

Appendix 4B

Half yearly report

Introduced 30/6/2002.

Name of entity

Insurance Australia Group Limited (Formerly NRMA Insurance Group Limited)

ABN or equivalent company reference

60 090 739 923

Half yearly
(tick)



Final
(tick)



Half year/financial year ended ('current period')

31 December 2002

For announcement to the market

Extracts from this report for announcement to the market (see note 1).

\$A Million

Revenues from ordinary activities (<i>item 1.1</i>)	down	4.3%	to	2,199
Profit (loss) from ordinary activities after tax attributable to members (<i>item 1.22</i>)	up	26.5%	to	62
Profit (loss) from extraordinary items after tax attributable to members (<i>item 2.5(d)</i>)	N/A	N/A	Nil	
Net profit (loss) for the period attributable to members (<i>item 1.11</i>)	up	26.5%	to	62
Dividends (distributions)		Amount per security		Franked amount per security
Interim dividend (<i>Half yearly report only - item 15.6</i>)		Ordinary Share – 4.5¢		Ordinary Share – 4.5¢
		Reset Preference Shares – 308.27¢		Reset Preference Shares – 308.27¢
Previous corresponding period (<i>Preliminary final report - item 15.5; half yearly report - item 15.7</i>)		Ordinary Share – 4.5¢		Ordinary Share – 4.5¢
		Reset Preference Shares – N/A		Reset Preference Shares – N/A
+Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (<i>see item 15.2</i>)		12 March 2003		
Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				

+ See chapter 19 for defined terms.

Consolidated statement of financial performance

		Current period – \$A Million	Previous corresponding period - \$A Million
1.1	Revenues from ordinary activities (<i>see items 1.23 -1.25</i>)	2,199	2,298
1.2	Expenses from ordinary activities (<i>see items 1.26 & 1.27</i>)	(2,072)	(2,198)
1.3	Borrowing costs	(12)	(37)
1.4	Share of net profits (losses) of associates and joint venture entities (<i>see item 16.7</i>)	-	-
1.5	Profit (loss) from ordinary activities before tax	115	63
1.6	Income tax on ordinary activities (<i>see note 4</i>)	(18)	(5)
1.7	Profit (loss) from ordinary activities after tax	97	58
1.8	Profit (loss) from extraordinary items after tax (<i>see item 2.5</i>)	-	-
1.9	Net profit (loss)	97	58
1.10	Net profit (loss) attributable to outside ⁺ equity interests	35	9
1.11	Net profit (loss) for the period attributable to members	62	49
Non-owner transaction changes in equity			
1.12	Increase (decrease) in revaluation reserves	-	-
1.13	Net exchange differences recognised in equity	-	-
1.14	Other revenue, expense and initial adjustments recognised directly in equity (attach details)	-	-
1.15	Initial adjustments from UIG transitional provisions	-	-
1.16	Total transactions and adjustments recognised directly in equity (items 1.12 to 1.15)	-	-
1.17	Total changes in equity not resulting from transactions with owners as owners	62	49

Earnings per security (EPS)		Current period	Previous corresponding Period
1.18	Basic EPS on ordinary shares	3.64 cents	3.52 cents
	Basic EPS on reset preference shares	308.27 cents	N/A cents
1.19	Diluted EPS on ordinary shares	3.62 cents	3.50 cents

+ See chapter 19 for defined terms.

Notes to the condensed consolidated statement of financial performance

Profit (loss) from ordinary activities attributable to members

	Current period – \$A Million	Previous corresponding period - \$A Million
1.20 Profit (loss) from ordinary activities after tax (<i>item 1.7</i>)	97	58
1.21 Less (plus) outside ⁺ equity interests	35	9
1.22 Profit (loss) from ordinary activities after tax, attributable to members	62	49

Revenue and expenses from ordinary activities

(see note 15)

	Current period – \$A Million	Previous corresponding period - \$A Million
1.23 Revenue from sales or services	2,010	2,060
1.24 Interest revenue	145	135
1.25 Other relevant revenue	APPENDIX A	APPENDIX A
1.26 Details of relevant expenses	APPENDIX A & B	APPENDIX A & B
1.27 Depreciation and amortisation excluding amortisation of intangibles (<i>see item 2.3</i>)	14	16
Capitalised outlays		
1.28 Interest costs capitalised in asset values	-	-
1.29 Outlays capitalised in intangibles (unless arising from an ⁺ acquisition of a business)	-	-

Consolidated retained profits

	Current period – \$A Million	Previous corresponding period - \$A Million
1.30 Retained profits (accumulated losses) at the beginning of the financial period	(375)	(164)
1.31 Net profit (loss) attributable to members (<i>item 1.11</i>)	62	49
1.32 Net transfers from (to) reserves (<i>details if material</i>)	-	-
1.33 Net effect of changes in accounting policies	-	-
1.34 Dividends and other equity distributions paid or payable	(89)	-
1.35 Retained profits (accumulated losses) at end of financial period	(402)	(115)

+ See chapter 19 for defined terms.

