

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

CONTENTS

	Page No.
Directors' Report	1
Discussion and Analysis of the Financial Statements	9
Profit and Loss Statement	11
Balance Sheet	12
Statement of Cash Flows	13
Notes to the Financial Statements	14
Directors' Declaration	17
Independent Auditors' Report	18

The concise financial report has been derived from the consolidated entity's 2000 full financial report. The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the 2000 full financial report.

A copy of the NRMA Insurance Limited 2000 full financial reports, including the independent auditors' report, is available to all members, and will be sent to members without charge upon request. The 2000 full financial reports can be requested by telephoning 1300 360 688, or accessed on the internet at www.nrma.com.au.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors present their report together with the concise financial report of the consolidated entity, being NRMA Insurance Limited and its controlled entities, for the year ended 30 June 2000 and the auditors' report thereon.

The following terminology is used throughout the concise financial report.

* Parent entity - NRMA Insurance Limited.

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

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

Directors of NRMA Insurance Limited

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

Chairman:

Mr NR (Nicholas) Whitlam AB, MSc

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

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

Deputy Chairman:

Mrs DG (Dominique) Collins BA(Hons)

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

Other Directors:

Mrs MC (Maree) Callaghan FAICD

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

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Mrs M (Mary) Easson MAICD

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

Mr ND (Neil) Hamilton LLB

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

Ms AJ (Anne) Keating

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

Mr ER (Eric) Dodd BEcon, FCA, MAICD

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

Former Directors:

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

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Principal activities

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

Result and review of operations

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

Project Outlook

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

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

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

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

Alliance with RACV

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

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

NRMA Insurance Limited

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

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

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Result and review of operations (continued)

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

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

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

NRMA Insurance consolidated group

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

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

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

Diversification

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

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

Other matters

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

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Likely developments and expected results of operations

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

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

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

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

Significant changes

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

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

Matters subsequent to the end of the financial year

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

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

in financial years subsequent to 30 June 2000.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Meetings of directors

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

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

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

A - Meetings eligible to attend

B - Meetings attended

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

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

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Insurance of directors and officers

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

Directors' and executive officers' emoluments

Directors

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

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

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

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

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

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

Executive officers and directors

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

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

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

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Directors' and executive officers' emoluments (continued)

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

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

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

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

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

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

Environmental regulation

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

Millennium issue

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

Rounding of amounts

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

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

..... Director
NR WHITLAM

..... Director
ER DODD

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES
DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Discussion and analysis of the profit and loss statement

The Group's operating profit after tax and abnormal expenses was \$396.5m (1999 - \$276.1m) and after extraordinary items net of tax was \$346.6m (1999 - \$262.0m). The operating profit and extraordinary item attributable to members of NRMA Insurance Limited has increased by 17.1% on 1999 to \$296.4m due to a strong performance from general insurance, financial services and investment operations.

Total revenue increased by \$956.3m to \$4,406.3m. General insurance premium revenue contributed \$459.8m of the overall increase, reflecting contributions from the acquisition of the RACV insurance portfolio in December 1999, a full year of SGIO business compared to 8 months in the prior year, and organic growth in existing portfolios.

Revenue from investments increased from \$669.3m last year to \$758.6m for the current year, influenced by the performance of international equities exceeding industry benchmarks.

Other revenues include the consolidation of life insurance statutory funds revenue of \$327.8m for the first time in accordance with AASB 1038: Life Insurance Business.

Home lending and personal finance revenue grew by \$28.6m on last year.

Reinsurance expense includes the cost of an aggregate stop loss treaty which increased by \$18.5m on last year due to a strong underwriting performance in the year. The 1999 expense included reinstatement premium on the Sydney hailstorm of \$18m. Removing these effects, the underlying increase in reinsurance expense is a factor of the underlying premium growth.

The overall loss ratio (net claims expense as a proportion of net premium revenue) is 85.9% compared to 83.8% last year. This increase is offset by a reduction in underwriting expense ratio (total underwriting expenses to net premium revenue) from 23.9% to 21.6% such that the combined ratio from general insurance of 107.5% is in line with last year (107.7%). There were no major catastrophes affecting the Group in the current year, however claims cost pressures were experienced in the motor insurance portfolio. CTP benefited from downward claims revisions for previous years due to the ongoing stability in the development of the tail.

