

NRMA INSURANCE GROUP LIMITED
ABN 60 090 739 923
AND CONTROLLED ENTITIES
ADDITIONAL FINANCIAL INFORMATION - 31 DECEMBER 2000

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NRMA INSURANCE GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2000

	<u>Notes</u>	CONSOLIDATED		
		(A)	(B)	(C)
		NIGL Group 2000 \$m	Proforma NIGL Group 2000 \$m	Proforma NRMA Insurance Group 1999 \$m
Premium revenue	2(a)	1,271	1,424	1,201
Reinsurance expense		(97)	(109)	(88)
Net premium revenue		1,174	1,315	1,113
Claims expense		(1,204)	(1,369)	(1,140)
Reinsurance and other recoveries	2(a)	272	305	238
Net claims expense		(932)	(1,064)	(902)
Acquisition costs		(143)	(161)	(129)
Other underwriting expenses		(72)	(80)	(92)
Fire brigade charges		(32)	(36)	(29)
Underwriting expenses		(247)	(277)	(250)
Loss from underwriting		(5)	(26)	(39)
Investment income	2(a)	176	189	154
Realised (losses) / gains on investments	2(a)	(35)	(37)	18
Unrealised (losses) / gains on investments	2(a)	(95)	(34)	219
Other revenue	2(b)	97	109	84
Life insurance business revenue	2(b)	119	146	166
Investment, life insurance and other expenses		(278)	(329)	(276)
Operating (loss) / profit before abnormal item and income tax		(21)	18	326
Abnormal item	5	-	-	80
Operating (loss) / profit before income tax		(21)	18	406
Income tax benefit / (expense) attributable to operating (loss) / profit	3	15	2	(74)
Operating (loss) / profit after income tax		(6)	20	332
Extraordinary item before income tax	6	-	-	(27)
Income tax benefit attributable to extraordinary item	6	-	-	1
Extraordinary item after income tax	6	-	-	(26)

The above profit and loss statement, which continues on the next page, is to be read in conjunction with the notes to the financial statements.

NRMA INSURANCE GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2000

	<u>Note</u>	CONSOLIDATED		
		(A)	(B)	(C)
		NIGL Group	Proforma NIGL Group	Proforma NRMA Insurance Group
		2000 \$m	2000 \$m	1999 \$m
Operating (loss) / profit and extraordinary item after income tax		(6)	20	306
Outside equity interest in operating (loss) / profit and extraordinary item after income tax		(11)	(17)	(30)
Operating (loss) / profit and extraordinary item after income tax attributable to members of NRMA Insurance Group Limited		(17)	3	276
Retained profits at the beginning of the financial period		-	-	772
Total available for appropriation		(17)	3	1,048
Aggregate of amounts transferred from reserves		-	-	175
Other appropriations		-	-	16
(Accumulated loss) / retained profits at the end of the financial period		(17)	3	1,239
		2000 cents	2000 cents	1999 cents
Earnings per share	7	(1.27)	0.22	n/a

Note:

(A) Represents NRMA Insurance Group Limited's ("NIGL") consolidated result in accordance with AASB 1024. 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. The Group did not exist at 30 June 2000 and therefore no comparatives are shown.

(B) Represents the consolidated result of NIGL, assuming it acquired NRMA Insurance Limited and its controlled entities on 1 July 2000. Column (A) effectively capitalises into share capital, the operating result of NRMA Insurance Limited and its controlled entities from 1 July 2000 to 21 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 on 1 July 2000.

(C) Represents the result of NRMA Insurance Limited and its controlled entities for the half year ended 31 December 1999.

