THE FINANCIALS

Diversification

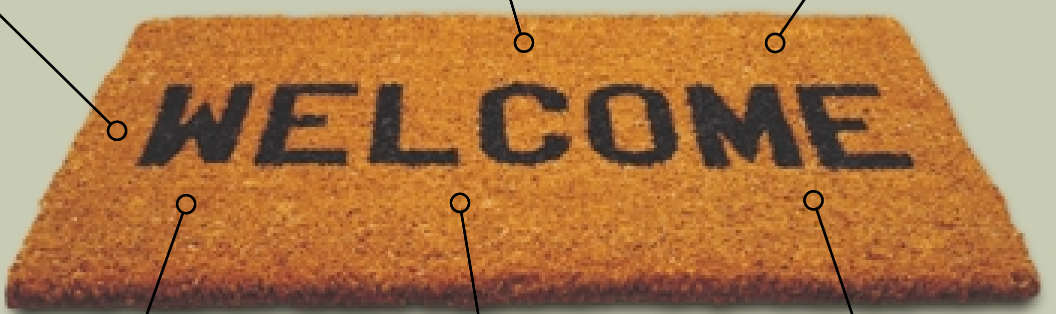
Acquisitions, both domestic and international, have resulted in improved geographic and product diversification.

Dividends

Maiden fully franked, interim dividend of 4¢ per share paid during the year. Final fully franked dividend of 6¢ per share to be paid on 22 October 2001.

Financial strength

Our continued financial strength is reflected by NRMA Insurance Limited's Standard & Poor's rating of AA+, one of the highest ratings available.



Operational efficiencies

Implementation of strategic initiatives such as the Preferred Smash Repairer program contributed to an improved underwriting result. The benefits of these initiatives will be further realised in future years.

Emerging businesses

We are investing in our emerging businesses of small to medium sized business insurance, health insurance and retirement services to generate further growth.

Core businesses

Our core businesses reported an insurance profit of $210 million, 91% higher than the result for the previous year.

Contents

NRMA Insurance Group Limited
ABN 60 090 739 923

Five year performance

	1997 $m	1998 $m	1999 $m	2000 $m	**2001[1] $m**
Gross written premium	1,786	2,041	2,208	2,643	**3,198**
Gross earned premium	1,733	1,900	2,114	2,573	**3,036**
Reinsurance expense	(58)	(57)	(150)	(189)	**(260)**
Net earned premium	1,675	1,843	1,964	2,384	**2,776**
Net claims incurred	(1,540)	(1,609)	(1,645)	(2,048)	**(2,234)**
Underwriting expenses	(300)	(407)	(470)	(515)	**(563)**
Underwriting loss	(165)	(173)	(151)	(179)	**(21)**
Investment income	802	298	669	759	**436**
Financial services revenue	–	59	78	428	**410**
Abnormal item[2]	–	–	(56)	80	**–**
Extraordinary item[2]	–	–	(15)	(61)	**–**
Other	(6)	(81)	(164)	(553)	**(570)**
Profit from ordinary activities before income tax	631	103	361	474	**255**
Income tax expense[3]	(24)	(20)	(99)	(128)	**(44)**
Net profit	607	83	262	346	**211**
Net profit attributable to outside equity interests	(1)	(8)	(9)	(50)	**(68)**
Net profit attributable to members	606	75	253	296	**143**
Members' equity ($ million)	2,233	2,308	2,540	2,853	**2,523**
Total assets ($ million)	6,129	7,611	9,217	12,130	**12,586**
No. of general insurance policies in force (million)	4.578	4.694	5.238	6.802	**8.619**
Premium growth					
– gross written	6.8%	14.3%	8.2%	19.7%	**21.0%**
– net earned	9.3%	10.0%	6.6%	21.4%	**16.4%**
Key ratios					
Loss ratio – Group[4]	91.9%	87.3%	83.8%	85.9%	**80.5%**
Expense ratio – Group[5]	17.9%	22.1%	23.9%	21.6%	**20.3%**
Expense ratio – Australia	17.9%	22.1%	23.9%	21.6%	**19.5%**
Combined ratio – Group[6]	109.9%	109.4%	107.7%	107.5%	**100.8%**
After tax return on equity[7]	31.5%	3.3%	10.4%	11.0%	**5.3%**
Share information					
Dividends per share – fully franked (cents)	N/A	N/A	N/A	N/A	**10.00**
Basic earnings per share (cents)[8]	N/A	N/A	N/A	N/A	**9.40**
Share price at 30 June ($)	N/A	N/A	N/A	N/A	**3.40**
Issued capital (million shares)	N/A	N/A	N/A	N/A	**1,399**
Market capitalisation at 30 June ($ million)	N/A	N/A	N/A	N/A	**4,761**
Net tangible assets backing per share ($)	N/A	N/A	N/A	N/A	**1.33**

(1) Represents the consolidated result of NRMA Insurance Group Limited for full 12 months, assuming it acquired NRMA Insurance Limited and its controlled entities on 1 July 2000. Comparatives for previous years are based on the consolidated results of NRMA Insurance Limited.
(2) Abnormal and extraordinary items are disclosed separately as reported in the prior years.
(3) 1997 includes an abnormal tax benefit for the recognition of prior year's future income tax benefits not previously recognised – $144 million.
(4) Net claims incurred to net earned premium (Group figure includes State Insurance Limited).
(5) Underwriting expenses to net earned premium (Group figure includes State Insurance Limited).
(6) Total net claims incurred and underwriting expenses to net earned premium (Group figure includes State Insurance Limited).
(7) Net profit attributable to members to average members' equity.
(8) Figure reflects full year's result assuming demutualisation occurred from 30 June 2000. Statutory figure is 8.62 cents.
N/A – Not applicable

Directors' report

The Directors present their report together with the financial report of NRMA Insurance Group Limited and the consolidated financial report of the NRMA Insurance Group for the year ended 30 June 2001 and the auditors' report thereon.

The following terminology is used throughout the financial reports.

- Parent entity – NRMA Insurance Group Limited ("NIGL").
- NIGL Group – the economic entity constituted by NRMA Insurance Group Limited and its controlled entities.

Directors of NRMA Insurance Group Limited

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

Chairman:	
Mr J A (James) Strong	appointed 2 August 2001
Other Directors:	
Mr J F (John) Astbury	appointed 25 July 2000
Mrs M C (Maree) Callaghan	appointed 19 June 2000
Mr G A (Geoffrey) Cousins	appointed 25 July 2000
Mrs M (Mary) Easson	appointed 19 June 2000
Ms D G (Dominique) Fisher	appointed 19 June 2000
Mr N D (Neil) Hamilton	appointed 19 June 2000
Ms A J (Anne) Keating	appointed 19 June 2000
Mr R A (Rowan) Ross	appointed 25 July 2000
Mr I F (Ian) Stanwell	appointed 25 July 2000
Former Directors:	
Mr N R (Nicholas) Whitlam (resigned 9 April 2001)	appointed 19 June 2000
Mr E R (Eric) Dodd (ceased as Director 10 April 2001)	appointed 30 November 1999

Particulars of the Directors' qualifications and experience are set out under Board of Directors on pages 72 to 73.

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

NRMA Insurance Group Limited was incorporated in November 1999 but did not trade until it acquired NRMA Insurance Limited and its controlled entities on 22 July 2000 upon NRMA Insurance Limited's demutualisation. Certain comparative information has been included in this report for information purposes and refers to the operations of NRMA Insurance Limited prior to its acquisition by the Company.

The shares of NRMA Insurance Group Limited were listed on the Australian Stock Exchange on 8 August 2000. The Company had 1.4 billion shares on issue at 30 June 2001 and a market capitalisation of $4,761 million.

The NIGL Group profit from ordinary activities after income tax for the financial year, including the results of NRMA Insurance Limited from the date of acquisition, was $184 million (2000 – $nil). Excluding outside equity interests in the consolidated result, the net profit attributable to shareholders was $122 million (2000 – $nil).

The general insurance operations of the NIGL Group performed strongly during the financial year.

The short tail combined ratio (claims and expenses to net earned premium) for Australian general insurance operations has shown marked improvement in the financial year, being 98.4% compared to 106% for previous year. Key to this improvement was the performance of the motor insurance business, particularly in New South Wales, where the success of increased focus on targeted pricing and underwriting, together with initiatives to reduce the costs of settling claims, have delivered benefits in both frequency and costs of claims per policy. Ongoing focus on this portfolio will continue to ensure it is set to deliver a sustained acceptable return for the shareholders.

The NIGL Group made an international acquisition in February 2001 when it purchased State Insurance Limited, the largest personal lines insurer in New Zealand for $325 million.

The combined ratio for the long tail classes was 95.5%, compared to 106% for the previous financial year. The current stability in the New South Wales Compulsory Third Party and Western Australia workers' compensation classes, improved underwriting and proven claims management processes have enabled ongoing reductions in the claims provisions, as determined by our actuaries, for these portfolios. This effect was partially offset by a reduction in the discounting applied to the claims provisions caused by lower interest rates.

In January 2001, the NIGL Group announced that its inwards reinsurance portfolio, which accounted for less than four percent of the NIGL Group's total premium income, was ceasing to write new business. This decision was based on further losses in the portfolio and a review of the future prospects of the NIGL Group's niche position in the global reinsurance market. A combination of late notification of development of past events, particularly for 1999, and strengthening of provisioning levels contributed to an underwriting loss in the financial year. Measures have been taken to limit future catastrophe losses through negotiation to exit existing arrangements and additional reinsurance cover on the portfolio.

In March 2001, the NIGL Group acquired the in-force policies and renewal rights to the HIH Australian workers' compensation businesses, without assuming the liability for outstanding claims at the acquisition date. The acquisition has provided significant market shares in all states of Australia, both for underwritten and government agency based schemes. Strategically, the acquisition will support the NIGL Group's expansion of its commercial insurance business for the small/medium enterprise segment and enable the NIGL Group to leverage its skills in managing personal injury claims.

Directors' report (continued)

Result and review of operations (continued)

The NIGL Group's Financial Services products delivered a net profit before tax of $20 million in the financial year. Superannuation and life risk insurance premiums grew in the year by 10%. However, the costs of writing and reserving new business and depressed investment returns exerted downwards pressure on this segment's profit. In June 2001, the NIGL Group announced a focus on retirement services and a move away from the lending business. The overall loan portfolio declined during the year notwithstanding growth in personal credit products.

Total investment income for the financial year was $364 million before tax. This result was lower than that for the previous year due to the depressed local and overseas equity markets.

The NIGL Group has continued to invest in technology throughout the year. Notable achievements include establishing a national IT platform and eCommerce developments.

Likely developments and expected results of operations

The regulatory environment in which the NIGL Group operates is undergoing significant change. The Australian Prudential Regulation Authority and the industry are near the end of a process which will result in fundamental changes to the prudential supervision of general insurance. Whilst the NIGL Group expects to be well placed to meet the requirements, it will actively continue to participate in the consultation process being undertaken by the regulator. In addition, the proposed changes resulting from the Financial Services Reform Bill and Privacy Act are being planned for and implemented.

The NSW Government has also imposed the Insurance Protection Tax, under which insurers underwriting risks in NSW would, in aggregate, be subject to a tax of $69 million for the year ending 30 June 2002. The purpose of the tax is to fund the NSW Government's liability under Compulsory Third Party and Builders Warranty following the failure of HIH Insurance. The NIGL Group and other industry participants are in discussion with the NSW Government about the most effective way of funding this liability. At this stage we do not believe this tax will have a material impact on the NIGL Group results.