Other expenses of \$640.6m includes \$304.3m relating to the consolidation of the life statutory funds. In addition, costs were incurred in the current year associated with the establishment of the RACV alliance, development of national IT platforms and e-commerce initiatives.

The abnormal item of \$79.7m profit arose from the recognition of a deferred acquisition cost asset made possible by the acquisition of a subsidiary, Insurance Manufacturers of Australia Pty Limited (IMA). NRMA Insurance Limited had previously not deferred acquisition costs on certain general insurance portfolios. When these portfolios were combined with those of IMA, the deferred acquisition costs were deemed recoverable.

The extraordinary item in both 1999 and 2000 relates to expenses incurred through the demutualisation and listing process. Most of the expenditure was capital in nature and therefore non deductible leading to a very low applicable tax.

Discussion and analysis of the balance sheet

Total Group assets increased by 31.6% to \$12,129.9m over the year. Other than increases inherent in the growth of premiums, the increase in total assets principally comprises:

- the first time inclusion of life insurance statutory fund assets of \$972.0m;
- assets on acquisition of IMA of \$457.2m;
- increases in the unrealised market value of investments of \$431.2m;
- investment assets financed by short term borrowings and scrip lending totalling \$652.8m;
- investor participation by external parties in the internal wholesale asset management trusts increasing by \$170.5m; and
- an increase in deferred acquisition expenses of \$98.6m.

Total liabilities increased by 34.8% to \$8,645.8m, due to mainly to:

- the first time inclusion of life insurance statutory fund liabilities of \$897.3m;
- borrowing related to acquisitions of \$405.0m;
- an increase in scrip lending balances of \$247.8m;
- growth in outstanding claims of \$123.0m;
- accounts payable increase for GST payable of over \$120m on the balance of unearned premiums at 30 June 2000;
- growth in other accounts payable related to stamp duties, settlements outstanding on investment purchases and reinsurance creditors.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES
DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Discussion and analysis of the balance sheet (continued)

The consolidated equity attributable to the members increased by 12.3% to \$2,852.8m mainly comprising the current year earnings of the Group.

Discussion and analysis of the statement of cash flows

The increase in net cash provided by operating activities has been due to a combination of new business obtained through the acquisition of Insurance Manufacturers of Australia Pty Limited, a full twelve months of SGIO business and organic growth. In addition reinsurance recoveries in relation to the Sydney hailstorm were received in the current financial year.

The turnover of fixed interest and equity investments of NRMA Insurance Limited have been higher in the current year although the net effect on cash is comparable to the previous year.

NRMA INSURANCE LIMITED AND CONSOLIDATED PROFIT AND LOSS STATEMENT

FOR THE YEAR ENDED 30 JUNE 2000

		CONSOLIDATED	
	<u>Notes</u>	2000 \$m	1999 \$m
Premium revenue	5(a)	2,573.3	2,113.5
Reinsurance expense		(189.1)	(149.6)
Net premium revenue		2,384.2	1,963.9
Claims expense		(2,573.9)	(2,159.0)
Reinsurance and other recoveries	5(b)	526.0	514.0
Net claims expense		(2,047.9)	(1,645.0)
Acquisition costs		(280.4)	(201.9)
Other underwriting expenses		(174.6)	(210.8)
Fire brigade charges		(59.7)	(57.0)
Underwriting expenses		(514.7)	(469.7)
Loss from underwriting		(178.4)	(150.8)
Investment income	5(c)	304.3	294.7
Realised gains on investments	5(c)	23.1	1.3
Unrealised gains on investments	5(c)	431.2	373.3
Other revenue	5(d)	188.4	151.9
Life insurance business revenue	5(d)	327.8	-
Investment and other expenses		(640.6)	(238.4)
Operating profit before abnormal item and income tax		455.8	432.0
Abnormal item		79.7	(56.1)
Operating profit before income tax		535.5	375.9
Income tax expense attributable to operating profit		(139.0)	(99.8)
Operating profit after income tax		396.5	276.1
Extraordinary item before income tax	6	(60.7)	(15.3)
Income tax benefit attributable to extraordinary item	6	10.8	1.2
Extraordinary item after income tax	6	(49.9)	(14.1)
Operating profit and extraordinary item after income tax		346.6	262.0
Outside equity interest in operating profit and extraordinary item after income tax		(50.2)	(8.9)
Operating profit and extraordinary item after income tax attributable to members of NRMA Insurance Limited		296.4	253.1
Retained profits at the beginning of the financial year		772.4	791.7
Total available for appropriation		1,068.8	1,044.8
Aggregate of amounts transferred from / (to) reserves		131.1	(263.6)
Other appropriations		16.2	(8.8)
Retained profits at the end of the financial year		1,216.1	772.4