Intangible and extraordinary items

		<i>Consolidated – current period</i>			
		Before tax \$A Million (a)	Related tax \$A Million (b)	Related outside + equity interests \$A Million (c)	Amount (after tax) attributable to members \$A Million (d)
2.1	Amortisation of goodwill	19	-	-	19
2.2	Amortisation of other intangibles	8	-	-	8
2.3	Total amortisation of intangibles	27	-	-	27
2.4	Extraordinary items (details)	-	-	-	-
2.5	Total extraordinary items	-	-	-	-

Comparison of half year profits

(Preliminary final report only)

		Current year – \$A Million	Previous year – \$A Million
3.1	Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the <i>1st</i> half year (item 1.22 in the half yearly report)	N/A	N/A
3.2	Consolidated profit (loss) from ordinary activities after tax attributable to members for the <i>2nd</i> half year	N/A	N/A

+ See chapter 19 for defined terms.

Consolidated statement of financial position		At end of current period \$A Million	As shown in last annual report \$A Million	As in last half yearly report \$A Million
Current assets				
4.1	Cash	1,400	253	134
4.2	Receivables	1,334	1,519	1,228
4.3	Investments	2,119	1,619	1,397
4.4	Inventories	2	2	2
4.5	Tax assets	9	6	3
4.6	Other (provide details if material)	395	311	269
4.7	Total current assets	5,259	3,710	3,033
Non-current assets				
4.8	Receivables	231	192	254
4.9	Investments (equity accounted)	-	-	-
4.10	Other investments	5,406	6,471	6,505
4.11	Inventories	-	-	-
4.12	Exploration and evaluation expenditure capitalised (<i>see para .71 of AASB 1022</i>)	-	-	-
4.13	Development properties (+mining entities)	-	-	-
4.14	Other property, plant and equipment (net)	97	95	101
4.15	Intangibles (net)	616	632	643
4.16	Tax assets	218	206	154
4.17	Other (provide details if material)	3	1	2
4.18	Total non-current assets	6,571	7,597	7,659
4.19	Total assets	11,830	11,307	10,692
Current liabilities				
4.20	Payables	447	1,281	290
4.21	Interest bearing liabilities	301	224	245
4.22	Tax liabilities	87	49	197
4.23	Provisions exc. tax liabilities (includes outstanding claims)	1,417	1,352	1,376
4.24	Other (unearned premium)	1,877	1,839	1,686
4.25	Total current liabilities	4,129	4,745	3,794
Non-current liabilities				
4.26	Payables	-	-	-
4.27	Interest bearing liabilities	393	86	83
4.28	Tax liabilities	72	135	139
4.29	Provisions exc. tax liabilities (includes outstanding claims)	2,539	2,435	2,309

+ See chapter 19 for defined terms.

Consolidated statement of financial position continued

4.30	Other (Life insurance policy liability)	909	927	950
4.31	Total non-current liabilities	3,913	3,583	3,481
4.32	Total liabilities	8,042	8,328	7,275
4.33	Net assets	3,788	2,979	3,417
	Equity			
4.34	Capital/contributed equity	3,707	2,852	2,687
4.35	Reserves (foreign currency translation)	(3)	(1)	(2)
4.36	Retained profits (accumulated losses)	(402)	(375)	(115)
4.37	Equity attributable to members of the parent entity	3,302	2,476	2,570
4.38	Outside ⁺ equity interests in controlled entities	486	503	847
4.39	Total equity	3,788	2,979	3,417
4.40	Preference capital included as part of 4.37	343	343	-

Notes to the condensed consolidated statement of financial position

Exploration and evaluation expenditure capitalised

(To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred.)

	Current period \$A Million	Previous corresponding period - \$A Million
5.1	Opening balance	N/A
5.2	Expenditure incurred during current period	N/A
5.3	Expenditure written off during current period	N/A
5.4	Acquisitions, disposals, revaluation increments, etc.	N/A
5.5	Expenditure transferred to Development Properties	-
5.6	Closing balance as shown in the consolidated balance sheet (item 4.12)	N/A

+ See chapter 19 for defined terms.