Insurance and investment operations are, by their nature, volatile due to the exposure to natural disasters and industry cycles and thus profit predictions are difficult. However, the Board agrees with the market perception that the coming few years will be a favourable environment for general insurance in our region and believes that the NIGL Group is well placed to leverage opportunities in this environment.

Dividends

The NIGL Group declared its maiden dividend of 4 cents per share in March 2001 and has now declared a final dividend of 6 cents per share which will be paid on 22 October 2001. Both dividends are fully franked. The Directors declared these in accordance with the policy to pay 40% – 70% of profits, normalised for fluctuation in investment returns, as dividends.

Significant changes

(i) On 22 July 2000, the Company acquired NRMA Insurance Limited. On 8 August 2000, the Company's shares were listed on the Australian Stock Exchange.

(ii) On 15 February 2001, the NIGL Group purchased New Zealand's largest general insurer, State Insurance Limited, with annual premium income of $297 million.

(iii) On 2 March 2001, the Company resolved to make an off-market buy-back of up to 10% of the shares issued on demutualisation. 149 million shares, which represented 9.60% of the shares issued, were bought back during this process.

(iv) During March 2001, the NIGL Group agreed to take on the Australian workers' compensation portfolio of HIH Insurance Limited for a sum of $120 million. The acquisition did not involve assuming liability for any of the portfolio's outstanding claims provision (for claims occurring on or before 14 March 2001). The business has annual premium income of $110 million and fee income of $50 million.

Other than the matters identified above, there was no significant change to the state of affairs of the NIGL Group during the year ended 30 June 2001.

Matters subsequent to the end of the financial year

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the NIGL Group, the results of those operations, or the state of affairs of the NIGL Group in future financial years.

Meetings of directors

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

Directors	Board of Directors		NIGL Audit and Risk Management Committee		NIGL Remuneration Committee		NIGL Compliance Committee		NIGL Share Plan Sub-Committee		NIGL Board Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Mr J F Astbury	15	14	5	5	–	–	–	–	2	2	4	4
Mrs M C Callaghan	15	15	–	–	–	–	5	4	–	–	–	–
Mr G A Cousins	15	15	5	5	–	–	–	–	–	–	4	4
Mrs M Easson	15	15	5	5	5	5	–	–	–	–	–	–
Ms D G Fisher	15	12	–	–	–	–	5	5	–	–	–	–
Mr N D Hamilton	15	14	–	–	5	5	–	–	–	–	4	4
Ms A J Keating	15	14	–	–	3	3	–	–	–	–	–	–
Mr R A Ross	15	14	4	3	2	2	4	3	3	1	–	–
Mr I F Stanwell	15	14	–	–	5	4	5	5	11	11	–	–
Mr N R Whitlam	10	10	–	–	3	3	–	–	8	8	4	3
Mr E R Dodd	12	12	–	–	–	–	4	1	–	–	4	4

A – Meetings eligible to attend
B – Meetings attended

For the year ended 30 June 2001, the following meetings of Directors were held:

Nature of meetings	Number of meetings held during the year
Board of Directors	15
NIGL Audit and Risk Management Committee	5
NIGL Remuneration Committee	5
NIGL Compliance Committee	5
NIGL Share Plan Sub-Committee	11
NIGL Board Committee	4

Insurance of directors and officers

During the year, a related body corporate 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 Group Limited, receive a base fee of $70,000 per annum. The Chairman receives a loading of three times the base fee. 20% of this base fee has been paid in the form of shares through the Non-executive Director Share Plan which commenced in March 2001.

In addition to the base fee, fees are payable for participation in certain committees and some subsidiary boards of NRMA Insurance Group Limited. 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.

Directors' report (continued)

Directors' and executive officers' emoluments (continued)

The table set out below shows the fees paid by NIGL Group to non-executive Directors for the year ended 30 June 2001.

Non-executive Directors	Base fee $000	Other Board committee fees[1] $000	Fees from other Group boards $000	Superannuation contributions $000	Non-cash benefits $000	Non-executive Director Share Plan $000	Total $000
Mr J F Astbury	59	21	–	7	–	5	92
Mrs M C Callaghan	59	9	4	8	–	5	85
Mr G A Cousins	59	16	–	8	–	5	88
Mrs M Easson	59	16	3	6	–	5	89
Ms D G Fisher	59	9	–	4	–	5	77
Mr N D Hamilton	62	49	4	15	–	5	135
Ms A J Keating	59	6	3	4	–	5	77
Mr R A Ross	93	16	17	9	–	5	140
Mr I F Stanwell	59	21	7	8	–	5	100
Mr N R Whitlam[2]	139	62	85	25	23	5	339

(1) Separate fees are payable for some of the NIGL committees as identified in nature of meetings above.

(2) No amount is included in respect of retirement payments to Mr N R Whitlam which may become payable subject to shareholder approval.

Executive officers and directors

The NIGL Remuneration Committee is responsible for recommending remuneration policies and packages applicable to the Chief Executive Officer (CEO) and executives who report directly to the CEO 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.

The Managing Director of NRMA Insurance Group Limited 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 NIGL Group for the year ended 30 June 2001:

Executive officers/director	Base pay[1] $000	Bonuses[2] $000	Shares issued[3] $000	Other compensation[4] $000	Total $000	PSRs granted during the year Number	Date first exercisable	Fair value of PSRs granted[5] $000
Officers								
Ms S Doyle	418	539	22	112	1,091	160,000	21/12/2003	193
Mr G Venardos	519	336	25	65	945	181,820	21/12/2003	220
Mr S Nelson	350	369	17	62	798	123,640	21/12/2003	150
Mr I F Brown	421	237	20	92	770	145,460	21/12/2003	176
Mr D R A Pearce	380	283	19	85	767	140,000	21/12/2003	170
Former Managing Director								
Mr E R Dodd[6]	3,144	874	–	97	4,115	275,000	21/12/2003	333

(1) Base pay includes cash salary, annual leave and long service leave and termination payments.

(2) Bonuses reflect payments made during the period in respect of the previous performance period and the further accrual of long-term incentive bonuses.

(3) Represents shares allocated in March 2001 from Staff Allocation Share Plan.

(4) Other compensation includes superannuation contributions and the provision of cars, parking and subsidised loans and related fringe benefits tax.

(5) The fair value of performance share rights ("PSRs") granted during the year has been determined using the industry standard Black-Scholes option pricing model. This is not a market price but an estimate of the fair value as these rights are not traded. This valuation takes into account the price at grant date (which is nil), the exercise price ($1 per parcel), the expected life of the option, the volatility in price of the underlying shares of NRMA Insurance Group Limited and expected dividends.

(6) This amount includes base salary and all monies paid on termination. Mr E R Dodd has made additional claims in relation to his departure from the NIGL Group.

Directors' interests

The relevant interest of each Director in the shares issued by the Company, as notified by the Directors to the Australian Stock Exchange in accordance with section 205G of the Corporations Act 2001, at the date of this report is as follows:

Directors	Ordinary shares directly held
Mr J A Strong	–
Mr J F Astbury	12,817
Mrs M C Callaghan	6,141
Mr G A Cousins	154,817
Mrs M Easson	5,802
Ms D G Fisher	7,533
Mr N D Hamilton	4,817
Ms A J Keating	5,526
Mr R A Ross	55,291
Mr I F Stanwell	12,916

Environmental regulation

The consolidated entity's operations are subject to environmental regulations under either Commonwealth or State legislation. These regulations do not have a significant impact on the consolidated entity's operations. 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.

Rounding of amounts

Unless otherwise stated, amounts in the financial reports and Directors' report have been rounded to the nearest 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 31st day of August 2001 in accordance with a resolution of the Directors.

James Strong

Mr J A Strong
Director

Mr J F Astbury
Director

Statements of

Financial Performance

for the year ended 30 June 2001

	notes	Parent 2001 $m	Parent 2000 $m	Consolidated 2001 $m	Consolidated 2000 $m
Premium revenue	2(a)(i)	–	–	2,882	–
Reinsurance expense		–	–	(248)	–
Net premium revenue		–	–	2,634	–
Claims expense	6	–	–	(2,568)	–
Reinsurance and other recoveries	2(a)(i)	–	–	466	–
Net claims expense	6	–	–	(2,102)	–
Acquisition costs		–	–	(292)	–
Other underwriting expenses		–	–	(169)	–
Fire brigade charges		–	–	(71)	–
Underwriting expenses		–	–	(532)	–
Profit from underwriting		–	–	–	–
Investment income	2(a)(ii)	400	–	350	–
Realised losses on investments	2(a)(ii)	–	–	(90)	–
Unrealised gains on investments	2(a)(ii)	–	–	104	–
Financial services revenue	2(a)(iii)	–	–	377	–
Other operating revenue	2(a)(iv)	2	–	157	–
Borrowing costs expense		–	–	(84)	–
Life insurance business expenses	3	–	–	(276)	–
Other operating expenses		–	–	(323)	–
Profit from ordinary activities before income tax	4	402	–	215	–
Income tax expense	8	(1)	–	(31)	–
Net profit		401	–	184	–
Net profit attributable to outside equity interests		–	–	(62)	–
Net profit attributable to members of NRMA Insurance Group Limited		401	–	122	–
Non-owner transaction changes in equity: Total revenue, expenses and valuation adjustments attributable to members of NRMA Insurance Group Limited recognised directly in equity		–	–	–	–
Total changes in equity from non-owner related transactions attributable to the members of the parent entity		401	–	122	–

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

Statements of

Financial Position

as at 30 June 2001

	notes	Parent 2001 $m	Parent 2000 $m	Consolidated 2001 $m	Consolidated 2000 $m
Current assets					
Cash assets		**2**	–	**223**	–
Receivables	13	**–**	–	**1,439**	–
Investments	14	**–**	–	**1,338**	–
Current tax assets	15	**–**	–	**13**	–
Other	16	**–**	–	**263**	–
Total current assets		**2**	–	**3,276**	–
Non-current assets					
Receivables	17	**–**	–	**1,273**	–
Investments	18	**3,222**	–	**7,118**	–
Plant and equipment	19	**–**	–	**104**	–
Deferred tax assets	20	**–**	–	**149**	–
Intangible assets	21	**–**	–	**658**	–
Other	22	**–**	–	**8**	–
Total non-current assets		**3,222**	–	**9,310**	–
Total assets		**3,224**	–	**12,586**	–
Current liabilities					
Payables	23	**–**	–	**592**	–
Interest-bearing liabilities	24	**–**	–	**1,970**	–
Current tax liabilities	25	**1**	–	**71**	–
Provisions	26	**84**	–	**183**	–
Outstanding claims	27	**–**	–	**1,068**	–
Unearned premium		**–**	–	**1,720**	–
Total current liabilities		**85**	–	**5,604**	–
Non-current liabilities					
Loan from a related body corporate		**337**	–	**–**	–
Interest-bearing liabilities	28	**–**	–	**55**	–
Deferred tax liabilities	29	**–**	–	**328**	–
Provisions	30	**–**	–	**18**	–
Gross life insurance policy liabilities		**–**	–	**936**	–
Outstanding claims	27	**–**	–	**2,257**	–
Total non-current liabilities		**337**	–	**3,594**	–
Total liabilities		**422**	–	**9,198**	–
Net assets		**2,802**	–	**3,388**	–
Equity					
Contributed equity	31	**2,687**	–	**2,687**	–
Retained profits/(accumulated loss)	32	**115**	–	**(164)**	–
Equity attributable to members of NRMA Insurance Group Limited		**2,802**	–	**2,523**	–
Outside equity interests in controlled entities:					
– Contributed equity		**–**	–	**167**	–
– Shareholder's loan		**–**	–	**11**	–
– Retained profits		**–**	–	**29**	–
– Unitholders' funds		**–**	–	**658**	–
Total equity	33	**2,802**	–	**3,388**	–

