington Sound Ltd		484	20,382

The above Income Statement should be read in conjunction with the accompanying notes.

Harrington Sound Ltd (formerly AMP General Insurance Limited)

Balance Sheet

As at 31 December 2007

	Note	2007 $'000	2006 $'000
Current Assets			
Cash and cash equivalents	21	599	145
Receivables	9	—	112,836
Reinsurance and other recoveries receivable	10	17,817	25,252
Other financial assets	11	—	4,154
Total Current Assets		18,416	142,387
Non — Current Assets			
Reinsurance and other recoveries receivable	10	43,057	66,576
Other financial assets	11	30,000	30,167
Deferred tax assets	8	3	16
Total Non — Current Assets		73,060	96,759
Total Assets		91,476	239,146
Current Liabilities			
Outstanding Claims liability	12	17,570	24,990
Payables	13	256	1,101
Current tax liabilities		203	125
Total Current Liabilities		18,029	26,216
Non — Current Liabilities			
Outstanding Claims liability	12	43,057	66,576
Total Non — Current Liabilities		43,057	66,576
Total Liabilities		61,086	92,792
Net Assets		30,390	146,354
Shareholder's Equity			
Contributed equity	14	210,552	327,000
Retained profits	15	(180,162)	(180,646)
Total Shareholders' Equity		30,390	146,354

The above Balance Sheet should be read in conjunction with the accompanying notes.

Harrington Sound Ltd (formerly AMP General Insurance Limited)

Statement of Changes in Equity
For the year ended 31 December 2007

	Issued Capital $'000	Retained Earnings $'000	Total $'000
Balance as at 1 January 2007	327,000	(180,646)	146,354
Net Profit/(loss) after income tax	—	484	484
Other changes in equity — capital returns	(116,448)	—	(116,448)
Balance as at 31 December 2007	**210,552**	**(180,162)**	**30,390**
Balance as at 1 January 2006	327,000	(181,028)	145,972
Net Profit/(loss) after income tax	—	20,382	20,382
Other changes in equity — Dividends paid	—	(20,000)	(20,000)
Balance as at 31 December 2006	**327,000**	**(180,646)**	**146,354**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Harrington Sound Ltd (formerly AMP General Insurance Limited)

Cash Flow Statement
For the year ended 31 December 2007

	Note	2007 $'000	2006 $'000
Cash Flows from Operating Activities:			
Dividends Received		10	20,020
Reinsurance recoveries received		399	9
Levies and charges received/(paid)		—	1
Other underwriting and administration income/(expenses)		(902)	(2,182)
Investment expenses		(2)	(8)
Interest received		44	17
Other income received		270	397
Income taxes (paid) / received		(104)	(398)
Total Cash Flows from Operating Activities	21	(285)	17,856
Cash Flows from Investing Activities			
Proceeds from sale of investments		197	—
Total Cash Flows from Investing Activities		197	—
Cash Flows from Financing Activities			
Loans repaid from related entities		112,836	
Dividends Paid		—	(20,000)
Payment for capital reduction		(116,448)	—
Total Cash Flows from Financing Activities		(3,612)	(20,000)
Net (decrease) / increase in cash		(3,700)	(2,144)
Cash at the beginning of the financial year		4,299	6,443
Cash at the end of the financial year	21	599	4,299

The above Statement of Cash Flow should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

This Financial Report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements are separate financial statements as the exemption from preparing consolidated financial statements has been used. The entity and its subsidiaries have been consolidated into the financial statements of AMP Limited, of 33 Alfred St Sydney NSW Australia, an entity incorporated in Australia. Copies of these accounts can be requested from AMP Limited at this address.

The entity's significant investments in subsidiaries, including the name, country of incorporation or residence, proportion of ownership interest and can found in Note 11 to these accounts. A description of the method used to account for these investments is described under Shares in subsidiaries later in this note.

Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

The Financial Report has been prepared in accordance with the historical cost convention except for investments, which have been measured at fair value.

Accounting judgements and estimates

In the course of its operations the company applies judgements and makes estimates that affect the amounts recognised in the financial report. Estimates are based on a combination of historical experience and expectations of future events that are believed to be reasonable at the time.

Accounting Standards issued but not yet effective

Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 31 December 2007, except IFRS8 Operating Segments. The adoption of IFRS8 has removed the requirement for Operating Segment disclosures in this Financial Report.

When applied in future periods, all other recently issued or amended standards are not expected to have a material impact on the company's results or financial position; however they may impact Financial Report disclosures.

Changes in accounting policy

Since 1 January 2007, the company has adopted a number of Accounting Standards and Interpretations which were mandatory for annual periods beginning on or after 1 January 2007. Adoption of these Standards and Interpretations has not had any effect on the financial position or performance of the Company.

Operating revenue

Operating revenue comprises general insurance earned premiums, recoveries and investment income. Investment income is brought to account on an accrual basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Outstanding Claims

The liability for outstanding claims is measured as the best estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Company, with an additional risk margin to allow for the inherent uncertainty in the best estimate.

The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling costs.

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs.

The liability includes an allowance for inflation and superimposed inflation and is measured as the present value of the expected future ultimate cost of settling claims. The expected future payments are discounted to present value using a risk free rate.

A risk margin is applied to the outstanding claims liability, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the best estimate. This risk margin increases the probability that the net liability is adequately provided for to a 75% confidence level.

Reinsurance and other recoveries

Reinsurance and other recoveries or receivables on paid claims and outstanding claims are recognised as revenue when claims are paid or the outstanding claim is raised. Reinsurance receivables are discounted to present value consistent with the discounting of outstanding claims.

Investment gains and losses

Dividend and interest income is recognised in the income statement on an effective interest method when the entity obtains control of the right to receive the revenue.

Realised gains and losses represent the change in value between the previously reported value and the amount received on sale of the asset. Unrealised gains and losses represent changes in the fair value of financial assets recognised in the period.

Financial assets

Financial assets, except for shares in subsidiaries, are designated at fair value through profit or loss. Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant unrealised gains or losses recognised in the income statement. Details of fair value for the different types of financial assets are listed below:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand that is available on demand and deposits held at call with financial institutions. Cash and cash equivalents are carried at fair value, being the principal amount. For the purposes of the cash flow statement, cash also includes other highly liquid investments not subject to significant risk of change in value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash trusts

The fair value of units in a listed cash trust reflects the quoted bid price at balance date. There is no reduction for realisation costs in the value of units in a cash trust. Unlisted unit trusts are recorded at fund managers valuations.

Shares in subsidiaries

Investments in subsidiaries are valued at original cost.

Income Tax

Taxes

Income tax

Income tax expense is the tax payable on taxable income for the current period based on the income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to: (i) temporary differences between the tax bases of assets and liabilities and their balance sheet carrying amounts, and (ii) unused tax losses.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

The tax impact on income and expense items recognised directly in equity is also recognised directly in equity.

Tax Consolidation

AMP Limited, Gordian Runoff Limited and certain other wholly owned controlled entities of AMP Limited comprise a tax-consolidated group of which AMP Limited is the head entity. The implementation date for the tax-consolidated group was 30 June 2003.

The entity will be required to make a payment to terminate its liability under the tax funding agreement if it leaves the tax consolidation group.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Under tax consolidation, AMP Limited as head entity, assumes the following balances from subsidiaries within the tax-consolidated group:

(i) Current tax balances arising from external transactions recognised by entities in the tax-consolidated group occurring after the implementation date, and;

(ii) Deferred tax assets arising form unused tax losses and unused tax credits recognised by entities in the tax-consolidated group occurring after the implementation date.

A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group. Controlled entities in the tax-consolidated group will continue to be responsible, by the operation of the tax funding agreement, for funding tax payments required to be made by the head entity arising from underlying transactions of the controlled entities. Controlled entities will make (receive) contributions to (from) the head entity for the balances recognised by the head entity described in (i) and (ii) above. The contributions will be calculated in accordance with the tax funding agreement.

Assets and liabilities which arise as a result of differences between the periods in which the underlying transactions occur, and the period in which the funding payments under the tax funding agreement are made, are recognised as intercompany balances receivable and payable in the balance sheet. The recoverability of balances arising from the tax funding arrangements is based on the ability of the tax-consolidated group to utilise the amounts recognised by the head entity.