Development properties

(To be completed only by entities with mining interests if amounts are material)

	Current period \$A Million	Previous corresponding period - \$A Million
6.1 Opening balance	N/A	N/A
6.2 Expenditure incurred during current period	N/A	N/A
6.3 Expenditure transferred from exploration and evaluation	N/A	N/A
6.4 Expenditure written off during current period	N/A	N/A
6.5 Acquisitions, disposals, revaluation increments, etc.	N/A	N/A
6.6 Expenditure transferred to mine properties	N/A	N/A
6.7 Closing balance as shown in the consolidated balance sheet (item 4.13)	N/A	N/A

Consolidated statement of cash flows

	Current period \$A Million	Previous corresponding period - \$A Million
Cash flows related to operating activities		
7.1 Receipts from customers	2,222	2,049
7.2 Payments to suppliers and employees	(1,615)	(1,540)
7.3 Dividends received from associates	-	-
7.4 Other dividends received	45	76
7.5 Interest and other items of similar nature received	198	179
7.6 Interest and other costs of finance paid	(9)	(40)
7.7 Income taxes paid (net)	(53)	(58)
7.8 Other (provide details if material)	(495)	(520)
7.9 Net operating cash flows	293	146
Cash flows related to investing activities		
7.10 Payment for purchases of property, plant and equipment	(23)	(25)
7.11 Proceeds from sale of property, plant and equipment	7	9
7.12 Payment for purchases of equity investments	(13,951)	(11,173)
7.13 Proceeds from sale of equity investments	14,449	11,128
7.14 Loans to other entities	-	(308)
7.15 Loans repaid by other entities	-	252
7.16 Other (cash acquired / (disposed) on acquisition / disposal of controlled entities	-	(67)
7.17 Net investing cash flows	482	(184)

+ See chapter 19 for defined terms.

Consolidated statement of cash flows continued

Cash flows related to financing activities			
7.18	Proceeds from issues of securities / (Redemption of share issues)	856	-
7.19	Proceeds from borrowings	592	806
7.20	Repayment of borrowings	(935)	(984)
7.21	Dividends paid	(114)	(84)
7.22	Other (net proceeds/(outlays) from issue/redemption of trust units, securitisation proceeds)	(28)	110
7.23	Net financing cash flows	371	(152)
7.24	Net increase (decrease) in cash held	1,146	(190)
7.25	Cash at beginning of period <i>(see Reconciliation of cash)</i>	253	344
7.26	Exchange rate adjustments to item 7.25.	1	-
7.27	Cash at end of period <i>(see Reconciliation of cash)</i>	1,400	154

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. *(If an amount is quantified, show comparative amount.)*

Nil

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period \$A Million	Previous corresponding period - \$A Million
8.1 Cash on hand and at bank	1,400	134
8.2 Deposits at call	-	-
8.3 Bank overdraft	-	-
8.4 Other (commercial bills)	-	20
8.5 Total cash at end of period (item 7.27)	1,400	154

+ See chapter 19 for defined terms.

Other notes to the condensed financial statements

Ratios	Current period	Previous corresponding Period
9.1 Profit before tax / revenue Consolidated profit (loss) from ordinary activities before tax (<i>item 1.5</i>) as a percentage of revenue (<i>item 1.1</i>)	5.2%	2.7%
9.2 Profit after tax / ⁺equity interests Consolidated net profit (loss) from ordinary activities after tax attributable to members (<i>item 1.11</i>) as a percentage of equity (similarly attributable) at the end of the period (<i>item 4.37</i>)	1.9%	1.9%

Earnings per security (EPS)

10. Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of *AASB 1027: Earnings Per Share* are as follows.

	Current period	Previous Period
For ordinary shares:		
(a) Basic EPS per share	3.64 ¢	3.52 ¢
(b) Diluted EPS per share	3.62 ¢	3.50 ¢
(c) Weighted average number of shares outstanding during the financial year used in calculation of the earnings per share (million of shares):		
(i) Basic EPS	1,391	1,399
(ii) Diluted EPS	1,398	1,405
For reset preference shares:		
(a) Basic EPS per share	308.27 ¢	- ¢
(b) Weighted average number of shares outstanding during the financial year used in calculation of the earnings per share (million of shares):		
(i) Basic EPS	4	-

NTA backing (see note 7)	Current period	Previous corresponding Period
11.1 Net tangible asset backing per ⁺ ordinary security	141 ¢	138 ¢

Discontinuing Operations

(Entities must report a description of any significant activities or events relating to discontinuing operations in accordance with paragraph 7.5 (g) of AASB 1029: Interim Financial Reporting, or, the details of discontinuing operations they have disclosed in their accounts in accordance with AASB 1042: Discontinuing Operations (see note 17).)

12.1 Discontinuing Operations

Nil

+ See chapter 19 for defined terms.

Control gained over entities having material effect

13.1 Name of entity (or group of entities)	N/A
13.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was ⁺ acquired	N/A
13.3 Date from which such profit has been calculated	N/A
13.4 Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

Loss of control of entities having material effect

14.1 Name of entity (or group of entities)	N/A
14.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	N/A
14.3 Date to which the profit (loss) in item 14.2 has been calculated	N/A
14.4 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	N/A
14.5 Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	N/A

Dividends (in the case of a trust, distributions)

15.1 Date the dividend (distribution) is payable	14 April 2003
15.2 ⁺ Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if ⁺ securities are not ⁺ CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if ⁺ securities are ⁺ CHESS approved)	12 March 2003
15.3 If it is a final dividend, has it been declared? <i>(Preliminary final report only)</i>	N/A

⁺ See chapter 19 for defined terms.

