

NRMA INSURANCE LIMITED
ABN 11 000 016 722
AND CONTROLLED ENTITIES
FINANCIAL REPORTS - 30 JUNE 2000

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NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors present their report together with the financial report of NRMA Insurance Limited and the consolidated financial report of the NRMA Insurance Group for the year ended 30 June 2000 and the auditors' report thereon.

The following terminology is used throughout the financial reports.

* Parent entity - NRMA Insurance Limited.

* NRMA Insurance Group - the economic entity constituted by NRMA Insurance Limited and its controlled entities.

* Ultimate parent entity as at 30 June 2000 - NRMA Limited.

Directors of NRMA Insurance Limited

The following persons held office as Directors at any time during or since the financial year:

Chairman:

Mr NR (Nicholas) Whitlam AB, MSc

Mr Whitlam, aged 54, has been a director of NRMA Insurance Limited since 1 January 1996. He is Chairman of NRMA Insurance Group Limited and chairs a number of NRMA Insurance Group companies including NRMA Insurance Limited, SGIO Insurance Limited and NRMA Building Society Limited. Elected to the Board of NRMA Limited in 1995, he is also President of NRMA Limited.

Mr Whitlam is a banker and company director. He has over 30 years' experience in banking and financial services, having held management positions in New York, London, Sydney and Hong Kong with JP Morgan, American Express and Paribas prior to joining the State Bank of New South Wales where he was Chief Executive from 1981 to 1987. He then established Whitlam Turnbull & Co and, since 1990, has carried out an investment banking business as Whitlam & Co. He is Chairman of Whitlam & Co and of LibertyOne, and an adviser to Deutsche Bank AG.

Deputy Chairman:

Mrs DG (Dominique) Collins BA(Hons)

Mrs Collins, aged 43, has been a director of NRMA Insurance Limited since 1 January 1996 and is Deputy Chair of the company. She was elected to the Board of NRMA Limited in 1995 and is a former Deputy President of NRMA Limited. She has 20 years' experience in telecommunications and electronic commerce. Now operating her own company, EC Strategies Pty Ltd, principally in Australasia and the United States, she advises companies on their electronic commerce strategies and negotiates related strategic alliances. She is a former director of the Communications & Media Law Association, a former Chairman of the Management Committee, Royal Hospital for Women, a former director of AIDS Fundraising Management Limited, and a former Trustee of the Sydney Opera House Trust.

Other Directors:

Mrs MC (Maree) Callaghan FAICD

Mrs Callaghan, aged 54, has been a director of NRMA Insurance Limited since 9 December 1993. She was elected to the Board of NRMA Limited in 1991. She sits on the Boards of a number of NRMA Insurance Group companies, including SGIO Insurance Limited. Mrs Callaghan held the office of Mayor of Cessnock from 1987 to 1995 and currently works for the NSW Cancer Council as a Community Liaison and Development Officer. She is also a member of the NSW Coal Compensation Board and is a Civil Marriage Celebrant.

Mrs M (Mary) Easson MAICD

Mrs Easson, aged 45, has been a director of NRMA Insurance Limited since 11 December 1997. She was elected to the Board of NRMA Limited in 1997. Mrs Easson also serves on the Boards of NRMA Insurance Group Limited and NRMA Building Society Limited. A former member of Federal Parliament, Mrs Easson is Managing Director of Probity International and serves on the Board of Opportunity International.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Mr ND (Neil) Hamilton LLB

Mr Hamilton, aged 48, has been a director of NRMA Insurance Limited since 25 November 1999. He is also the Deputy Chairman of SGIO Insurance Limited. Mr Hamilton is a director of Westcorp Holdings Limited and Lakefield Research Limited (Canada), Managing Director of Chieftain Securities Limited, Chairman of D'Orsogna Limited, Chairman of the Australian Football League Players Association Advisory Board and Chairman of Integrated Workforce Limited. Mr Hamilton is a former Chief Executive of Pacific Mutual Australia Limited, former Chairman of Challenge Bank Limited and former director of MMI Limited.

Ms AJ (Anne) Keating

Ms Keating, aged 45, has been a director of NRMA Insurance Limited since 30 January 1997. She also serves on the Boards of NRMA Insurance Group Limited and NRMA Building Society Limited. She was elected to the NRMA Limited Board in 1995. Ms Keating is a former Deputy President of NRMA Limited. She has been the General Manager, Australia for United Airlines since 1993 and is a director of the Singleton Group Limited, Macquarie Leisure Property Trust and Jardines Air Services Australia. Ms Keating is an inaugural Board member of the Victor Chang Cardiac Research Institute and is a former board member of Workcover Authority of Australia.

Mr ER (Eric) Dodd BEcon, FCA, MAICD

Mr Dodd, aged 48, has been Managing Director of NRMA Insurance Limited (and subsidiary companies) since 5 June 1998. From 1998 until June 2000, he was Chief Executive Officer of NRMA Limited. He has over 25 years' experience in financial services. Prior to joining the NRMA in 1996 as Chief Financial Officer and General Manager of Corporate Services, he was Group Finance Director at NatWest Markets Australia, Executive Director at Legal & General Australia and General Manager at both Bank of New Zealand and Australian Bank.

Former Directors:

Ms G (Genevieve) Rankin (Director from 29 February 1996 to 3 December 1999), The Hon SM (Susan) Ryan (Director from 16 February 1999 to 7 December 1999), Ms FJ (Jane) Singleton (Director from 29 February 1996 to 7 December 1999), Mr RJ (Richard) Talbot (Director from 29 February 1996 to 7 December 1999) and Mr IF (Ian) Yates (Director from 11 December 1997 to 19 August 1999).

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Principal activities

The principal continuing activities of the NRMA Insurance Group are the underwriting of general insurance, investing and financial services.

Result and review of operations

The Group operating profit after tax and abnormal items was \$396.5 million (1999 - \$276.1 million). This includes abnormal income of \$51.0 million, net of applicable income tax, relating to recognition of deferred acquisition costs (1999 - abnormal expense of \$32.7m relating to GST). Taking account of extraordinary expenses of \$49.9 million after tax (1999 - \$14.1 million), which related to the Group's restructure, and outside equity interests in the group profit, the profit attributable to the members for the year increased by 17% to \$296.4 million from \$253.1 million in 1999.

Project Outlook

Throughout the financial year, work was undertaken to progress the legal restructure of the Group by means of schemes of arrangement under the Corporations Law. In December 1999, an information memorandum was finalised and, following completion of the relevant regulatory and legal processes, it was issued to members for their consideration.

At meetings on 19 April 2000, the resolutions in favour of schemes of arrangement involving demutualising NRMA Insurance Limited and listing a new company, NRMA Insurance Group Limited, were passed by over 82% of the members who participated. Following completion of the legal process for the schemes of arrangement, special general meetings of NRMA Insurance Limited on 19 June 2000 resolved to demutualise the company and make certain changes to the constitution of the company, in accordance with the notice of meeting.

The expenses incurred in this process have been classified as extraordinary due to their nature.

On expiry of the relevant notice period on 24 July 2000, NRMA Insurance Limited's legal form was changed from a company limited by guarantee to a company limited by shares. All its shares were acquired by NRMA Insurance Group Limited in accordance with the terms of the schemes of arrangement. NRMA Insurance Group Limited issued a prospectus for its shares on 23 June 2000 and the shares were listed on the Australian Stock Exchange on 8 August 2000.

Alliance with RACV

The alliance with the Royal Automobile Club of Victoria (RACV) Limited ('RACV') was completed effective 1 December 1999. Under this alliance, RACV's insurance underwriting was merged with NRMA Insurance Limited's short-tail personal lines insurance underwriting in New South Wales, Victoria and the Australian Capital Territory, by means of a reinsurance arrangement. NRMA Insurance Limited holds 70% of the share capital in the alliance vehicle, Insurance Manufacturers of Australia Pty Limited ('IMA'). As part of this alliance, NRMA Insurance Limited also acquired the rights to supply information technology and funds management services to IMA and to RACV.

Set up and integration expenses in excess of \$30 million have been incurred by the Group during the financial year in respect of this alliance. These costs have been expensed in accordance with the Group's accounting policies.

NRMA Insurance Limited

The NRMA Insurance Limited operating profit after abnormals and tax was \$304.6 million (1999 - \$293.4 million). The abnormal income of \$79.7 million pre tax and \$51.0 million after applicable tax relates to deferred acquisition costs for general insurance policies where NRMA Insurance Limited had not previously recognised the asset due to very fine margins. The structure of the arrangement with IMA determined that these acquisition costs were recoverable. In view of the materiality of the amount, it has been classified as an abnormal item.

NRMA Insurance Limited's gross premium revenue increased by 12.6% during the financial year. Decreases in the average premium for New South Wales CTP policies by \$75-\$100 following legislative changes to the scheme were more than offset by growth in policies in force in all major classes and the assumption of the commercial business previously underwritten by the SGIO Insurance group of companies, which added \$120 million to the premium.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Result and review of operations (continued)

The alliance with RACV has materially impacted the reinsurance expense, reinsurance recoveries and underwriting expenses of NRMA Insurance Limited in the seven months of its operation. The impacts include a reduction of over \$732 million in net premium income and \$554 million of additional reinsurance recoveries. IMA bears the acquisition expenses relating to this business and, as a consequence, the underwriting expenses in NRMA Insurance Limited have reduced.

The result in NRMA Insurance Limited is a combined ratio of 107.0% compared with 107.9% in the prior year. These results are not directly comparable due to the impact of the Sydney hailstorm in the prior year figures and the changes in the composition of the business during the financial year referred to above. The increased proportion of long tail business in the company will tend to increase the combined ratio. However, there have been favourable trends in both the NSW CTP and WA workers' compensation portfolios and these have contained the growth in the combined ratio.

Investment markets continued to provide strong results. Other income and expenses have increased as NRMA Insurance Limited provides more shared services functions to related parties.

NRMA Insurance consolidated group

The consolidated results of NRMA Insurance Limited include IMA with effect from 1 December 1999, being the date control was acquired. The incremental premium revenue to the group, being the business previously written by RACV, added over \$200 million to premium in this period. The consolidated premium income also includes a full year of the SGIO Insurance group business, compared with only eight months in 1999, it being acquired in October 1998.

The combined ratio of 107.5% is a marginal improvement on 107.7% in 1999. Whilst the 1999 result was impacted by the Sydney hailstorm and other significant weather related events, the 2000 result includes ongoing pressure on car insurance claims costs in NSW where repair costs have risen at a rate considerably in excess of general inflation. Both years have benefited from ongoing favourable trends in the development of prior years run-off on the group's long tail portfolios.

Application of AASB 1038: Life Insurance Business during the financial year has led to the consolidation of the statutory funds of the group's life insurance business. This has increased investment revenue, life insurance business revenue and investment and other expenses. The amounts involved are set out in Note 5. The balance sheet assets and liabilities - mainly investments and policyholder liabilities - have also been increased by over \$800 million as a result.

Diversification

The combined impact of the alliance with RACV and last year's acquisition of the SGIO Insurance group has enabled the Group to substantially increase the geographic diversification of its business such that written premium from outside New South Wales and the Australian Capital Territory now accounts for 34% of the total business.

Further product diversification is also under way. During the financial year both health insurance and commercial insurance (focused on small to medium enterprises) were launched in New South Wales. Health insurance policies in force nationally now exceed 50,000. These developments, alongside our growing financial services businesses, will provide further diversification in the future.

Other matters

The group did not experience any significant problems from the Y2K bug and has successfully implemented GST, together with major systems enhancements.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Likely developments and expected results of operations

The Group will work to deliver improved insurance results whilst maintaining its approach to premium setting and claims management principles. Further work to complete the integration of its acquisitions and alliances is under way and other opportunities for acquisitions and alliances that fit with the Group's strategy will be assessed as they arise.

The completion of the restructure of NRMA Insurance Limited subsequent to year end changes the nature of the Group's relationship with NRMA Limited, the NRMA Member Services Group.

This is not expected to have a material impact on the Group's results or operations as the objectives of the contractual arrangements between NRMA Insurance Limited and the NRMA Member Services Group include the preservation and enhancement of the close working relationship, common brand and distribution channels enjoyed in the past.

Insurance and investment operations are, by their nature, volatile due to the exposure to natural disasters and industry cycles. This makes profit predictions difficult, but the Group is committed to delivering in accordance with the profit forecasts contained in the prospectus issued by NRMA Insurance Group Limited.

Significant changes

During the financial year, the economic entity acquired 70% of Insurance Manufacturers of Australia Pty Limited (formerly RACV Insurance Pty Limited). The entity has been consolidated by the economic entity from 1 December 1999, the date on which control was acquired. On completion of this acquisition, Insurance Manufacturers of Australia Pty Limited, which already underwrote RACV's Insurance business in Victoria, assumed the underwriting risk of NRMA Insurance Limited's personal motor and home insurance business in New South Wales, Victoria and the Australian Capital Territory under a reinsurance arrangement effective from 1 December 1999. The Company also acquired the SGIO Insurance Group's commercial insurance business.

Other than the above, there was no significant change in the state of affairs of the NRMA Insurance Group.