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

Statements of

Cash Flows

for the year ended 30 June 2001

	notes	Parent 2001 $m	Parent 2000 $m	Consolidated 2001 $m	Consolidated 2000 $m
Cash flows from operating activities					
Premium received		–	–	3,061	–
Reinsurance and other recoveries received		–	–	423	–
Claims costs paid		–	–	(2,399)	–
Outwards reinsurance premium paid		–	–	(198)	–
Dividends received		400	–	125	–
Interest and similar items received		2	–	398	–
Interest and other costs of finance paid		–	–	(118)	–
Income taxes paid		–	–	(52)	–
Other operating receipts		–	–	455	–
Other operating payments		–	–	(1,349)	–
Net cash provided by operating activities	35	402	–	346	–
Cash flows from investing activities					
Net cash flows on acquisition of controlled entities	37	(268)	–	423	–
Proceeds from disposal of investments and fixed assets		–	–	25,491	–
Outlays for investments and fixed assets acquired		(81)	–	(25,622)	–
Repayment of mortgage loans		–	–	641	–
Drawdown of mortgage loans		–	–	(855)	–
Net cash (used in)/provided by investing activities		(349)	–	78	–
Cash flows from financing activities					
Proceeds from issues of shares		152	–	152	–
Outlays for buy-back of shares		(410)	–	(410)	–
Proceeds from issues of trust units		–	–	1,087	–
Outlays for redemption of trust units		–	–	(962)	–
Proceeds from borrowings		336	–	839	–
Repayment of borrowings		–	–	(1,038)	–
Net increase in depositor funds		–	–	118	–
Proceeds from securitisation		–	–	291	–
Share issue costs paid		(67)	–	(67)	–
Dividends paid		(62)	–	(90)	–
Net cash used in financing activities		(51)	–	(80)	–
Net increase in cash held		2	–	344	–
Cash at the beginning of the financial year		–	–	–	–
Cash at the end of the financial year	36	2	–	344	–

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

Notes to the financial statements

for the year ended 30 June 2001

Note 1. Summary of significant accounting policies

(a) Basis of preparation of financial reports

(i) These general purpose financial reports have been prepared in accordance with applicable Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001, except as described in note 1(a)(ii).

The accounting policies adopted are consistent with those of the previous year unless otherwise mentioned. Except for certain assets which, as noted in the financial statements are at valuation, the financial statements have been prepared in accordance with historical cost convention.

(ii) NRMA Insurance Group Limited has obtained an order, dated 14 February 2000, from the Australian Securities & Investments Commission exempting the Company from compliance with certain sections of the Corporations Act 2001. These exemptions allowed the Company to acquire the shares in NRMA Insurance Limited at an amount equal to the sum of the carrying amounts of the assets and liabilities as shown in the consolidated statement of financial position of NRMA Insurance Limited immediately prior to the date of acquisition. This order also allows dividends paid by NRMA Insurance Limited to the Company out of distributable reserves of NRMA Insurance Limited at the time of acquisition of its shares by the Company (pre-acquisition reserves) to be treated as income by the Company. However, the order restricts the amount of such dividends that can be paid by NRMA Insurance Limited to the Company to $575 million. During the year ended 30 June 2001, the Company received dividends of $313 million from NRMA Insurance Limited from pre-demutualisation retained profits. This amount has been fully eliminated in the consolidated results.

(b) Principles of consolidation

The consolidated entity was formed on 22 July 2000 when the Company acquired 100% of the share capital of NRMA Insurance Limited upon that company's demutualisation.

The financial statements of controlled entities are included from the date control commences until the date control ceases. Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Outside interests in the equity and results of entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Proforma disclosures of the consolidated statement of financial performance for the full 12 months have been included in this financial report to provide users of this financial report with relevant information for decision making purposes. The proforma disclosures have been included in note 5 and include operating result information for the full financial year rather than from 22 July 2000.

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 and taxes collected on behalf of third parties. 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. Where appropriate, an unearned portion of outwards reinsurance premium is treated at the balance date as a prepayment.

(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 27. The estimate for outstanding claims includes the anticipated direct and indirect costs of settling these claims.

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

(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 27.

(g) Insurance premium acquisition costs

General insurance acquisition costs relate to the sale of insurance policies. A portion of acquisition costs relating to unearned premium is deferred in recognition that it represents a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount. These costs are amortised on the same basis as the earning pattern of the premium.

Note 1. Summary of significant accounting policies (continued)

(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 statement of financial position. Premiums due after but received before the end of the financial year are shown as premiums in advance in the statement of financial position.

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 statement of financial performance when the Company is notified of the insured event. Claims are shown gross of reinsurance recoverable from another life insurance company registered in Australia. Any reinsurance recoveries applicable to the claims are included in receivables.

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.

(k) Policy acquisition costs
Life insurance policy acquisition costs incurred are recorded in the statement of financial performance and represent 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
Life insurance policy liabilities are measured at net present value 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 statement of financial position and the increase or decrease in policy liabilities in the statement of financial performance have been calculated in accordance with Actuarial Standard 1.02 Valuation of Policy Liabilities.

(m) Basis of expense apportionments
All expenses of the life insurance business charged to the statement of financial performance have been apportioned in accordance with Part 6, Division 2 of the Life Insurance Act 1995, ("Life Act").

The basis is as follows:

– expenses relating specifically to either the Shareholder's 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 principles set out in the Life Insurance Actuarial Standards Board valuation standard (Actuarial Standard 1.02).

All expenses relate to non-participating business as NRMA Life Limited 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 statement of financial position.

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) Borrowing costs

Costs directly associated with obtaining financing facilities are expensed immediately in the statement of financial performance, which includes interest charged on the outstanding borrowings.

(s) Taxation

(i) Income tax
The NIGL Group adopts the income statement liability method of tax effect accounting. Income tax expense is calculated on the operating profit adjusted for permanent differences between taxable and accounting income. 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 has decreased from 34% to 30% with effect from 1 July 2001, the new tax rate is 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 statement of financial performance.

(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 Office (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 statement of financial position. 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.

(t) Recoverable amount of non-current assets

Non-current assets, other than investments (refer to note 1(u)), are recorded at cost. 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 fair value. For all other non-current assets, the relevant cash flows have not been discounted to their present value in assessing their recoverable amount.

(u) Investments

Investments are stated at fair value at each balance date. The estimated costs of realisation are deducted in calculating this value.

Fair 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.

Where AASB 1023: Financial Reporting of General Insurance Activities and AASB 1038: Financial Reporting of Life Insurance Activities apply, changes in fair values of these investments at the balance date, from their fair value at the previous balance date (or cost of acquisition, if acquired during the financial year) are recognised as revenue or expense in the statement of financial performance.

Where AASB 1023 and AASB 1038 do not apply, increments are credited to the asset revaluation reserve unless they reverse previous decrements charged to the statement of financial performance, in which case they are credited to the statement of financial performance. 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 recognised as an expense in the statement of financial performance.

(v) Derivative financial instruments

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

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

The interest expense and income associated with the swap agreements are charged to the statement of financial performance on a daily basis over the term of the individual swap agreements.

Note 1. Summary of significant accounting policies (continued)

(w) 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.

(x) 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.

(y) Scrip borrowing
Scrip borrowing activity involves the acquisition of securities from the third party scrip lender. Amounts outstanding in respect of funds borrowed are disclosed in the statement of financial position as current liabilities. The scrip borrowed is reflected in the statement of financial position as investments.

(z) Loans and advances
(i) Secured loans
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.

(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
Collectibility 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.

(aa) 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 NIGL Group participates in the NRMA Superannuation Plan, RACV Superannuation Fund and MTAA Industry Superannuation Fund.

The NIGL 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.

(iv) Staff allocation share plan
Under the Staff Allocation Share Plan, all eligible employees participating in this plan were allocated shares of NRMA Insurance Group Limited valued at 5% of their total salary. The cost of shares acquired by the relevant companies is carried as a prepayment in the statement of financial position. This prepayment will be expensed in the statement of financial performance over a 2 year period, being the period during which employees must remain with the NIGL Group to become entitled to ownership of the shares allocated.

(bb) Foreign currency translation
(i) Transactions
Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, amounts payable to and by the NIGL Group in foreign currencies is translated to Australian currency at rates of exchange current at balance date. Resulting exchange differences are brought to account in determining the statement of financial performance.

(ii) Translation of controlled foreign entities
The statement of financial position of controlled foreign entities that are self-sustaining foreign operations are translated at the rates of exchange ruling at balance date. The statement of financial performance is translated at a weighted average rate for the financial year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

(cc) 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 to 12 months. The collectibility 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 accruals basis.

(iii) Payables
Payables are stated at the amount to be paid in the future for goods or services received and are normally settled within 30 days.

(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) Commercial paper
Commercial paper issues are stated at cost and have maturities of 30 to 90 days. Interest expense is brought to account on an accruals basis.

(dd) 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.

(ee) Comparative figures

Comparatives for the parent entity are for the period from the date of incorporation on 30 November 1999 to 30 June 2000. Certain comparative figures have been reclassified to conform with the current year's presentation and disclosure requirements.

		Parent		Consolidated	
	note	**2001 $m**	2000 $m	**2001 $m**	2000 $m
Note 2. Revenue					
(a) Revenue from operating activities					
(i) General insurance revenue					
Premium income		**–**	–	**3,015**	–
Movement in unearned premium reserve		**–**	–	**(133)**	–
Premium revenue		**–**	–	**2,882**	–
Direct premium		**–**	–	**2,784**	–
Inwards reinsurance premium		**–**	–	**98**	–
Premium revenue		**–**	–	**2,882**	–
Reinsurance and other recoveries		**–**	–	**466**	–
Total general insurance revenue		**–**	–	**3,348**	–
(ii) Investment revenue					
Dividend income					
– related bodies corporate		**400**	–	**–**	–
– other corporations		**–**	–	**53**	–
Interest income					
– other parties		**–**	–	**272**	–
Trust income					
– other parties		**–**	–	**25**	–
Total investment income		**400**	–	**350**	–
Changes in net market values of investments					
– realised losses		**–**	–	**(90)**	–
– unrealised gains	1(u)	**–**	–	**104**	–
Total investment revenue		**400**	–	**364**	–

	note	Parent 2001 $m	Parent 2000 $m	Consolidated 2001 $m	Consolidated 2000 $m
Note 2. Revenue (continued)					
(a) Revenue from operating activities (continued)					
(iii) Financial services revenue					
Interest income on loans		**–**	–	**81**	–
Life insurance business revenue	3	**–**	–	**296**	–
Total financial services revenue		**–**	–	**377**	–
(iv) Other operating income					
– related bodies corporate		**–**	–	**28**	–
– other parties		**2**	–	**129**	–
Total other operating income		**2**	–	**157**	–
Total revenue from operating activities		**402**	**–**	**4,246**	–
(b) Revenue from outside operating activities					
Proceeds from disposal of assets		**–**	–	**7**	–
Total revenue from outside operating activities		**–**	–	**7**	–
Total revenue		**402**	–	**4,253**	–
Note 3. Result from life insurance operations					
Premium revenue		**–**	–	**231**	–
Investment revenue		**–**	–	**65**	–
Total life insurance business revenue		**–**	–	**296**	–
Policy payments		**–**	–	**(177)**	–
Increase in policy liabilities		**–**	–	**(74)**	–
Administration and other expenses		**–**	–	**(25)**	–
Total life insurance business expenses		**–**	–	**(276)**	–
		–	–	**20**	–
Note 4. Profit from ordinary activities before income tax					
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:					
Depreciation of motor vehicles		**–**	–	**6**	–
Depreciation of office and other plant and equipment		**–**	–	**26**	–
Amortisation of goodwill		**–**	–	**8**	–
Amortisation of intangibles		**–**	–	**19**	–
Profit on disposal of fixed assets		**–**	–	**(1)**	–
Operating lease rentals		**–**	–	**85**	–
Transfer to provision – employee entitlements		**–**	–	**26**	–
Foreign exchange losses		**–**	–	**9**	–
Bad and doubtful debts		**–**	–	**9**	–

	Consolidated		
	(A)	(B)	(C)
		Proforma	**Proforma NRMA**
	NIGL	**NIGL**	**Insurance**
	Group	**Group**	**Group**
	2001	**2001**	2000
	$m	**$m**	$m

Note 5. Proforma consolidated statement of financial performance

This proforma consolidated statement of financial performance (Column B) represents the statement of financial performance of the NIGL Group assuming NRMA Insurance Group Limited had acquired NRMA Insurance Limited and its controlled entities at 1 July 2000.