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

NRMA INSURANCE GROUP LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2000

	CONSOLIDATED			
	(A)	(B)	(C)	(C)
	NIGL Group	Proforma NIGL Group	Proforma NRMA Insurance Group	Proforma NRMA Insurance Group
	31 Dec 2000 \$m	31 Dec 2000 \$m	30 Jun 2000 \$m	31 Dec 1999 \$m
Current assets				
Cash	184	184	419	449
Receivables	1,209	1,209	1,071	1,027
Investments	2,905	2,905	1,936	2,010
Other	205	205	190	185
Total current assets	4,503	4,503	3,616	3,671
Non-current assets				
Receivables	1,160	1,160	1,303	1,175
Investments	6,259	6,259	6,579	5,960
Plant and equipment	81	81	86	100
Future income tax benefits	113	113	126	124
Intangibles	406	406	414	405
Other	9	9	6	6
Total non-current assets	8,028	8,028	8,514	7,770
Total assets	12,531	12,531	12,130	11,441
Current liabilities				
Bank overdrafts	49	49	88	30
Deposits	788	788	659	544
Accounts payable	482	482	639	351
Scrip lending	1,237	1,237	549	644
Borrowings	380	380	940	1,085
Provisions	92	92	94	52
Outstanding claims	1,238	1,238	1,169	1,092
Unearned premium	1,405	1,405	1,410	1,353
Total current liabilities	5,671	5,671	5,548	5,151
Non-current liabilities				
Deposits	53	53	45	40
Borrowings	6	6	10	12
Provisions	325	325	370	339
Gross life insurance policy liabilities	881	881	847	787
Outstanding claims	1,923	1,923	1,826	1,799
Total non-current liabilities	3,188	3,188	3,098	2,977
Total liabilities	8,859	8,859	8,646	8,128
Net assets	3,672	3,672	3,484	3,313

The above balance sheet, which continues on the next page, is to be read in conjunction with the notes to the financial statements.

NRMA INSURANCE GROUP LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2000

		CONSOLIDATED			
		(A)	(B)	(C)	(C)
		NIGL Group	Proforma NIGL Group	Proforma NRMA Insurance Group	Proforma NRMA Insurance Group
	<u>Notes</u>	31 Dec 2000 \$m	31 Dec 2000 \$m	30 Jun 2000 \$m	31 Dec 1999 \$m
Shareholders' equity					
Share capital	8	2,944	2,924	-	-
Reserves	9	-	-	1,637	1,594
(Accumulated loss) / retained profits		(17)	3	1,216	1,239
<hr/>					
Shareholders' equity attributable to members of NRMA Insurance Group Limited		2,927	2,927	2,853	2,833
<hr/>					
Outside equity interest in controlled entities:					
- Share capital		167	167	163	163
- Shareholder's loan		11	11	11	11
- Retained profits		19	19	24	34
- Unitholders' funds		548	548	433	272
<hr/>					
Total shareholders' equity		3,672	3,672	3,484	3,313

- Note:
- (A) Represents NIGL's consolidated result in accordance with AASB 1024. 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. The Group did not exist at 30 June 2000 and therefore no comparatives are shown.
- (B) Represents the consolidated financial position of NIGL, assuming it acquired NRMA Insurance Limited and its controlled entities on 1 July 2000. Column (A) effectively capitalises into share capital, the operating result of NRMA Insurance Limited and its controlled entities from 1 July 2000 to 21 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 on 1 July 2000.
- (C) Represents the consolidated financial position of NRMA Insurance Limited and its controlled entities as at 30 June 2000 and 31 December 1999.

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

NRMA INSURANCE GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2000

	CONSOLIDATED		
	(A)	(B)	(C)
	NIGL Group 2000 \$m	Proforma NIGL Group 2000 \$m	Proforma NRMA Insurance Group 1999 \$m
Cash flows from operating activities			
Premium received	1,408	1,590	1,325
Reinsurance and other recoveries received	177	200	269
Claims costs paid	(1,121)	(1,266)	(1,374)
Outwards reinsurance premium paid	(49)	(55)	(49)
Dividends received	92	104	62
Interest and similar items received	188	212	165
Interest and other costs of finance paid	(50)	(57)	(44)
Income taxes refunded	-	-	4
Income taxes paid	(31)	(34)	(2)
Other operating receipts	173	195	188
Other operating payments	(675)	(762)	(681)
Net cash provided by / (used in) operating activities	112	127	(137)
Cash flows from investing activities			
Cash acquired net of payment on acquisition of controlled entities	658	673	(562)
Proceeds from disposal of investments and fixed assets	14,657	16,546	14,506
Outlays for investments and fixed assets acquired	(14,634)	(16,519)	(14,679)
Repayment of mortgage loans	379	428	469
Drawdown of mortgage loans	(417)	(471)	(664)
Net cash provided by / (used in) investing activities	643	657	(930)
Cash flows from financing activities			
Issue of shares	139	139	-
Proceeds from issues of trust units	580	656	1,425
Outlays for redemption of trust units	(513)	(580)	(586)
Proceeds from borrowings	330	372	486
Repayment of borrowings	(828)	(935)	(20)
Net increase / (decrease) in depositor funds	121	136	(35)
Proceeds from securitisation	97	109	240
Shares issue costs paid	(64)	(64)	-
Dividends paid	(17)	(17)	-
Net cash (used in) / provided by financing activities	(155)	(184)	1,510