Goods and Services Tax (GST)

All revenues, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the particular expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the balance sheet.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

Receivables

Receivables are financial assets and are measured at fair value. Given the short-term nature of most receivables, the recoverable amount approximates fair value. A provision for impairment is recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The impairment charge is recognised in the income statement. Bad debts are written off as incurred.

Payables

Trade creditors and accruals are recognised as liabilities for amounts to be paid in the future for goods and services received, whether or not billed to the entity.

Amounts Due To or From Related Parties

Amounts are carried at fair value being nominal amounts due and payable. Interest is taken up as income on an accrual basis. A provision for impairment is recognised when there is objective evidence that the related party will not be able to pay its debt.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates and judgements are applied are described below.

(a) The ultimate liability arising from claims made under insurance contracts

Provision is made at year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. IBNR claims may often not be reported to the insurer until many years after the events giving rise to the claims has happened. The liability class of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. For the short tail class, claims are typically reported soon after the claim event, and hence tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon analysis of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- the impact of large losses;
- movements in industry benchmarks.

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions.

Details of specific assumptions used in deriving the outstanding claims liability at year-end are detailed in note 3.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Company may not receive amounts due to it and these amounts can be reliably measured.

3. ACTUARIAL METHODS AND ASSUMPTIONS

Claims estimates are derived from analysis of the results of several different actuarial models. These models take case estimates as well as payments into account and assume that reported incurred amounts or reported payment amounts will develop steadily from period to period. Other models adopt an ultimate loss ratio for each year that reflects both the long term expected level, as well as incorporating recent experience. The analysis is performed by accident year for the direct insurance class.

Claims are first estimated on an undiscounted basis and are then discounted to allow for the time value of money. The valuation methods adopted include an implicit allowance for future inflation.

The liability class of business may be subject to the emergence of new types of latent claims, but no specific allowance is included for this as at the balance sheet date. Such uncertainties are considered when setting the risk margin appropriate for this class.

A description of the processes used to determine the key assumptions is provided below:

The **average weighted term to settlement** is calculated separately by class of business, based on historical settlement patterns.

The **discount rates** are derived from market yields on Government securities as at the balance date, in the currency of the expected claim payments.

Expense rate. Claim handling expenses are calculated based on the projected costs of administering the remaining claims until expiry.

The **ultimate to incurred claims ratio** is derived by accident or underwriting year based on historical development of claims from period to period.

The effect of changes in the assumptions have been shown in the reconciliations of general insurance assets and liabilities in Note 12.

3. ACTUARIAL METHODS AND ASSUMPTIONS (continued)

Process for determining risk margin

The risk margin was determined initially for each portfolio, allowing for the uncertainty of the outstanding claims estimate for each portfolio. Uncertainty was analysed for each portfolio taking into account past volatility in general insurance claims, potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, and the general insurance environment. The estimate of uncertainty is generally greater for long tailed classes when compared to short tail classes due to the longer time until settlement of outstanding claims.

The overall risk margin was determined allowing for diversification between the different portfolios and the relative uncertainty of each portfolio. The assumptions regarding uncertainty for each class were applied to the net central estimates, and the results were aggregated, allowing for diversification in order to arrive at an overall provision.

Sensitivity analysis — general insurance contracts

There are a number of variables which impact the amounts recognised in the financial statements arising from insurance contracts.

The profit or loss and equity of the Company are sensitive to movements in a number of key variables as described below.

Variable	Description of variable
Average weighted term to settlement	Expected payment patterns are used in determining the outstanding claims liability. A decrease in the average term to settlement would lead to claims being paid sooner than anticipated.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money.
Expense rate	An estimate for the internal costs of administering claims is included in the outstanding claims liability.
Ultimate to incurred claims ratio	The estimated ultimate claims cost is generally greater than the claims reported as incurred to date, due to claims that are incurred but not reported (IBNR) or due to future developments on existing claims.

The following table provides and analysis of the sensitivity of the profit after income tax and total equity to changes in these assumptions both gross and net of reinsurance for the non-core business that was transferred to TGI. It is not practical to assess the impact on the indemnification of the residual risks arising from the sale of core business to GIO General Ltd.

3. ACTUARIAL METHODS AND ASSUMPTIONS (continued)

2007

Variable	Change in variable	Assumption at 12/07 Gross %	Net %	Profit/Loss (after tax) Gross $'000	Net $'000
Average weighted term to settlement	+0.5 year	3.3	3.7	1,671	—
	-0.5 year	3.3	3.7	(1,767)	—
Discount Rate[1]	+1%	6.4	6.2	1,522	—
	-1%	6.4	6.2	(1,629)	—
Expense Rate	+1%	17.0	17.0	(474)	—
	-1%	17.0	17.0	474	—
Ultimate to incurred claims ratio[2]	+1%	101.7	101.7	(3,310)	—
	-1%	101.7	101.7	1,497	—

2006

Variable	Change in variable	Assumption at 12/06 Gross %	Net %	Profit/Loss (after tax) Gross $'000	Net $'000
Average weighted term to settlement	+0.5 year	3.3	3.6	2,010	—
	-0.5 year	3.3	3.6	(2,214)	—
Discount Rate[1]	+1%	5.9	5.9	2,058	—
	-1%	5.9	5.9	(2,201)	—
Expense Rate	+1%	17.3	17.3	(623)	—
	-1%	17.3	17.3	623	—
Ultimate to incurred claims ratio[2]	+1%	102.5	102.5	(3,732)	—
	-1%	102.5	102.5	2,066	—

1 — This sensitivity reflects the liability movements only. As assets are invested to match the term of abilities, there is little overall profit impact from a change to interest rates.

2 — This ratio has only been adjusted for years that are not considered to be fully developed.

4. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS

During 2001 the company sold its core insurance business to GIO General Ltd. This was undertaken via a portfolio transfer supported by actuarial valuation and approved by the Australian Prudential Regulatory Authority. The remaining non-core portfolio was transferred to its subsidiary TGI Australia Ltd. These entities managed risks associated with these portfolios.

The Board has ultimate responsibility for risk management and governance, including ensuring an appropriate risk framework is in place and is operating effectively.

Financial risks include:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to met its debt obligations or other cash outflows as they fall due because of lack of liquid assets. The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities.

The table below summaries the maturity profile of the company’s financial liabilities at 31 December based on contractual discounted obligations.

31 Dec 07

	$’000 **Up to 1 year**	**$’000** **2 to 3 years**	**$’000** **4 to 5 years**	**$’000** **Over 5 years**	**$’000** **Total**
Financial liabilities:					
Payables	256	—	—	—	256
Total	256	—	—	—	256

31 Dec 06

	$’000 **Up to 1 year**	**$’000** **2 to 3 years**	**$’000** **4 to 5 years**	**$’000** **Over 5 years**	**$’000** **Total**
Financial liabilities:					
Payables	1,101	—	—	—	1,101
Total	1,101	—	—	—	1,101

4. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (Continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counter parties:

	31 Dec 07		31 Dec 06	
	Reinsurance & Other Recoveries	Financial Instruments	Reinsurance & Other Recoveries	Financial Instruments
	$ 000	$ 000	$ 000	$ 000
AAA	54	—	54	—
AA	77	599	77	145
A	18,157	—	25,545	—
BBB	—	—	—	—
Below BBB	—	—	—	—
Not rated	42,586	—	66,164	117,158
Total	60,874	599	91,840	117,303

Note that the above table is gross of provision for impairment of asset.

The following table provides an aged analysis of financial assets neither past due or impaired, past due and not impaired and impaired assets. Impairment is calculated in accordance with note 1.

Credit risk in trade receivables in managed by analysing the credit ratings of the underlying debts.

31 Dec 07	Neither past due nor impaired $000	Past due but not impaired Up to 1 year $000	Past due but not impaired More than 1 year $000	Impaired $000	TOTAL $000
Receivables		—	—	—	—
Reinsurance and other recoveries			60,627	247	60,874
Total		—	60,627	247	60,874

31 Dec 06	Neither past due nor impaired $000	Past due but not impaired Up to 1 year $000	Past due but not impaired More than 1 year $000	Impaired $000	TOTAL $000
Receivables	112,836	—	—	—	112,836
Reinsurance and other recoveries	—	—	91,578	262	91,840
Total	112,836	—	91,578	262	204,676

4. RISK MANAGEMENT POLICIES AND PROCEDURES & FINANCIAL INSTRUMENTS (Continued)

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenue and expenses are recognised, in respect of each class of financial asset, financial liability and other are under and in Note 1.