Matters subsequent to the end of the financial year

On 24 July 2000, NRMA Insurance Limited demutualised. As part of this process, all of the Company's share capital was acquired by NRMA Insurance Group Limited. Except for this matter, there has not been any matter or circumstance which has arisen since 30 June 2000 that has significantly affected, or may significantly affect:-

- (i) the operations of the NRMA Insurance Group;
- (ii) the results of those operations; or
- (iii) the state of affairs of the NRMA Insurance Group;

in financial years subsequent to 30 June 2000.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Meetings of directors

The number of meetings each Director was eligible to attend and actually attended are summarised as follows:-

Directors	Board of Directors		Group Audit & Risk Management Committee		Project Outlook Steering Committee		Project Outlook Due Diligence Committee		Project Outlook Implementation Committee	
	A	B	A	B	A	B	A	B	A	B
Mr N R Whitlam	23	23	3	3	13	13	23	23	3	3
Mrs M C Callaghan	23	21	-	-	-	-	-	-	-	-
Mrs D G Collins	23	20	3	-	-	-	-	-	-	-
Mrs M Easson	23	22	6	6	-	-	9	9	3	3
Mr N D Hamilton	16	15	-	-	-	-	-	-	-	-
Ms A J Keating	23	21	3	3	13	11	23	19	3	3
Ms G Rankin	8	4	3	3	-	-	-	-	-	-
The Hon S M Ryan	8	7	-	-	-	-	23	19	3	3
Ms F J Singleton	8	6	-	-	13	10	-	-	-	-
Mr R J Talbot	8	5	3	3	-	-	-	-	-	-
Mr I F Yates	2	2	-	-	-	-	-	-	-	-
Mr E R Dodd	23	23	-	-	13	9	23	18	3	3

Directors	Remuneration Committee		NIGL Listing Committee		NIGL Project Outlook Due Diligence Committee	
	A	B	A	B	A	B
Mr N R Whitlam	3	3	8	8	9	9
Mrs M C Callaghan	3	3	-	-	-	-
Mrs D G Collins	-	-	-	-	-	-
Mrs M Easson	-	-	-	-	-	-
Mr N D Hamilton	-	-	8	7	9	9
Ms A J Keating	3	3	-	-	-	-
Ms G Rankin	-	-	-	-	-	-
The Hon S M Ryan	-	-	-	-	-	-
Ms F J Singleton	3	3	-	-	-	-
Mr R J Talbot	-	-	-	-	-	-
Mr I F Yates	1	-	-	-	-	-
Mr E R Dodd	-	-	8	6	9	6

A - Meetings eligible to attend

B - Meetings attended

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Meetings of directors (continued)

For the year ended 30 June 2000, the following meetings of Directors were held:-

Nature of meetings	Number of meetings held during the year
Board of Directors	23
Group Audit & Risk Management Committee	6
Project Outlook Steering Committee	13
Project Outlook Due Diligence Committee	23
Project Outlook Implementation Committee	3
Remuneration Committee	3
NIGL Due Diligence Committee	9
NIGL Listing Committee	8

Insurance of directors and officers

During the year, the Company effected a directors' and officers' liability insurance policy. The insurance policy provides cover for the Directors named in this report, the company secretary, officers and former Directors and officers of the Company. The policy also provides cover for present and former Directors and officers of related bodies corporate. The contract prohibits the disclosure of the nature of the liabilities and the amount of the premium.

Directors' and executive officers' emoluments

Directors

Non-executive directors of NRMA Insurance Limited, also being directors of NRMA Limited, receive a base fee of \$35,000 per annum from the NRMA Limited Board for their participation on these two boards. Mr ND Hamilton, as a non-executive director of NRMA Insurance Limited only also receives \$35,000 per annum. The President of NRMA Limited is ex-officio Chairman of NRMA Insurance Limited and receives a loading of three times the base fee.

In addition to the base fee, fees are payable for participation in certain committees and in any subsidiary board of NRMA Insurance Limited on which non-executive Directors also serve as independent directors. The setting of all fees is based on advice from external remuneration advisers which takes into account the level of fees paid to directors of other substantial companies operating in the financial services sector and the responsibilities and time commitment of Directors.

The table set out below shows the fees paid by NRMA Limited and the NRMA Insurance Group to non-executive Directors of NRMA Insurance Limited for the year ended 30 June 2000.

Non-executive Directors	Base fees	Other board committee fees ⁽¹⁾	Fees from other group boards ⁽²⁾	Superannuation contributions	Total
	\$000	\$000	\$000	\$000	\$000
Mr N R Whitlam	105	144	235	10	494
Mrs M C Callaghan	35	5	45	10	95
Mrs D G Collins	22	15	-	3	40
Mrs M Easson	35	51	40	1	127
Mr N D Hamilton	20	3	45	5	73
Ms A J Keating	35	74	33	4	146
Ms G Rankin	15	6	-	2	23
The Hon S M Ryan	55	56	45	9	165
Ms F J Singleton	50	32	-	3	85
Mr R J Talbot	35	15	-	3	53
Mr I F Yates	26	3	-	3	32

(1) Separate fees payable for Group Audit & Risk Management, Life & Finance Compliance, Project Outlook Steering, Project Outlook Due Diligence, Project Outlook Implementation and Two Mutuals Committees.

(2) Fees from subsidiary boards of NRMA Insurance Limited on which non-executive directors also serve as independent Directors.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Executive officers and directors

The Remuneration Committee is responsible for setting remuneration policies and packages applicable to senior executives of the Company. The broad remuneration policy is to ensure the remuneration package reflects the person's duties and responsibilities; and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Executives may receive performance bonuses based on the achievement of specific goals related to the individual's business unit and the performance of the consolidated entity in the context of the business plan. A long term incentive plan is also in place, the purpose of which is to promote improvements in areas of financial and strategic performance. Under the plan, participants accrue an annual reward of units which have a target value depending on Group performance over a three year period. The incentive is accrued annually but available for payment only after the end of the measurement period and subject to the target being achieved.

The Managing Director of NRMA Insurance Limited, Mr E R Dodd, does not receive fees for his service on the board. The responsibilities of board membership are considered in determining remuneration provided as part of his normal employment conditions.

Set out below is the remuneration of the Managing Director and each of the five most highly remunerated officers of the Company and the consolidated entity for the year ended 30 June 2000.

Executive director / officers	Base pay ⁽¹⁾	Bonuses ⁽²⁾	Long term incentive	Non-cash benefits ⁽³⁾	Superannuation contributions ⁽⁴⁾	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Managing Director: Mr E R Dodd	785	370	197	37	94	1,483
Officers:						
Ms S Doyle	427	400	123	37	56	1,043
Mr G Venardos	418	182	113	15	51	779
Mr D R A Pearce	340	169	106	34	47	696
Mr I F Brown	352	144	67	64	50	677
Mr A M Rees	317	117	44	42	45	565

(1) Base pay includes accrued annual leave and long service leave.

(2) Bonuses reflect payments made during period in respect of the previous performance period.

(3) Non-cash benefits include the provision of housing, cars, parking and subsidised loans. The associated fringe benefits tax is also included for those employees whose remuneration is calculated on a 'total package basis'.

(4) Superannuation contributions, and deemed employer contributions where the company is experiencing a contribution holiday. Any contributions made by the individual may be salary sacrificed, and are included in base pay.

Environmental regulation

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board of Directors believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Millennium issue

The consolidated entity's business processes have, to date, not been adversely affected by the Year 2000 computer problem. All critical systems that are in the consolidated entity's direct control are operating as intended and there has been no disruption to date. The consolidated entity is continuing to monitor any Year 2000 system issues as they arise.

Rounding of amounts

Unless otherwise stated, amounts in the financial reports and Directors' report have been rounded to the nearest tenth of a million dollars. The Company is of a kind referred to in the class order 98/100 issued by the Australian Securities & Investments Commission. All rounding has been conducted in accordance with that class order.

Signed at Sydney this 7th day of September 2000 in accordance with a resolution of the Directors.

..... Director
NR WHITLAM

..... Director
ER DODD

NRMA INSURANCE LIMITED AND CONSOLIDATED PROFIT AND LOSS STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2000

	Notes	NRMA INSURANCE LTD		CONSOLIDATED	
		2000 \$m	1999 \$m	2000 \$m	1999 \$m
Premium revenue	4(a)	2,111.0	1,874.8	2,573.3	2,113.5
Reinsurance expense		(873.0)	(132.6)	(189.1)	(149.6)
Net premium revenue		1,238.0	1,742.2	2,384.2	1,963.9
Claims expense	6	(1,957.8)	(1,925.7)	(2,573.9)	(2,159.0)
Reinsurance and other recoveries	4(a)	899.9	459.2	526.0	514.0
Net claims expense	6(c)	(1,057.9)	(1,466.5)	(2,047.9)	(1,645.0)
Acquisition costs	1(g)	(156.2)	(193.4)	(280.4)	(201.9)
Other underwriting expenses		(53.6)	(169.9)	(174.6)	(210.8)
Fire brigade charges		(56.8)	(49.7)	(59.7)	(57.0)
Underwriting expenses		(266.6)	(413.0)	(514.7)	(469.7)
Loss from underwriting		(86.5)	(137.3)	(178.4)	(150.8)
Investment income	4(a)	179.2	210.8	304.3	294.7
Realised (losses) / gains on investments	4(a)	(21.1)	(12.6)	23.1	1.3
Unrealised gains on investments	4(a)	316.1	339.1	431.2	373.3
Other operating revenue	4(b)	171.9	31.3	188.4	151.9
Life insurance business revenue	4(b)	-	-	327.8	-
Investment and other expenses		(316.1)	(102.4)	(640.6)	(238.4)
Operating profit before abnormal item and income tax	7	243.5	328.9	455.8	432.0
Abnormal item	8	79.7	(51.1)	79.7	(56.1)
Operating profit before income tax		323.2	277.8	535.5	375.9
Income tax (expense) / benefit attributable to operating profit	9 & 10	(18.6)	15.6	(139.0)	(99.8)
Operating profit after income tax		304.6	293.4	396.5	276.1
Extraordinary item before income tax	10	(60.7)	(15.3)	(60.7)	(15.3)
Income tax benefit attributable to extraordinary item	9 & 10	10.8	1.2	10.8	1.2
Extraordinary item after income tax	10	(49.9)	(14.1)	(49.9)	(14.1)
Operating profit and extraordinary item after income tax		254.7	279.3	346.6	262.0
Outside equity interest in operating profit and extraordinary item after income tax		-	-	(50.2)	(8.9)
Operating profit and extraordinary item after income tax attributable to members of NRMA Insurance Limited		254.7	279.3	296.4	253.1
Retained profits at the beginning of the financial year		251.3	302.5	772.4	791.7
Total available for appropriation		506.0	581.8	1,068.8	1,044.8
Aggregate of amounts transferred (to) / from reserves	28	(14.1)	(330.5)	131.1	(263.6)
Other appropriations		-	-	16.2	(8.8)
Retained profits at the end of the financial year		491.9	251.3	1,216.1	772.4

The above profit and loss statements are to be read in conjunction with the notes to the financial statements.

NRMA INSURANCE LIMITED AND CONSOLIDATED BALANCE SHEETS

AS AT 30 JUNE 2000

		NRMA INSURANCE LTD		CONSOLIDATED	
	Notes	2000	1999	2000	1999
		\$m	\$m	\$m	\$m
Current assets					
Cash		200.7	56.6	418.5	181.2
Receivables	14	685.1	723.9	1,071.1	940.7
Investments	15	655.9	1,325.7	1,936.3	1,326.3
Other	16	717.3	37.5	190.3	74.7
Total current assets		2,259.0	2,143.7	3,616.2	2,522.9
Non-current assets					
Receivables	17	246.2	161.8	1,302.0	1,298.7
Investments	18	5,428.1	4,670.8	6,579.2	4,771.5
Plant and equipment	19	60.4	88.2	86.1	101.3
Future income tax benefits	20	99.4	169.0	126.1	202.7
Other	21	9.4	-	420.3	320.3
Total non-current assets		5,843.5	5,089.8	8,513.7	6,694.5
Total assets		8,102.5	7,233.5	12,129.9	9,217.4
Current liabilities					
Bank overdrafts		88.4	55.6	88.4	56.2
Deposits		-	-	659.1	585.2
Accounts payable	22	382.6	301.3	639.4	366.9
Scrip lending		335.8	301.3	549.1	301.3
Borrowings	23	408.8	396.0	939.7	621.1
Provisions	24	32.6	31.3	93.7	111.7
Outstanding claims	25	1,043.9	986.2	1,169.3	1,106.8
Unearned premium		1,150.4	1,042.5	1,409.4	1,172.8
Total current liabilities		3,442.5	3,114.2	5,548.1	4,322.0
Non-current liabilities					
Deposits		-	-	45.0	33.6
Borrowings	26	28.2	9.1	10.2	19.4
Provisions	27	14.7	12.1	369.6	275.0
Gross life insurance policy liabilities		-	-	847.3	-
Outstanding claims	25	1,789.9	1,538.1	1,825.6	1,765.1
Total non-current liabilities		1,832.8	1,559.3	3,097.7	2,093.1
Total liabilities		5,275.3	4,673.5	8,645.8	6,415.1
Net assets		2,827.2	2,560.0	3,484.1	2,802.3
Equity					
Reserves	28	2,335.3	2,308.7	1,636.7	1,767.8
Retained profits		491.9	251.3	1,216.1	772.4
Equity attributable to members of NRMA Insurance Limited		2,827.2	2,560.0	2,852.8	2,540.2
Outside equity interest in controlled entities:					
- Share capital		-	-	163.4	-
- Shareholder's loan		-	-	10.7	-
- Retained profits		-	-	24.6	-
- Unitholders' funds		-	-	432.6	262.1
Total equity		2,827.2	2,560.0	3,484.1	2,802.3

The above balance sheets are to be read in conjunction with the notes to the financial statements.

