

NRMA INSURANCE GROUP LIMITED
ABN 60 090 739 923
AND CONTROLLED ENTITIES
HALF YEAR FINANCIAL REPORT - 31 DECEMBER 2000

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NRMA INSURANCE GROUP LIMITED

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of NRMA Insurance Group Limited and its controlled entities ("the Group") for the half year ended 31 December 2000 and the auditors' report thereon.

Directors

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

Mr NR Whitlam, Mr JF Astbury (appointed on 25 July 2000), Mrs MC Callaghan, Mrs DG Collins, Mr GA Cousins (appointed on 25 July 2000), Mrs M Easson, Mr ND Hamilton, Ms AJ Keating, Mr RA Ross (appointed on 25 July 2000), Mr IF Stanwell (appointed on 25 July 2000) and Mr ER Dodd.

Result and review of operations

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

The shares of NRMA Insurance Group Limited were listed on the Australian Stock Exchange on 8 August 2000. The Company had over 1.5 billion shares on issue at 31 December 2000 and a market capitalisation of \$4,249 million.

The total group operating loss after tax for the half year, including the results of NRMA Insurance Limited from the date of acquisition, was \$6 million (1999 - \$nil). Excluding outside equity interest in the group result, the operating loss after tax attributable to shareholders was \$17 million (1999 - \$nil).

The general insurance operations of the Group performed strongly during the six months.

The short tail combined ratio (claims and expenses to net earned premium) has shown marked improvement in the half year, being 98.3% compared to 105.3% for the corresponding period last year. Key to this improvement was the performance of our motor insurance business, particularly in New South Wales, where the success of increased focus on targeted pricing and underwriting, together with initiatives to reduce our costs of settling claims, have delivered benefits in both frequency and costs of claims per policy. Ongoing focus on this portfolio will continue to ensure it is set to deliver a sustained acceptable return for the shareholders.

The combined ratio for the long tail classes was 101.5%, compared to 93.7% for the corresponding period last year. Whilst higher than the same period last year, this result ratio is still lower than the Group's expectations of a sustainable combined ratio and reflects the current stability in the New South Wales CTP and Western Australia employer liability classes which enabled ongoing reductions in the claims provisions considered necessary for these portfolios. This effect was partially offset by a reduction in the discounting applied to the claims provisions caused by lower interest rates.

The Group was granted an employers' liability licence in New South Wales (as agent for the government underwriting scheme) in December 2000 which will both support the Group's expansion of its commercial insurance business for the small/medium enterprise segment in that state and enable the Group to leverage its skills in managing personal injury claims.

On 19 January 2001, the Group announced that its inwards reinsurance portfolio, which accounted for less than four percent of the Group's total premium income, was being put into run-off. This decision was based on further losses in the portfolio and a review of the future prospects of the Group's niche position in the global reinsurance market. A combination of late notification of development of past events, the incidence of new events such as Japanese storms and strengthening of provisioning levels drove the combined ratio up to 201.9% for the period.

The Group's Financial Services products delivered a profit after tax of \$2.9 million for the half year. New business strain and depressed investment returns exerted downwards pressure on this segment's profits. Continuing growth was achieved in superannuation, life risk and personal credit products.

Realised and unrealised investment income included in the consolidated profit and loss statement for the half year was \$46 million before tax. Although the Group outperformed its benchmarks in the fixed interest and Australian equity classes, the negative returns on local and overseas equity markets resulted in lower than anticipated investment returns in the period.

NRMA INSURANCE GROUP LIMITED

DIRECTORS' REPORT

Dividends

Details of dividend declared are set out in note 9(c).

Matters subsequent to the end of the financial period

Other than the followings matters:

(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; and

(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;

there has not been any matter or circumstance which has arisen since 31 December 2000 that has significantly affected, or may significantly affect:-

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

in financial periods subsequent to 31 December 2000.

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.

Rounding of amounts

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

Signed at Sydney this 2nd day of March 2001 in accordance with a resolution of the Directors.