Categories of financial instruments

	Note	2007 $'000	2006 $'000
Financial assets			
Receivables	9	—	112,836
Reinsurance Recoveries	10	60,874	91,828
Cash & cash equivalents	21	599	145
Financial Liabilities			
Payables	13	256	1,101
Income tax payable		203	125

For the following financial instruments, the cost carrying amount is considered to equate to their fair value:

- cash deposits
- loans to related parties
- receivables
- payables.

5. Net Investment Revenue

	2007 $'000	2006 $'000
Interest	44	17
Distributions received	68	308
Dividends	10	20,020
Changes in fair value of investments:		
Realised	(14)	(35)
Unrealised	43	4
Total Net investment revenue	151	20,314

6. Other income

	2007 $'000	2006 $'000
Fire Services Levy fund	—	124
Other	203	—
Total other income	203	124

Harrington Sound Ltd (formerly AMP General Insurance Limited)

Notes to the financial statements for the year ended 31 December 2007

7. Operating Expenses

	2007 $'000	2006 $'000
Expense by nature		
Reversal of prior Impairment — reinsurance recoverable	(2)	(111)
Investment management fee	2	8
Other Management fees	50	50
Legal fees	5	—
Other expenses	2	—
Total Expenses	57	(53)
Represented by:		
Other underwriting (benefit)/expense	—	(1)
General administration expenses/(benefit)	57	(52)
	57	(53)

8. Income Tax

(a) Analysis of income tax expense

	2007 $'000	2006 $'000
Current tax	203	123
(Decrease) increase in deferred tax assets	(1)	(10)
Over provided in previous years	(6)	(1)
Income tax expense	**196**	**112**

(b) Relationship between income tax expense and accounting profit

The table below provides a reconciliation of differences between prima facie tax calculated as 30% of the profit before income tax for the period and the actual income tax expense recognised in the income statement for the period.

In respect of income tax expense attributable to shareholders, the tax rate which applies in both 2007 and 2006 is 30%.

8. Income Tax (continued)

	2007 $'000	2006 $'000
Operating profit before income tax	**680**	**20,494**
Prima facie income tax at the rate of 30%	204	6,148
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/assessable in calculating taxable income:		
Other	(2)	(6,035)
Over provided in prior years — deferred tax balances	(6)	(1)
Income tax expense per income statement	**196**	**112**

c) Analysis of deferred tax asset		
Amounts recognised in income:		
- Provision for doubtful debts	3	3
- Unrealised gains/losses	—	13
Total deferred tax assets	**3**	**16**

9. Receivables

	2007 $'000	2006 $'000
Current		
Other receivables from related parties		
- Other related parties	—	112,836
Total Current Receivables	—	112,836

10. Reinsurance and Other Recoveries Receivable

	2007 $'000	2006 $'000
Reinsurance and other recoveries receivable undiscounted		
- on claims paid	257	273
- on outstanding claims	73,446	110,654
Discount to present value	(12,820)	(19,088)
less: provision for impairement of reinsurance assets	(9)	(11)
Total Reinsurance and other Recoveries	60,874	91,828
Reinsurance and other recoveries receivable- current	17,826	25,263
less: provision for impairement of reinsurance assets	(9)	(11)
	17,817	25,252
Reinsurance and other recoveries receivable- non current	43,057	66,576
less: provision for impairement of reinsurance assets	—	—
	43,057	66,576

11. Other financial assets

	2007 $'000	2006 $'000
Current		
Unquoted investments — at fair value:		
Units held in cash managed trust — other related parties	—	4,154
Total current financial assets	—	4,154
Non-Current		
Unquoted investments — at fair value:		
Preference shares	—	167
Unquoted investments — at cost:		
Ordinary shares — subsidiaries	30,000	30,000
Total non-current financial assets	30,000	30,167
Total other financial assets	30,000	34,321

Investment in controlled entities

	Percentage of equity Interest		Dollar Amount held	
Name of Entity	2007 %	2006 %	2007 $'000	2006 $'000
TGI Australia Ltd	100	100	30,000	30,000
			30,000	30,000

12. Outstanding Claims

	2007 $'000	2006 $'000
Expected future claims payments (undiscounted)	73,446	110,654
Discount to present value	(12,819)	(19,088)
Total Outstanding Claims	60,627	91,566
Current	17,570	24,990
Non Current	43,057	66,576
Total Outstanding Claims	60,627	91,566

Outstanding claims details

The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 3.68 years (06:3.94 years).

The Company has effectively portfolio transferred its insurance contracts to GIO General Ltd and TGI Australia Ltd in 2001. No new contracts have been issued from the entity. The production of a claims development table prior to 2004 is impracticable as the information required to complete this for the business transferred to GIO General Ltd is not available to the Company.

Estimate of Cumulative claims	**Net $'000's**	**Gross $'000's**
31 December 2004	—	660,999
31 December 2005	—	647,156
31 December 2006	—	639,624
32 December 2007	—	611,558
Estimate of Cumulative Claims at 31 December 2007	—	611,558
Cumulative Payments	—	555,708
Undiscounted central estimate	**—**	**55,850**
Effect of Discounting	—	12,819
Discounted Central Estimate	**—**	**43,031**
Risk Margin	—	7,516
Claims Handling Provision	—	10,080
Gross Outstanding Claims as per the Balance Sheet	—	**60,627**

13. Payables

	2007 $'000	2006 $'000
Other creditors	256	1,101
Total Payables	256	1,101

14. Contributed Equity

	2007 $'000	2006 $'000
Paid up Capital		
Paid up capital - 327,000 $0.64 ordinary shares	210,552	327,000
(2006: 327,000 $1 ordinary shares)		
Movements in contributed equity		
Balance at the beginning of the period	327,000	327,000
Capital return — 31 May 2007	(115,908)	—
Capital return - 19 September 2007	(540)	—
Balance at the end of the period	210,552	327,000

Rights attaching to Ordinary Shares

Ordinary shares attract the following rights:

(a) to receive notice of and to attend and vote at all general meetings of the Company;

(b) to receive dividends; and

(c) in a winding up, to participate equally in the distribution of the assets of the Company (both capital and surplus), subject only to any amounts unpaid on the Share.

15. Retained profits

	2007 $'000	2006 $'000
Accumulated Losses at beginning of the financial year	(180,646)	(181,028)
Operating Profit after Income Tax	484	20,382
Dividends paid	—	(20,000)
Accumulated Losses at the end of the financial year	(180,162)	(180,646)

	2007 $'000	2006 $'000
Dividends paid on ordinary shares		
- Dividend paid on 12 April 2006 Unfranked dividend of $61.16 per share	—	20,000
Dividends paid during the year	—	20,000

16. Franking account

The AMP Limited group entered into Tax Consolidation during 2003. Under Tax Consolidation, the franking account balances for group companies are transferred to the Head Entity, AMP Limited. The entity will be required to make a payment to terminate its liability under the tax funding agreement if it leaves the tax consolidation group.

17. Key management personnel compensation

The following individuals were the key management personnel of Harrington Sound Limited (formerly AMP General Insurance Limited) for the current and prior reporting periods (unless stated otherwise):

Name	Date of Appointment/Resignation during the current or prior reporting period
Peter Hodgett	Resigned 31 December 2007
Simon Hoole	
Paul Leaming	
Bryan Dean	Appointed 20 December 2007,

The following table provides aggregate details of the compensation of key management personnel of Harrington Sound Ltd (formerly AMP General Insurance Limited).

Year	Short-term employee benefits $	Post-employment benefits $	Other long-term benefits $	Termination benefits $	Share-based payments $	Total $
2007	3,562,459	374,053	—	2,335,571	1,043,535	7,315,618
2006	3,396,808	355,930	—	—	1,019,052	4,771,790

18. Auditors' remuneration

Auditors' remuneration for the year ended 31 December 2007 is paid on the Company's behalf by a controlled entity within the AMP Limited Group.