NRMA INSURANCE LIMITED AND CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2000

	<u>Notes</u>	NRMA INSURANCE LTD		CONSOLIDATED	
		2000 \$m	1999 \$m	2000 \$m	1999 \$m
Cash flows from operating activities					
Premium received		2,023.4	1,885.0	2,362.7	2,106.4
Reinsurance and other recoveries received		987.2	188.1	419.9	204.6
Claims costs paid		(1,976.1)	(1,704.1)	(2,259.2)	(1,886.6)
Outwards reinsurance premium paid		(863.7)	(61.2)	(64.9)	(75.5)
Dividends received		7.5	17.0	119.7	94.3
Interest and similar items received		188.1	208.9	340.6	290.5
Interest and other costs of finance paid		(33.1)	(32.4)	(96.9)	(68.3)
Income taxes refunded		-	-	0.2	0.5
Income taxes paid		-	-	(8.5)	(13.2)
Other operating receipts		269.3	55.8	589.0	163.2
Other operating payments		(716.2)	(501.2)	(760.0)	(697.7)
Net cash (used in) / provided by operating activities	29	(113.6)	55.9	642.6	118.2
Cash flows from investing activities					
Payment for acquisition of controlled entity, net of cash acquired	31	-	-	(562.0)	(404.7)
Proceeds from disposal of investments and fixed assets		22,486.8	15,874.5	34,218.0	19,399.4
Outlays for investments and fixed assets acquired		(22,374.8)	(16,389.8)	(34,646.4)	(19,656.7)
Repayment of mortgage loans		-	-	818.6	395.3
Drawdown of mortgage loans		-	-	(1,110.7)	(982.6)
Net cash provided by / (used in) investing activities		112.0	(515.3)	(1,282.5)	(1,249.3)
Cash flows from financing activities					
Proceeds from issues of trust units		-	-	838.2	1,840.7
Outlays for redemption of trust units		-	-	(685.6)	(1,766.5)
Distributions paid by unit trusts		-	-	(18.5)	-
Proceeds from borrowings		439.5	405.1	662.8	302.7
Repayment of borrowings		(396.0)	(300.0)	(105.9)	(335.7)
Net increase in depositor funds		-	-	85.2	257.1
Proceeds from securitisation		-	-	290.2	388.6
Redemption of shares issued		-	-	-	(92.6)
Dividends paid		-	-	(9.3)	-
Net cash provided by financing activities		43.5	105.1	1,057.1	594.3
Net increase / (decrease) in cash held		41.9	(354.3)	417.2	(536.8)
Cash at the beginning of the financial year		288.9	643.2	258.4	786.3
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the financial year		-	-	(2.7)	8.9
Cash at the end of the financial year	30	330.8	288.9	672.9	258.4

The above statements of cash flows are to be read in conjunction with the notes to the financial statements.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

1. Summary of significant accounting policies

These general purpose financial reports have been prepared in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and the Corporations Law.

The accounting policies adopted are consistent with those of the previous year unless otherwise mentioned and comply with Accounting Standards for financial reporting of general insurance activities and consolidated accounts.

(a) Principles of consolidation

All entities controlled by NRMA Insurance Limited are included in the consolidation.

For the purposes of the consolidated financial reports, NRMA Insurance Limited is referred to as the parent entity of the NRMA Insurance Group. The members of this Group are listed in note 35.

Where control of an entity is obtained during the financial year, its results are included in the consolidated profit and loss statement from the date on which control commences.

(b) Changes in accounting policy

The consolidated entity has applied AASB 1038: Life Insurance Business for the first time for the year ended 30 June 2000.

Under AASB 1038 the financial statements must include all assets, liabilities, revenues, expenses and equity, irrespective of whether they are designated as relating to shareholders or policyholders. Therefore, the consolidated entity's financial statements include the statutory funds of a life insurance subsidiary.

The effect of the new policy on the consolidated financial statements has been to increase total assets, total liabilities, revenues and expenses by \$972 million, \$897million, \$328 million and \$304 million respectively. Comparatives have not been disclosed because it is impracticable to do so.

Significant accounting policies applicable to general insurance activities only

(c) Premium revenue

Direct premium and inwards reinsurance premium comprise amounts charged to policyholders or other insurers and include fire service levies, but exclude stamp duties collected on behalf of State and Territory Governments. The earned portion of premium received and receivable, including unclosed business, is recognised as revenue. Premium is treated as earned from the date of attachment of risk. Premium on unclosed business is brought to account with due allowance for any changes in the pattern of new business and renewals.

The pattern of recognition of income over the policy or indemnity periods is based on time, where this closely approximates the pattern of risk underwritten. Where time does not approximate to the pattern of risk, as is the case with travel insurance, previous claims experience has been used to derive the incidence of risk.

(d) Outwards reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated at the balance date as a prepayment, where appropriate.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

(e) Claims

Provision is made for the estimated cost of all unsettled claims. The provision is based on the ultimate cost of settling claims and account is taken of the effect on the ultimate claim size of future wage inflation as well as increases in the real levels of compensation awarded by the courts. In setting the provision, allowance is also made for future investment earnings. The details of the inflation and discount rates used are included in note 25. The estimate for outstanding claims includes the anticipated direct and indirect costs of settling these claims.

In respect of health insurance business, outstanding claims includes provision for an estimated amount that will be payable to PHIAC (Private Health Insurance Administration Council) in relation to NRMA Health Pty Limited's (formerly SGIO Health Pty Limited) outstanding claims as at balance date.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

1. Summary of significant accounting policies (continued)

(f) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and incurred claims not yet reported are recognised as revenue. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. The details of discount and inflation rates applied are included in note 25.

(g) Insurance premium acquisition costs

Acquisition costs relating to the sale of insurance policies are measured at the lower of cost and recoverable amount. Premiums on a number of portfolios within the group's total portfolio allow for very fine margins. Accordingly, small variations in actual experience from budgeted experience can result in complete erosion of these margins and therefore there is no certainty that adequate margins will be achieved to absorb the deferred acquisition costs. For these portfolios the deferred acquisition costs were written down in full by \$76.5million (1999 - \$101.7 million) in the financial year.

(h) Fire brigade and other charges

A liability for fire brigade and other charges is recognised on business written to the balance date. Levies and charges payable by the entity are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment.

Significant accounting policies applicable to life insurance activities only

(i) Premium revenue

Premiums with no due date are recognised as revenue on a cash received basis. Premiums with a regular due date are recognised as revenue on an accruals basis. Unpaid premiums are only recognised as revenue during the days of grace or where secured by the surrender value of the policy and are included as "outstanding premiums" in the balance sheet. Premiums due after but received before the end of the financial year are shown as "Premiums in advance" in the balance sheet.

For investment-linked business, the components are identified progressively during the financial year. In relation to other policies, an actuarial model is used as at reporting date to determine a reliable measure of the revenue, expense and change in policy liability components.

(j) Claims

Claims in respect of life risk business are recognised in the profit and loss statements when the company is notified of the insured event. Claims are shown gross of reinsurance recoverable from another life insurance company registered in Australia.

Claims under investment-linked business are recognised when the policy ceases to participate in the earnings of the fund. Claims on non investment-linked business are recognised when the liability to the policyholder under the policy contract has been established.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

1. Summary of significant accounting policies (continued)

(k) Policy acquisition costs

Policy acquisition costs incurred are recorded in the profit and loss statements and represents the fixed and variable costs of acquiring new business. The policy acquisition costs include commission, advertising, policy issue and underwriting costs, agency expenses and sales costs..

The Appointed Actuary, in determining the policy liabilities, takes into account the deferral and future recovery of acquisition costs, resulting in policy liabilities being lower than otherwise and those costs being amortised over the period that they will be recoverable.

The acquisition costs deferred are determined as the lesser of actual costs incurred and the allowance for the recovery of those costs from the policy charges (as appropriate for each policy class), subject to an overall limit that the value of future profits at inception cannot be negative (acquisition losses will be recognised at inception to the extent the latter situation arises).

(l) Policy liabilities

Policy liabilities are measured at net present values of estimated future cash flows or, where the result would not be materially different, as the accumulated benefits available to policyholders. Life insurance policy liabilities in the balance sheet, and the increase or decrease in policy liabilities in the profit and loss statements have been calculated in accordance with Actuarial Standard 1.02.

(m) Basis of expense apportionments

All expenses of the life insurance business charged to the profit and loss statements have been apportioned in accordance with Part 6, Division 2 of the Life Act.

The Directors of NRMA Life Limited have received written advice from the Appointed Actuary deeming the following apportionments as appropriate:

- expenses relating specifically to either the Shareholders' Fund or the Statutory Funds should be allocated directly to the respective funds;
- expenses excluding investment management fees which are directly identifiable, should be apportioned between policy acquisition costs and policy maintenance costs with regard to the objective when incurring each expense and the outcome achieved;
- expenses subject to apportionment under section 80 of the Life Act should be allocated between the funds in proportion to activities to which they relate. Activities are based on direct measures such as transactions processed and business volumes; and
- the apportionment basis is in line with the principle set out in the Life Insurance Actuarial Standards Board valuation standard (Actuarial Standard AS1.02 Valuation of Policy Liabilities).

All expenses relate to non-participating business as the Company only writes this category of business.

(n) Excess of net market value of an interest in a controlled entity

Any excess of the net market value of an interest in a controlled entity of NRMA Life Limited over the net amount of that entity's assets and liabilities is recognised as a separate asset in the consolidated balance sheet.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

1. Summary of significant accounting policies (continued)

Significant accounting policies applicable to all companies in the group

(o) Investment income

Investment revenue is brought to account on an accruals basis. Dividends on quoted shares are deemed to accrue on the date the dividend is declared. Income from investments in NRMA Investment Management Asset Trusts is deemed to accrue on the date the distribution is due.

(p) Leased assets

Payments relating to leased assets classified as operating leases are charged as an expense in the period in which they are incurred.

(q) Depreciation

Plant and equipment is depreciated using the straight line method at rates based on the expected useful lives of the assets to the entity.

The depreciation rates used for each class of asset are as follows:

Motor vehicles	15% or 20%
Office and other plant and equipment	2.5%, 20%, 25% or 33.33%

(r) Taxation

(i) Income tax

Tax effect accounting procedures are followed whereby the income tax expense is matched with the accounting profit after allowing for permanent differences. Any future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. Income tax on net cumulative timing differences is set aside to the deferred income tax and future income tax benefit accounts at the tax rates which are expected to apply when those timing differences reverse. As the income tax rate will decrease from 36% to 34% and 30% with effect from 1 July 2000 and 1 July 2001 respectively, the new tax rates are used for this purpose. The corresponding adjustments on the deferred income tax liability and future income tax benefit as a result of this change in tax rates are included in the profit and loss statement.

(ii) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Authority (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as part of current receivables and payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(s) Recoverable amount of non-current assets

The carrying amounts of all non-current assets are reviewed to ensure that they are not in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value.

The expected cash flows used in determining recoverable amount have been discounted to their present value for claims recoveries and for those investments valued at net market value. For all other non-current assets, the relevant cash flows have not been discounted to their present value in assessing their recoverable amount.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

1. Summary of significant accounting policies (continued)

(t) Investments

Investments are stated at net market value at each balance date. The estimated costs of realisation are deducted in calculating this value. Changes in the net market values of investments at the balance date, from their net market values at the previous balance date (or cost of acquisition, if acquired during the financial period) are recognised as revenue or expense in the profit and loss statement where the investment is integral to either general of life insurance activities. Otherwise, the increments are credited to the asset valuation reserve unless they reverse previous decrements expensed in the profit and loss statement, in which case they are credited to profit. Decrements are debited to the asset revaluation reserve to the extent that they reverse increments previously credited to, and still included in, the reserve. All other decrements are expensed.

Net market values are determined as follows:

- | | |
|---|---|
| Listed, government and semi-government securities | - by reference to market quotations; |
| Unlisted securities | - at valuation based on current economic conditions and the latest available information on the investments; |
| Controlled entities | - by reference to their net asset value and cost of investment such that the carrying value does not exceed the recoverable amount; and |

Land and buildings-at valuation, based on existing use, vacant possession (except for existing external tenancies), a willing buyer and willing seller and a review by an independent valuer. The vast majority of property is owned for use by the Company and related bodies corporate.

(u) Derivative financial instruments

Some entities in the NRMA Insurance Group utilise derivative financial instruments (warrants, forward foreign exchange contracts, interest rate swap agreements, options for bond futures and SPI futures) to enhance portfolio returns and hedge against foreign currency exchange rates, fixed interest rate and stock market exposures.

Warrants are stated at net market value. Realised and unrealised gains and losses are recognised as revenue or expense in the profit and loss statement as this is the policy for investments of the relevant entities.

Unrealised gains or losses on forward exchange rate contracts are calculated by reference to the current forward exchange rates for contracts with similar maturity profile and are charged to the profit and loss statement.

The interest expense and income associated with the swap contracts are charged to the profit and loss statement on a daily basis over the term of the individual swap contracts.

(v) Goodwill

Goodwill, representing the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired, of a controlled entity or business, is amortised on a straight line basis over the period of time during which benefits are expected to arise subject to a maximum of 20 years.

(w) Other intangibles

Intangibles, representing mainly contractual rights, are amortised on a straight line basis over the period in which the related benefits are expected to be realised, being 3 to 6 years.