Amount per security

		Amount per security	Franked amount per security at % tax (see note 4)	Amount per security of foreign source dividend
15.4	<i>(Preliminary final report only)</i> Final dividend: Current year	N/A¢	N/A¢	N/A¢
15.5	Previous year	N/A¢	N/A¢	N/A¢
15.6	<i>(Half yearly and preliminary final reports)</i> Interim dividend: Current year – Ordinary Shares	4.5¢	4.5¢	N/A¢
	Current year – Reset Preference Shares	308.27 ¢	308.27 ¢	N/A¢
15.7	Previous year – Ordinary Shares	4.5¢	4.5¢	N/A¢
	Previous year – Reset Preference Shares	N/A¢	N/A¢	N/A¢

Total dividend (distribution) per security (interim plus final)

(Preliminary final report only)

	Current year	Previous year
15.8 +Ordinary securities	N/A¢	N/A¢
15.9 Preference +securities	N/A¢	N/A¢

Half yearly report - interim dividend (distribution) on all securities or Preliminary final report - final dividend (distribution) on all securities

	Current period \$A Million	Previous corresponding period - \$A Million
15.10 +Ordinary securities <i>(each class separately)</i>	78	-
15.11 Preference +securities <i>(each class separately)</i>	11	-
15.12 Other equity instruments <i>(each class separately)</i>	-	-
15.13 Total	89	-

The +dividend or distribution plans shown below are in operation.

Dividend Reinvestment Plan

The last date(s) for receipt of election notices for the +dividend or distribution plans

11 March 2003

Any other disclosures in relation to dividends (distributions). *(For half yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting)*

+ See chapter 19 for defined terms.

N/A

Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	Current period \$A Million	Previous corresponding period - \$A Million
16.1 Profit (loss) from ordinary activities before tax	N/A	N/A
16.2 Income tax on ordinary activities	N/A	N/A
16.3 Profit (loss) from ordinary activities after tax	N/A	N/A
16.4 Extraordinary items net of tax	N/A	N/A
16.5 Net profit (loss)	N/A	N/A
16.6 Adjustments	N/A	N/A
16.7 Share of net profit (loss) of associates and joint venture entities	N/A	N/A

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. (If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (<i>item 1.9</i>)	
	Current period	Previous corresponding period	Current period \$A Million	Previous corresponding period – \$A Million
17.1 Equity accounted associates and joint venture entities	N/A	N/A	N/A	N/A
17.2 Total	N/A	N/A	N/A	N/A
17.3 Other material interests	N/A	N/A	N/A	N/A
17.4 Total	N/A	N/A	N/A	N/A

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current period

(Description must include rate of interest and any redemption or conversion rights together with prices and dates)

Category of +securities	Total number	Number quoted	Issue price per security (see note 14) (cents)	Amount paid up per security (see note 14) (cents)
18.1 Preference +securities (<i>reset preference shares</i>)	3,500,000	3,500,000		
18.2 Changes during current period				
(a) Increases through issues	Nil	Nil	N/A	N/A
(b) Decreases through returns of capital, buybacks, redemptions	Nil	Nil	N/A	N/A
18.3 +Ordinary securities	1,656,115,069	1,656,115,069		
18.4 Changes during current period				
(a) Increases through issues				
i) Institutional Placement	196,078,432	196,078,432	255¢	255¢
ii) Share Purchase Plan	158,333,333	158,333,333	240¢	240¢
(b) Decreases through buybacks	-	-	-	-
18.5 +Convertible debt securities (<i>description and conversion factor</i>)	Nil	Nil	N/A	N/A
18.6 Changes during current period				
(a) Increases through issues	Nil	Nil	N/A	N/A
(b) Decreases through securities matured, converted				
18.7 Options (<i>description and conversion factor</i>)	6,648,319	6,648,319	<i>Exercise price</i>	<i>Expiry date (if any)</i>
18.8 Issued during current period	102,222	102,222	See below ¹	15 July, 2012
18.9 Exercised during current period	Nil	Nil	Nil	Nil
18.10 Expired during current period	230,000	230,000	See below ²	See below ³

¹ \$1 per tranche of options issued - 3 tranches issued

² \$1 per tranche of options issued - 4 tranches expired

³ Options expired as a result of employee termination before options were vested.