The above profit and loss statement is to be read in conjunction with the notes to the financial statements and the discussion and analysis.

NRMA INSURANCE LIMITED AND CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2000

	CONSOLIDATED	
	2000	1999
	\$m	\$m
Current assets		
Cash	418.5	181.2
Receivables	1,071.1	940.7
Investments	1,936.3	1,326.3
Other	190.3	74.7
Total current assets	3,616.2	2,522.9
Non-current assets		
Receivables	1,302.0	1,298.7
Investments	6,579.2	4,771.5
Plant and equipment	86.1	101.3
Future income tax benefits	126.1	202.7
Other	420.3	320.3
Total non-current assets	8,513.7	6,694.5
Total assets	12,129.9	9,217.4
Current liabilities		
Bank overdrafts	88.4	56.2
Deposits	659.1	585.2
Accounts payable	639.4	366.9
Scrip lending	549.1	301.3
Borrowings	939.7	621.1
Provisions	93.7	111.7
Outstanding claims	1,169.3	1,106.8
Unearned premium	1,409.4	1,172.8
Total current liabilities	5,548.1	4,322.0
Non-current liabilities		
Deposits	45.0	33.6
Borrowings	10.2	19.4
Provisions	369.6	275.0
Gross life insurance policy liabilities	847.3	-
Outstanding claims	1,825.6	1,765.1
Total non-current liabilities	3,097.7	2,093.1
Total liabilities	8,645.8	6,415.1
Net assets	3,484.1	2,802.3
Equity		
Reserves	1,636.7	1,767.8
Retained profits	1,216.1	772.4
Equity attributable to members of NRMA Insurance Limited	2,852.8	2,540.2
Outside equity interest in controlled entities:		
- Share capital	163.4	-
- Shareholder's loan	10.7	-
- Retained profits	24.6	-
- Unitholders' funds	432.6	262.1
Total equity	3,484.1	2,802.3

The above balance sheet is to be read in conjunction with the notes to the financial statements and the discussion and analysis.

NRMA INSURANCE LIMITED AND CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2000

	CONSOLIDATED	
	2000	1999
	\$m	\$m
Cash flows from operating activities		
Premium received	2,362.7	2,106.4
Reinsurance and other recoveries received	419.9	204.6
Claims costs paid	(2,259.2)	(1,886.6)
Outwards reinsurance premium paid	(64.9)	(75.5)
Dividends received	119.7	94.3
Interest and similar items received	340.6	290.5
Interest and other costs of finance paid	(96.9)	(68.3)
Income taxes refunded	0.2	0.5
Income taxes paid	(8.5)	(13.2)
Other operating receipts	589.0	163.2
Other operating payments	(760.0)	(697.7)
Net cash provided by operating activities	642.6	118.2
Cash flows from investing activities		
Payment for acquisition of controlled entity, net of cash acquired	(562.0)	(404.7)
Proceeds from disposal of investments and fixed assets	34,218.0	19,399.4
Outlays for investments and fixed assets acquired	(34,646.4)	(19,656.7)
Repayment of mortgage loans	818.6	395.3
Drawdown of mortgage loans	(1,110.7)	(982.6)
Net cash used in investing activities	(1,282.5)	(1,249.3)
Cash flows from financing activities		
Proceeds from issues of trust units	838.2	1,840.7
Outlays for redemption of trust units	(685.6)	(1,766.5)
Distributions paid by unit trusts	(18.5)	-
Proceeds from borrowings	662.8	302.7
Repayment of borrowings	(105.9)	(35.7)
Net increase in depositor funds	85.2	257.1
Proceeds from securitisation	290.2	388.6
Redemption of shares issued	-	(92.6)
Dividends paid	(9.3)	-
Net cash provided by financing activities	1,057.1	594.3
Net increase / (decrease) in cash held	417.2	(536.8)
Cash at the beginning of the financial year	258.4	786.3
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the financial year	(2.7)	8.9
Cash at the end of the financial year	672.9	258.4

The above statement of cash flows is to be read in conjunction with the notes to the financial statements and the discussion and analysis.