19. Contingent Liabilities

There are no contingent liabilities as at 31 December 2007 (2006: Nil)

20. Related Parties

Transactions between Harrington Sound Ltd (formerly AMP General Insurance Limited) and other related parties for the financial year consisted of:

- Payment of management fees for services provided
- Provision of share capital
- Provision of intercompany loans

Controlling Entity

The immediate parent entity as at 31 December 2007 is Shelly Bay Holdings Limited (formerly AMP General Insurance Holdings Limited). AMP Limited is the ultimate parent entity as at 31 December 2007.

Directors

The directors of the company during the financial year and the dates of appointments and resignations during the year are:

P D Leaming	
P M Hodgett	Resigned 31 December 2007
S J Hoole	
B Dean	Appointed 20 December 2007

Key management personnel disclosed above, also provided services to other related entities during the year. The above remuneration amounts include all amounts paid for services rendered to related entities and those services rendered to Harrington Sound Ltd (formerly AMP General Insurance Limited).

Other transactions with directors of the Company and their director-related entities

The directors and their director related entities receive normal dividends on their ordinary share holdings in AMP Limited.

During the year, transactions were entered into between Directors or their Director related entities and entities within the AMP Limited Group. These transactions are within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those available to other employees, customers or members (unless otherwise described below) and include:

- normal personal banking with AMP Bank Limited including the provision of credit cards;
- the purchase of AMP superannuation products;
- Financial investment services;
- Other advisory services.

These transactions do not have the potential to adversely affect the decisions about the allocation of scarce resources made by users of AMP's financial statements, or discharge of accountability by the Directors. The transactions are considered to be trivial or domestic in nature.

20. Related Parties (continued)

Transactions with related parties

The aggregate amounts brought to account in respect of the following types of transactions and each class of related party involved were:

	2007 $	2006 $
Amounts attributable to transactions with related parties		
Operating (loss) before income tax for the financial year includes aggregate amounts attributable to transactions in respect of:		
Investment Expenses/(benefit) — other related parties	1,969	7,940
Management Expense — other related parties	50,000	50,000
Amounts receivable from and payable to related parties		
Aggregate amounts receivable at balance date :		
Current		
Receivable — other related parties	—	112,836,536

AMP Services Limited and Enstar Australia Holdings Pty Ltd (formerly Cobalt Solutions Australia Limited), fellow wholly controlled entities at 31 December 2007, provide operational and administrative (including employee related) services to the company with the exception of certain financing arrangements, finance leasing and agent related services. The services provided are in the normal course of the business and are on normal commercial terms and conditions.

21. Cashflow Reconciliation

	2007 $'000	2006 $'000
(i) Reconciliation of cash		
Cash at call	599	145
Cash in Trust	—	4,154
Total Cash	599	4,299
(ii) Reconciliation of net cash flows from operating activities to operating profit after income tax:		
Operating profit / (loss) after income tax	**484**	**20,382**
Change in assets and liabilities		
Unrealised profit / (loss) on investments	43	(4)
Increase in doubtful debts provision	9	—
(Increase)/Decrease in deferred tax asset	13	(10)
(Increase) /Decrease in reinsurance recoveries	30,944	19,992
(Decrease) in accounts payable	(845)	(1,228)
(Decrease) / Increase in outstanding claims	(30,938)	(19,985)
(Decrease) / Increase in provisions	78	(277)
(Increase) / decrease in other assets	(73)	(1,014)
Net cash inflow from operating activities	(285)	17,856

22. Events Occurring After the Reporting Date

On 11 December 2007 a Sale and Purchase Agreement was entered into by the ultimate parent AMP Limited and Enstar Australia Holdings Pty Ltd for the sale of the entity.

The sale was subject to a number of conditions including regulatory approval by the Australian Prudential Regulatory Authority (APRA) and was expected to be completed in quarter one 2008.

APRA subsequently approved the Sale Agreement on 22 February 2008. The sale was then completed on 5 March 2008. Enstar Australia Holdings Pty Ltd assumed ownership of the company at this point.

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Report of Independent Auditors

The Board of Directors of Harrington Sound Limited (formerly AMP General Insurance Limited)

We have audited the accompanying balance sheets of Harrington Sound Limited (formerly AMP General Insurance Limited) as of December 31, 2007 and 2006, and the related income statements, statements of changes in equity, and cash flow statements for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harrington Sound Limited (formerly AMP General Insurance Limited) at December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young
Sydney, Australia
May 15, 2008

HARRINGTON SOUND LIMITED
(formerly AMP GENERAL INSURANCE LIMITED
ABN 30 008 405 632

Financial Report
31 DECEMBER 2006

Contents:

Harrington Sound Ltd (formerly AMP General Insurance Limited)

Income Statement
For the year ended 31 December 2006

	Note	31 Dec 06 $'000	31 Dec 05 $'000
Direct Premium Revenue		—	—
Outwards reinsurance expense		—	—
Net premium revenue		—	—
Direct claims benefit		19,985	48,161
Reinsurance and other recoveries expense		(19,982)	(47,949)
Net Claims Incurred	8	3	212
Other underwriting expenses	7	(1)	7
Underwriting result		4	205
Other Income	6	124	1,236
Net Investment Revenue	5	20,314	697
General and administration expenses revenue	7	(52)	(5)
Net profit before tax		20,494	2,143
Income tax expense	9	112	385
Net profit attributable to members of AMP General Insurance Ltd		20,382	1,758

The above Income Statement should be read in conjunction with the accompanying notes.

Harrington Sound Ltd (formerly AMP General Insurance Limited)

Balance Sheet
As at 31 December 2006

	Note	2006 $'000	2005 $'000
Current Assets			
Cash and cash equivalents	23	145	600
Receivables	10	112,836	111,822
Reinsurance and other recoveries receivable	11	25,252	29,911
Other financial assets	12	4,154	5,843
Total Current Assets		142,387	148,176
Non — Current Assets			
Reinsurance and other recoveries receivable	11	66,576	81,909
Other financial assets	12	30,167	30,163
Deferred tax assets	9	16	6
Total Non — Current Assets		96,759	112,078
Total Assets		239,146	260,254
Current Liabilities			
Outstanding Claims liability	13	24,990	29,642
Payables	14	1,101	2,329
Current tax liabilities		125	402
Total Current Liabilities		26,216	32,373
Non — Current Liabilities			
Outstanding Claims liability	13	66,576	81,909
Total Non — Current Liabilities		66,576	81,909
Total Liabilities		92,792	114,282
Net Assets		146,354	145,972
Shareholder's Equity			
Contributed equity	15	327,000	327,000
Retained profits	16	(180,646)	(181,028)
Total Shareholders' Equity		146,354	145,972

The above Balance Sheet should be read in conjunction with the accompanying notes.

Harrington Sound Ltd (formerly AMP General Insurance Limited)

Statement of Changes in Equity
For the year ended 31 December 2006

	Issued Capital $'000	Retained Earnings $'000	Total $'000
Balance as at 1 January 2006	327,000	(181,028)	145,972
Net Profit/(loss) after income tax	—	20,382	20,382
Other changes in equity — Dividends paid	—	(20,000)	(20,000)
Balance as at 31 December 2006	**327,000**	**(180,646)**	**146,354**
Balance as at 1 January 2005	327,000	(182,786)	144,214
Net Profit/(loss) after income tax	—	1,758	1,758
Balance as at 31 December 2005	**327,000**	**(181,028)**	**145,972**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Harrington Sound Ltd (formerly AMP General Insurance Limited)

Cash Flow Statement
For the year ended 31 December 2006

	Note	2006 $'000	2005 $'000
Cash Flows from Operating Activities			
Dividends Received		20,020	—
Reinsurance recoveries received		9	267
Levies and charges received/(paid)		1	209
Other underwriting and administration income/(expenses)		(2,182)	470
Investment expenses		(8)	47
Interest received		17	—
Other income received		397	1,951
Income taxes (paid) / received		(398)	9,065
Total Cash Flows from Operating Activities	23	17,856	12,009
Cash Flows from Investing Activities			
Total Cash Flows from Investing Activities		—	—
Cash Flows from Financing Activities			
Loans granted to related entities		—	(25,000)
Dividends Paid		(20,000)	—
Total Cash Flows from Financing Activities		(20,000)	(25,000)
Net (decrease) / increase in cash		(2,144)	(12,991)
Cash at the beginning of the financial year		6,443	19,434
Cash at the end of the financial year	23	4,299	6,443

The above Statement of Cash Flow should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

This Financial Report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements are separate financial statements as the exemption from preparing consolidated financial statements has been used. The entity and its subsidiaries have been consolidated into the financial statements of AMP Limited, of 33 Alfred St Sydney NSW Australia, an entity incorporated in Australia. Copies of these accounts can be requested from AMP Limited at this address.