18.11 Debentures <i>(description)</i>		
18.12 Changes during current period	N/A	N/A
(a) Increases through issues		
(b) Decreases through securities matured, converted	N/A	N/A
18.13 Unsecured notes <i>(description)</i>		
18.14 Changes during current period		
(a) Increases through issues	N/A	N/A
(b) Decreases through securities matured, converted	N/A	N/A

Segment reporting

(Information on the business and geographical segments of the entity must be reported for the current period in accordance with *AASB 1005: Segment Reporting* and for half year reports, *AASB 1029: Interim Financial Reporting*. Because entities employ different structures a pro forma cannot be provided. Segment information in the layout employed in the entity's ⁺accounts should be reported separately and attached to this report.)

See attached: APPENDIX C

Comments by directors

(Comments on the following matters are required by ASX or, in relation to the half yearly report, by *AASB 1029: Interim Financial Reporting*. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.)

Nil

⁺ See chapter 19 for defined terms.

Basis of financial report preparation

19.1 *If this report is a half yearly report, it is a general purpose financial report prepared in accordance with the listing rules and AASB 1029: Interim Financial Reporting. **It should be read in conjunction with the last +annual report and any announcements to the market made by the entity during the period.** The financial statements in this report are “condensed financial statements” as defined in AASB 1029: Interim Financial Reporting. This report does not include all the notes of the type normally included in an annual financial report. [Delete if preliminary final report.]*

19.2 Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

Nil

19.3 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

APPENDIX E

19.4 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

The franking surplus of the Insurance Australia Group exceeds \$376 million as at 31 December 2002. Accordingly, frankable distribution payable in the current financial year expected to be fully franked.

+ See chapter 19 for defined terms.

- 19.5 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows. (Disclose changes and differences in the half yearly report in accordance with *AASB 1029: Interim Financial Reporting*. Disclose changes in accounting policies in the preliminary final report in accordance with *AASB 1001: Accounting Policies-Disclosure*).

Employee entitlements

From 1 July 2002, the IAG Group applied the revised AASB 1028: Employee Benefits (issued in June 2001) for the first time.

Wages, 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 remuneration rates that are expected to be paid when these liabilities are settled including on-costs. This is a change from prior periods when remuneration rates existing at balance date were used. This change has not had a material impact on the results of the IAG Group.

Accounting policies for long service leave, superannuation and the Staff Allocation Share Plan have not changed since 30 June 2002.

- 19.6 Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous +annual reports if those revisions have a material effect in this half year.

Nil

+ See chapter 19 for defined terms.

- 19.7 Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last ⁺ annual report.

Other than the matter referred to below, there have been no other material changes in contingent liabilities or contingent assets since 30 June 2002.

As disclosed in prior years, in the normal course of its operations, NRMA Insurance Limited ("NRMAI") entered a quota share reinsurance contract with a US insurer ("the Ceding Insurer") for one year from 1 July 1997.

NRMAI accepted 50% of a 20% Whole Account Quota Share Reinsurance Treaty of the property and casualty insurance and reinsurance business written by the Ceding Insurer ("the Treaty").

Court proceedings were commenced by NRMAI against the Ceding Insurer and other parties in 1999. The dispute with the Ceding Insurer has been referred to arbitration.

The other insurers to the Treaty have separate arbitration proceedings against the Ceding Insurer.

The arbitration involving NRMAI is being heard in two parts. The arbitration panel in November 2002 ruled in favour of NRMAI in relation to the preliminary issue, that the Treaty is not retroactive and therefore does not cover loss occurrences prior to 1 July 1997. As a result of this ruling the Ceding Insurer is required to provide a new accounting for the Treaty to NRMAI. The second part of the case is scheduled to be heard in October 2003 and will examine whether the Treaty should in any event be rescinded.

NRMAI holds a letter of credit for US\$25 million as security if it is successful in its claim. Whilst NRMAI believes its case is strong, if NRMAI were wholly unsuccessful in its claim, it could lose the amount of US\$25 million recognised as an asset in the financial report and record a further loss of US\$13 million. In stating these amounts NRMAI has not taken into account the recent ruling of the arbitration panel in its favour. NRMAI is currently unable to quantify the effect this ruling may have on its potential losses if it were to be wholly unsuccessful in the second part of the case.

⁺ See chapter 19 for defined terms.

Additional disclosure for trusts

20.1	Number of units held by the management company or responsible entity or their related parties.	N/A
20.2	A statement of the fees and commissions payable to the management company or responsible entity. Identify: <ul style="list-style-type: none"> • initial service charges • management fees • other fees 	N/A

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place	N/A
Date	N/A
Time	N/A
Approximate date the ⁺ annual report will be available	N/A

+ See chapter 19 for defined terms.

Compliance statement

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX (see note 12).