The above statement of cash flows, which continues on the next page, is to be read in conjunction with the notes to the financial statements.

NRMA INSURANCE GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2000

	CONSOLIDATED		
	(A)	(B)	(C)
	NIGL Group 2000 \$m	Proforma NIGL Group 2000 \$m	Proforma NRMA Insurance Group 1999 \$m
Net increase in cash held	600	600	443
Cash at the beginning of the financial period	-	-	259
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the financial year	-	-	(1)
Cash at the end of the financial period	600	600	701

Note: Cash represents cash on hand and in banks, deposits at call and money market investments readily convertible to cash within two working days, net of bank overdraft.

- Note:
- (A) Represents NIGL's consolidated result in accordance with AASB 1024. 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. The Group did not exist at 30 June 2000 and therefore no comparatives are shown.
- (B) Represents the consolidated result of NIGL, assuming it acquired NRMA Insurance Limited and its controlled entities on 1 July 2000. Column (A) effectively capitalises into share capital, the operating result of NRMA Insurance Limited and its controlled entities from 1 July 2000 to 21 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 on 1 July 2000.
- (C) Represents the cash flows of NRMA Insurance Limited and its controlled entities for the half year ended 31 December 1999.

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

NRMA INSURANCE GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2000

1. Basis of preparation of half-year financial report

(a) These general purpose consolidated financial statements for the half year ended 31 December 2000 have been prepared in accordance with Accounting Standard AASB 1029: Half-Year Accounts and Consolidated Accounts, other mandatory professional reporting requirements and the Corporations Law, except as described in note 1(b).

The consolidated entity was formed on 22 July 2000 when NRMA Insurance Group Limited acquired 100% of the share capital of NRMA Insurance Limited upon that company's demutualisation. It is therefore recommended that this report should be read in conjunction with the Annual Report of NRMA Insurance Limited for the year ended 30 June 2000 and public announcements made by NRMA Insurance Group Limited during the half year in accordance with the continuous disclosure requirements of the Corporations Law.

Proforma disclosures of the consolidated profit and loss statement and related notes have been included in this financial report to provide users of this financial report with relevant information for decision making purposes.

(b) 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 Law. 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 balance sheet 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 20% of the amount of distributable pre-acquisition reserves. During the half year ended 31 December 2000, the Company received a dividend of \$80 million from NRMA Insurance Limited from its pre-demutualisation retained earnings. This amount has been fully eliminated in the consolidated results.

NRMA INSURANCE GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2000

	CONSOLIDATED		
	NIGL Group	Proforma NIGL Group	Proforma NRMA Insurance Group
	2000 \$m	2000 \$m	1999 \$m
2. Revenue			
(a) Revenue from operating activities			
(i) General insurance revenue			
Premium income	1,239	1,421	1,215
Movement in unearned premium reserve	32	3	(14)
Premium revenue	1,271	1,424	1,201
Direct premium	1,218	1,370	1,160
Inwards reinsurance premium	53	54	41
Premium revenue	1,271	1,424	1,201
Reinsurance recoveries	25	20	92
Other recoveries	247	285	146
Reinsurance and other recoveries	272	305	238
Total general insurance revenue	1,543	1,729	1,439
(ii) Investment revenue			
Dividend income			
- other parties	54	54	24
Interest income			
- other parties	115	128	111
Rental income			
- related corporations	-	-	3
- other parties	-	-	2
Trust income			
- other parties	7	7	14
Total investment income	176	189	154
Changes in net market values of investments			
- realised (losses) / gains	(35)	(37)	18
- unrealised (losses) / gains	(95)	(34)	219
Total investment revenue	46	118	391
Total revenue from operating activities	1,589	1,847	1,830
(b) Revenue from other operating activities			
Interest income on loans	40	46	42
Other income			
- related corporations	19	22	24
- other parties	38	41	19
	97	109	85
Life insurance business revenue	119	146	166
Proceeds from disposal of assets	4	4	7
Total revenue from other operating activities	220	259	258
Total revenue	1,809	2,106	2,088