	(A) NIGL Group 2001 $m	(B) Proforma NIGL Group 2001 $m	(C) Proforma NRMA Insurance Group 2000 $m
Premium revenue	**2,882**	**3,036**	2,573
Reinsurance expense	**(248)**	**(260)**	(189)
Net premium revenue	**2,634**	**2,776**	2,384
Claims expense	**(2,568)**	**(2,734)**	(2,574)
Reinsurance and other recoveries	**466**	**500**	526
Net claims expense	**(2,102)**	**(2,234)**	(2,048)
Acquisition costs	**(292)**	**(310)**	(200)
Other underwriting expenses	**(169)**	**(178)**	(175)
Fire brigade charges	**(71)**	**(75)**	(60)
Underwriting expenses	**(532)**	**(563)**	(435)
Profit/(loss) from underwriting	**–**	**(21)**	(99)
Investment income	**350**	**363**	304
Realised (losses)/gains on investments	**(90)**	**(92)**	23
Unrealised gains on investments	**104**	**165**	432
Financial services revenue	**377**	**410**	428
Other operating revenue	**157**	**164**	88
Borrowing costs expense	**(84)**	**(88)**	(80)
Life insurance business expenses	**(276)**	**(301)**	(304)
Other operating expenses	**(323)**	**(345)**	(318)
Profit from ordinary activities before income tax	**215**	**255**	474
Income tax expense	**(31)**	**(44)**	(128)
Net profit	**184**	**211**	346
Net profit attributable to outside equity interests	**(62)**	**(68)**	(50)
Net profit attributable to members of NRMA Insurance Group Limited	**122**	**143**	296

(A) Represents NRMA Insurance Group Limited's consolidated result in accordance with AASB 1024 and is the same as disclosed in the consolidated statement of financial performance on page 38. This recognises that NIGL acquired NRMA Insurance Limited and its controlled entities on 22 July 2000 and does not include the results of NRMA Insurance Limited and its controlled entities for the period 1 July 2000 to 21 July 2000 (capitalised as equity of NRMA Insurance Group Limited).

(B) Represents the consolidated result of NIGL, assuming it acquired NRMA Insurance Limited and its controlled entities on 1 July 2000. This proforma is provided to allow direct comparison to the prospectus dated 23 June 2000 as this was prepared on the basis that NIGL gained control of NRMA Insurance Limited on 1 July 2000.

(C) Represents the result of NRMA Insurance Limited and its controlled entities for the year ended 30 June 2000.

Notes to the financial statements

for the year ended 30 June 2001 (continued)

Note 6. Claims expense

	Consolidated					
	2001 Current year $m	**2001 Prior years $m**	**2001 Total $m**	2000 Current year $m	2000 Prior years $m	2000 Total $m
(a) Direct business						
Gross claims and related expenses – undiscounted	**2,782**	**(326)**	**2,456**	–	–	–
Discount	**(155)**	**158**	**3**	–	–	–
Gross claims and related expenses – discounted	**2,627**	**(168)**	**2,459**	–	–	–
Reinsurance and other recoveries – undiscounted	**(487)**	**34**	**(453)**	–	–	–
Discount	**2**	**(11)**	**(9)**	–	–	–
Reinsurance and other recoveries – discounted	**(485)**	**23**	**(462)**	–	–	–
Net claims incurred	**2,142**	**(145)**	**1,997**	–	–	–

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.

The major component of the prior year movements is the release of prudential margins in respect of claims payments during the year (largely offset by inclusion of prudential margins in respect of current year claims).

	Consolidated	
	2001 $m	2000 $m
(b) Inwards reinsurance business		
Gross claims and related expenses – undiscounted	**126**	–
Discount	**(17)**	–
Gross claims and related expenses – discounted	**109**	–
Reinsurance and other recoveries – undiscounted	**(4)**	–
Discount	**–**	–
Reinsurance and other recoveries – discounted	**(4)**	–
Net claims incurred	**105**	–
(c) Total		
Direct business	**1,997**	–
Inwards reinsurance business	**105**	–
Net claims incurred	**2,102**	–

Note 7. Individually significant items

	Parent		Consolidated	
	2001 $m	2000 $m	**2001 $m**	2000 $m
Restructuring costs in relation to redundancy, property and other associated costs	**–**	–	**25**	–

	Parent		Consolidated	
	2001	2000	**2001**	2000
	$m	$m	**$m**	$m

Note 8. Income tax

(a) The prima facie tax on the statement of financial performance differs from the income tax provided in the financial statements and is reconciled as follows:				
Profit from ordinary activities before income tax	**402**	–	**215**	–
Prima facie tax thereon at 34% (2000 – 36%)	**137**	–	**73**	–
Tax effect of permanent differences:				
Rebateable dividends	**(136)**	–	**(11)**	–
Realised capital losses not subject to income tax	**–**	–	**44**	–
Unrealised capital profits not subject to income tax	**–**	–	**(42)**	–
Other non-deductible items	**–**	–	**5**	–
Other	**–**	–	**(14)**	–
Change in income tax rate	**–**	–	**(14)**	–
Future income tax benefit not recognised	**–**	–	**(1)**	–
Income tax expense applicable to current year	**1**	–	**40**	–
Adjustment to prior year	**–**	–	**(9)**	–
Income tax attributable to profit from ordinary activities	**1**	–	**31**	–
(b) The potential future income tax benefits relating to tax losses at 30 June 2001 not brought to account are:	**–**	–	**3**	–

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.

Note 9. Dividends and dividend franking account

Ordinary shares				
Interim dividend of 4 cents (2000 – Nil) per fully paid ordinary share and paid on 30 April 2001				
Fully franked @ 34%	**62**	–	**62**	–
Final dividend of 6 cents (2000 – Nil) per fully paid ordinary share and expected to be paid 22 October 2001				
Fully franked @ 30%	**84**	–	**84**	–
Total dividends provided for or paid	**146**	–	**146**	–
Franking credits available for subsequent financial years	**240**	–	**524**	–

The balance of the franking account arises from:
(i) franked income received or recognised as a receivable at the reporting date;
(ii) income tax paid, after adjusting for any franking credits which will arise from the payment of income tax provided for in the financial statements; and
(iii) franking debits from the payment of dividends recognised as a liability at the reporting date.

As part of the demutualisation of NRMA Insurance Limited, all franking credits of NRMA Insurance Limited and each of its wholly-owned controlled entities were cancelled by operation of taxation laws. All franking credits available for subsequent financial years arise from transactions after demutualisation.

	Parent 2001 $000	Parent 2000 $000	Consolidated 2001 $000	Consolidated 2000 $000
Note 10. Auditors' remuneration				
Amounts received or due and receivable by the auditors for:				
Auditing the financial statements and consolidated financial statements				
Parent entity auditor				
– current year	–	–	695	–
– prior year	–	–	244	–
	–	–	939	–
Other services				
(i) tax advisory services				
– parent entity auditor	–	–	222	–
(ii) half year review				
– parent entity auditor	–	–	71	–
(iii) other consulting services				
– due diligence and other services on acquisitions	–	–	1,191	–
– preparation for changes in legislative and regulative environment	–	–	149	–
– assistance with demutualisation	–	–	172	–
– other consulting services	–	–	1,368	–
(iv) related practice of the parent entity auditors	–	–	150	–
	–	–	3,323	–

Note 11. Directors' remuneration

(a) Information on remuneration of the relevant Directors is as follows:

	Parent 2001 $000	Parent 2000 $000	Consolidated 2001 $000	Consolidated 2000 $000
Income of Directors of NRMA Insurance Group Limited from the entity and all related parties in relation to the management of the affairs of the NIGL Group	5,769	–	6,214	–

	Parent — Total remuneration in relation to the management of the affairs of the NIGL Group 2001	2000
(b) Number of Directors of NRMA Insurance Group Limited whose remuneration was within the following bands:		
$ 70,000 – $ 79,999	2	–
$ 80,000 – $ 89,999	3	–
$ 90,000 – $ 99,999	1	–
$ 100,000 – $ 109,999	1	–
$ 130,000 – $ 139,999	1	–
$ 140,000 – $ 149,999	1	–
$ 330,000 – $ 339,999	1	–
$4,540,000 – $4,549,999	1	–

The Company acts as a holding company for the consolidated entity and does not provide remuneration in its own right. All remuneration is paid by other entities within the consolidated group.

	Consolidated 2001 $000	Consolidated 2000 $000

(c) Ownership-based remuneration plan

The following plans were approved at the Annual General Meeting held on 28 November 2000:

(i) The non-executive Directors receive 20% of their base fee in shares of the Company under the Non-executive Director Share Plan.
(ii) The former Managing Director was granted shares and rights under the Staff Allocation Share Plan and Performance Share Rights Plan (refer to note 45 for details of these plans).

Note 12. Remuneration of executives

The remuneration of executives who work wholly or mainly outside Australia is not included in this disclosure.

	2001 $000	2000 $000
(a) Total of the remuneration in excess of $100,000 received or due and receivable from the NIGL Group by executive officers of the NIGL Group for the financial year	**20,569**	–

The parent entity is a non-operating holding company which does not employ any staff.
Executives' remuneration does not include premiums paid by the NIGL Group in respect of directors' and officers' liabilities and legal expenses insurance contracts, as the insurance policies do not specify premiums paid in respect of individual executives.