Identify other standards used

Nil

- 2 This report, and the +accounts upon which the report is based (if separate), use the same accounting policies.
- 3 This report does give a true and fair view of the matters disclosed (see note 2).
- 4 This report is based on +accounts to which one of the following applies.
(Tick one)
- | | | | |
|--------------------------|---|-------------------------------------|---|
| <input type="checkbox"/> | The +accounts have been audited. | <input checked="" type="checkbox"/> | The +accounts have been subject to review. |
| <input type="checkbox"/> | The +accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The +accounts have <i>not</i> yet been audited or reviewed. |
- 5 If the audit review report by the auditor is not attached, details of any qualifications are attached. *(Half yearly report only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Act.)*
- 6 The entity has a formally constituted audit committee.

Sign here:



(Director/Company Secretary)

Date: 27 February 2003

Print name: Anne O'Driscoll

APPENDIX A: Other Relevant Revenue & Expenses

	CONSOLIDATED	
	2002	2001
	\$m	\$m
Income:		
Reinsurance recoveries under the Whole of Account		
Aggregate Stop Loss contract	-	110
Profit on sale of NRMA Building Society Limited	-	45
Expenses:		
Costs in relation to the settlement of "Share the Future"		
litigation	-	12
Insurance protection tax levied by the NSW State	9	10
Government		

+ See chapter 19 for defined terms.

APPENDIX B: Analysis of Expenses by Function

	CONSOLIDATED	
	2002	2001
	\$m	\$m
General insurance business expenses		
- Reinsurance expense	69	128
- Claims expense	1,524	1,580
- Underwriting expenses	346	315
	1,939	2,023
Life insurance business expenses		
- Policy payments	3	3
- (Decrease) / increase in policy liabilities	(27)	4
- Administration and other expenses	13	14
	(11)	21
Administration expenses	144	154
	2,072	2,198

+ See chapter 19 for defined terms.

APPENDIX C: Segment Reporting

Primary reporting - business segments

The IAG Group operates in the general insurance and retirement services industries. In the general insurance industry, its revenue is derived from the underwriting of short-tail, long-tail and international insurance businesses and these form separate reportable segments along with retirement services. Other activities, including corporate services, investment management and investment of the IAG Group's capital funds form a separate segment.

	Short-tail insurance		Long-tail insurance		International insurance		Retirement services		Corporate and investments	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m	2002 \$m	2001 \$m	2002 \$m	2001 \$m	2002 \$m	2001 \$m
External revenue	1,359	1,301	642	653	228	191	(20)	47	(2)	113
Intersegment revenue	-	-	-	-	128	62	-	-	7	19
Total revenue	1,359	1,301	642	653	356	253	(20)	47	5	132
Profit / (loss) from underwriting	89	21	(22)	10	4	6	-	-	-	-
Investment income	46	22	169	61	4	5	-	-	(106)	4
Other operating result	-	-	-	-	-	-	2	8	(71)	(74)
Profit / (loss) from ordinary activities before income tax	135	43	147	71	8	11	2	8	(177)	(70)
	Inter-segment elimination		Total							
	2002 \$m	2001 \$m	2002 \$m	2001 \$m						
External revenue	-	-	2,207	2,305						
Intersegment revenue	(135)	(81)	-	-						
Total revenue	(135)	(81)	2,207	2,305						
Profit from underwriting	-	-	71	37						
Investment income	-	-	113	92						
Other operating result	-	-	(69)	(66)						
Profit from ordinary activities before income tax	-	-	115	63						

+ See chapter 19 for defined terms.

APPENDIX D: Income Tax

	2002 \$m	2001 \$m
<p>(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:</p>		
Profit from ordinary activities before income tax	115	63
Prima facie tax thereon at 30% (2001 - 30%)	34	19
Tax effect of permanent differences:		
Rebateable dividends	(10)	(12)
Capital (profits) / losses not subject to income tax	(2)	(21)
Other non-deductible items	8	10
Other	(2)	11
Effect of different tax rates applicable to life insurance business	(2)	(4)
Future income tax benefit not recognised	(6)	1
Income tax expense applicable to current year	20	4
Adjustment to prior year	(2)	1
Income tax expense attributable to profit from ordinary activities	18	5

+ See chapter 19 for defined terms.

APPENDIX E: Events Subsequent to Reporting Date

(a) On 18 October 2002, IAG announced that it had entered into an agreement to purchase the general insurance businesses in Australia and New Zealand from Aviva plc (formerly CGNU plc) for \$1,855 million. The acquisition date was 2 January 2003.

Business acquired

The business acquired include the general insurance business of CGU Insurance Australia Limited group ("CGU") in Australia and Belves Investments Limited group ("NZI") in New Zealand. The Australian and New Zealand businesses have been acquired by the IAG Group subsidiaries, NRMA Insurance Limited and IAG (NZ) Holdings Limited (formerly NRMA Insurance NZ Limited), respectively.