(x) Scrip lending

Scrip lending activity involves the lending of equities to third parties who provide cash equal to the market value of the scrip at lower rates of interest than the entity earns on investing the proceeds of the scrip lending for the duration of the lending period. Amounts outstanding in respect of such borrowings are disclosed in the balance sheet as current liabilities. The scrip lent continues to be reflected in the balance sheet as investments.

(y) Loans and advances

(i) Secured loans

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

Secured loans include funds provided to customers for purchase of housing, for investment and as continuing lines of credit. Secured loans have maximum terms of 25 years. They are stated at the recoverable amount represented by the gross value of the outstanding balance adjusted for specific and general provisions for doubtful debts. Interest revenue is brought to account on an accruals basis.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

1. Summary of significant accounting policies (continued)

(y) Loans and advances (continued)

(ii) Unsecured loans and advances

Unsecured loans and advances are recognised when the loan document is signed and the funds have been advanced to the customer. The loans and advances are at fixed rates of up to 5 years. The carrying amount of the debt includes unearned income which is shown as a deduction.

Unearned income on personal lending and leasing is brought to account progressively over the term of the loans in proportion to the outstanding loan balance.

(iii) Bad and doubtful debts

Collectability of loans and advances is reviewed on an ongoing basis. All bad debts are written off immediately when determined. Specific provisions are made for the expected loss on all accounts recognised to be doubtful, whilst a general provision is maintained to provide for possible future bad debts that may emerge on accounts currently not in default.

(z) Employee entitlements

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and sick leave are recognised at the nominal amounts unpaid at the reporting date using current remuneration rates. A liability for sick leave is considered to exist only when it is probable that sick leave taken in the future will be greater than entitlements that will accrue in the future.

(ii) Long service leave

A liability for long service leave is recognised as the present value of estimated future cash outflows to be made for services provided by employees up to the balance date. The estimated future cash outflows are discounted using interest rates on national government guaranteed securities which have terms to maturity that match, as closely as possible, the estimated future cash outflows. Factors which affect the estimated future cash outflows such as the expected future increases in remuneration rates, experience of employee departures and period of service are incorporated in the measurement.

(iii) Superannuation

The NRMA Insurance Group participates in the NRMA Superannuation Plan, RACV Superannuation Fund and MTAA Industry Superannuation Fund.

The NRMA Insurance Group contributes to these plans in accordance with their respective rules and recommendations from their respective actuaries which are designed to ensure that each plan's funding provides sufficient assets to meet its liabilities. Contributions are expensed as incurred.

(aa) Foreign currency translation

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, investments in a foreign controlled entity, and amounts payable to and by the NRMA Insurance Group in foreign currencies are translated to Australian currency at rates of exchange current at balance date. Resulting exchange differences are brought to account in determining the profit or loss for the year.

(bb) Financial instruments included in assets and liabilities

(i) Trade and other debtors

Trade and other debtors are stated at the amount due and are normally settled within 30 days. The collectability of debts is assessed and specific provision is made for any doubtful debt.

(ii) Deposits

Deposits include call and term deposits. Deposits are at call or for terms of 3 months to 5 years. They are stated at the gross value of the outstanding balance. Interest expense is brought to account on an accrual basis.

(iii) Accounts payable

Accounts payable are stated at the amount to be paid in the future for goods or services received and are normally settled within 30 days.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

1. Summary of significant accounting policies (continued)

(bb) Financial instruments included in assets and liabilities (continued)

(iv) Bank bills

Bank bills are stated at cost and have maturities of 30 days. Interest expense is brought to account on an accruals basis.

(v) Promissory notes

Promissory notes are stated at cost and have maturities of 30 to 90 days. Interest expense is brought to account on an accruals basis.

(cc) Acquisition costs for non-life financial services products

Acquisition costs are deferred for certain financial services products, subject to future fees and margins being expected to exceed the ongoing costs.

(dd) Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation and disclosure requirements.

2. Ultimate parent entity

Throughout the financial year, the Board of Directors of NRMA Insurance Limited was appointed by the Directors of NRMA Limited. NRMA Insurance Limited was therefore a controlled entity of NRMA Limited under the Corporations Law and AASB 1024. Amounts owing between the two reporting entities are shown in these financial reports under the heading "Ultimate parent entity".

On 24 July 2000, the Company demutualised. As part of this process all of its share capital was acquired by NRMA Insurance Group Limited and NRMA Limited's rights to appoint the Board of Directors were removed. NRMA Insurance Group Limited thus became the ultimate parent entity.

3. Entity limited by guarantee

NRMA Insurance Limited was, until demutualisation on 24 July 2000, limited by the guarantee of members to contribute, in the event of a winding up, a sum not exceeding one dollar per member. On demutualisation, the Company's constitution was amended such that it is now a company limited by shares.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	<u>Notes</u>	NRMA INSURANCE LTD		CONSOLIDATED	
		2000 \$m	1999 \$m	2000 \$m	1999 \$m
4. Revenue					
(a) Revenue from operating activities					
(i) General insurance revenue					
Premium income		2,165.0	1,983.1	2,642.6	2,208.4
Movement in unearned premium reserve		(54.0)	(108.3)	(69.3)	(94.9)
Premium revenue		2,111.0	1,874.8	2,573.3	2,113.5
Direct premium		2,019.0	1,808.4	2,481.4	2,047.1
Inwards reinsurance premium		92.0	66.4	91.9	66.4
Premium revenue		2,111.0	1,874.8	2,573.3	2,113.5
Reinsurance recoveries		818.1	263.8	280.8	297.0
Other recoveries		81.8	195.4	245.2	217.0
Reinsurance and other recoveries		899.9	459.2	526.0	514.0
Total general insurance revenue		3,010.9	2,334.0	3,099.3	2,627.5
(ii) Investment revenue					
Dividend income					
- other corporations		7.5	16.2	58.9	85.1
Interest income					
- related corporations		7.8	25.1	-	-
- other parties		136.1	144.9	218.0	190.6
Rental income					
- related corporations		13.1	8.1	-	5.9
- other parties		3.0	2.2	-	2.6
Trust income					
- related entities		11.6	11.7	-	-
- other parties		0.1	2.6	27.4	10.5
Total investment income		179.2	210.8	304.3	294.7
Changes in net market values of investments					
- realised (losses) / gains		(21.1)	(12.6)	23.1	1.3
- unrealised gains	1(t)	316.1	339.1	431.2	373.3
Total investment revenue		474.2	537.3	758.6	669.3
Total revenue from operating activities		3,485.1	2,871.3	3,857.9	3,296.8
(b) Revenue from other operating activities					
Interest income on loans		-	-	99.9	71.3
Other income					
- related corporations		171.4	30.2	61.3	56.7
- other parties		0.5	1.1	27.2	17.7
Life insurance profit		-	-	-	6.2
		171.9	31.3	188.4	151.9
Life insurance business revenue	5	-	-	327.8	-
Proceeds from disposal of assets		20.6	-	32.2	1.3
Total revenue from other operating activities		192.5	31.3	548.4	153.2

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

Total revenue	<u>3,677.6</u>	<u>2,902.6</u>	<u>4,406.3</u>	<u>3,450.0</u>
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NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	<u>Note</u>	NRMA INSURANCE LTD		CONSOLIDATED	
		2000 \$m	1999 \$m	2000 \$m	1999 \$m
5. Result from Life insurance operation					
Premium revenue		-	-	226.7	-
Investment revenue		-	-	101.1	-
	4(b)	-	-	327.8	-
Policy payments		-	-	(148.2)	-
Increase in policy liabilities		-	-	(131.7)	-
Administration and other expenses		-	-	(24.4)	-
		-	-	23.5	-

	NRMA INSURANCE LIMITED					
	Current year \$m	2000 Prior years \$m	Total \$m	Current year \$m	1999 Prior years \$m	Total \$m
6. Claims expense						
(a) Direct business						
Gross claims and related expenses - undiscounted	2,276.7	(435.5)	1,841.2	2,218.9	(329.6)	1,889.3
Discount	(154.8)	151.5	(3.3)	(150.1)	110.3	(39.8)
Gross claims and related expenses - discounted	2,121.9	(284.0)	1,837.9	2,068.8	(219.3)	1,849.5
Reinsurance and other recoveries - undiscounted	(822.2)	(49.5)	(871.7)	(417.5)	(38.0)	(455.5)
Discount	0.3	3.8	4.1	4.6	(4.0)	0.6
Reinsurance and other recoveries - discounted	(821.9)	(45.7)	(867.6)	(412.9)	(42.0)	(454.9)
Net claims incurred	1,300.0	(329.7)	970.3	1,655.9	(261.3)	1,394.6

	CONSOLIDATED					
	Current year \$m	2000 Prior years \$m	Total \$m	Current year \$m	1999 Prior years \$m	Total \$m
Gross claims and related expenses - undiscounted	2,871.3	(402.4)	2,468.9	2,441.5	(294.2)	2,147.3
Discount	(166.5)	151.6	(14.9)	(163.0)	98.5	(64.5)
Gross claims and related expenses - discounted	2,704.8	(250.8)	2,454.0	2,278.5	(195.7)	2,082.8
Reinsurance and other recoveries - undiscounted	(431.4)	(63.3)	(494.7)	(449.2)	(69.6)	(518.8)
Discount	(2.4)	3.4	1.0	5.5	3.6	9.1
Reinsurance and other recoveries - discounted	(433.8)	(59.9)	(493.7)	(443.7)	(66.0)	(509.7)
Net claims incurred	2,271.0	(310.7)	1,960.3	1,834.8	(261.7)	1,573.1

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 periods.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	<u>Note</u>	NRMA INSURANCE LTD		CONSOLIDATED	
		2000	1999	2000	1999
		\$m	\$m	\$m	\$m
6. Claims expense (continued)					
(b) Inwards reinsurance business					
Gross claims and related expenses - undiscounted		122.3	79.9	122.3	79.9
Discount		(2.4)	(3.7)	(2.4)	(3.7)
Gross claims and related expenses - discounted		119.9	76.2	119.9	76.2
Reinsurance and other recoveries - undiscounted		(38.4)	(4.3)	(38.4)	(4.3)
Discount		6.1	-	6.1	-
Reinsurance and other recoveries - discounted		(32.3)	(4.3)	(32.3)	(4.3)
Net claims incurred		87.6	71.9	87.6	71.9
(c) Total					
Direct business		970.3	1,394.6	1,960.3	1,573.1
Inwards reinsurance business		87.6	71.9	87.6	71.9
Net claims incurred		1,057.9	1,466.5	2,047.9	1,645.0

This table does not include the abnormal outstanding claims provision for GST of \$51.1 million and \$56.1 million for the Company and NRMA Insurance Group respectively in the year ended 30 June 1999.

7. Operating profit

Operating profit before income tax has been determined after charging / (crediting) the following:

Interest expense - other corporations		14.2	24.6	80.3	63.8
Depreciation of motor vehicles		3.4	3.8	3.5	3.9
Depreciation of office and other plant and equipment		20.7	23.6	27.9	30.1
Amortisation of goodwill		9.3	-	4.1	22.1
Amortisation of intangibles		-	-	8.8	-
Losses on disposal of fixed assets		0.8	1.3	0.8	2.6
Operating lease rentals		55.5	42.5	66.2	43.8
Transfer to provision - employee entitlements		15.8	18.7	20.0	27.5
Foreign exchange (gains) / losses		(7.4)	8.5	(61.9)	-
Bad and doubtful debts		-	-	2.4	0.9

8. Abnormal items

Recognition of deferred acquisition costs on certain general insurance portfolios	1(g)	79.7	-	79.7	-
Increase in outstanding claims provisioning for GST		-	(51.1)	-	(56.1)
Applicable income tax (expense) / benefit		(28.7)	18.4	(28.7)	20.2
Total abnormal items after income tax		51.0	(32.7)	51.0	(35.9)

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	NRMA INSURANCE LTD		CONSOLIDATED	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
9. Income tax				
(a) The prima facie tax on the operating profit and extraordinary item differs from the income tax provided in the financial statements and is reconciled as follows:				
Operating profit and extraordinary items before income tax	262.5	262.5	474.8	360.6
Prima facie tax thereon at 36%	94.5	94.5	170.9	129.8
Tax effect of permanent differences:				
Rebateable dividends	-	-	(21.0)	(19.6)
Realised capital profits not subject to income tax	(0.2)	(6.4)	(0.7)	(47.5)
Unrealised capital (profits) / losses not subject to income tax	(115.6)	(112.3)	(31.4)	26.4
Other non-deductible items	8.5	2.7	8.7	2.9
Other	1.9	1.8	(2.7)	3.6
Writedown of future income tax benefits	-	-	-	0.2
Change in income tax rate	9.2	-	(8.8)	-
Extraordinary item	11.1	4.3	11.1	4.3
Future income tax benefit not recognised	-	-	4.1	-
Income tax expense applicable to current year	9.4	(15.4)	130.2	100.1
Adjustment to prior year	(1.6)	(1.4)	(2.0)	(1.5)
Income tax expense attributable to operating profit and extraordinary item	7.8	(16.8)	128.2	98.6
(b) The potential future income tax benefits relating to tax losses at 30 June 2000 not brought to account are:	-	-	4.0	-

The benefits will only be obtained if:

- (i) the economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses and timing differences to be realised;
- (ii) the economic entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the economic entity in realising the benefits from the deductions for the losses.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	NRMA INSURANCE LTD		CONSOLIDATED	
	2000	1999	2000	1999
	\$m	\$m	\$m	\$m
10. Extraordinary item				
Expenses in relation to the proposed corporate restructure and demutualisation of NRMA Insurance Limited	(60.7)	(15.3)	(60.7)	(15.3)
Applicable income tax benefit	10.8	1.2	10.8	1.2
Extraordinary item after income tax	(49.9)	(14.1)	(49.9)	(14.1)

11. Dividend franking account

Franking account	-	515.1	488.8	962.2
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The balance of the franking account arises from franked income received and income tax paid, after adjusting for any franking credits which will arise from the payment of income tax provided for in the financial statements. As part of the Company's demutualisation, all franking credits of the parent entity and each of its wholly-owned controlled entities were cancelled by operation of taxation laws.