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

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

1. Basis of preparation of concise financial report

The concise financial report has been prepared in accordance with the Corporations Law, Accounting Standard AASB 1039 "Concise Financial Reports" and applicable Urgent Issues Group Consensus Views. The financial statements and specific disclosures required by AASB 1039 have been derived from the consolidated entity's full financial report for the financial year. Other information included in the concise financial report is consistent with the consolidated entity's full financial report. The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

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

Certain comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

2. Changes in accounting policy

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

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

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

3. Entity limited by guarantee

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

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

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

4. Segmental reporting

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

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

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

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

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

	CONSOLIDATED	
	2000	1999
	\$m	\$m
5. Revenue		
(a) Sales revenue		
Premium revenue	2,573.3	2,113.5
(b) Other general insurance revenue		
Reinsurance and other recoveries	526.0	514.0
(c) Investment revenue		
Investment income	304.3	294.7
Changes in net market values of investments		
- realised gains	23.1	1.3
- unrealised gains	431.2	373.3
(d) Other revenue		
Life insurance business revenue	327.8	-
Other income	188.4	151.9
Proceeds on disposal of fixed assets	32.2	1.3
Total revenue	4,406.3	3,450.0
6. Extraordinary item		
Expenses in relation to the proposed corporate restructure and demutualisation of NRMA Insurance Limited	(60.7)	(15.3)
Applicable income tax benefit	10.8	1.2
Extraordinary item after income tax	(49.9)	(14.1)
7. Dividend		
The Company's Constitution prevents the payment of dividends.		
8. Contingency		
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 has been issued by NRMA Insurance Limited in respect of this contract on the basis that the ceding insurer fraudulently induced NRMA Insurance Limited to enter the contract by, amongst other things, withholding sensitive or critical information as well as providing financial information and explanations which it knew to be false. A Statement of Claim has been lodged against the ceding insurer and other parties. The dispute with the insurer has been referred to arbitration.		
No entries have been recorded in the profit and loss statement for either the year ended 30 June 1999 or 30 June 2000 on the basis of the rescission. No net profit was recorded in the year ended 30 June 1998.		
A letter of credit held by the ceding insurer was exercised in July 1999 for US\$34.5 million. NRMA Insurance Limited holds cash of US\$10.8 million and a letter of credit for US\$25.0 million as security if NRMA Insurance Limited is successful in its claim.		
Due to the inaccuracy of the financial information received from the ceding insurer, it is not possible to quantify the potential financial exposures. However, whilst NRMA Insurance Limited believes its case is strong, it also considers that it is unlikely that the potential amounts in dispute will be material to NRMA Insurance Limited's operations. However, no assurance can be given in this regard.		

NRMA INSURANCE LIMITED AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

The Directors declare that the concise financial report for the consolidated entity, comprising NRMA Insurance Limited and its controlled entities for the year ended 30 June 2000, set out on pages 11 to 16:

- (a) has been derived from or is consistent with the full financial reports for the financial year; and
- (b) complies with Accounting Standard AASB 1039 "Concise Financial Reports".

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

..... Director
NR WHITLAM

..... Director
ER DODD

INDEPENDENT AUDITORS' REPORT

To the members of NRMA Insurance Limited

Scope

We have audited the concise financial report of NRMA Insurance Limited for the financial year ended 30 June 2000 as set out on pages 11 to 17 in order to express an opinion on it to the members of the Company. The Company's Directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of NRMA Insurance Limited for the year ended 30 June 2000. Our audit report on the full financial report was signed on 7 September 2000, and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports".

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

Audit Opinion

In our opinion, the concise financial report of NRMA Insurance Limited for the year ended 30 June 2000 complies with AASB 1039 "Concise Financial Reports".

KPMG

Dr Andries B Terblanché
Partner

Sydney
7th September 2000