NRMA INSURANCE GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2000

	CONSOLIDATED		
	NIGL Group	Proforma NIGL Group	Proforma NRMA Insurance Group
	2000 \$m	2000 \$m	1999 \$m
3. Operating (loss) / profit			
Operating (loss) / profit before income tax has been determined after charging / (crediting) the following:			
Interest expense - other parties	39	43	33
Depreciation of motor vehicles	2	3	2
Depreciation of office and other plant and equipment	10	11	14
Amortisation of goodwill	1	1	1
Amortisation of intangibles	7	8	-
Losses on disposal of fixed assets	1	1	1
Operating lease rentals	46	52	27
Transfer to provision - employee entitlements	12	13	11
Foreign exchange losses / (gains)	14	4	(5)
Bad and doubtful debts	3	4	1
	105	122	114
4. Result from life insurance operation	14	24	52
Premium revenue	119	146	166
Investment revenue	(83)	(94)	(71)
Policy payments	(20)	(33)	(71)
Increase in policy liabilities	(13)	(14)	(13)
Administration and other expenses	3	5	11
	119	146	166
5. Abnormal item	(83)	(94)	(71)
Recognition of deferred acquisition costs on certain general insurance portfolios	(20)	(33)	(71)
Applicable income tax expense	(13)	(14)	(13)
Total abnormal item after income tax	3	5	11
	3	5	11
6. Extraordinary item	(13)	(14)	(13)
Recognition of deferred acquisition costs on certain general insurance portfolios	-	-	80
Applicable income tax expense	-	-	(29)
Total abnormal item after income tax	-	-	51
	-	-	51
6. Extraordinary item	-	-	(27)
Expenses in relation to the proposed corporate restructure and demutualisation of NRMA Insurance Limited	-	-	(27)
Applicable income tax benefit	-	-	1
Extraordinary item after income tax	-	-	(26)
	-	-	(26)

NRMA INSURANCE GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2000

	CONSOLIDATED		
	NIGL Group	Proforma NIGL Group	Proforma NRMA Insurance Group
	2000 cents	2000 cents	1999 cents
7. Earnings per share			
Basic earnings per share	(1.27)	0.22	n/a*
The diluted earnings per share is not materially different to the basic earnings per share.			
	2000	2000	1999
Weighted average number of ordinary shares outstanding during the half year used in the calculation of basic earnings per share	1,341,486,596	1,529,012,181	n/a*

* NRMA Insurance Limited was a mutual entity limited by guarantee prior to 22 July 2000 and therefore the earnings per share disclosure for Proforma NRMA Insurance Group was not applicable at 31 December 1999.

	CONSOLIDATED			
	NIGL Group	Proforma NIGL Group	Proforma NRMA Insurance Group	Proforma NRMA Insurance Group
	31 Dec 2000 \$m	31 Dec 2000 \$m	30 Jun 2000 \$m	31 Dec 1999 \$m
8. Share capital				
Balance at the beginning of the half year (1 ordinary share - fully paid)	-	-	-	-
Ordinary shares issued during the half year:				
On demutualisation of NRMA Insurance Limited (1,492,051,392 ordinary shares *- fully paid)	2,873	2,853	-	-
Other (50,541,946 ordinary shares - fully paid)	139	139	-	-
Less: Transaction costs arising on share issues	(68)	(68)	-	-
Balance at the end of the half year (1,542,593,339 ordinary shares fully paid)	2,944	2,924	-	-

* - The number shares disclosed includes shares issued after 31 December 2000 as a result of the Member Referral Unit decisions as these shares effectively represent shares which were entitlements of those shareholders upon demutualisation of NRMA Insurance Limited in July 2000.