..... Director
NR WHITLAM

..... Director
ER DODD

NRMA INSURANCE GROUP LIMITED

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

	<u>Notes</u>	CONSOLIDATED	
		2000 \$m	1999 \$m
Premium revenue	2(a)	1,271	-
Reinsurance expense		(97)	-
Net premium revenue		1,174	-
Claims expense		(1,204)	-
Reinsurance and other recoveries	2(a)	272	-
Net claims expense		(932)	-
Acquisition costs		(143)	-
Other underwriting expenses		(72)	-
Fire brigade charges		(32)	-
Underwriting expenses		(247)	-
Loss from underwriting		(5)	-
Investment income	2(a)	176	-
Realised losses on investments	2(a)	(35)	-
Unrealised losses on investments	2(a)	(95)	-
Other revenue	2(b)	97	-
Life insurance business revenue	2(b)	119	-
Investment, life insurance and other expenses		(278)	-
Operating loss before income tax	3	(21)	-
Income tax benefit attributable to operating profit		15	-
Operating loss after income tax		(6)	-
Outside equity interest in operating loss after income tax		(11)	-
Operating loss after income tax attributable to members of NRMA Insurance Group Limited		(17)	-
Retained profits at the beginning of the financial period		-	-
Accumulated loss at the end of the financial period		(17)	-
		2000	1999
		cents	cents
Earnings per share	6	(1.27)	n/a

Note: The consolidated profit and loss statement includes the profit and loss of NRMA Insurance Limited and its controlled entities from 22 July 2000 when NRMA Insurance Group Limited acquired NRMA Insurance Limited and its controlled entities. Please refer to note 5 for the proforma consolidated profit and loss statement in respect of the Group assuming it acquired NRMA Insurance Limited and its controlled entities on 1 July 2000.

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	
	2000	1999
	\$m	\$m
Current assets		
Cash	184	-
Receivables	1,209	-
Investments	2,905	-
Other	205	-
Total current assets	4,503	-
Non-current assets		
Receivables	1,160	-
Investments	6,259	-
Plant and equipment	81	-
Future income tax benefits	113	-
Intangibles	406	-
Other	9	-
Total non-current assets	8,028	-
Total assets	12,531	-
Current liabilities		
Bank overdrafts	49	-
Deposits	788	-
Accounts payable	482	-
Scrip lending	1,237	-
Borrowings	380	-
Provisions	92	-
Outstanding claims	1,238	-
Unearned premium	1,405	-
Total current liabilities	5,671	-
Non-current liabilities		
Deposits	53	-
Borrowings	6	-
Provisions	325	-
Gross life insurance policy liabilities	881	-
Outstanding claims	1,923	-
Total non-current liabilities	3,188	-
Total liabilities	8,859	-
Net assets	3,672	-

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	
	<u>Note</u>	2000	1999
		\$m	\$m
Shareholders' equity			
Share capital	7	2,944	-
Accumulated loss		(17)	-
		<hr/>	
Shareholders' equity attributable to members of NRMA Insurance Group Limited		2,927	-
Outside equity interest in controlled entities:			
- Share capital		167	-
- Shareholder's loan		11	-
- Retained profits		19	-
- Unitholders' funds		548	-
		<hr/>	
Total shareholders' equity		3,672	-
		<hr/> <hr/>	

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	
	2000	1999
	\$m	\$m
Cash flows from operating activities		
Premium received	1,408	-
Reinsurance and other recoveries received	177	-
Claims costs paid	(1,121)	-
Outwards reinsurance premium paid	(49)	-
Dividends received	92	-
Interest and similar items received	188	-
Interest and other costs of finance paid	(50)	-
Income taxes paid	(31)	-
Other operating receipts	173	-
Other operating payments	(675)	-
Net cash provided by operating activities	112	-
Cash flows from investing activities		
Cash acquired on acquisition of controlled entities	658	-
Proceeds from disposal of investments and fixed assets	14,657	-
Outlays for investments and fixed assets acquired	(14,634)	-
Repayment of mortgage loans	379	-
Drawdown of mortgage loans	(417)	-
Net cash provided by investing activities	643	-
Cash flows from financing activities		
Issue of shares	139	-
Proceeds from issues of trust units	580	-
Outlays for redemption of trust units	(513)	-
Proceeds from borrowings	330	-
Repayment of borrowings	(828)	-
Net increase in depositor funds	121	-
Proceeds from securitisation	97	-
Share issue costs paid	(64)	-
Dividends paid	(17)	-
Net cash (used in) financing activities	(155)	-
Net increase in cash held	600	-
Cash at the beginning of the financial period	-	-
Cash at the end of the financial period	600	-

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.

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 have been included in this financial report to provide users of this financial report with relevant information for decision making purposes. The proforma disclosures have been included in note 5 to the consolidated financial statements.