The entity's significant investments in subsidiaries, including the name, country of incorporation or residence, proportion of ownership interest and can found in Note 12 to these accounts. A description of the method used to account for these investments is described under Shares in subsidiaries later in this note.

The Financial Report has been prepared in accordance with the historical cost convention except for investments, which have been measured at fair value, and insurance liabilities, which have been discounted to present value.

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current year and comparative period, unless otherwise stated. The same accounting policies and methods of computation are followed by this Financial Report as compared with the 31 December 2005 Financial Report. Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 31 December 2006. When applied in future periods, these recently issued or amended standards are not expected to have a material impact on the company's results or financial position; however they may impact Financial Report disclosures.

Operating revenue

Operating revenue comprises general insurance earned premiums, recoveries and investment income. Investment income is brought to account on an accrual basis.

Outstanding Claims

The liability for outstanding claims is measured as the best estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Company, with an additional risk margin to allow for the inherent uncertainty in the best estimate.

The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling costs.

The liability includes an allowance for inflation and superimposed inflation and is measured as the present value of the expected future ultimate cost of settling claims. The expected future payments are discounted to present value using a risk free rate.

A risk margin is applied to the outstanding claims liability, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the best estimate. This risk margin increases the probability that the net liability is adequately provided for.

Reinsurance and other recoveries

Reinsurance and other recoveries or receivables on paid claims and outstanding claims are recognised as revenue when claims are paid or the outstanding claim is raised. Reinsurance receivables are discounted to present value consistent with the discounting of outstanding claims.

Investment gains and losses

Dividend, interest income and trust distributions are recognised in the income statement on an effective interest method when the entity obtains control of the right to receive the revenue.

Realised gains and losses represent the change in value between the previously reported value and the amount received on sale of the asset. Unrealised gains and losses represent changes in the fair value of financial assets recognised in the period.

Financial assets

Financial assets, except for shares in subsidiaries, are designated at fair value through profit or loss. Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant unrealised gains or losses recognised in the income statement. Details of fair value for the different types of financial assets are listed below:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand that is available on demand and deposits held at call with financial institutions. Cash and cash equivalents are carried at fair value, being the principal amount. For the purposes of the cash flow statement, cash also includes other highly liquid investments not subject to significant risk of change in value.

Cash trusts

The fair value of units in a listed cash trust reflects the quoted bid price at balance date. There is no reduction for realisation costs in the value of units in a cash trust. Unlisted unit trusts are recorded at fund managers valuations.

Shares in subsidiaries

Investments in subsidiaries are valued at original cost, unless the net realisable value is measured to be lower than cost, in which case an impairment would be recognised.

Income Tax

Taxes

Income tax

Income tax expense is the tax payable on taxable income for the current period based on the income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to: (i) temporary differences between the tax bases of assets and liabilities and their balance sheet carrying amounts, and (ii) unused tax losses.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

The tax impact on income and expense items recognised directly in equity is also recognised directly in equity.

Tax Consolidation

AMP Limited, Harrington Sound Ltd (formerly AMP General Insurance Limited) and certain other wholly owned controlled entities of AMP Limited comprise a tax-consolidated group of which AMP Limited is the head entity. The implementation date for the tax-consolidated group was 30 June 2003.

Under tax consolidation, AMP Limited as head entity, assumes the following balances from subsidiaries within the tax-consolidated group:

(i) Current tax balances arising from external transactions recognised by entities in the tax-consolidated group occurring after the implementation date, and;

(ii) Deferred tax assets arising form unused tax losses and unused tax credits recognised by entities in the tax-consolidated group occurring after the implementation date.

A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group. Controlled entities in the tax-consolidated group will continue to be responsible, by the operation of the tax funding agreement, for funding tax payments required to be made by the head entity arising from underlying transactions of the controlled entities. Controlled entities will make (receive) contributions to (from) the head entity for the balances recognised by the head entity described in (i) and (ii) above. The contributions will be calculated in accordance with the tax funding agreement.

Assets and liabilities which arise as a result of differences between the periods in which the underlying transactions occur, and the period in which the funding payments under the tax funding agreement are made, are recognised as intercompany balances receivable and payable in the balance sheet. The recoverability of balances arising from the tax funding arrangements is based on the ability of the tax-consolidated group to utilise the amounts recognised by the head entity.

Goods and Services Tax (GST)

All revenues, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the particular expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the balance sheet.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

Receivables

Receivables are financial assets and are measured at fair value. Given the short-term nature of most receivables, the recoverable amount approximates fair value. A provision for impairment is recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The impairment charge is recognised in the income statement. Bad debts are written off as incurred.

Payables

Trade creditors and accruals are recognised as liabilities for amounts to be paid in the future for goods and services received, whether or not billed to the entity.

Amounts Due To or From Related Parties

Amounts are carried at fair value being nominal amounts due and payable. Interest is taken up as income on an accrual basis. A provision for impairment is recognised when there is objective evidence that the related party will not be able to pay its debt.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates and judgements are applied are described below.

(a) The ultimate liability arising from claims made under insurance contracts

Provision is made at year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported (“IBNR”) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. IBNR claims may often not be reported to the insurer until many years after the events giving rise to the claims has happened. The liability class of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. For the short tail class, claims are typically reported soon after the claim event, and hence tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon analysis of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- the impact of large losses;
- movements in industry benchmarks.

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions.

Details of specific assumptions used in deriving the outstanding claims liability at year-end are detailed in note 3.

(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Company may not receive amounts due to it and these amounts can be reliably measured.

3. ACTUARIAL METHODS AND ASSUMPTIONS

Claims estimates are derived from analysis of the results of several different actuarial models. These models take case estimates as well as payments into account and assume that reported incurred amounts or reported payment amounts will develop steadily from period to period. Other models adopt an ultimate loss ratio for each year that reflects both the long term expected level, as well as incorporating recent experience. The analysis is performed by accident year for the direct insurance class.

Claims are first estimated on an undiscounted basis and are then discounted to allow for the time value of money. The valuation methods adopted include an implicit allowance for future inflation.

The liability class of business may be subject to the emergence of new types of latent claims, but no specific allowance is included for this as at the balance sheet date. Such uncertainties are considered when setting the risk margin appropriate for this class.

A description of the processes used to determine the key assumptions is provided below:

The **average weighted term to settlement** is calculated separately by class of business, based on historical settlement patterns.

The **discount rates** are derived from market yields on Government securities as at the balance date, in the currency of the expected claim payments.

Expense rate. Claim handling expenses are calculated based on the projected costs of administering the remaining claims until expiry.

The **ultimate to incurred claims ratio** is derived by accident or underwriting year based on historical development of claims from period to period.

The effect of changes in the assumptions have been shown below.

Process for determining risk margin

The risk margin has been determined having regard to the company's net exposure after reinsurance and other recoveries. The only material risk to the portfolio on a net basis is the risk of reinsurer failure, which the Director's believe to be remote. As such the Director's do not believe a risk margin is required to achieve a probability of adequacy of 75%.

Sensitivity analysis — general insurance contracts

There are a number of variables which impact the amounts recognised in the financial statements arising from insurance contracts.

The profit or loss and equity of the Company are sensitive to movements in a number of key variables as described below.

Variable	Description of variable
Average weighted term to settlement	Expected payment patterns are used in determining the outstanding claims liability. A decrease in the average term to settlement would lead to claims being paid sooner than anticipated.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money.
Expense rate	An estimate for the internal costs of administering claims is included in the outstanding claims liability.
Ultimate to incurred claims ratio	The estimated ultimate claims cost is generally greater than the claims reported as incurred to date, due to claims that are incurred but not reported (IBNR) or due to future developments on existing claims.