	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
12. Auditors' remuneration				
Amounts received or due and receivable by the auditors for:				
Auditing the financial statements and consolidated financial statements				
Chief entity auditors	253	255	627	477
Other auditors	-	-	83	-
Other services				
(i) tax advisory services				
- chief entity auditor	927	186	1,043	287
- other auditors	-	-	38	-
(ii) half year review				
- chief entity auditor	58	35	70	61
(iii) other consulting services				
- chief entity auditor	3,215	1,950	3,268	2,079
	4,200	2,171	4,419	2,427

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	NRMA INSURANCE LTD		CONSOLIDATED	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
13. Directors' remuneration				
(a) Information on remuneration of the relevant Directors is as follows:				
Income of Directors of NRMA Insurance Limited from the entity and all related parties in relation to the management of the affairs of the Group	1,333	1,096	-	-
Income of Directors of entities within the NRMA Insurance Group from the entity and all related parties in relation to the management of the affairs of the Group	-	-	2,831	2,812
(b) Total remuneration of Directors of NRMA Insurance Limited from the entity and all related parties in relation to the management of the affairs of the ultimate parent entity and its subsidiaries	2,816	1,984	-	-
	Remuneration in relation to the management of the affairs of the NRMA Insurance Group		Total remuneration in relation to the management of the affairs of the ultimate parent entity and its subsidiaries	
	2000	1999	2000	1999
(c) Number of Directors of NRMA Insurance Limited whose remuneration was within the following bands				
\$ 0 - \$ 9,999	*10	*11	-	-
\$ 20,000 - \$ 29,999	1	-	1	-
\$ 30,000 - \$ 39,999	-	-	1	1
\$ 40,000 - \$ 49,999	-	-	1	1
\$ 50,000 - \$ 59,999	-	-	1	2
\$ 60,000 - \$ 69,999	-	-	-	3
\$ 70,000 - \$ 79,999	-	-	1	3
\$ 80,000 - \$ 89,999	-	-	1	-
\$ 90,000 - \$ 99,999	-	-	1	-
\$ 120,000 - \$ 129,999	-	-	1	-
\$ 140,000 - \$ 149,999	-	-	1	-
\$ 160,000 - \$ 169,999	-	-	1	-
\$ 490,000 - \$ 499,999	-	-	1	-
\$ 200,000 - \$ 209,999	-	-	-	1
\$1,090,000 - \$1,099,999	-	1	-	-
\$1,160,000 - \$1,169,999	-	-	-	1
\$1,390,000 - \$1,399,999	1	-	-	-
\$1,480,000 - \$1,489,999	-	-	1	-

* No remuneration is payable to these Directors of NRMA Insurance Limited specifically for the management of the affairs of the entity and its subsidiaries as this is part of their duties as Directors of the parent entity.

The remuneration for executive Directors includes a proportion of long term performance-related incentives that may become payable in the future.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	NRMA INSURANCE LTD		CONSOLIDATED	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
14. Current assets - receivables				
Secured loans, leases and loan agreements	-	-	115.4	105.0
Unearned finance income	-	-	(9.5)	(11.6)
Provision for doubtful debts	-	-	(0.4)	(2.6)
	-	-	105.5	90.8
Claims recoveries	129.7	107.1	174.4	120.7
Provision for doubtful debts	(1.4)	(1.4)	(2.6)	(1.7)
	128.3	105.7	171.8	119.0
Trade debtors	63.4	112.4	145.1	134.5
Provision for doubtful debts	(1.9)	(1.5)	(1.9)	(1.5)
	61.5	110.9	143.2	133.0
Amounts receivable from related bodies corporate	96.8	14.1	14.3	7.8
Premium receivable	127.4	213.6	382.5	269.9
Reinsurance recoveries	208.8	230.4	91.4	244.4
Other debtors	62.3	49.2	162.4	75.8
	685.1	723.9	1,071.1	940.7
15. Current assets - investments				
Quoted				
Government and semi-government stocks and bonds	15.9	5.2	24.8	7.3
Shares in other parties	-	-	330.6	35.9
Unit trusts	-	-	8.7	0.9
	15.9	5.2	364.1	44.1
Unquoted				
Shares in other parties	-	-	0.9	0.6
Units in NRMA Investment Management Cash Management Trust	218.5	287.9	-	-
Deposits in other parties	41.2	113.7	41.2	116.8
Loans to related bodies corporate	41.5	481.0	-	-
Commercial bills	323.3	437.7	1,496.7	1,164.0
Other investments (gross of unearned income)	15.5	0.2	33.4	0.9
Unearned income	-	-	-	(0.1)
	640.0	1,320.5	1,572.2	1,282.2
	655.9	1,325.7	1,936.3	1,326.3

The underlying securities of the NRMA Investment Management Cash Management Trust are 11 am cash market deposits, deposits, unit trusts, bank bills, promissory notes, floating rate securities and derivatives in the Australian market.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	<u>Note</u>	NRMA INSURANCE LTD		CONSOLIDATED	
		2000	1999	2000	1999
		\$m	\$m	\$m	\$m
16. Current assets - other					
Prepayments		716.6	37.0	70.9	49.0
Deferred acquisition costs		-	-	115.8	17.6
Income tax recoverable		0.7	0.5	3.2	7.9
Inventories		-	-	0.4	0.2
		717.3	37.5	190.3	74.7
17. Non-current assets - receivables					
Secured loans, leases and loan agreements		-	-	1,064.3	1,106.0
Unearned finance income		-	-	(9.4)	(13.6)
General provision for doubtful debts		-	-	(2.0)	(4.5)
Specific provision for doubtful debts		-	-	(0.6)	(1.0)
		-	-	1,052.3	1,086.9
Claims recoveries		176.8	126.9	179.7	145.7
Provision for doubtful debts		(6.2)	(6.2)	(6.2)	(6.2)
		170.6	120.7	173.5	139.5
Reinsurance recoveries		71.4	41.1	72.0	68.3
Premium receivable		4.2	-	4.2	4.0
		246.2	161.8	1,302.0	1,298.7
18. Non-current assets - investments					
Quoted					
Government and semi-government stocks and bonds		971.0	1,261.5	1,581.5	1,394.2
Shares in other parties		-	524.4	3,550.3	2,625.7
Unit trusts		-	25.6	239.6	31.0
Bonds		0.4	-	0.4	-
		971.4	1,811.5	5,371.8	4,050.9
Unquoted					
Shares in other parties		1.5	1.5	10.5	11.9
Shares in controlled entities		3,241.8	2,345.4	-	-
Unit trusts		1.7	1.6	2.7	3.3
Units in NRMA Investment Management World Equity Trust		-	-	-	30.7
Deposits in other parties		306.6	320.7	474.0	351.5
Loans to related bodies corporate		450.2	2.9	-	-
Interest in securitised assets		-	-	19.4	58.5
Unsecured notes		329.4	115.0	510.6	124.2
Other investments (gross of unearned income)		75.3	17.2	136.3	18.8
Unearned income		-	(0.5)	(0.4)	(0.5)
		4,406.5	2,803.8	1,153.1	598.4
Freehold properties		43.6	49.3	47.7	50.6
Leasehold properties		6.6	6.2	6.6	9.0
		50.2	55.5	54.3	59.6
Interest in NRMA Life Statutory Funds	42	-	-	-	62.6
		5,428.1	4,670.8	6,579.2	4,771.5

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

The underlying securities of the NRMA Investment Management World Equity Trust are cash (Australian or foreign currencies), unit trusts, international equities and derivatives.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	<u>Notes</u>	NRMA INSURANCE LTD		CONSOLIDATED	
		2000	1999	2000	1999
		\$m	\$m	\$m	\$m
19. Non-current assets - plant and equipment					
Motor vehicles		15.9	28.0	32.4	33.4
Accumulated depreciation		(3.4)	(5.7)	(8.6)	(6.5)
Written down value		12.5	22.3	23.8	26.9
Office and other plant and equipment		153.7	167.2	181.2	188.4
Accumulated depreciation		(105.8)	(101.3)	(118.9)	(114.0)
Written down value		47.9	65.9	62.3	74.4
		60.4	88.2	86.1	101.3
20. Non-current assets - future income tax benefits					
Relating to					
- tax losses carried forward		-	58.4	7.2	69.9
- other		99.4	110.6	118.9	132.8
		99.4	169.0	126.1	202.7
21. Non-current assets - other					
Goodwill - at cost		18.7	-	17.2	48.0
Accumulated amortisation	1(v)	(9.3)	-	(1.7)	(31.4)
		9.4	-	15.5	16.6
Intangibles - at cost		-	-	105.1	-
Accumulated amortisation	1(w)	-	-	(8.4)	-
		-	-	96.7	-
Excess of net market value of an interest in a controlled entity	1(n)	-	-	301.8	297.5
Prepayments		-	-	-	0.3
Deferred acquisition costs		-	-	6.3	5.9
		9.4	-	420.3	320.3
22. Current liabilities - accounts payable					
Trade creditors		320.4	244.1	532.0	298.8
Other creditors		51.5	46.7	99.7	67.8
Amounts payable to related bodies corporate		10.7	10.5	7.7	0.3
		382.6	301.3	639.4	366.9
23. Current liabilities - borrowings					
Bank bills		405.0	-	405.0	-
Bank loans		-	-	32.5	25.0
Promissory notes		-	-	488.5	563.9
Debenture stock		-	-	13.7	32.2
Loan from related body corporate		3.8	396.0	-	-
		408.8	396.0	939.7	621.1

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	NRMA INSURANCE LTD		CONSOLIDATED	
	2000	1999	2000	1999
	\$m	\$m	\$m	\$m
24. Current liabilities - provisions				
Taxation	-	-	35.7	64.8
Employee entitlements	32.6	31.3	57.6	46.9
Other	-	-	0.4	-
	32.6	31.3	93.7	111.7
25. Outstanding claims				
(a) Expected future claims payments (undiscounted)	3,278.0	2,899.1	3,449.0	3,304.6
Discount to present value	(444.2)	(374.8)	(454.1)	(432.7)
Liability for outstanding claims	2,833.8	2,524.3	2,994.9	2,871.9
Current	1,043.9	986.2	1,169.3	1,106.8
Non-current	1,789.9	1,538.1	1,825.6	1,765.1
	2,833.8	2,524.3	2,994.9	2,871.9

(b) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims and recoveries as at 30 June 2000:

	NRMA INSURANCE LTD		CONSOLIDATED	
	2000	1999	2000	1999
	%	%	%	%
For the succeeding year:				
- normal inflation rate	3.0 - 4.0	4.0	3.0 - 4.0	4.0
- superimposed inflation rate	2.0 - 6.0	2.0 - 8.0	2.0 - 6.0	2.0 - 8.0
- discount rate	5.9 - 6.7	4.9	5.9 - 6.7	4.9 - 5.0
For subsequent years:				
- normal inflation rate	3.0 - 4.0	4.0	3.0 - 4.0	4.0
- superimposed inflation rate	2.0 - 6.0	0.0 - 8.0	2.0 - 6.0	0.0 - 8.0
- discount rate	5.9 - 7.4	5.7 - 6.7	5.9 - 7.4	5.7 - 6.8

(c) The weighted average expected term to settlement of the gross outstanding claims from the balance date is estimated to be 28 months (1999 - 28 months).