Funding

The acquisition is being funded by the IAG Group as follows:

	\$m
Issue of shares to institutions and retail shareholders	1,040
Issue of hybrid equity	250
Issue of term subordinated notes (debt)	735
Use of internal funds	124
Repayment of existing debt	(224)
	1,925
Fund raising and transaction costs	(70)
	1,855

As at the date of this report, 355 million ordinary shares have been issued to institutions and retail shareholders, representing an increase in shareholder funds of \$855 million (net of transaction costs) by the Company.

IAG has passed the funds raised above from the issue of shares to NRMA Insurance Limited by way of subscribing for new ordinary shares, increasing the Company's investment in NRMA Insurance Limited by \$880 million. NRMA Insurance Limited has also raised debt by issuing term subordinated notes to the value of \$300 million. To fund the acquisition on 2 January 2003, NRMA Insurance Limited borrowed \$480 million through a short term senior bridge debt funding facility. Part of this debt was loaned to IAG (NZ) Holdings Limited to fund its purchase of the New Zealand business. The IAG Group intends to refinance the majority of short term senior debt obligations with a combination of hybrid equity and term subordinated debt that are expected to qualify as APRA regulatory capital. This is expected to be completed by 30 June 2003.

Proforma statement of financial position

The acquisition of CGU in Australia and NZI in New Zealand will result in a material change to the financial position of IAG and the IAG Group as reflected in the proforma statement of financial position as at 31 December 2002 below. The proforma statement of financial position includes, in addition to the reviewed financial position of the IAG Group prior to acquisition at 31 December 2002, the audited financial position of CGU and NZI as at 31 December 2002 (audited by Ernst & Young), adjustments for the funding of the acquisition as set out above and certain fair value adjustments.

The overall impact is summarised as follows:

	\$m
Original purchase price	1,855
Less: reinsurance cover provided by Aviva plc	(21)
Add: acquisition costs	10
	1,844
Net tangible assets and identifiable assets acquired	768
Goodwill	1,076

+ See chapter 19 for defined terms.

APPENDIX E: Events Subsequent to Reporting Date (continued)

Proforma statement of financial position(continued)

	CONSOLIDATED	
	Unaudited Proforma IAG Group 31 Dec 2002 \$m	IAG Group 31 Dec 2002 \$m
Current assets		
Cash assets	425	1,400
Receivables	2,511	1,334
Investments	2,995	2,119
Current tax assets	20	9
Other	778	397
Total current assets	6,729	5,259
Non-current assets		
Receivables	355	231
Investments	6,976	5,406
Plant and equipment	141	97
Deferred tax assets	350	218
Intangible assets	1,692	616
Other	39	3
Total non-current assets	9,553	6,571
Total assets	16,282	11,830
Current liabilities		
Payables	839	447
Interest-bearing liabilities	77	301
Current tax liabilities	88	87
Provisions	230	71
Outstanding claims	2,375	1,346
Unearned premium	2,965	1,877
Total current liabilities	6,574	4,129
Non-current liabilities		
Interest-bearing liabilities	824	393
Deferred tax liabilities	90	72
Provisions	43	18
Gross life insurance policy liabilities	909	909
Unearned premium	97	-
Outstanding claims	3,645	2,521
Total non-current liabilities	5,608	3,913
Total liabilities	12,182	8,042
Net assets	4,100	3,788
Equity		
Contributed equity	4,094	3,707
Foreign currency translation reserve	(3)	(3)
Accumulated losses	(477)	(402)
Equity attributable to shareholders of Insurance Australia Group Limited	3,614	3,302
Outside equity interests in controlled entities:		
- Contributed equity	179	179
- Retained profits	19	19
- Unitholders' funds	288	288
Total equity	4,100	3,788

+ See chapter 19 for defined terms.

APPENDIX E: Events Subsequent to Reporting Date (continued)

(b) On 18 and 19 January 2003, the IAG Group was impacted by the bushfires in the Australian Capital Territory and New South Wales. We estimate the IAG Group's losses from these bushfires would not exceed \$42 million after tax.

+ See chapter 19 for defined terms.

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show whether the change was up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section. Entities are encouraged to attach notes or fuller explanations of any significant changes to any of the items in page 1. The area at the end of the announcement section can be used to provide a cross reference to any such attachment.
2. **True and fair view** If this report does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view.
3. **Condensed consolidated statement of financial performance**
 - Item 1.1 The definition of "revenue" and an explanation of "ordinary activities" are set out in *AASB 1004: Revenue*, and *AASB 1018: Statement of Financial Performance*.
 - Item 1.6 This item refers to the total tax attributable to the amount shown in item 1.5. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg, fringe benefits tax).
4. **Income tax** If the amount provided for income tax in this report differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts. The rate of tax applicable to the franking amount per dividend should be inserted in the heading for the column "Franked amount per security at % tax" for items 15.4 to 15.7.
5. **Condensed consolidated statement of financial position**

Format The format of the consolidated statement of financial position should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 1029: Interim Financial Reporting*, and *AASB 1040: Statement of Financial Position*. Also, banking institutions, trusts and financial institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.