The following table provides and analysis of the sensitivity of the profit after income tax and total equity to changes in these assumptions both gross and net of reinsurance for the non-core business that was transferred to TGI. It is not practical to assess the impact on the indemnification of the residual risks arising from the sale of core business to GIO General Ltd.

2006

Variable	Change in variable	Assumption at 12/06 Gross %	Assumption at 12/06 Net %	Profit/(Loss) (after tax) Gross $'000	Profit/(Loss) (after tax) Net $'000
Average weighted term to settlement	+0.5 year	3.3	3.6	2,010	—
	-0.5 year	3.3	3.6	(2,214)	—
Discount Rate[1]	+1%	5.9	5.9	2,058	—
	-1%	5.9	5.9	(2,201)	—
Expense Rate	+1%	17.3	17.3	(623)	—
	-1%	17.3	17.3	623	—
Ultimate to incurred claims ratio[2]	+1%	102.5	102.5	(3,732)	—
	-1%	102.5	102.5	2,066	—

2005

Variable	Change in variable	Assumption at 12/05 Gross %	Assumption at 12/05 Net %	Profit/(Loss) (after tax) Gross $'000	Profit/(Loss) (after tax) Net $'000
Average weighted term to settlement	+0.5 year	3.48	3.59	2,008	—
	-0.5 year	3.48	3.59	(2,163)	—
Discount Rate[1]	+1%	5.24	5.24	2,014	—
	-1%	5.24	5.24	(2,148)	—
Expense Rate	+1%	21.90	21.90	(669)	—
	-1%	21.90	21.90	669	—
Ultimate to incurred claims ratio[2]	+1%	103.34	103.34	(4,901)	—
	-1%	103.34	103.34	2,940	—

1 - This sensitivity reflects the liability movements only. As assets are invested to match the term of abilities, there is little overall profit impact from a change to interest rates.

2 - This ratio has only been adjusted for years that are not considered to be fully developed.

Harrington Sound Ltd (formerly AMP General Insurance Limited)

Notes to the financial statements for the year ended 31 December 2006

4. Insurance Contracts — Risk Management policies and procedures.

During 2001 the company sold its core insurance business to GIO General Ltd. This was undertaken via a portfolio transfer supported by actuarial valuation and approved by the Australian Prudential Regulatory Authority. The remaining non-core portfolio was transferred to its subsidiary TGI Australia Ltd. These entities managed risks associated with these portfolios.

6. Net Investment Revenue

	2006 $'000	2005 $'000
Interest	17	21
Trust distributions received	308	609
Dividends	20,020	—
Changes in fair value of investments:		
Realised	(35)	72
Unrealised	4	(5)
Total Net investment revenue	20,314	697

6. Other income

	2006 $'000	2005 $'000
Fire Services Levy	—	1,124
Other	124	112
Total expenses	124	1,236

7. Operating Expenses

	2006 $'000	2005 $'000
Expense by nature		
Reversal of prior Impairment — reinsurance recoverable	—	(5)
Bad Debts written off	(111)	—
Investment management fee	8	(47)
Other Management fees	50	50
External consultant costs	—	(3)
Legal fees	—	7
Total Expenses	(53)	2
Represented by:		
Other underwriting (benefit)/expense	(1)	7
General administration expenses	(52)	(5)
	(53)	2

8. Net Claims Incurred

	31-Dec-06 Current year $'000	31-Dec-06 Prior years $'000	31-Dec-06 Total $'000	31-Dec-05 Current year $'000	31-Dec-05 Prior years $'000	31-Dec-05 Total $'000
Gross claims benefit						
Gross claims incurred — undiscounted	—	25,092	25,092	—	59,442	59,442
Discount movement	—	(5,107)	(5,107)	—	(11,281)	(11,281)
Claims incurred — discounted	—	19,985	19,985	—	48,161	48,161
Reinsurance and other recoveries expense						
Reinsurance and other recoveries — undiscounted	—	25,089	25,089	—	59,230	59,230
Discount movement	—	(5,107)	(5,107)	—	(11,281)	(11,281)
Reinsurance and other recoveries — discounted	—	19,982	19,982	—	47,949	47,949
Net claims incurred — discounted	—	3	3	—	212	212

9. Income Tax

(a) Analysis of income tax expense

	2006 $'000	2005 $'000
Current tax	123	401
(Decrease)/ increase in deferred tax assets	(10)	242
Over provided in previous years	(1)	(258)
Income tax expense	**112**	**385**

(b) Relationship between income tax expense and accounting profit

The table below provides a reconciliation of differences between prima facie tax calculated as 30% of the profit before income tax for the period and the actual income tax expense recognised in the income statement for the period.

In respect of income tax expense attributable to shareholders, the tax rate which applies in both 2006 and 2005 is 30%.

9. Income tax (Continued)

	2006 $'000	2005 $'000
Operating profit before income tax	**20,494**	**2,142**
Prima facie income tax at the rate of 30%	6,148	643
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/assessable in calculating taxable income:		
Dividend from subsidiary	(6,000)	—
Other	(35)	—
Over provided in prior years — deferred tax balances	(1)	(258)
Income tax expense per income statement	**112**	**385**

c) Analysis of deferred tax asset

Amounts recognised in income:		
- Provision for doubtful debts	3	4
- Unrealised gains/losses	13	2
Total deferred tax assets	**16**	**6**

10. Receivables

	2006 $'000	2005 $'000
Current		
Other receivables from related parties		
- Other related parties	112,836	111,822
Total Current Receivables	112,836	111,822

11. Reinsurance and Other Recoveries Receivable

	2006 $'000	2005 $'000
Reinsurance and other recoveries receivable undiscounted		
- on claims paid	273	268
- on outstanding claims	110,654	135,758
Discount to present value	(19,088)	(24,195)
less: provision for impairment of reinsurance assets	(11)	(11)
Total Reinsurance and other Recoveries	91,828	111,820
Reinsurance and other recoveries receivable- current	25,263	29,922
less: provision for impairment of reinsurance assets	(11)	(11)
	25,252	29,911
Reinsurance and other recoveries receivable- non current	66,576	81,909
less: provision for impairment of reinsurance assets	—	—
	66,576	81,909

Notes to the financial statements for the year ended 31 December 2006

12. Other financial assets

	2006 $'000	2005 $'000
Current		
Unquoted investments — at fair value:		
Units held in cash managed trust		
- other related parties	4,154	5,843
Total current financial assets	4,154	5,843
Non-Current		
Unquoted investments — at fair value:		
Preference shares	167	163
Unquoted investments — at cost:		
Ordinary shares — subsidiaries	30,000	30,000
Total non-current financial assets	30,167	30,163
Total other financial assets	34,321	36,006

Investment in controlled entities

	Percentage of equity Interest		Dollar Amount held	
Name of Entity	2006 %	2005 %	2006 $'000	2005 $'000
TGI Australia Ltd	100	100	30,000	30,000
Maritime Insurance Agency Pty Ltd	—	100	—	—
			30,000	30,000

13. Outstanding Claims

	2006 $'000	2005 $'000
Expected future claims payments (undiscounted)	110,654	135,746
Discount to present value	(19,088)	(24,195)
Total Outstanding Claims	91,566	111,551
Current	24,990	29,642
Non Current	66,576	81,909
Total Outstanding Claims	91,566	111,551

Outstanding claims details

The liability for outstanding claims is determined in accordance with Note 1.

The Company has effectively portfolio transferred its insurance contracts to GIO General Ltd and TGI Australia Ltd in 2001. No new contracts have been issued from the entity. The production of a claims development table prior to 2004 is impracticable as the information required to complete this for the business transferred to GIO General Ltd is not available to the Company.

Any movement to the gross outstanding claims provisions and reinsurance recoveries are taken directly to the income statement.