(b) The number of executive officers of the NIGL Group whose remuneration is in excess of $100,000 and falls within the following bands:	Consolidated 2001	Consolidated 2000
$ 130,000 – $ 139,999	**1**	–
$ 330,000 – $ 339,999	**2**	–
$ 340,000 – $ 349,999	**2**	–
$ 350,000 – $ 359,999	**1**	–
$ 380,000 – $ 389,999	**1**	–
$ 450,000 – $ 459,999	**1**	–
$ 470,000 – $ 479,999	**1**	–
$ 480,000 – $ 489,999	**1**	–
$ 530,000 – $ 539,999	**1**	–
$ 540,000 – $ 549,999	**1**	–
$ 620,000 – $ 629,999	**1**	–
$ 630,000 – $ 639,999	**1**	–
$ 670,000 – $ 679,999	**1**	–
$ 690,000 – $ 699,999	**1**	–
$ 790,000 – $ 799,999	**1**	–
$ 810,000 – $ 819,999	**1**	–
$ 830,000 – $ 839,999	**1**	–
$ 920,000 – $ 929,999	**1**	–
$ 930,000 – $ 939,999	**1**	–
$ 940,000 – $ 949,999	**2**	–
$1,160,000 – $1,169,999	**1**	–
$1,280,000 – $1,289,999	**1**	–
$4,540,000 – $4,549,999	**1**	–

Notes to the financial statements
for the year ended 30 June 2001 (continued)

	Parent		Consolidated	
	2001	2000	**2001**	2000
	$m	$m	**$m**	$m
Note 13. Current assets – receivables				
Secured loans, leases and loan agreements	**–**	–	**41**	–
Unearned finance income	**–**	–	**(4)**	–
	–	–	**37**	–
Reinsurance and other recoveries	**–**	–	**203**	–
Provision for doubtful debts	**–**	–	**(3)**	–
	–	–	**200**	–
Trade debtors	**–**	–	**219**	–
Provision for doubtful debts	**–**	–	**(5)**	–
	–	–	**214**	–
Premium receivable	**–**	–	**627**	–
Other debtors	**–**	–	**361**	–
	–	–	**1,439**	–
Note 14. Current assets – investments				
Quoted				
Government and semi-government stocks and bonds	**–**	–	**233**	–
Shares in other parties	**–**	–	**260**	–
Unit trusts	**–**	–	**21**	–
Bonds	**–**	–	**1**	–
	–	–	**515**	–
Unquoted				
Shares in other parties	**–**	–	**1**	–
Deposits in other parties	**–**	–	**47**	–
Commercial bills	**–**	–	**763**	–
Unsecured notes	**–**	–	**4**	–
Other investments (gross of unearned income)	**–**	–	**8**	–
	–	–	**823**	–
	–	–	**1,338**	–
Note 15. Current assets – current tax assets				
Income tax recoverable	**–**	–	**13**	–
Note 16. Current assets – other				
Prepayments	**–**	–	**91**	–
Deferred acquisition costs	**–**	–	**170**	–
Inventories	**–**	–	**2**	–
	–	–	**263**	–
Note 17. Non-current assets – receivables				
Secured loans, leases and loan agreements	**–**	–	**981**	–
Unearned finance income	**–**	–	**(3)**	–
General provision for doubtful debts	**–**	–	**(2)**	–
	–	–	**976**	–
Reinsurance and other recoveries	**–**	–	**303**	–
Provision for doubtful debts	**–**	–	**(6)**	–
	–	–	**297**	–
	–	–	**1,273**	–

	Parent		Consolidated	
	2001	2000	**2001**	2000
	$m	$m	**$m**	$m

Note 18. Non-current assets – investments

Quoted				
Government and semi-government stocks and bonds	**–**	–	**1,524**	–
Shares in other parties	**–**	–	**3,855**	–
Unit trusts	**–**	–	**248**	–
Bonds	**–**	–	**5**	–
	–	–	**5,632**	–
Unquoted				
Shares in other parties	**–**	–	**14**	–
Shares in controlled entities	**3,222**	–	**–**	–
Unit trusts	**–**	–	**3**	–
Deposits in other parties	**–**	–	**798**	–
Unsecured notes	**–**	–	**480**	–
Other investments (gross of unearned income)	**–**	–	**143**	–
	3,222	–	**1,438**	–
Freehold properties	**–**	–	**44**	–
Leasehold properties	**–**	–	**4**	–
	–	–	**48**	–
	3,222	–	**7,118**	–

The properties were valued at 30 June 2001 by the independent valuer, Mr Scott Fullarton F.A.P.I. of Scott Fullarton Valuations Pty Limited.

Note 19. Non-current assets – plant and equipment

Motor vehicles	**–**	–	**36**	–
Accumulated depreciation	**–**	–	**(7)**	–
Written down value	**–**	–	**29**	–
Office and other plant and equipment	**–**	–	**215**	–
Accumulated depreciation	**–**	–	**(140)**	–
Written down value	**–**	–	**75**	–
	–	–	**104**	–
Reconciliations:				
(i) Motor vehicles				
Balance at the beginning of the financial year	**–**	–	**–**	–
Additions	**–**	–	**47**	–
Depreciation expense	**–**	–	**(6)**	–
Disposals	**–**	–	**(12)**	–
Balance at the end of the financial year	**–**	–	**29**	–
(ii) Office and other plant and equipment				
Balance at the beginning of the financial year	**–**	–	**–**	–
Additions	**–**	–	**112**	–
Depreciation expense	**–**	–	**(26)**	–
Disposals	**–**	–	**(11)**	–
Balance at the end of the financial year	**–**	–	**75**	–

Note 20. Non-current assets – deferred tax assets

Future income tax benefits relating to				
– tax losses carried forward	**–**	–	**1**	–
– other	**–**	–	**148**	–
	–	–	**149**	–

Notes to the financial statements
for the year ended 30 June 2001 (continued)

	notes	Parent 2001 $m	Parent 2000 $m	Consolidated 2001 $m	Consolidated 2000 $m
Note 21. Non-current assets – intangible assets					
Goodwill – at cost		–	–	311	–
Accumulated amortisation	1(w)	–	–	(31)	–
		–	–	280	–
Intangibles – at cost		–	–	105	–
Accumulated amortisation	1(x)	–	–	(29)	–
		–	–	76	–
Excess of net market value of an interest in a controlled entity	1(n)	–	–	302	–
		–	–	658	–
Note 22. Non-current assets – other					
Deferred acquisition costs		–	–	7	–
Prepayments		–	–	1	–
		–	–	8	–
Note 23. Current liabilities – payables					
Trade creditors		–	–	418	–
Other creditors		–	–	174	–
		–	–	592	–
Note 24. Current liabilities – interest-bearing liabilities					
(a) Secured					
Debenture stock		–	–	6	–
(b) Unsecured					
Bank overdraft		–	–	48	–
Bank loans		–	–	286	–
Commercial paper		–	–	599	–
Deposits		–	–	779	–
Scrip borrowing		–	–	252	–
		–	–	1,970	–

Debenture stock is secured by a floating charge over the undertaking's property and assets of NRMA Finance Limited, a controlled entity.

	notes	Parent 2001 $m	Parent 2000 $m	Consolidated 2001 $m	Consolidated 2000 $m
Note 25. Current liabilities – current tax liabilities					
Provision for income tax		1	–	71	–
Note 26. Current liabilities – provisions					
Dividend		84	–	84	–
Restructure		–	–	23	–
Employee entitlements		–	–	76	–
		84	–	183	–

	Parent		Consolidated	
	2001	2000	**2001**	2000
	$m	$m	**$m**	$m
Note 27. Outstanding claims				
(a) Expected future claims payments (undiscounted)	**–**	–	**3,824**	–
Discount to present value	**–**	–	**(499)**	–
Liability for outstanding claims	**–**	–	**3,325**	–
Current	**–**	–	**1,068**	–
Non-current	**–**	–	**2,257**	–
	–	–	**3,325**	–

(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 2001:

	Parent		Consolidated	
	2001	2000	**2001**	2000
	%	%	**%**	%
For the succeeding year:				
– normal inflation rate	**–**	–	**3.0 - 3.5**	–
– superimposed inflation rate	**–**	–	**4.5 - 6.5**	–
– discount rate	**–**	–	**4.7 - 5.4**	–
For subsequent years:				
– normal inflation rate	**–**	–	**3.0 - 4.0**	–
– superimposed inflation rate	**–**	–	**4.5 - 6.3**	–
– discount rate	**–**	–	**5.5 - 6.3**	–

(c) The weighted average expected term to settlement of the gross outstanding claims from the balance date is estimated to be 27 months.

	Parent		Consolidated	
	2001	2000	**2001**	2000
	$m	$m	**$m**	$m
Note 28. Non-current liabilities – interest-bearing liabilities				
(a) Secured				
Debenture stock	**–**	–	**5**	–
(b) Unsecured				
Deposits	**–**	–	**50**	–
	–	–	**55**	–

Debenture stock is secured by a floating charge over the undertaking's property and assets of NRMA Finance Limited, a controlled entity.

Note 29. Non-current liabilities – deferred tax liabilities

Provision for deferred income tax	**–**	–	**328**	–

Note 30. Non-current liabilities – provisions

Employee entitlements	**–**	–	**18**	–

	Parent			
	2001		2000	
	Number of shares million	**$m**	Number of shares million	$m
Note 31. Contributed equity				
Share capital				
Issued and fully paid ordinary shares	**1,399**	**2,687**	*	–
Balance at the beginning of the financial year	**–**	**–**	*	–
Ordinary shares issued on demutualisation of NRMA Insurance Limited	**1,493**	**2,873**	–	–
Other issue	**51**	**139**	*	–
Ordinary shares issued under Staff Allocation Share Plan	**4**	**13**	–	–
Shares bought back off-market	**(149)**	**(264)**	–	–
Less: transaction costs arising on share issues	**–**	**(68)**	–	–
Less: transaction costs arising on share buy-back	**–**	**(6)**	–	–
Balance at the end of the financial year	**1,399**	**2,687**	*	–

*– The number of issued shares as at 30 June 2000 was 1.

(i) Ordinary shares:
Ordinary shares entitle the holder to participate in the dividends and the proceeds on winding up the Company in proportion to the number of and amounts paid on the shares held.

(ii) Staff allocation share plan:
During the year, a total of 4 million shares of the Company were issued, at a price of $2.86, to participating employees of the Staff Share Allocation Plan. The cost of shares issued is amortised to the statement of financial performance over two years.

(iii) Share buy-back:
During the year, 149 million ordinary shares representing 9.6% of issued share capital were bought back and cancelled under the terms of a share buy-back plan. The plan was an off-market buy-back. The buy-back price per share was $2.72 which comprised a capital component of $1.78 and the balance of $0.94 as a fully franked dividend.

(iv) Performance share rights plan:
A Performance Share Rights Plan was in operation during the year ended 30 June 2001. A total of 5 million rights was issued for nil consideration. One right can be converted into one ordinary share of the Company at the date of exercise of the right.

		Parent		Consolidated	
	note	**2001 $m**	2000 $m	**2001 $m**	2000 $m
Note 32. Retained profits/(accumulated loss)					
Retained profits/(accumulated loss)		**115**	–	**(164)**	–
Movements in retained profits/(accumulated loss)					
Balance at the beginning of the financial year		**–**	–	**–**	–
Net profit attributable to members of NRMA Insurance Group Limited		**401**	–	**122**	–
Utilised in shares bought back off-market		**(140)**	–	**(140)**	–
Dividends paid or provided for	9	**(146)**	–	**(146)**	–
Balance at the end of the financial year		**115**	–	**(164)**	–

Retained profits:
During the year, the Company received total dividends of $313 million from NRMA Insurance Limited from its pre-demutualisation retained profits.

The treatment of this dividend has been in accordance with an order dated 14 February 2000, obtained from the Australian Securities & Investments Commission. This order exempts the Company from compliance with certain sections of the Corporations Act 2001 in that it allows dividends paid by NRMA Insurance Limited to the Company out of distributable reserves of NRMA Insurance Limited at the time of acquisition of its shares by the Company (pre-acquisition reserves) to be treated as income by the Company. However, the order restricts the amount of such dividends that can be paid by NRMA Insurance Limited to the Company to $575 million.

The income derived by the Company from the dividends received under the order was utilised in paying an interim dividend on 30 April 2001 and is available for paying the final dividend on 22 October 2001.