	NRMA INSURANCE LTD		CONSOLIDATED	
	2000	1999	2000	1999
	\$m	\$m	\$m	\$m
26. Non-current liabilities - borrowings				
Loan from related body corporate	28.2	9.1	-	-
Debenture stock	-	-	10.2	19.4
	28.2	9.1	10.2	19.4
27. Non-current liabilities - provisions				
Deferred taxation	4.2	-	354.1	258.5
Employee entitlements	10.5	12.1	15.5	16.5
	14.7	12.1	369.6	275.0

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	NRMA INSURANCE LTD		CONSOLIDATED	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
28. Reserves				
General reserve	-	290.0	-	310.0
Investment reserve	2,295.5	1,991.4	1,636.7	1,380.3
Asset revaluation reserve	39.8	27.3	-	89.5
Capital transfer to NRMA Life Statutory Funds	-	-	-	(12.0)
	2,335.3	2,308.7	1,636.7	1,767.8
Movements in reserves:				
General reserve				
Balance at the beginning of the financial year	290.0	290.0	310.0	310.0
Transfers to retained profits	(290.0)	-	(310.0)	-
Balance at the end of the financial year	-	290.0	-	310.0
Investment reserve				
Balance at the beginning of the financial year	1,991.4	1,678.6	1,380.3	1,134.4
Transfers from retained profits	304.1	330.5	238.7	263.6
Transfers (to) / from asset revaluation reserve	-	(17.7)	17.7	(17.7)
Balance at the end of the financial year	2,295.5	1,991.4	1,636.7	1,380.3
Investment reserve represents all realised gains and losses on disposal of investments and unrealised gains and losses on revaluation of investments.				
Asset revaluation reserve				
Balance at the beginning of the financial year	27.3	22.2	89.5	72.0
Increment / (decrement) on revaluation of non-current investments	12.5	(12.6)	-	(0.2)
Transfers to retained profits	-	-	(71.8)	-
Transfers from / (to) investment reserve	-	17.7	(17.7)	17.7
Balance at the end of the financial year	39.8	27.3	-	89.5
Capital transfer to NRMA Life Statutory Funds				
Balance at the beginning of the financial year	-	-	(12.0)	(12.0)
Transfers from retained profits	-	-	12.0	-
Balance at the end of the financial year	-	-	-	(12.0)

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	NRMA INSURANCE LTD		CONSOLIDATED		
	<u>Note</u>	2000 \$m	1999 \$m	2000 \$m	1999 \$m
29. Reconciliation of net cash (used in) / provided by operating activities to operating profit after income tax					
Net cash (used in) / provided by operating activities		(113.6)	55.9	642.6	118.2
Depreciation		(24.1)	(27.4)	(31.4)	(34.0)
Amortisation of goodwill and intangibles		(9.3)	-	(12.9)	(22.1)
Realised gains / (losses) on disposal of investments		(16.2)	(8.9)	34.1	-
Unrealised gains on revaluation of investments		307.4	343.8	361.9	374.4
Losses on disposal of fixed assets		(0.8)	(1.3)	(0.8)	(2.6)
Foreign exchange gains / (losses)		7.4	(8.5)	61.9	-
Bad and doubtful debts		-	-	(2.4)	(0.9)
Life insurance profit		-	-	-	6.2
Other		(4.0)	(0.4)	1.2	2.8
Increase / (decrease) in operating assets					
Receivables		126.2	326.7	396.0	374.8
Inventories		-	(0.1)	(0.1)	-
Other		572.0	(9.4)	(207.3)	(33.8)
Decrease / (increase) in operating liabilities					
Accounts payable		(168.7)	(103.8)	(178.6)	(100.3)
Provisions		(4.2)	(4.4)	(66.8)	(96.9)
Outstanding claims		(309.5)	(269.0)	(409.2)	(324.2)
Unearned premium		(107.9)	(13.9)	(109.9)	0.4
Gross life insurance policy liabilities		-	-	(131.7)	-
Operating profit after income tax		254.7	279.3	346.6	262.0

30. Reconciliation of cash

For the purposes of the statements of cash flows, cash includes cash on hand and in banks, deposits at call and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

Cash		200.7	56.6	418.5	181.2
Units in NRMA Investment Management Cash Management Trust	15	218.5	287.9	-	-
Commercial bills		-	-	342.8	133.4
Bank overdrafts		(88.4)	(55.6)	(88.4)	(56.2)
		330.8	288.9	672.9	258.4

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

31. Business acquired

During the year ended 30 June 2000, NRMA Personal Lines Holdings Pty Limited acquired 70% of the shares of Insurance Manufacturers of Australia Pty Limited. The 30 June 1999 comparatives relate to the acquisition of SGIO Insurance Limited. Details of the acquisitions are as follows:

	NRMA INSURANCE LTD		CONSOLIDATED	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Consideration:				
Cash	-	-	562.0	440.8
Other payable	-	-	12.3	-
	-	-	574.3	440.8
Fair value of net assets of entity acquired:				
Cash	-	-	-	36.1
Receivables	-	-	171.6	104.6
Loans	-	-	-	-
Investments	-	-	1,247.1	421.3
Plant and equipment	-	-	-	10.2
Deposits	-	-	-	-
Accounts payable	-	-	-	(39.5)
Borrowings	-	-	-	-
Provisions	-	-	(56.6)	(22.9)
Unearned premium	-	-	(799.2)	(144.5)
Outstanding claims	-	-	(60.9)	(292.5)
Other	-	-	169.3	70.5
Outside equity interest	-	-	(201.4)	-
	-	-	469.9	143.3
Goodwill	-	-	3.1	-
Intangibles on contractual rights (1999 - Excess of net market value of an interest in a controlled entity)	-	-	101.3	297.5
	-	-	574.3	440.8
Outflow of cash for acquisition, net of cash acquired:				
Cash consideration paid	-	-	(562.0)	(440.8)
Cash balance acquired	-	-	-	36.1
(Outflow) / inflow of cash	-	-	(562.0)	(404.7)

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	<u>Notes</u>	NRMA INSURANCE LTD		CONSOLIDATED	
		2000 \$m	1999 \$m	2000 \$m	1999 \$m
32. Financing arrangements					
Facilities available:					
(a) Bill accepted / discounted facility		420.0	300.0	420.0	300.0
(b) Standby letter of credit facility	(i)	60.0	60.0	60.0	60.0
(c) Group offset overdraft facility	(ii)	-	-	15.0	15.0
(d) Standby facility	(iii)	-	-	75.0	75.0
(e) Commercial paper and medium term note facility	(iv)	-	-	750.0	750.0
(f) Securitisation programs	(v)	-	-	1,250.0	800.0
Facilities drawn at balance date:					
(a) Bill accepted / discounted facility		405.0	-	405.0	-
(b) Standby letter of credit facility		18.9	57.0	18.9	57.0
(c) Group offset overdraft facility		-	-	-	-
(d) Standby facility		-	-	-	-
(e) Commercial paper and medium term note facility		-	-	636.0	570.0
(f) Securitisation programs		-	-	838.0	587.0

- (i) The standby letter of credit facility was denoted in US dollars.
- (ii) The group offset overdraft facility was available to some entities within the NRMA Insurance Group. The facilities have a variable interest rate. Overdrafts disclosed in the balance sheet include unrepresented cheques.
- (iii) Interest on this standby facility when drawn down is charged at a margin over the bank bill rate. The facility is for emergency liquidity support in the event of a market disturbance for NRMA Building Society Limited.
- (iv) This commercial paper and medium term note facility was in the form of a domestic commercial paper and medium term note programme. On 18 August 2000, Standard & Poor's affirmed its "AA+" insurer financial strength and counterparty credit ratings on NRMA Insurance Limited and its "A-1+" short-term ratings on the \$750 million commercial paper and medium-term note programme of NRMA Building Society Limited. The programme is guaranteed by NRMA Insurance Limited. The rating outlook on NRMA Insurance Limited was also revised to negative from stable. The programme is intended for the operating requirements of the Society.
- (v) These securitisation programs provide the Society with the ability to securitise its residential mortgage loan portfolio. Total balances of loans securitised at balance date and are off balance sheet.
- (vi) On 24 August 2000, NRMA Insurance Group Finance Limited, a wholly owned subsidiary of NRMA Insurance Limited, announced the establishment of a \$1.5 billion debt issuance programme. Standard & Poor's has assigned its "AA+" long-term and "A-1+" short-term ratings to the programme's senior obligations. The programme is guaranteed by NRMA Insurance Limited which is rated "AA+" for its insurer financial strength and counterparty credit ratings.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	NRMA INSURANCE LTD		CONSOLIDATED	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
33. Commitments				
(a) Capital expenditure commitments:				
Property				
- due within 1 year	1.4	0.5	1.4	0.9
(b) Lease and rental commitments:				
Property				
- due within 1 year	41.7	32.5	48.4	38.9
- due within 1 to 2 years	39.8	29.9	46.6	35.8
- due within 2 to 3 years	37.6	28.5	42.6	33.8
- due within 3 to 4 years	37.2	28.2	40.6	33.2
- due within 4 to 5 years	34.9	26.4	39.0	30.0
- due after 5 years	102.5	117.5	104.0	121.7
Plant and equipment				
- due within 1 year	8.3	8.2	9.9	8.7
- due within 1 to 2 years	11.4	4.8	15.6	5.4
- due within 2 to 3 years	6.3	0.4	6.5	0.9
- due within 3 to 4 years	1.3	-	1.3	-
- due after 5 years	-	-	0.8	-
(c) Other commitments:				
- due within 1 year	-	-	1.9	2.1
- due within 1 to 5 years	-	-	1.3	0.6
- due after 5 years	-	-	0.7	0.7
(d) Loan commitments:				
Loans approved but not advanced				
- due within 1 year	-	-	36.3	114.5
(e) Contingent commitments:				
Undrawn credit limits on secured loans	-	-	289.1	243.2

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

34. Contingencies

(a) In the normal course of its operations, NRMA Insurance Limited entered a quota share reinsurance contract with a US insurer for one year from 1 July 1997. Subsequent to 30 June 1998, notice of rescission was issued by NRMA Insurance Limited in respect of this contract on the basis that the ceding insurer fraudulently induced NRMA Insurance Limited to enter the contract by, amongst other things, withholding sensitive or critical information as well as providing financial information and explanations which it knew to be false. A Statement of Claim has been lodged against the ceding insurer and other parties. The dispute with the insurer has been referred to arbitration.

No entries have been recorded in the profit and loss statement for either the year ended 30 June 1999 or 30 June 2000 on the basis of the rescission. No net profit was recorded in the year ended 30 June 1998.

A letter of credit held by the ceding insurer was exercised in July 1999 for US\$34.5 million. NRMA Insurance Limited holds cash of US\$10.8 million and a letter of credit for US\$25.0 million as security if NRMA Insurance Limited is successful in its claim.

Due to the inaccuracy of the financial information received from the ceding insurer, it is not possible to quantify the potential financial exposures. However, whilst NRMA Insurance Limited believes its case is strong, it also considers that it is unlikely that the potential amounts in dispute will be material to NRMA Insurance Limited's operations. However, no assurances can be given in this regard.

(b) On 4 August 1999, the Supreme Court of New South Wales ordered lawyers, who had acted as advisers to NRMA Insurance Limited and NRMA Limited in 1994 and 1995 in relation to the "Share the Future" restructuring proposal, to pay the companies damages plus interest totaling \$32.1 million together with a 2/3 portion of the companies' costs in taking the legal action against them. The damages and interest have been received while the costs have yet to be assessed. 90% of the total amounts received have been attributed to NRMA Insurance Limited and the balance of 10% to NRMA Limited. The damages awarded are not reflected in the 30 June 2000 profit and loss statement.

An appeal was lodged by each of the defendants. The companies lodged cross-appeals. The appeals and cross-appeals were heard by the New South Wales Court of Appeal in May 2000. Judgment of the Court of Appeal is awaited. It is anticipated that the unsuccessful parties will seek leave to appeal to the High Court of Australia from that judgment when delivered.

The amounts expended by NRMA Insurance Limited as extraordinary items in 1994 and 1995 in respect of the "Share the Future" proposal totalled \$22.3 million.

(c) NRMA Insurance Limited has guaranteed the obligations of NRMA Building Society Limited under its commercial paper and medium-term note program. The program limit is \$750 million (1999 - \$750 million) and the face value of notes on issue at 30 June 2000 was \$636 million (1999 - \$570 million).

(d) NRMA Insurance Limited has provided an indemnity of up to \$20 million to NRMA Building Society Limited against all liabilities on losses arising directly or indirectly from, and any costs, charges and expenses incurred in connection with its purchase of NRMA Finance Limited.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

35. Details of controlled entities

The following entities constitute the NRMA Insurance Group:

	<u>Notes</u>	Place of incorporation	Percentage of shares / units held		Book value of parent entity's investments	
			2000 %	1999 %	2000 \$m	1999 \$m
Parent entity						
NRMA Insurance Limited		NSW	-	-	-	-
Controlled entities						
NRMA Investments Pty Limited	(iii)	NSW	91.25	100.00	2,422.7	2,107.0
NRMA Information Services Pty Limited	A	NSW	100.00	100.00	1.2	1.2
NRMA Smash Repairs Pty Limited	(iv)	NSW	-	100.00	-	1.4
NRMA Financial Planning Pty Limited	A	NSW	100.00	100.00	-	-
NRMA Financial Management Limited		NSW	100.00	100.00	6.5	10.0
NRMA Asset Management Limited (formerly NRMA Investment Management Pty Limited)		NSW	100.00	100.00	18.2	12.2
NRMA Nominees Pty Limited (formerly Nimsub Pty Limited)		NSW	100.00	100.00	-	-
NRMA Woden Pty Limited	A	ACT	100.00	100.00	-	-
Taglink Pty Limited	A	ACT	100.00	100.00	-	-
NRMA Investment Management Cash Management Trust	(i), B	NSW	23.71	42.18	218.5	287.9
NRMA Investment Management Australian Equity Trust	(i), B	NSW	-	-	-	-
NRMA Investment Management Fixed Interest Trust	(i), B	NSW	-	-	-	-
NRMA Investment Management Property Trust	(i), B	NSW	-	-	-	-
NRMA Investment Management Private Equity Trust	(i), B	NSW	-	-	-	-
NRMA Investment Management World Equity Trust	(i), B	NSW	-	-	-	-
NRMA Building Society Limited		VIC	100.00	100.00	86.8	89.5
NRMA Finance Limited		NSW	100.00	100.00	-	-
NBS Securitisation Services Pty Limited	A	NSW	100.00	-	-	-
NRMA Sales & Services Pty Limited	A	ACT	100.00	100.00	5.2	5.2
NRMA Insurance International Pty Limited		NSW	100.00	100.00	11.4	7.4
NHCT Limited	(ii), C	Thailand	49.00	49.00	-	-
Beijing Enbao Continental Automobile Association Limited	C	China	80.00	-	-	-
NRMA Life Limited		NSW	100.00	100.00	130.2	111.5
NRMA Life Nominees Pty Limited		NSW	100.00	100.00	-	-
NRMA (Western Australia) Pty Limited		NSW	100.00	100.00	-	-
SGIO Insurance Limited		WA	100.00	100.00	-	-
NRMA Health Pty Limited (formerly SGIO Health Pty Limited)		WA	100.00	100.00	-	-
SGIC Holdings Limited		SA	100.00	100.00	-	-
SGIC General Insurance Limited		SA	100.00	100.00	-	-
SGIC Services Pty Limited	A	SA	100.00	100.00	-	-
SGIC Insurance Limited		SA	100.00	100.00	-	-
SGIC Brand Pty Limited	A	SA	100.00	50.00	-	-
NRMA Personal Lines Holdings Pty Limited		NSW	100.00	100.00	559.3	-
Insurance Manufacturers of Australia Pty Limited (formerly RACV Insurance Pty Limited)	C	VIC	70.00	-	-	-
IMA Investments Pty Limited (formerly RACV Equity Investments Pty Limited)	C	VIC	70.00	-	-	-
World Class Accident Repairs (Cheltenham North) Pty Limited	C	VIC	70.00	-	-	-
NRMA Insurance Group Finance Limited (formerly NRMA Group Finance Limited)		NSW	100.00	-	0.3	-
					3,460.3	2,633.3