Estimate of Cumulative claims	Net $'000's	Gross $'000's
31 December 2004	—	679,816
31 December 2005	—	662,654
31 December 2006	—	646,071
Estimate of Cumulative Claims at 31 December 2006	—	646,071
Cumulative Payments	—	549,057
Undiscounted central estimate	**—**	**97,014**
Effect of Discounting	—	19,088
Discounted Central Estimate	**—**	**77,926**
Claims Handling Provision	—	13,640
Gross Outstanding Claims as per the Balance Sheet	—	**91,566**

14. Payables

	2006 $'000	2005 $'000
Other creditors	1,101	2,173
Other borrowings — related parties	—	156
Total Payables	1,101	2,329

15. Contributed Equity

	2006 $'000	2005 $'000
Paid up capital - 327,000,000 $1 ordinary shares	327,000	327,000
(2005: 327,000,000 $1 ordinary shares)		

Rights attaching to Ordinary Shares

Ordinary shares attract the following rights:

(a) to receive notice of and to attend and vote at all general meetings of the Company;

(b) to receive dividends; and

(c) in a winding up, to participate equally in the distribution of the assets of the Company (both capital and surplus), subject only to any amounts unpaid on the Share.

16. Retained profits

	2006 $'000	2005 $'000
Accumulated Losses at beginning of the financial year	(181,028)	(182,786)
Operating Profit after Income Tax	20,382	1,758
Dividends paid	(20,000)	—
Accumulated Losses at the end of the financial year	(180,646)	(181,028)

	2006 $'000	2005 $'000
Dividends paid on ordinary shares		
- Dividend paid on 12 April 2006 Unfranked dividend of $0.06 per share	20,000	—
Dividends paid during the year	20,000	—

17. Franking account

The AMP Limited group entered into Tax Consolidation during 2003. Under Tax Consolidation, the franking account balances for group companies are transferred to the Head Entity, AMP Limited.

18. Segment Reporting

The company operated in one industry, being direct insurance, underwritten in Australia.

19. Key management personnel compensation

The following individuals were the key management personnel of Harrington Sound Ltd (formerly AMP General Insurance Limited) for the current and prior reporting periods (unless stated otherwise):

Name	Date of Appointment/Resignation during the current or prior reporting period
Peter Hodgett	
Simon Hoole	
Paul Leaming	

The following table provides aggregate details of the compensation of key management personnel of Harrington Sound Ltd (formerly AMP General Insurance Limited).

Year	Short-term employee benefits $	Post-employment benefits $	Other long-term benefits $	Termination benefits $	Share-based payments $	Total $
2006	3,396,808	355,930	—	—	1,019,052	4,771,790
2005	3,164,278	389,654	—	—	956,156	4,510,088

Key management personnel disclosed above, also provided services to other related entities during the year. The above remuneration amounts include all amounts paid for services rendered to related entities and those services rendered to Harrington Sound Ltd (formerly AMP General Insurance Limited).

20. Auditors' remuneration

Auditors' remuneration for the year ended 31 December 2006 is paid on the Company's behalf by a controlled entity within the AMP Limited Group.

21. Contingent Liabilities

There are no contingent liabilities as at 31 December 2006 (2005: Nil)

22. Related Parties

Transactions between Harrington Sound Ltd (formerly AMP General Insurance Limited) and other related parties for the financial year consisted of:

- Payment of management fees for services provided
- Provision of share capital
- Provision of intercompany loans

Controlling Entity

The immediate parent entity is Shelly Bay Holdings Ltd (formerly AMP General Insurance Holdings Limited). AMP Limited is the ultimate parent entity.

Directors

The directors of the company during the financial year and the dates of appointments and resignations during the year are:

P D Leaming
P M Hodgett
S J Hoole

Other transactions with key management personnel and related entities

The directors and their director related entities receive normal dividends on their ordinary share holdings in AMP Limited.

During the year, transactions were entered into between Directors or their Director related entities and entities within the AMP Limited Group. These transactions are within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those available to other employees, customers or members (unless otherwise described below) and include:

- normal personal banking with AMP Bank Limited including the provision of credit cards;
- the purchase of AMP superannuation products;
- Financial investment services;
- Other advisory services.

These transactions do not have the potential to adversely affect the decisions about the allocation of scarce resources made by users of AMP's financial statements, or discharge of accountability by the Directors. The transactions are considered to be trivial or domestic in nature.

22. Related Parties (continued)

Transactions with related parties

The aggregate amounts brought to account in respect of the following types of transactions and each class of related party involved were:

	2006 $	2005 $
Amounts attributable to transactions with related parties		
Operating (loss) before income tax for the financial year includes aggregate amounts attributable to transactions in respect of:		
Investment Expenses/(benefit) — other related parties	7,940	(46,693)
Management Expense — other related parties	50,000	50,000
Amounts receivable from and payable to related parties		
Aggregate amounts receivable at balance date :		
Current		
Receivable — other related parties	112,836,536	111,821,320
Aggregate amounts payable at balance date :		
Current		
Accounts Payable — other related parties	—	156,114

AMP Capital Investors Limited, a related entity within the wholly owned group, manages the majority of the investments of the company under a management contract which follows the normal terms and conditions for such contracts. Fees are paid or are due and payable for the management of investment portfolios under normal terms and conditions.

AMP Services Limited and Enstar Australia Ltd (formerly Cobalt Solutions Australia Limited), fellow wholly controlled entities, provide operational and administrative (including employee related) services to the company with the exception of certain financing arrangements, finance leasing and agent related services. The services provided are in the normal course of the business and are on normal commercial terms and conditions.

23. Cashflow Reconciliation

(i) Reconciliation of cash

	2006 $'000	2005 $'000
Cash at call	145	600
Cash in Trust	4,154	5,843
Total Cash	4,299	6,443

(ii) Reconciliation of net cash flows from operating activities to operating profit after income tax:

	2006 $'000	2005 $'000
Operating profit / (loss) after income tax	**20,382**	**1,758**
Unrealised profit / (loss) on investments	(4)	27
Change in assets and liabilities		
(Decrease) in doubtful debts provision	—	(6)
(Increase)/Decrease in deferred tax asset	(10)	9,055
(Increase) /Decrease in reinsurance recoveries	19,992	48,217
(Decrease) in accounts payable	(1,228)	27
(Decrease) / Increase in outstanding claims	(19,985)	(48,162)
(Decrease) / Increase in current tax provision	(277)	396
(Increase) / decrease in other assets	(1,014)	697
Net cash inflow from operating activities	17,856	12,009

24. Financial Instruments

(a) Net Fair Values

The recorded net market value equates to net fair value for listed and unlisted debt and equity securities. For the following financial instruments, the cost carrying amount is considered to equate to their net fair value.

- Cash
- Debtors
- Cash trusts and short term money market investments
- Trade creditors

(b) Special terms and conditions

All financial instruments of the Company are held or issued on normal commercial terms at market rates of interest. There are no special terms or conditions affecting the nature and timing of the financial instruments not otherwise disclosed in these accounts.

(c) Credit risk

Trading investments are recorded in the accounts at net market value which represents the Group's exposure to credit risk in relation to these instruments.

The credit risk of the Company arising from exposure of their investment portfolio is monitored and controlled by AMP Capital Investors Limited in accordance with Credit Policy guidelines.

Credit risk in trade receivables in managed by analysing the credit ratings of the underlying debts.

(d) Interest rate risk on financial instruments

The accounting policy notes describe the policies used to measure and report the assets and liabilities of the Company. Where the applicable market value is determined by discounting future cash flows, movements in interest rates will result in a reported unrealised gain or loss in the profit and loss account.

AMP Capital Investors Limited manages investment portfolios on behalf of the Company. The Company seeks to reduce its interest rate risk through the use of investment portfolios as a hedge against the insurance liabilities of the Company. To the extent that these assets and liabilities can be matched, unrealised gains or losses on revaluation of liabilities resulting from interest rate movements will be offset by unrealised losses or gains on revaluation of investment assets.