		Parent		Consolidated	
	notes	**2001 $m**	2000 $m	**2001 $m**	2000 $m
Note 33. Total equity reconciliation					
Total equity at the beginning of the financial year		**–**	–	**–**	–
Total changes in equity recognised in the statement of financial performance	32	**401**	–	**122**	–
Transactions with owners as owners:					
– contributions of equity, inclusive of transaction costs		**2,957**	–	**2,957**	–
– dividends paid or provided for	32	**(146)**	–	**(146)**	–
– share buy-back, inclusive of transaction costs		**(410)**	–	**(410)**	–
Total changes in outside equity interest		**–**	–	**865**	–
Total equity at the end of the financial year		**2,802**	–	**3,388**	–

	Consolidated	
	2001 cents	2000 cents
Note 34. Earnings per share		
Basic earnings per share	**8.62**	–
Diluted earnings per share	**8.59**	–

	Number of shares million	Number of of shares milllion
Weighted average number of ordinary shares outstanding during the financial year used in calculation of the basic earnings per share	**1,423**	–

Classification of securities as potential ordinary shares:
Rights granted to employees under the Performance Share Rights Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The rights have not been included in the determination of basic earnings per share.

	note	Parent 2001 $m	Parent 2000 $m	Consolidated 2001 $m	Consolidated 2000 $m

Note 35. Reconciliation of net cash provided by operating activities to profit from ordinary activities after income tax

	note	Parent 2001 $m	Parent 2000 $m	Consolidated 2001 $m	Consolidated 2000 $m
Net cash provided by operating activities		**402**	–	**346**	–
Depreciation		**–**	–	**(32)**	–
Amortisation of goodwill and intangibles		**–**	–	**(27)**	–
Realised losses on disposal of investments		**–**	–	**(97)**	–
Unrealised gains on revaluation of investments		**–**	–	**145**	–
Profit on disposal of fixed assets		**–**	–	**1**	–
Foreign exchange losses		**–**	–	**(9)**	–
Bad and doubtful debts		**–**	–	**(9)**	–
Other		**–**	–	**4**	–
Increase/(decrease) in operating assets					
Receivables		**–**	–	**164**	–
Other		**–**	–	**164**	–
Decrease/(increase) in operating liabilities					
Payables		**–**	–	**23**	–
Provisions		**(1)**	–	**(18)**	–
Outstanding claims		**–**	–	**(238)**	–
Unearned premium		**–**	–	**(155)**	–
Gross life insurance policy liabilities		**–**	–	**(78)**	–
Profit from ordinary activities after income tax		**401**	–	**184**	–

Note 36. 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.

	note	Parent 2001 $m	Parent 2000 $m	Consolidated 2001 $m	Consolidated 2000 $m
Cash		**2**	–	**223**	–
Commercial bills		**–**	–	**169**	–
Bank overdraft	24	**–**	–	**(48)**	–
		2	–	**344**	–

Note 37. Business acquired

(a) Parent entity

The parent entity acquired 100% of the ordinary shares of NRMA Insurance Limited on 22 July 2000 when NRMA Insurance Limited was demutualised. The net assets acquired and consideration paid is disclosed in the table on the next page. Subsequent to this acquisition, the parent entity also acquired four wholly-owned subsidiaries (and their controlled entities) of NRMA Insurance Limited. The details of these acquisitions (and the resulting disposal of them in the consolidated entity) were as follows:

Company acquired	**Date of acquisition**	**Purchase price $m**	**Fair value of net assets acquired $m**
NRMA Building Society Limited	28 November 2000	**87**	**87**
NRMA Life Limited	28 June 2001	**165**	**165**
NRMA Insurance Group Finance Limited	28 June 2001	**–**	**–**
NRMA Insurance International Pty Limited	28 June 2001	**11**	**11**
		263	**263**

(b) Consolidated entity

During the year ended 30 June 2001, the consolidated entity acquired the following:

(i) 100% of the ordinary shares of NRMA Insurance Limited and its controlled entities; and

(ii) 100% of the ordinary shares of NRMA Insurance NZ Limited (formerly Norwich Union NZ Holdings Limited) and its controlled entities; and

(iii) 100% of the ordinary shares of NRMA Workers Compensation (NSW) (No 2) Pty Limited (formerly HIH Workers Compensation (NSW) Pty Limited), NRMA Workers Compensation (NSW) (No 3) Limited (formerly FAI Workers Compensation (NSW) Limited), NRMA Workers Compensation (VIC) Limited (formerly HIH Workers Compensation (VIC) Limited) and NRMA Workers Compensation (SA) Limited (formerly HIH Workers Compensation (SA) Limited); and

(iv) the unexpired risk of the Australian workers' compensation portfolio as at 15 March 2001 and all the new and renewal policies commencing 15 March 2001 from HIH Insurance Limited.

	Parent		Consolidated	
	2001 $m	2000 $m	**2001 $m**	2000 $m
Consideration:				
Cash	**5**	–	**244**	–
Other payable	**–**	–	**25**	–
Issue of shares	**2,873**	–	**2,873**	–
	2,878	–	**3,142**	–
Fair value of net assets of entities acquired:				
Cash assets	**658**	–	**667**	–
Receivables	**2,556**	–	**2,669**	–
Investments	**8,585**	–	**8,808**	–
Plant and equipment	**86**	–	**108**	–
Intangible assets	**414**	–	**414**	–
Payables	**(719)**	–	**(762)**	–
Interest-bearing liabilities	**(2,203)**	–	**(2,366)**	–
Provisions	**(476)**	–	**(484)**	–
Unearned premium	**(1,409)**	–	**(1,555)**	–
Outstanding claims	**(3,127)**	–	**(3,200)**	–
Gross life insurance policy liabilities	**(847)**	–	**(847)**	–
Other	**(6)**	–	**52**	–
Outside equity interests	**(634)**	–	**(634)**	–
	2,878	–	**2,870**	–
Goodwill	**–**	–	**272**	–
	2,878	–	**3,142**	–
Outflow of cash for acquisition, net of cash acquired:				
Cash consideration paid	**(5)**	–	**(244)**	–
Cash consideration paid to NRMA Insurance Limited on acquisition of its four subsidiaries (see note 37(a))	**(263)**	–	**–**	–
Cash balance acquired	**–**	–	**667**	–
(Outflow)/inflow of cash	**(268)**	–	**423**	–

Notes to the financial statements

	notes	Parent 2001 $m	Parent 2000 $m	Consolidated 2001 $m	Consolidated 2000 $m

Note 38. Financing arrangements

	notes	Parent 2001 $m	Parent 2000 $m	Consolidated 2001 $m	Consolidated 2000 $m
Facilities available:					
(a) Standby letter of credit facility	(i)	**–**	–	**60**	–
(b) Group offset overdraft facilities	(ii)	**–**	–	**18**	–
(c) Standby facility	(iii)	**–**	–	**100**	–
(d) Securitisation programmes	(iv)	**–**	–	**1,000**	–
(e) Debt issuance programme	(v)	**–**	–	**1,500**	–
(f) NZ debt programme	(vi)	**–**	–	**360**	–
Facilities drawn at balance date:					
(a) Standby letter of credit facility		**–**	–	**23**	–
(b) Group offset overdraft facility		**–**	–	**–**	–
(c) Standby facility		**–**	–	**–**	–
(d) Securitisation programmes		**–**	–	**904**	–
(e) Debt issuance programme		**–**	–	**601**	–
(f) NZ debt programme		**–**	–	**360**	–

(i) The standby letter of credit facility was denoted in US dollars.
(ii) The group offset overdraft facilities were available to some entities within the NIGL Group. The facilities have a variable interest rate. Bank overdraft disclosed in the statement of financial position include unpresented cheques.
(iii) Interest on this standby facility when drawn down is charged at a margin over the bank bill rate. The facility type is for liquidity support in the event that NRMA Insurance Group Finance Limited is unable to refinance maturing obligations under the debt issuance programme due to a market disturbance.
(iv) The securitisation programmes provide NRMA Building Society Limited with the ability to securitise its residential mortgage loan portfolio. A total of $904 million loans were securitised at balance date and are not included in the statement of financial position.
(v) During the year, NRMA Insurance Group Finance Limited established 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.
(vi) NRMA (NZ) Holdings Limited has a bridging facility agreement which is guaranteed by NRMA Insurance Limited. This agreement was denoted in NZ dollars.
(vii) On 13 July 2001, NRMA (NZ) Holdings Limited announced the establishment of a NZ$300 million short-term note programme. Standard & Poor's has assigned an "A-1+" short-term rating to the programme. The programme is guaranteed by NRMA Insurance Limited. The programme is supported by a NZ$50 million liquidity backup facility. The programme will be used to refinance the NZ$360 million bridging facility agreement reffered to in (vi) above.
(viii) On 16 August 2001, NRMA (NZ) Holdings Limited announced the establishment of another NZ$300 million medium-term note programme. Standard & Poor's has assigned an "AA+" long-term rating to the guaranteed and unsubordinated series of wholesale notes under the programme. The programme is guaranteed by NRMA Insurance Limited. The programme will be used to refinance the NZ$360 million bridging facility agreement referred to in (vi) above.

Note 39. Commitments

(a) Lease and rental commitments:

	Parent 2001 $m	Parent 2000 $m	Consolidated 2001 $m	Consolidated 2000 $m
Property				
– due within 1 year	**–**	–	**52**	–
– due within 1 to 2 years	**–**	–	**47**	–
– due within 2 to 3 years	**–**	–	**43**	–
– due within 3 to 4 years	**–**	–	**40**	–
– due within 4 to 5 years	**–**	–	**33**	–
– due after 5 years	**–**	–	**87**	–
Plant and equipment				
– due within 1 year	**–**	–	**17**	–
– due within 1 to 2 years	**–**	–	**11**	–
– due within 2 to 3 years	**–**	–	**3**	–
	–	–	**333**	–

	Parent		Consolidated	
	2001	2000	**2001**	2000
	$m	$m	**$m**	$m
(b) Other commitments:				
– due within 1 year	**–**	–	**4**	–
– due within 1 to 2 years	**–**	–	**2**	–
	–	–	**6**	–
(c) Loan commitments:				
Loans approved but not advanced				
– due within 1 year	**–**	–	**59**	–
(d) Contingent commitments:				
Undrawn credit limits on secured loans	**–**	–	**384**	–
Undrawn credit limits on credit cards	**–**	–	**166**	–
	–	–	**550**	–

Note 40. Contingencies

(a) In the normal course of business operations the NIGL Group is exposed to legal issues, including litigation arising out of insurance policies. Other than those matters referred to below, the Directors do not believe that there are any potential material exposures to the NIGL Group.

(b) In the normal course of business, the NIGL Group enters into various types of investment contracts that can give rise to contingent liabilities. These include forward exchange contracts, financial futures, interest rate swaps, exchange traded options and forward rate agreements. These contracts are generally entered into in the normal management of the investment portfolio. Accordingly, details of the contingent liabilities have not been included in this note.

(c) In the normal course of business, the NIGL Group enters into various types of business contracts that give rise to contingent liabilities. These include guarantees for performance obligations and undertakings for maintenance for net worth and liquidity support to controlled entities in the NIGL Group.

(d) 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 a court Arbitration. This court Arbitration has been deferred to October 2002.

A letter of credit held by the ceding insurer was exercised in July 1999 for US$35 million. The NIGL Group utilised cash received from the ceding insurer of US$11 million to make part of this payment and it holds a letter of credit for US$25 million as security if the NIGL Group 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 the NIGL Group believes its case is strong, it also considers that it is unlikely that the potential amounts in dispute will be material to the NIGL Group's operations. However, no assurances can be given in this regard.