NRMA INSURANCE GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2000

	CONSOLIDATED			
	NIGL	Proforma	Proforma	Proforma
	Group	NIGL Group	NRMA	NRMA
	Insurance	Insurance	Insurance	Insurance
	Group	Group	Group	Group
	31 Dec	31 Dec	30 Jun	31 Dec
	2000	2000	2000	1999
	\$m	\$m	\$m	\$m
9. Reserves				
General reserve	-	-	-	-
Investment reserve	-	-	1,637	1,593
Asset revaluation reserve	-	-	-	1
Capital transfer to NRMA Life Statutory Funds	-	-	-	-
	-	-	1,637	1,594
Movements in reserves:				
General reserve				
Balance at the beginning of the financial period	-	-	310	310
Transfers to retained profits	-	-	(310)	(310)
Balance at the end of the financial period	-	-	-	-
Investment reserve				
Balance at the beginning of the financial period	-	-	1,380	1,380
Transfers from retained profits	-	-	239	195
Transfers from asset revaluation reserve	-	-	18	18
Balance at the end of the financial period	-	-	1,637	1,593
Investment reserve represents all realised gains and losses on disposal of investments and unrealised gains and losses on revaluation of investments.				
Asset revaluation reserve				
Balance at the beginning of the financial period	-	-	90	90
Increment on revaluation of non-current investments	-	-	-	1
Transfers to retained profits	-	-	(72)	(72)
Transfers to investment reserve	-	-	(18)	(18)
Balance at the end of the financial period	-	-	-	1
Capital transfer to NRMA Life Statutory Funds				
Balance at the beginning of the financial period	-	-	(12)	(12)
Transfers from retained profits	-	-	12	12
Balance at the end of the financial period	-	-	-	-

NRMA INSURANCE GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2000

10. Contingent liabilities

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

A letter of credit held by the ceding insurer was exercised in July 1999 for US\$34.5 million. The Group holds cash of US\$10.8 million and a letter of credit for US\$25.0 million as security if the 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 Group believes its case is strong, it also considers that it is unlikely that the potential amounts in dispute will be material to the Group's operations. However, no assurances can be given in this regard.

(b) On 4 August 1999, the Supreme Court of New South Wales ordered lawyers, who had acted as advisers to NRMA Insurance Limited and NRMA Limited ("the companies") in 1994 and 1995 in relation to the "Share the Future" restructuring proposal, to pay the companies damages plus interest totalling \$32.1 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 \$28.9 million, was attributed to NRMA Insurance Limited and the balance of 10% to NRMA Limited. The \$28.9 million was not reflected in the profit and loss statements.

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 companies have sought special leave to appeal to the High Court of Australia. The hearing of that application is unlikely to be before late 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.

The Group has agreed to repay the \$28.9 million received in August 1999. No reliable estimate is yet available for the lawyers' costs and the related interest but this could be in the order of \$15 - \$25 million. This amount will need to be expensed to the profit and loss statement once known.

NRMA INSURANCE GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2000

11. Post balance date events

(a) On 19 January 2001 the Company announced that the Group has decided to put the inwards reinsurance business into run-off. No renewals or new business will be entered into from that date. The inwards reinsurance portfolio accounted for less than 4% of the Group's total premium income.

(b) On 15 February 2001 the Company purchased New Zealand's largest general insurer, State Insurance Limited, for NZ\$405 million (approximately \$325 million). The net assets as at 31 December 2000 of the entities being acquired in this transaction were NZ\$189 million. State Insurance Limited generated NZ\$370 million in premium revenue during the year ended on that date. The acquisition has been fully funded by debt.

(c) On 2 March 2001 an interim dividend of 4 cents per share, 100% franked, was declared by the Company. The dividend will be paid on 30 April 2001.

(d) On 2 March 2001 the Company resolved to make an off-market buy-back of up to 10% of the shares issued on demutualisation. The final price and the allocation of that amount between capital and a fully franked dividend will be determined under the terms and conditions of the buy-back offer. This buy-back will be funded from surplus capital and a potential issue of re-set preference shares.

(e) On 2 March 2001 the Company announced that, subject to market conditions, it intended to issue \$200 million of re-set preference shares. These preference shares are expected to qualify as Tier 1 capital and will be treated as equity.

As these transactions occurred after balance sheet date and do not relate to conditions existing at balance date, no account has been taken of them in the financial statements for the half year ended 31 December 2000.