The Company's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at the reporting date, are as follows:

24. Financial Instruments (Continued)

For the year ended 2006

	Floating Interest Rate $000's	Non Interest Bearing $000's	Total $000's	Weighted Average Interest rate
Financial Assets				
Receivables	—	112,836	112,836	—
Debtors and reinsurance recoveries	—	91,828	91,828	—
Cash deposits	145	—	145	6.00%
Cash Trusts	4,154	—	4,154	2.01%
Shares	—	30,167	30,167	—
Total Financial Assets	4,299	234,831	239,130	
Financial Liabilities				
Payables	—	1,101	1,101	—
Total Financial Liabilities	—	1,101	1,101	

For the year ended 2005

	Floating Interest Rate $000's	Non Interest Bearing $000's	Total $000's	Weighted Average Interest rate
Financial Assets				
Receivables	—	111,822	111,822	—
Debtors and reinsurance recoveries	—	111,820	111,820	—
Cash deposits	600		600	5.36%
Cash Trusts	5,843	—	—	4.79%
Shares		30,163	30,163	—
Total Financial Assets	6,443	253,805	254,405	
Financial Liabilities				
Payables	—	2,329	2,329	—
Total Financial Liabilities	—	2,329	2,329	

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Report of Independent Auditors

The Board of Directors of Harrington Sound Limited (formerly AMP General Insurance Limited)

We have audited the accompanying balance sheets of Harrington Sound Limited (formerly AMP General Insurance Limited) as of December 31, 2006 and 2005, and the related income statements, statements of changes in equity, and cash flow statements for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harrington Sound Limited (formerly AMP General Insurance Limited) at December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young
Sydney, Australia
May 15, 2008

Exhibit 99.6

ENSTAR GROUP LIMITED
UNAUDITED PRO FORMA CONDENSED COMBINED
FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements are based on the historical financial statements of Enstar Group Limited (“Enstar”) and Gordian Runoff Limited, TGI Australia Limited, AG Australia Holdings Ltd., Gordian Runoff (UK) Limited, Shelly Bay Holdings Limited (formerly AMP General Insurance Holdings Limited), Enstar Australia Limited (formerly Cobalt Solutions Australia Limited), Harrington Sound Limited (formerly AMP General Insurance Limited), and Church Bay Limited (formerly AMPG (1992) Limited) (the acquired companies collectively, “Gordian”), and have been prepared to illustrate the effects of the acquisition of all of the outstanding share capital of Gordian by Enstar Australia Holdings Pty Limited (“Enstar Australia”), a wholly-owned subsidiary of Enstar, which was completed on March 5, 2008. The following data is presented as if the acquisition was completed as of December 31, 2007 for the unaudited pro forma condensed combined balance sheet and as of January 1, 2007 for the unaudited pro forma condensed combined consolidated statement of earnings. The unaudited condensed combined pro forma financial information (i) is based on the acquisition price paid by Enstar of approximately $405.4 million to the former shareholders of Gordian and (ii) reflects the purchase of Gordian under the purchase method of accounting and represents a current estimate of the financial information based on available information from Enstar and Gordian.

The pro forma information includes adjustments to record the assets and liabilities of Gordian at their estimated fair market values and is subject to adjustment as additional information becomes available and as additional analyses are performed. To the extent there are significant changes to Gordian’s business, the assumptions and estimates herein could change significantly. The pro forma financial information is presented for illustrative purposes only under one set of assumptions and does not reflect the financial results of the combined companies had consideration been given to other assumptions or to the impact of possible operating efficiencies, asset dispositions, and other factors. Further, the pro forma financial information does not necessarily reflect the historical results of the combined company that actually would have occurred had the transaction been in effect during the period indicated or that may be obtained in the future. The unaudited pro forma condensed combined financial statements should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical financial statements, including the related notes, of Enstar covering the twelve-month period ended December 31, 2007 included in Enstar’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007, which was filed with the United States Securities and Exchange Commission on February 29, 2008, as well as the historical financial statements of Gordian included elsewhere in this Current Report on Form 8-K, with the exception of historical information for AG Australia Holdings Ltd., Gordian Runoff (UK) Limited and Shelly Bay Holdings Limited (formerly AMP General Insurance Holdings Limited) as these entities were materially insignificant to the transaction as a whole.

ENSTAR GROUP LIMITED
UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED BALANCE SHEET
As of December 31, 2007
(Expressed in thousands of U.S dollars)

	Enstar Group Limited	Gordian	Adjustment Entries	Combined
Assets				
Total investments	$ 637,196	$ 393,841		$1,031,037
Cash and cash equivalents	995,237	633,400	(89,390)(a)	1,396,999
			(142,248)(b)	
Restricted cash and cash equivalents	168,096			168,096
Reinsurance balances receivable	465,277	145,186	(37,630)(c)	572,833
Other assets	151,337	355,911	(18,867)(c)	158,837
			(329,544)(b)	
Total Assets	**$ 2,417,143**	**$1,528,338**	**$(617,679)**	**$3,327,802**
Liabilities				
Loss and loss adjustment expenses	$ 1,591,449	$ 578,052	$ (29,917)(c)	$2,139,584
Reinsurance balances payable	189,870	8,214	(1,502)(c)	196,582
Loans payable	60,227		276,500(a)	336,727
Other liabilities	61,561	17,959	7,499(c)	87,019
	1,903,107	604,225	252,580	2,759,912
Minority Interest	63,437		39,522(a)	102,959
Shareholders' Equity				
Share capital	14,893	396,872	(396,872)(a)	14,893
Treasury stock	(421,559)			(421,559)
Additional paid-in capital	590,934			590,934
Accumulated other comprehensive income	6,035		4,598(d)	10,633
Retained earnings	260,296	527,241	(58,820)(a)	270,030
			(32,576)(c)	
			(471,792)(b)	
			(4,598)(d)	
			50,280(a)	
	450,599	924,113	(909,781)	464,931
Total Liabilities & Shareholders' Equity	**$ 2,417,143**	**$1,528,338**	**$(617,679)**	**$3,327,802**

Note a

To record the acquisition of Gordian by Enstar Group Limited using the purchase method of accounting. A summary of the adjustments is as follows:

Purchase price		$401,086
Direct costs of acquisitions		4,326
Total purchase price (cash of $128,912 and notes payable of $276,500)		405,412
Net assets acquired at fair value:		
Cash and investments	872,755	
Reinsurance balances receivable	99,645	
Other assets	31,253	
Losses and loss adjustment expenses	(509,638)	
Insurance and reinsurance balances payable	(22,660)	
Other liabilities	(15,663)	
Net assets acquired at fair value		455,692
Excess of net assets over purchase price (negative goodwill)		$ (50,280)

Cash of $39,522 to fund the acquisition was provided by a third party who retained a minority interest in the transaction

Note b

To reflect the return of capital of $471,292 paid by Gordian to its former parent prior to completion of the acquisition

Note c

To record the fair value adjustments recorded as at date of acquisition

Note d

To record the adjustment required to conform to Enstar Group Limited’s accounting policy for investments.

ENSTAR GROUP LIMITED
UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED STATEMENTS OF EARNINGS
for the year ended December 31, 2007
(Expressed in thousands of U.S dollars, except per share data)

	Enstar Group Limited	Gordian	Adjustment Entries	Combined
INCOME				
Consulting fees	$ 31,918	$ 7,499	$	$ 39,417
Net investment income and net realized gains	64,336	59,600	(4,395)(c)	119,541
	96,254	67,099	(4,395)	158,958
EXPENSES				
Net reduction in loss and loss adjustment expense liabilities	(24,482)	(102,974)	19,833(a)	(107,623)
Salaries and benefits	46,977	12,708		59,685
General and administrative expenses	31,413	10,717		42,130
Interest expense	4,876		28,461(b)	33,337
Foreign exchange gain	(7,921)	(4,910)		(12,831)
	50,863	(84,459)	48,294	14,698
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	45,391	151,558	(52,689)	144,260
INCOME TAXES	7,441	(40,472)	1,319(c)	(31,712)
MINORITY INTEREST	(6,730)			(6,730)
EARNINGS FROM CONTINUING OPERATIONS	$ 46,102	$ 111,086	$ (51,370)	$ 105,818
Earnings per share — basic	$ 3.93			$ 9.02
Earnings per share — diluted	$ 3.84			$ 8.81
Weighted average shares outstanding — basic	11,731,908			11,731,908
Weighted average shares outstanding — diluted	12,009,683			12,009,683

Note a
Amortization of fair value adjustments

Note b
Represents the loan interest expense based on the assumption that the loan used to fund the acquisition was made on January 1, 2007

Note c
Represents the after tax impact of Gordian's adoption of Enstar's accounting policy for investments

Non-recurring credit
Not shown as part of the above pro-forma income statement is $50,280 of extraordinary gain relating to the negative goodwill recorded on the acquisition of Gordian