- (i) As at the balance date, NRMA Insurance Group has a majority holding and has the capacity to control NRMA Investment Management Cash Management Trust, NRMA Investment Management Australian Equity Trust, NRMA Investment Management Fixed Interest Trust, NRMA Investment Management Property Trust, NRMA Investment Management Private Equity Trust and NRMA Investment Management World Equity Trust.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

35. Details of controlled entities (continued)

- (ii) NRMA Insurance International Pty Limited owns 49% of the share capital of NHCT Limited which gives it a majority voting right and the right to appoint the Board of directors of NHCT Limited. Therefore, NHCT Limited is a controlled entity of NRMA Insurance International Pty Limited.
- (iii) During the year 30 June 2000, Insurance Manufacturers of Australia Pty Limited (formerly RACV Insurance Limited) subscribed for 7,279 shares for \$400.0 million in NRMA Investments Pty Limited. After the share issue, NRMA Investments Pty Limited became a non-wholly-owned controlled entity of NRMA Insurance Limited.
- (iv) NRMA Smash Repairs Pty Limited was disposed during the year for \$45,000 at a loss on disposal of \$1.4 million.
- (v) Unless otherwise stated, all controlled entities are audited by KPMG Australia.

A Controlled entities which are small propriety companies and not required to prepare audited accounts.

B No audit required under the terms of its constitution.

C Audited by other firms.

36. Outside equity interests

Outside equity interests represent the equity interests held by NRMA Limited and other related and external parties in controlled entities of the NRMA Insurance Group.

37. Related party disclosures

(a) Directors

The Directors who held office during the year were:

Mr N R Whitlam, Mrs D G Collins, Mrs M C Callaghan, Mrs M Easson, Mr N D Hamilton, Ms A J Keating, Ms G Rankin, The Hon S M Ryan, Ms F J Singleton, Mr R J Talbot, Mr I F Yates and Mr E R Dodd.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

37. Related party disclosures (continued)

(b) Wholly-owned group

The wholly-owned group consists of NRMA Insurance Limited and its wholly-owned controlled entities, NRMA Life Limited, SGIO Insurance Limited, NRMA Health Pty Limited (formerly SGIO Health Pty Limited), NRMA Building Society Limited, NRMA Financial Planning Pty Limited, NRMA Financial Management Limited, NRMA Asset Management Limited (formerly NRMA Investment Management Pty Limited), NRMA Nominees Pty Limited (formerly Nimsub Pty Limited), NRMA Woden Pty Limited, Taglink Pty Limited, NRMA Finance Limited, NBS Securitisation Services Pty Limited, NRMA Information Services Pty Limited, NRMA Sales & Service Pty Limited, NRMA Insurance International Pty Limited, NRMA Life Nominees Pty Limited, NRMA (Western Australia) Pty Limited, SGIC Holdings Limited, SGIC General Insurance Limited, SGIC Services Pty Limited, SGIC Insurance Limited, SGIC Brand Pty Limited, NRMA Personal Lines Holdings Pty Limited and NRMA Insurance Group Finance Limited (formerly NRMA Group Finance Limited). Ownership interests in these controlled entities are set out in note 35.

Transactions between NRMA Insurance Limited and related parties in the wholly-owned group during the year ended 30 June 2000 consisted of:

- (i) the receipt of interest and repayment on loans;
- (ii) rent paid to NRMA Insurance Limited;
- (iii) investment management fees paid to NRMA Asset Management Limited (formerly NRMA Investment Management Pty Limited);
- (iv) management fees paid to NRMA Insurance Limited; and
- (v) transfer of income tax losses from NRMA Insurance Limited to NRMA Investments Pty Limited, NRMA Asset Management Limited (formerly NRMA Investment Management Pty Limited), NRMA Woden Pty Limited, NRMA Insurance International Pty Limited, NRMA Financial Planning Pty Limited, NRMA (Western Australia) Pty Limited, Taglink Pty Limited and NRMA Nominees Pty Limited (formerly Nimsub Pty Limited).

The loans to NRMA Woden Pty Limited and NRMA Life Limited by NRMA Insurance Limited are interest free. All other transactions were made either on normal commercial terms and conditions at market rates, or on a cost recovery basis.

	NRMA INSURANCE LIMITED		CONSOLIDATED	
	2000	1999	2000	1999
	\$m	\$m	\$m	\$m
Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with related parties within the wholly-owned group were as follows:				
Interest revenue	7.8	25.1	-	-
Expense reimbursement	-	3.7	-	-
Aggregate amounts receivable from, and payable to, related parties in the wholly-owned group were as follows:				
Current receivable	5.8	6.3	-	-
Current payable	10.7	10.5	-	-
Current loan receivable	39.0	481.0	-	-
Non-current loan receivable	450.2	2.9	-	-
Current loan payable	3.8	396.0	-	-
Non-current loan payable	9.1	9.1	-	-

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

37. Related party disclosures (continued)

	NRMA INSURANCE LTD		CONSOLIDATED	
	2000	1999	2000	1999
	\$m	\$m	\$m	\$m

(c) Other related parties

From 1 December 1999, the Company entered into a reinsurance arrangement with Insurance Manufacturers of Australia Pty Limited, a entity controlled by the Company. As part of this arrangement the following aggregate amounts were included in the determination of operating profit before income tax for the period:

Reinsurance premiums paid or payable	1,428.5	-	-	-
Claims recoveries received or receivable	554.2	-	-	-
Underwriting expense recoveries received or receivable	32.2	-	-	-

Other aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with each class of other related parties were as follows:

Income:

Rental income from				
- NRMA Limited Group	7.0	5.9	7.0	5.9
- Insurance Manufacturers of Australia Pty Limited	2.7	-	-	-
Investment management fees from NRMA Limited Group	-	-	0.7	0.9
Information services and data communication revenue from				
- NRMA Limited Group	12.5	9.7	12.5	9.9
- Insurance Manufacturers of Australia Pty Limited	22.5	-	-	-
Management fees from				
- NRMA Limited Group	16.7	14.9	16.7	9.8
- Insurance Manufacturers of Australia Pty Limited	90.2	-	-	-
Income from NRMA Investment Management Cash Management Trust	11.6	11.7	-	-

Expenses:

Management fees paid to NRMA Limited Group	26.5	44.3	40.6	48.1
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During the year, the following transactions occurred between the Company and the Group and the following Trusts:

Purchase of units in NRMA Investment Management Cash Management Trust	1,203.6	1,096.2	-	-
Redemption of units in NRMA Investment Management Cash Management Trust	1,275.3	1,019.7	-	-

Transactions referred to above were made on either normal commercial terms and conditions at market rates, or on a cost recovery basis.

Aggregate amounts receivable from, and payable to, each class of other related party at balance date were as follows:

Current receivable from				
- NRMA Investment Management Cash Management Trust	3.1	3.3	-	-
- NRMA Limited Group	14.3	7.8	14.3	7.8
- Insurance Manufacturers of Australia Pty Limited	73.6	-	-	-
Current payable to				
- NRMA Limited Group	-	-	7.7	0.3
Current loan receivable from				
- Insurance Manufacturers of Australia Pty Limited	2.5	-	-	-

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

37. Related party disclosures (continued)

(d) Directors' loans

(i) Included in other investments (notes 15 and 18) are housing loans to employee Directors of the related corporations. These housing loans were provided to these employees on the same terms and conditions as applied to other employees of similar position at the dates the loans were issued and in accordance with established policy. They are now classified as Directors' loans by reason of the subsequent appointments of the employees to the Boards of related corporations. No loans were advanced during the year (1999 - \$Nil) and the aggregate amount of loans repaid by employee Directors during the year was \$25,166 (1999 - \$22,135). The balance of loans outstanding as at 30 June 2000 was \$Nil (1999 - \$25,166) and the employee Director concerned is Mr D R A Pearce.

(ii) NRMA Building Society Limited has provided housing and investment loans and EquityCredit to employee Directors of related corporations. These loans were provided to these employees on the same terms and conditions as applied to other employees at the dates the loans were issued and in accordance with established policy. They are now classified as Directors' loans by reason of the subsequent appointments of the employees to the Boards of related corporations. The aggregate amount of loans advanced and repaid by employee Directors during the year was \$130,332 (1999 - \$503,000) and \$19,425 (1999- \$10,082). The balance of loans outstanding as at 30 June 2000 was \$1,003,825 (1999 - \$892,918) and includes balances advanced before the employees became Directors. The employee Directors concerned are Mr G Adams, Mr S W C Chan and Mr J Gonzalez.

(e) Other transactions

(i) Insurance services provided by the NRMA Insurance Group are also available to all Directors and their related entities on the same terms and conditions available to other employees.

(ii) An entity controlled by Mr S J Geeson, a Director of the ultimate parent entity, has received \$300,606 (1999 - \$282,711) for services provided to the Company and related bodies corporate. Of this amount, \$211,688 (1999 - \$201,409) is for insurance commission payable by the Company and the balance is for providing road service. These payments are payable under the terms of standard agreements between country service agents and the Company and related bodies corporate. They are gross amounts against which the entity incurs expenses in providing these services.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

38. Superannuation commitments

Most existing employees of the economic entity are members of, and all joining employees are eligible to be members of, the NRMA Superannuation Plan on an accumulated benefits basis. A minority of employees participate in superannuation plans on a defined benefit basis.

During the year, the assets, liabilities and obligations of the SGIO Group superannuation funds were assumed by the NRMA Superannuation Plan. The financial position of each fund which has or had group employees as defined benefit members are summarised below:

	NRMA Superannuation Plan \$m	SGIO Group Superannuation Funds \$m	RACV Superannuation Funds \$m	Total \$m
Date of last actuarial valuation	1 July 1999	30 June 1998	30 June 1999	
Net market value of net assets held by the plan - 30 June 1999	572.7	37.6	209.6	819.9
Present value of employees' accrued benefits - 30 June 1999	319.5	35.3	130.1	484.9
Excess of assets over accrued benefits	253.2	2.3	79.5	335.0
Vested benefits - 30 June 1999	306.7	35.3	98.0	440.0
Vested benefits - 30 June 2000	386.6	N/A	N/A	

The accrued benefits for defined benefit members of the plans are determined on the basis of the present value of expected future payments which arise from membership of the plan up to the measurement date. The accrued benefits are determined by reference to expected future salary levels and are discounted by using a market-based, risk-adjusted discount rate.

Vested benefits are the benefits which would be payable to plan members if all employees voluntarily resigned as at the reporting date.

No differentiation is made between plan members employed by different participating employers which include employers external to the economic entity. Accordingly, the information set out above represents the plans' total position.

For the period to September 1999, SGIO group contributed 9% - 10% of the members' salary. Due to surplus in other plans, contribution holidays were in place throughout the financial year.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

39. Segmental reporting

The NRMA Insurance Group operates predominantly in one geographical area, Australia. It operates in the general insurance and financial services industries. Other activities, including corporate services, investment management and investment of the Group's capital funds form a separate segment.

The detailed statement of operations by industry segments for the year is as follows:

	General Insurance		Financial Services		Corporate and Investments		Intersegment Elimination		Total	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m
External revenue	3,387.8	2,841.2	443.7	100.8	574.8	508.0	-	-	4,406.3	3,450.0
Intersegment revenue	-	-	-	-	22.2	24.6	(22.2)	(24.6)	-	-
Total revenue	3,387.8	2,841.2	443.7	100.8	597.0	532.6	(22.2)	(24.6)	4,406.3	3,450.0
Operating profit before tax	189.8	6.8	21.2	2.9	324.5	366.2	-	-	535.5	375.9
Total assets	3,498.0	3,203.6	2,911.9	1,997.6	6,180.6	4,715.9	(460.6)	(699.7)	12,129.9	9,217.4

	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Within 1 year	-	-	146.0	146.0
Within 2 to 5 years	-	-	183.5	123.5

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

-	-	329.5	269.5
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(ii) Options

Quoted options in respect of shares of \$19.1 million (1999 - \$Nil) were held at balance date.