Basis of revaluation If there has been a material revaluation of non-current assets (including investments) since the last ⁺annual report, the entity must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 1010: Accounting for the Revaluation of Non-Current Assets*. If the entity has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required.
6. **Condensed consolidated statement of cash flows** For definitions of "cash" and other terms used in this report see *AASB 1026: Statement of Cash Flows*. Entities should follow the form

⁺ See chapter 19 for defined terms.

as closely as possible, but variations are permitted if the directors (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 1026*. ⁺Mining exploration entities may use the form of cash flow statement in Appendix 5B.

7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ⁺ordinary securities (ie, all liabilities, preference shares, outside ⁺equity interests etc). ⁺Mining entities are *not* required to state a net tangible asset backing per ⁺ordinary security.
8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the ⁺accounts. Details must include the contribution for each gain or loss that increased or decreased the entity's consolidated profit (loss) from ordinary activities and extraordinary items after tax by more than 5% compared to the previous corresponding period.
9. **Rounding of figures** This report anticipates that the information required is given to the nearest \$1,000. If an entity reports exact figures, the \$A'000 headings must be amended. If an entity qualifies under ASIC Class Order 98/0100 dated 10 July 1998, it may report to the nearest million dollars, or to the nearest \$100,000, and the \$A'000 headings must be amended.
10. **Comparative figures** Comparative figures are to be presented in accordance with *AASB 1018* or *AASB 1029 Interim Financial Reporting* as appropriate and are the unadjusted figures from the latest annual or half year report as appropriate. However, if an adjustment has been made in accordance with an accounting standard or other reason or if there is a lack of comparability, a note explaining the position should be attached. For the statement of financial performance, *AASB 1029 Interim Financial Reporting* requires information on a year to date basis in addition to the current interim period. Normally an Appendix 4B to which *AASB 1029 Interim Financial Reporting* applies would be for the half year and consequently the information in the current period is also the year to date. If an Appendix 4B Half yearly version is produced for an additional interim period (eg because of a change of reporting period), the entity must provide the year to date information and comparatives required by *AASB 1029 Interim Financial Reporting*. This should be in the form of a multi-column version of the consolidated statement of financial performance as an attachment to the additional Appendix 4B.
11. **Additional information** An entity may disclose additional information about any matter, and must do so if the information is material to an understanding of the reports. The information may be an expansion of the material contained in this report, or contained in a note attached to the report. The requirement under the listing rules for an entity to complete this report does not prevent the entity issuing reports more frequently. Additional material lodged with the ⁺ASIC under the Corporations Act must also be given to ASX. For example, a director's report and declaration, if lodged with the ⁺ASIC, must be given to ASX.
12. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if one exists) must be complied with.
13. **Corporations Act financial statements** This report may be able to be used by an entity required to comply with the Corporations Act as part of its half-year financial statements if prepared in accordance with Australian Accounting Standards.

⁺ See chapter 19 for defined terms.

14. **Issued and quoted securities** The issue price and amount paid up is not required in items 18.1 and 18.3 for fully paid securities.
15. **Details of expenses** *AASB 1018* requires disclosure of expenses from ordinary activities according to either their nature or function. For foreign entities, there are similar requirements in other accounting standards accepted by ASX. *AASB ED 105* clarifies that the disclosures required by *AASB 1018* must be either *all* according to nature or *all* according to function. Entities must disclose details of expenses using the layout (by nature or function) employed in their ⁺accounts.

The information in lines 1.23 to 1.27 may be provided in an attachment to Appendix 4B.

Relevant Items *AASB 1018* requires the separate disclosure of specific revenues and expenses which are not extraordinary but which are of a size, nature or incidence that disclosure is *relevant* in explaining the financial performance of the reporting entity. The term “relevance” is defined in *AASB 1018*. There is an equivalent requirement in *AASB 1029: Interim Financial Reporting*. For foreign entities, there are similar requirements in other accounting standards accepted by ASX.

16. **Dollars** If reporting is not in A\$, all references to \$A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to “000” must be changed to the reporting value.

17. **Discontinuing operations**

Half yearly report

All entities must provide the information required in paragraph 12 for half years beginning on or after 1 July 2001.

Preliminary final report

Entities must either provide a description of any significant activities or events relating to discontinuing operations equivalent to that required by paragraph 7.5 (g) of *AASB 1029: Interim Financial Reporting*, or, the details of discontinuing operations they are required to disclose in their ⁺accounts in accordance with *AASB 1042 Discontinuing Operations*.

In any case the information may be provided as an attachment to this Appendix 4B.

18. **Format**

This form is a Word document but an entity can re-format the document into Excel or similar applications for submission to the Companies Announcements Office in ASX.

⁺ See chapter 19 for defined terms.