(e) On 4 August 1999, the Supreme Court of New South Wales ordered lawyers, who had acted as advisers to NRMA Insurance Limited and National Roads and Motorists' Association Limited ("the companies") in 1994 and 1995 in relation to the "Share the Future" restructuring proposal, to pay the companies damages plus interest totalling $32 million together with a 2/3 portion of the companies' costs in taking the legal action against them. The damages and interest were paid in 1999. Of the total amounts received, 90%, being $29 million, was attributed to NRMA Insurance Limited and the balance of 10% to National Roads and Motorists' Association Limited. The $29 million was not reflected in the statement of financial performance.

On 21 December 2000, the Court of Appeal of New South Wales upheld the lawyers' appeals against the orders made against them. The orders were set aside, Judgment was entered in favour of the lawyers and the companies were ordered to pay the costs of the lawyers in the Supreme Court and Court of Appeal proceedings. The NIGL Group has repaid the $29 million received in August 1999 together with interest. Further interest of approximately $2 million has been claimed by the defendant lawyers. The Judgment of the Court of Appeal on that claim is awaited.

Note 40. Contingencies (continued)

The companies have sought special leave to appeal to the High Court of Australia against the Judgment of the Court of Appeal of 21 December 2000. The application is to be heard on 14 September 2001. If the application is refused, the orders made against the companies will remain. If the application is granted, the High Court of Australia will hear the companies' appeal. The hearing of any such appeal is unlikely to be held before late 2002. The Judgment of the High Court on any such appeal will be final.

No reliable estimate is yet available for the lawyers' costs and the related interest in the Supreme Court and the Court of Appeal but this could be in the order of $15-$25 million.

(f) The former Chief Executive Officer has commenced unfair contract proceedings in the NSW Industrial Relations Commission.

Note 41. New South Wales workers' compensation managed funds

Three controlled entities are licensed insurers under the New South Wales Workers' Compensation Act 1987 ("the Act"). In accordance with the requirements of the Act, the controlled entities have established and maintain statutory funds in respect of the issue and renewal of policies of insurance.

The application of the statutory funds is restricted to the payment of claims, related expenses and other payments authorised under the Act. WorkCover New South Wales advises that the licensed insurers have no liability under the Act in the event of a deficiency in statutory funds and the Australian Taxation Office confirmed that the statutory funds are exempt from income tax as WorkCover New South Wales holds a vested interest in the income of the statutory funds. For these reasons, the statutory funds are of a separate and distinct nature and therefore it is not appropriate to include the assets and liabilities of these funds with the other assets and liabilities of the consolidated entity. Accordingly, the income and expenses of the statutory funds have been excluded from the consolidated statement of financial performance and the assets and liabilities of the funds have been excluded from the consolidated statement of financial position.

Under the Act, the controlled entities are required to have an actuarial valuation of the financial position of the statutory funds, including a valuation of liabilities, at least once in each three year period or such other period as may be prescribed by Regulation. Accordingly, a fund method of accounting is adopted whereby the balance of the statutory funds is carried forward until the financial positions of the statutory funds are determined after actuarial investigation. Following this determination, WorkCover New South Wales may direct the transfer of any surplus in accordance with the Act, including transfers to other statutory funds of the controlled entities or to the statutory funds of another licensed insurer.

The Australian Securities & Investments Commission has, by class order 00/321, exempted the controlled entities and the consolidated entity from compliance with the Corporations Act 2001 to the extent it is necessary to adopt the above method of fund accounting.

	2001 $m	2000 $m
Consolidated statutory funds statement of financial position (which are not consolidated into the NIGL consolidated statement of financial position)		
Current assets		
Cash and short-term deposits	**1**	–
Receivables	**33**	–
Non-current assets		
Investments, at market value	**771**	–
Total assets	**805**	–
Current liabilities		
Payables	**25**	–
Unearned premium	**42**	–
Statutory funds to meet outstanding claims and statutory transfers	**738**	–
Total liabilities and statutory funds	**805**	–

Note 42. Details of controlled entities

	notes	Place of incorporation/ formation	Percentage of shares/ units held		Book value of parent entity's investments	
			2001	2000	**2001**	2000
			%	%	**$m**	$m
The following entities constitute the NIGL Group:						
Parent entity						
NRMA Insurance Group Limited		NSW	**–**	–	**–**	–
Controlled entities						
NRMA Insurance Limited		NSW	**100.00**	–	**2,878**	–
NRMA Re Limited	C	Ireland	**100.00**	–	**81**	–
NRMA Investments Pty Limited		NSW	**100.00**	–	**–**	–
NRMA Information Services Pty Limited		NSW	**100.00**	–	**–**	–
NRMA Financial Planning Pty Limited	A	NSW	**100.00**	–	**–**	–
NRMA Financial Management Limited		NSW	**100.00**	–	**–**	–
NRMA Asset Management Limited		NSW	**100.00**	–	**–**	–
NRMA Nominees Pty Limited		NSW	**100.00**	–	**–**	–
NRMA Woden Pty Limited	A	ACT	**100.00**	–	**–**	–
NRMA Investment Management Cash Management Trust	(i), B	NSW	**84.00**	–	**–**	–
NRMA Investment Management Equities Trust (formerly NRMA Investment Management Australian Equity Trust)	(i), B	NSW	**73.60**	–	**–**	–
NRMA Investment Management Fixed Interest Trust	(i), B	NSW	**82.06**	–	**–**	–
NRMA Investment Management Property Trust	(i), B	NSW	**100.00**	–	**–**	–
NRMA Investment Management Private Equity Trust	(i), B	NSW	**88.19**	–	**–**	–
NRMA Investment Management World Equity Trust	(i), B	NSW	**60.10**	–	**–**	–
NRMA Investment Management Equities Trust Australia	(i), B	NSW	**100.00**	–	**–**	–
NRMA Building Society Limited		VIC	**100.00**	–	**87**	–
NRMA Finance Limited		NSW	**100.00**	–	**–**	–
NBS Securitisation Services Pty Limited	A	NSW	**100.00**	–	**–**	–
NRMA Sales & Services Pty Limited	A	ACT	**100.00**	–	**–**	–
NRMA Life Limited		NSW	**100.00**	–	**165**	–
NRMA Life Nominees Pty Limited		NSW	**100.00**	–	**–**	–
NRMA (Western Australia) Pty Limited		NSW	**100.00**	–	**–**	–
SGIO Insurance Limited		WA	**100.00**	–	**–**	–
NRMA Health Pty Limited		WA	**100.00**	–	**–**	–
SGIC Holdings Limited		SA	**100.00**	–	**–**	–
SGIC General Insurance Limited		SA	**100.00**	–	**–**	–
SGIC Services Pty Limited	A	SA	**100.00**	–	**–**	–
SGIC Insurance Limited		SA	**100.00**	–	**–**	–
SGIC Brand Pty Limited	A	SA	**100.00**	–	**–**	–
NRMA Personal Lines Holdings Pty Limited		NSW	**100.00**	–	**–**	–
Insurance Manufacturers of Australia Pty Limited		VIC	**70.00**	–	**–**	–
IMA Investments Pty Limited	A	VIC	**70.00**	–	**–**	–
World Class Accident Repairs (Cheltenham North) Pty Limited	C	VIC	**70.00**	–	**–**	–
NRMA Insurance Group Finance Limited		NSW	**100.00**	–	**–**	–
NRMA Staff Superannuation Pty Limited	A	NSW	**100.00**	–	**–**	–
NRMA Superannuation Pty Limited	A	NSW	**100.00**	–	**–**	–
NRMA Workers Compensation (NSW) Pty Limited	A	NSW	**100.00**	–	**–**	–
NRMA Workers Compensation (NSW) (No 2) Pty Limited (formerly HIH Workers Compensation (NSW) Pty Limited)		NSW	**100.00**	–	**–**	–
NRMA Workers Compensation (NSW) (No 3) Limited (formerly FAI Workers Compensation (NSW) Limited)		NSW	**100.00**	–	**–**	–
NRMA Workers Compensation (VIC) Limited (formerly HIH Workers Compensation (VIC) Limited)		VIC	**100.00**	–	**–**	–
NRMA Workers Compensation (SA) Limited (formerly HIH Workers Compensation (SA) Limited)		SA	**100.00**	–	**–**	–
NRMA (NZ) Holdings Limited	C	New Zealand	**100.00**	–	**–**	–

Note 42. Details of controlled entities (continued)

	notes	Place of incorporation/ formation	Percentage of shares/ units held 2001 %	2000 %	Book value of parent entity's investments 2001 $m	2000 $m
NRMA Insurance NZ Holdings Limited (formerly Norwich Union NZ Holdings Limited)	C	New Zealand	**100.00**	–	**–**	–
State Insurance Limited	C	New Zealand	**100.00**	–	**–**	–
New Zealand Car Parts Limited	C	New Zealand	**100.00**	–	**–**	–
Direct Insurance Services Limited	C	New Zealand	**100.00**	–	**–**	–
NRMA Insurance International Pty Limited		NSW	**100.00**	–	**11**	–
NHCT Limited	(ii), C	Thailand	**49.00**	–	**–**	–
Beijing Continental Automobile Association Limited (formerly Beijing Enbao Continental Automobile Association Limited)	C	China	**99.00**	–	**–**	–
					3,222	–

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

B No audit required under the terms of its constitution.

C Audited by other firms.

(i) As at the balance date, the NIGL Group has a majority holding and has the capacity to control NRMA Investment Management Cash Management Trust, NRMA Investment Management Equities Trust (formerly NRMA Investment Management Australian Equity Trust), NRMA Investment Management Fixed Interest Trust, NRMA Investment Management Property Trust, NRMA Investment Management Private Equity Trust, NRMA Investment Management World Equity Trust and NRMA Investment Management Equity Trust Australia.
(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) Unless otherwise stated, all controlled entities are audited by KPMG Australia.

Note 43. Outside equity interests

Outside equity interests represent the equity interests held by external parties in controlled entities of the NIGL Group.

Note 44. Related party disclosures

(a) Directors
The Directors who held office during the year were:
Mr J F Astbury, Mrs M C Callaghan, Mr G A Cousins, Mrs M Easson, Ms D G Fisher, Mr N D Hamilton, Ms A J Keating, Mr R A Ross, Mr I F Stanwell, Mr N R Whitlam and Mr E R Dodd.

(b) Wholly-owned group
The wholly-owned group consists of NRMA Insurance Group Limited and its wholly-owned controlled entities. Ownership interests in these wholly-owned controlled entities are set out in note 42.

Transactions between NRMA Insurance Group Limited and related parties in the wholly-owned group during the year ended 30 June 2001 consisted of:
(i) the lending and repayment of loans and receipt of interest thereon;
(ii) rent paid to NRMA Insurance Limited;
(iii) investment management fees paid to NRMA Asset Management Limited and NRMA Nominees Pty Limited;
(iv) management fees paid to NRMA Insurance Limited;
(v) information services and data communication expenses paid to NRMA Insurance Limited and NRMA Information Services Pty Limited; and
(vi) transfer of income tax losses amongst NRMA Insurance Limited, NRMA Asset Management Limited, NRMA Woden Pty Limited, NRMA Nominees Pty Limited, NRMA (Western Australia) Pty Limited, NRMA Insurance International Pty Limited, SGIC General Insurance Limited, SGIO Insurance Limited, NRMA Health Pty Limited and NRMA Financial Management Limited.