At balance date, the face value of the equity options sold are as follows:

Exchange traded equity options sold - maturity within 1 year	-	-	19.1	-
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Quoted warrants in respect of shares of \$Nil (1999 - \$0.1 million) and \$Nil (1999 - \$1.7 million) were held by NRMA Insurance Limited and the NRMA Insurance Group respectively at balance date.

Face value of the quoted warrants at balance date - maturity within 1 year	-	0.7	-	10.0
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(iii) Forward foreign exchange contracts

Some companies in NRMA Insurance Group have entered into forward foreign exchange contracts with off-balance sheet risk in the normal course of its investment activities in order to hedge exposure to fluctuation in foreign exchange rates. The contracts are matched with anticipated future cash flows in foreign currency.

At balance date, the details of outstanding contracts on selling and buying US Dollars with average exchange rates of 0.5922 (1999 - 0.6455) and 0.5955 (1999 - Nil) respectively, are:

Buy Australian Dollars - maturity within 1 year	371.2	-	591.2	136.3
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Sell Australian Dollars - maturity within 1 year	321.8	-	321.8	-
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(iv) Futures

At balance date, the face value of the 10 year bond futures sold are as follows:

Maturity within 1 year	-	-	11.3	-
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At balance date the face value of the SPI futures sold are as follows:

Expiry within 1 year	195.9	-	195.9	-
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NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

40. Financial instruments (continued)

(b) Interest rate risk

The interest rate risk exposures of the NRMA Insurance Group result from the holding of financial assets and liabilities in the normal course of business

The NRMA Insurance Group's exposure to interest rate risk from the lending and borrowing activities arises from its subsidiaries, NRMA Building Society Limited and NRMA Finance Limited.

NRMA Building Society Limited lends at variable and fixed rates for up to 25 years (This does not include the Society's EquityCredit loan which is a continuing line of credit). NRMA Finance Limited provides finance to the public at a fixed interest rate for up to 5 years. To minimise exposure to fluctuations in interest rates from borrowing to fund its lending activity, the two entities enter into interest rate swap agreements with banks as a hedge against fixed interest risk exposures.

The exposure to interest rate risk and the weighted average effective interest rates on the financial assets and liabilities of the economic entity are summarised in the following tables.

NRMA INSURANCE GROUP

	Fixed interest rate maturing in					Total \$m	Weighted average interest rate %
	Floating interest rate \$m	1 year or less \$m	Over 1 to 5 years \$m	More than 5 years \$m	Non- interest bearing \$m		
2000							
Financial assets							
Cash and deposits	448.7	2.1	370.0	103.9	10.3	935.0	6.34
Receivables	61.1	-	-	-	257.8	318.9	13.18
Secured and unsecured loans	811.4	98.1	248.3	-	-	1,157.8	7.95
Government and semi-government stocks and bonds	-	24.9	548.5	1,032.9	-	1,606.3	6.43
Commercial bills	1,043.8	452.9	-	-	-	1,496.7	6.22
Notes, loans and other investments	-	17.7	533.0	113.2	8.9	672.8	6.63
	2,365.0	595.7	1,699.8	1,250.0	277.0	6,187.5	
Financial liabilities							
Bank overdrafts	88.4	-	-	-	-	88.4	*
Deposits	236.3	422.8	45.0	-	-	704.1	5.36
Accounts payable	-	-	-	-	639.4	639.4	-
Scrip lending	549.1	-	-	-	-	549.1	5.68
Borrowings	-	939.7	10.2	-	-	949.9	7.03
	873.8	1,362.5	55.2	-	639.4	2,930.9	
Off balance sheet item							
Interest rate swaps	-	163.5	(163.5)	-	-	-	

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

40. Financial instruments (continued)

(b) Interest rate risk (continued)

NRMA INSURANCE GROUP							
Fixed interest rate maturing in							
	Floating interest rate \$m	1 year or less \$m	Over 1 to 5 years \$m	More than 5 years \$m	Non- interest bearing \$m	Total \$m	Weighted average interest rate %
1999							
Financial assets							
Cash and deposits	182.3	116.8	100.1	251.4	0.8	651.4	5.65
Receivables	-	-	-	-	216.6	216.6	-
Secured and unsecured loans	827.2	83.0	267.5	-	-	1,177.7	7.08
Government and semi-government stocks and bonds	-	7.3	786.4	607.8	-	1,401.5	6.03
Commercial bills	-	1,164.0	-	-	-	1,164.0	4.98
Notes and loans	-	41.0	84.9	0.1	-	126.0	5.14
	<u>1,009.5</u>	<u>1,412.1</u>	<u>1,238.9</u>	<u>859.3</u>	<u>217.4</u>	<u>4,737.2</u>	
Financial liabilities							
Bank overdrafts	56.2	-	-	-	-	56.2	*
Deposits	373.4	211.8	33.6	-	-	618.8	4.26
Accounts payable	-	-	-	-	366.9	366.9	-
Scrip lending	301.3	-	-	-	-	301.3	3.79
Borrowings	-	618.5	22.0	-	-	640.5	5.19
	<u>730.9</u>	<u>830.3</u>	<u>55.6</u>	<u>-</u>	<u>366.9</u>	<u>1,983.7</u>	
Off balance sheet item							
Interest rate swaps	-	117.5	(117.5)	-	-	-	

* While the general ledger account balance was a bank overdraft, the bank account was not overdrawn, therefore there was no overdraft interest charged by the bank.

Deposits at call are paying interest at rates between 5.00% and 6.57% per annum (1999 - 4.70% and 4.75%).

(c) Credit risk

The credit risk exposures of the NRMA Insurance Group are to the non-repayment of receivables, loans and advances due from third parties and the amounts are as indicated by the carrying amount of the financial assets. There is no significant concentration of credit risk as the NRMA Insurance Group transacts with a large number of individual debtors without any single one being material.

The credit risk on interest rate swap contracts is minimised as the counterparties are recognised banks with acceptable credit ratings determined by a recognised rating agency. The credit risk on swap contracts is limited to the net amount to be received from counterparties on contracts favourable to the economic entity.

(d) Net fair values

The NRMA Insurance Group's financial assets and liabilities are carried in the balance sheet at amounts that approximate net fair value. The carrying amounts of all financial assets and liabilities are reviewed to ensure they are not in excess of the net fair value.

The net fair value of financial assets or financial liabilities arising from interest rate swap agreements has been determined as the carrying value which represents the amount currently receivable or payable at the reporting date.

For forward foreign exchange contracts, the net fair value is taken to be the unrealised gain or loss at balance date calculated by reference to the current forward exchange rates for contracts with similar maturity profiles.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

41. Summary of significant actuarial methods and assumptions applied to life insurance business

Policy liabilities

(a) Valuation of policy liabilities

Policy liabilities comprise the amounts, together with future premiums and investment earnings that are required to:

- (i) meet the payment of future benefits and expenses; and
- (ii) provide for future profits.

The policy liabilities have been calculated using methods in accordance with Actuarial Standard 1.02 “Valuation of Policy Liabilities” as required under section 114 of the Life Act.

Methods used to value policy liabilities

The methods used to value policy liabilities and profit carriers for particular policy types are as follows:

<u>Business type</u>	<u>Method (projection or other)</u>	<u>Profits carrier(s)</u>
Individual		
Fund 1 Lump sum risk	Projection	Premiums
Fund 2 Investment account	Accumulation	N/A (* 1)
Fund 4 Investment – linked	Accumulation	N/A (* 1)

The policy liability under the accumulation method is equal to the face value of units less an allowance for the present value of future surrender charges and a deferred acquisition cost for new business. If the present value of expenses exceeds the present value of changes on additional liability is held to cover this shortfall.

The projection method uses the discounted value of future policy cashflows (premiums, expenses and claims) with a reserve for expected future profits.

* 1: profit in respect of this business is generated on a cashflow basis via fees earned by the shareholder less maintenance expenses incurred and tax with an allowance for the amortisation of recoverable acquisition expenses.

(b) Actuarial assumptions

The assumptions used to determine policy liabilities have been set by the Appointed Actuary in accordance with Actuarial Standard 1.02 “Valuation of Policy Liabilities”. The assumptions incorporate the expected future operating experience of the Company and are based on an analysis of the Company’s past experience and trends. The significant assumptions are set out below.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

41. Summary of significant actuarial methods and assumptions applied to life insurance business (continued)

Fund 1

Investment earnings and discount rate – 4.2% after tax at 30% (1999 - 3.15% after tax at 39%) being the rate for cash investments at the valuation.

Tax - 30% (1999 - 39%) of expected operating profits.

Maintenance expenses - The expense assumption was based on the budgeted level of expenses for the upcoming year. Expense inflation of 3% (1999 - 2%) was assumed.

Voluntary discontinuance - Rates used vary by duration and have been based on an analysis of the Company's experience over recent years.

Mortality and trauma - Rates used vary by sex, age and smoker status and have been based on an analysis of the Company's mortality experience. The underlying mortality table used was IA90-92 allowing for selection, and adjustments for smoking status.

Morbidity - Rates varying by age and smoking status based on the pricing assumptions for the product.

Fund 2 and Fund 4

The following assumptions were used to determine the deferred acquisition cost and test for recoverability.

Investment earnings and discount rate - Rates are determined based on an estimate of the future earnings of the fund allowing for the asset mix and taxation.

Surrender rates - Rates of 10% per annum (1999 - 10% per annum) for Ordinary, a range from 6% to 25% per annum (1999 - 12% per annum) for Superannuation and 10% per annum (1999 - 10% per annum) for Allocated Pension (allowing for pension payments).

Acquisition expenses - After tax acquisition expenses were derived from the financial statements.

Maintenance expenses - The expense assumption was based on the budgeted level of expenses for the upcoming year. Expense inflation of 3% (1999 - 2%) was assumed.

Mortality - Rates used varied by sex and age. The underlying table used was ALT 85-87.

Tax - Rates of 34% for 2001 and 30% thereafter were assumed to apply on shareholder assessable income.

(c) Solvency requirements

Solvency requirements are amounts required to meet the prudential standards specified by the Life Act to provide protection against the impact of fluctuations and unexpected adverse circumstances on the Company. The methods and assumptions for determining Solvency Requirements are in accordance with Actuarial Standard 2.02 "Solvency Standard", as required under section 65 of the Life Act. For Fund 2 and Ordinary business in Fund 4 the solvency liability exceeded the minimum termination value and was subsequently used in calculating solvency requirements.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

42. Solvency requirement of the Life subsidiary's statutory funds

These are amounts required to meet the prudential standards specified by the Life Insurance Act 1995 to provide protection against the impact of fluctuations and unexpected adverse circumstances on the life company.

The methodology and bases for determining solvency requirements are in accordance with the requirements of Actuarial Standard 2.01, Solvency Standard, under section 65 of the Life Insurance Act.

	2000
	\$m
Solvency reserve	10.9
Asset available for solvency	34.9
	<hr/> <hr/>
Coverage of solvency reserve (times)	3.2
	<hr/> <hr/>

43. NRMA life statutory funds

Shown below are the assets and liabilities of the life statutory funds of a life insurance subsidiary. From 1 July 1999, the consolidated entity has applied AASB 1038: Life Insurance Business (refer note 1(b)) and therefore has consolidated the life statutory funds for the year ended 30 June 2000. As a result, separate disclosure of the statutory funds for 30 June 2000 is not applicable. For the year ended 30 June 1999, the amounts disclosed have not been consolidated but instead the retained profits of the life insurance business have been included in the financial statements as the shareholders' interest in NRMA Life statutory funds (refer note 18). The retained profits have been determined with reference to the calculation of policy liabilities by the appointed actuary.

	1999
	\$m
Assets	
Cash	6.5
Outstanding premium	0.5
Other debtors	27.3
Government and semi-government stocks and bonds	159.9
Shares	233.3
Other investments	396.7
Future income tax benefits	0.6
Gross policy liabilities ceded under reinsurance	(2.1)
	<hr/>
Total assets	822.7
	<hr/>
Liabilities	
Premiums in advance	0.3
Creditors and borrowings	31.5
Gross policy liabilities	713.5
Provision for income tax	4.9
Provision for deferred tax	9.9
	<hr/>
Total liabilities	760.1
	<hr/>
Net assets	62.6
	<hr/> <hr/>
Shareholders' equity - retained profits	62.6
	<hr/> <hr/>

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

In the opinion of the Directors of NRMA Insurance Limited:

(a) the financial statements and notes, set out on pages 10 to 48, are in accordance with the Corporations Law, including:

- (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2000 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
- (ii) complying with Accounting Standards and the Corporations Regulations; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Sydney this 7th day of September 2000 in accordance with a resolution of the Directors.

..... Director
NR WHITLAM

..... Director
ER DODD

INDEPENDENT AUDITORS' REPORT

To the members of NRMA Insurance Limited

Scope

We have audited the financial report of NRMA Insurance Limited for the financial year ended 30 June 2000 consisting of the profit and loss statements, balance sheets, statements of cash flows, accompanying notes and the Directors declaration set out on pages 10 to 49. The financial report includes the consolidated financial statements of the economic entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year. The Company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Company's and economic entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of NRMA Insurance Limited is in accordance with:

- (a) the Corporations Law, including:
 - (i) giving a true and fair view of the Company's and the economic entity's financial position as at 30 June 2000 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

KPMG

Dr Andries B Terblanché
Partner

Sydney
7th September 2000