The loans to NRMA Insurance Group Limited, 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.

	Parent		Consolidated	
	2001	2000	**2001**	2000
	$m	$m	**$m**	$m
Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with related parties within the wholly-owned group were as follows:				
Dividend revenue	**400**	–	**–**	–
Aggregate amounts receivable from, and payable to, related parties in the wholly-owned group were as follows:				
Non-current loan payable	**337**	–	**–**	–

(c) Other related parties

Other aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with National Roads and Motorists' Association Limited and its controlled entities ("NRMA Limited Group") before 22 July 2000.

	Parent 2001 $m	Parent 2000 $m	Consolidated 2001 $m	Consolidated 2000 $m
Income:				
Information services and data communication revenue from				
– NRMA Limited Group	**–**	–	**1**	–
Management fees from				
– NRMA Limited Group	**–**	–	**1**	–

(d) Other transactions

Insurance and financial services products provided by the NIGL Group are also available to all Directors and their related entities on the same terms and conditions available to other employees.

	Consolidated	
	2001	2000
	Number held	Number held
(e) Directors' holdings of shares		
The interests of Directors of the reporting entity and their related entities in shares of the Company at balance date are:	**239,572**	–
Share transactions of Directors and their related entities during the year are:		
Aggregated acquisition	**248,526**	N/A
Aggregated disposal	**3,546**	N/A

(f) Directors' loans

NRMA Building Society Limited has provided housing, investment loans and equitycredit loans to NIGL Group Directors and Directors' related parties. These loans were provided to these Directors on the same terms and conditions as applied to other employees at the date the loans were issued and in accordance with established policy. The aggregate amount of loans advanced and repaid by Directors and their related parties during the year was $856,779 and $860,642 respectively. The balance of loans outstanding at 30 June 2001 was $192,868 and includes balances advanced before the NIGL Group was formed. The Directors concerned are Mr D C Cleary and The Hon S M Ryan.

	Parent 2001 $m	Parent 2000 $m	Consolidated 2001 $m	Consolidated 2000 $m

Note 45. Employee entitlements

(a) Provision for employee entitlements

	Parent 2001 $m	Parent 2000 $m	Consolidated 2001 $m	Consolidated 2000 $m
Current	**–**	–	**76**	–
Non-current	**–**	–	**18**	–
	–	–	**94**	–

	Number	Number	**Number**	Number
(b) Employee numbers				
Number of employees at balance date	**–**	–	**6,405**	–

(c) IMA long term incentive scheme

The IMA long term incentive scheme was in operation for IMA employees during the year ended 30 June 2001. The incentive is paid subject to a target based on the group performance over a three-year period being achieved.

(d) Staff allocation share plan

During the year a total of 4 million shares at an issue price of $2.86 were issued to participating employees of the Staff Allocation Share Plan for nil consideration.

(e) Performance share rights plan

A Performance Share Rights Plan was in operation during the year ended 30 June 2001. On the satisfaction of a performance hurdle, executives are able to exercise those rights which convert into ordinary equity of the Company. The rights were issued for nil consideration.

(f) 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.

The financial position of each fund which has or had group employees as defined benefit members are summarised below:

	NRMA Superannuation Plan $m	**RACV Superannuation Funds $m**	**Total $m**
Date of last actuarial valuation	1 July 2000	30 June 1999	
Net market value of net assets held by the plan – 30 June 2000	668	210	878
Present value of employees' accrued benefits – 30 June 2000	(396)	(130)	(526)
Excess of net assets over accrued benefits	272	80	352
Vested benefits – 30 June 2000	390	98	488
Vested benefits – 30 June 2001	427	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.

Due to the surplus in these plans, contribution holidays were in place throughout the financial year.

Note 46. Segmental reporting

(a) Business segments

The consolidated entity operates in the general insurance and financial services industries. Other activities, including corporate services, investment management and investment of the NIGL Group's capital funds form a separate segment.

	General Insurance		Financial Services		Corporate and Investments		Intersegment Elimination		Total	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	$m	$m	**$m**	$m	**$m**	$m	**$m**	$m	**$m**	$m
External revenue	**3,542**	–	**384**	–	**327**	–	**–**	–	**4,253**	–
Intersegment revenue	**–**	–	**–**	–	**54**	–	**(54)**	–	**–**	–
Total revenue	**3,542**	–	**384**	–	**381**	–	**(54)**	–	**4,253**	–
Profit/(loss) from ordinary activities before income tax	**206**	–	**20**	–	**(11)**	–	**–**	–	**215**	–
Segment assets	**3,751**	–	**2,953**	–	**6,736**	–	**(854)**	–	**12,586**	–

(b) Geographical segments

	Australia		International*		Total	
	2001	2000	**2001**	2000	**2001**	2000
	$m	$m	**$m**	$m	**$m**	$m
External revenue	**4,121**	–	**132**	–	**4,253**	–
Intersegment revenue	**–**	–	**–**	–	**–**	–
Total revenue	**4,121**	–	**132**	–	**4,253**	–
Profit/(loss) from ordinary activities before income tax	**230**	–	**(15)**	–	**215**	–
Segment assets	**12,028**	–	**558**	–	**12,586**	–

* Virtually all New Zealand as other regions are immaterial.

Note 47. Financial instruments

(a) Derivatives

(i) Interest rate swap agreements

NRMA Building Society Limited and NRMA Finance Limited have entered into interest rate swaps and forward rate agreements ("swap transactions") with trading banks as a hedge against fixed interest rate exposures. All swap transactions are within the scope of the APRA Prudential Standards. The interest expense and income associated with the swap transactions are charged to the statement of financial performance on a monthly basis over the term of the individual swap agreements. The variable rates were based on the 30, 90 and 180 day bank bill swap reference rates. The fixed interest rates for hedges against liabilities varied from 4.97% to 6.86% and for hedges against assets varied from 4.81% to 7.49%. The weighted average effective floating interest rate at 30 June 2001 was 5.01% for hedges against liabilities and 4.93% for hedges against assets.

	Parent		Consolidated	
	2001	2000	**2001**	2000
	$m	$m	**$m**	$m
At balance date, the notional principal amounts and period of expiry of the interest rate swap agreements are as follows:				
Within 1 year	**–**	–	**350**	–
Within 2 to 5 years	**–**	–	**179**	–
	–	–	**529**	–
(ii) Options				
At balance date, the face value of options are as follows:				
Maturity within 3 months	**–**	–	**19**	–

	Parent		Consolidated	
	2001	2000	**2001**	2000
	$m	$m	**$m**	$m
Note 47. Financial instruments (continued)				
(a) Derivatives (continued)				
(iii) Futures				
At balance date, the face value of the 10 year bond futures sold are as follows:				
Maturity within 1 year	**–**	–	**33**	–
At balance date, the face value of the 10 year bond futures purchased are as follows:				
Maturity within 1 year	**–**	–	**59**	–
At balance date, the face value of the 3 year bond futures sold are as follows:				
Maturity within 1 year	**–**	–	**42**	–

(b) Interest rate risk

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

The NIGL 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 lends at fixed interest rate for up to 5 years. To minimise exposure to fluctuations in interest rates from borrowing to fund their 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:

	Consolidated						
		Fixed interest rate maturing in					
2001	**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 %**
Financial assets							
Cash and deposits	**250**	**8**	**706**	**93**	**11**	**1,068**	**5.48**
Receivables	**157**	**–**	**–**	**–**	**418**	**575**	**10.27**
Secured and unsecured loans	**662**	**26**	**111**	**214**	**–**	**1,013**	**7.33**
Government and semi-government stocks and bonds	**–**	**203**	**989**	**565**	**–**	**1,757**	**5.99**
Commercial bills	**731**	**32**	**–**	**–**	**–**	**763**	**5.21**
Bonds	**–**	**1**	**5**	**–**	**–**	**6**	**6.79**
Other investments	**1**	**8**	**485**	**141**	**–**	**635**	**5.52**
	1,801	**278**	**2,296**	**1,013**	**429**	**5,817**	
Financial liabilities							
Bank overdraft	**48**	**–**	**–**	**–**	**–**	**48**	*****
Deposits	**216**	**563**	**50**	**–**	**–**	**829**	**4.85**
Payables	**–**	**–**	**–**	**–**	**592**	**592**	**–**
Interest-bearing liabilities	**286**	**599**	**–**	**–**	**–**	**885**	**5.77**
Debenture	**–**	**6**	**5**	**–**	**–**	**11**	**5.75**
Scrip borrowing	**–**	**252**	**–**	**–**	**–**	**252**	**2.37**
	550	**1,420**	**55**	**–**	**592**	**2,617**	
Off statement of financial position item							
Interest rate swaps	**–**	**159**	**(159)**	**–**	**–**	**–**	

Note: Comparative figures for 2000 are all nil in balance.

* 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 3.95% and 5.75% per annum.

(c) Credit risk

The credit risk exposures of the NIGL 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 NIGL Group transacts with a large number of individual debtors without any single one being material.

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

(d) Net fair values

The NIGL Group's financial assets and liabilities are carried in the statement of financial position 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.

Note 48. Summary of significant actuarial methods and assumptions applied to life insurance business

(a) Valuation of policy liabilities

Policy liabilities of NRMA Life Limited ("Life") 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, all of which are individual business, are as follows:

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

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

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 these charges an additional liability is held to cover this shortfall.

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

Note 48. Summary of significant actuarial methods and assumptions applied to life insurance business (continued)

(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 Life and are based on an analysis of Life's past experience and trends. The significant assumptions are set out below.

Fund 1

Investment earnings and discount rate – 3.4% after tax at 30% (2000 – 4.2% after tax at 30%) being the rate for cash investments at the valuation.

Tax – 30% (2000 – 30%) of expected operating profits.

Maintenance expenses – The expense assumption was based on the budgeted level of expenses for the upcoming year. Expense inflation of 4% (2000 – 3%) was assumed.

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

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

Morbidity (TPD and Trauma) – Rates varying by age, sex, occupation (TPD only) 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 used vary by product and statutory fund and have been based on an analysis of the Life's experience over recent years.

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 4% (2000 – 3%) was assumed.

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

Tax – Rates of 30% were assumed to apply on shareholder assessable income.

Note 49. Solvency requirement of the life subsidiary's statutory funds

These 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 life company.

The methodology and bases for determining solvency requirements are in accordance with the requirements of Actuarial Standard 2.02, Solvency Standard, under section 65 of the Life Act.

	2001 $m
Solvency reserve	**8**
Assets available for solvency	**42**
Coverage of solvency reserve (times)	**5.1**

Directors' declaration

In the opinion of the Directors of NRMA Insurance Group Limited:

(a) the financial statements and notes, set out on pages 38 to 70, are in accordance with the Corporations Act 2001 (except as exempted by an order issued by the Australian Securities & Investment Commission as stated in note 1(a)(ii)), including:

(i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2001 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 2001; 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 31st day of August 2001 in accordance with a resolution of the Directors.

Mr J A Strong
Director

Mr J F Astbury
Director

Independent auditors' report

To the members of NRMA Insurance Group Limited

Scope

We have audited the financial report of NRMA Insurance Group Limited for the financial year ended 30 June 2001 consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes and the Directors' declaration set out on pages 38 to 71. 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 in Australia 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 Group Limited is in accordance with:

(a) the Corporations Act 2001 (except as exempted by an order issued by the Australian Securities & Investment Commission as stated in note 1(a)(ii)), including;

(i) giving a true and fair view of the Company's and the economic entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements.

KPMG

KPMG

Dr Andries B Terblanché
Partner
Sydney, 31 August 2001