(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	
	2000	1999
	\$m	\$m
2. Revenue		
(a) Revenue from operating activities		
(i) General insurance revenue		
Premium income	1,239	-
Movement in unearned premium reserve	32	-
Premium revenue	<u>1,271</u>	<u>-</u>
Direct premium	1,218	-
Inwards reinsurance premium	53	-
Premium revenue	<u>1,271</u>	<u>-</u>
Reinsurance recoveries	25	-
Other recoveries	247	-
Reinsurance and other recoveries	<u>272</u>	<u>-</u>
Total general insurance revenue	<u>1,543</u>	<u>-</u>
(ii) Investment revenue		
Dividend income		
- other parties	54	-
Interest income		
- other parties	115	-
Trust income		
- other parties	7	-
Total investment income	<u>176</u>	<u>-</u>
Changes in net market values of investments		
- realised losses	(35)	-
- unrealised losses	(95)	-
Total investment revenue	<u>46</u>	<u>-</u>
Total revenue from operating activities	<u>1,589</u>	<u>-</u>
(b) Revenue from other operating activities		
Interest income on loans	40	-
Other income		
- related corporations	19	-
- other parties	38	-
	<u>97</u>	<u>-</u>
Life insurance business revenue	119	-
Proceeds from disposal of assets	4	-
Total revenue from other operating activities	<u>220</u>	<u>-</u>
Total revenue	<u>1,809</u>	<u>-</u>

NRMA INSURANCE GROUP LIMITED

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

	CONSOLIDATED	
	2000	1999
	\$m	\$m
3. Operating loss		
Operating loss before income tax has been determined after charging the following:		
Interest expense - other parties	39	-
Depreciation of motor vehicles	2	-
Depreciation of office and other plant and equipment	10	-
Amortisation of goodwill	1	-
Amortisation of intangibles	7	-
Losses on disposal of fixed assets	1	-
Operating lease rentals	46	-
Transfer to provision - employee entitlements	12	-
Foreign exchange losses	14	-
Bad and doubtful debts	3	-
	<hr/> <hr/>	<hr/> <hr/>
4. Result from life insurance operation		
Premium revenue	105	-
Investment revenue	14	-
	<hr/> <hr/>	<hr/> <hr/>
	119	
Policy payments	(83)	-
Increase in policy liabilities	(20)	-
Administration and other expenses	(13)	-
	<hr/> <hr/>	<hr/> <hr/>
	3	-

NRMA INSURANCE GROUP LIMITED

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

5. Proforma Consolidated Profit and Loss Statement

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

	CONSOLIDATED		
	(A)	(B)	(C)
	NIGL Group 2000 \$m	Proforma NIGL Group 2000 \$m	Proforma NRMA Insurance Group 1999 \$m
Premium revenue	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	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	176	189	154
Realised (losses) / gains on investments	(35)	(37)	18
Unrealised (losses) / gains on investments	(95)	(34)	219
Other operating revenue	97	109	84
Life insurance business revenue	119	146	166
Investment and other expenses	(278)	(329)	(276)
Operating (loss) / profit before abnormal item and income tax	(21)	18	326
Abnormal item	-	-	80
Operating (loss) / profit before income tax	(21)	18	406
Income tax benefit / (expense) attributable to operating (loss) / profit	15	2	(74)
Operating (loss) / profit after income tax	(6)	20	332
Extraordinary item before income tax	-	-	(27)
Income tax benefit attributable to extraordinary item	-	-	1
Extraordinary item after income tax	-	-	(26)

This note continues on the next page.

NRMA INSURANCE GROUP LIMITED

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

	<u>Note</u>	CONSOLIDATED		
		(A)	(B)	(C)
		NIGL Group 2000 \$m	Proforma NIGL Group 2000 \$m	Proforma NRMA Insurance Group 1999 \$m
5. Proforma Consolidated Profit and Loss Statement (continued)				
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
Basic earnings per share	6	(1.27)	0.22	n/a

Note:

(A) Represents NRMA Insurance Group Limited's consolidated result in accordance with AASB 1024 and is the same as disclosed in the Consolidated profit and loss statement on page 3. 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.

(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.

NRMA INSURANCE GROUP LIMITED

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

	CONSOLIDATED	
	2000	1999
	cents	cents
6. Earnings per share		
Basic earnings per share	<u>(1.27)</u>	n/a
The diluted earnings per share is not materially different to the basic earnings per share.		
	2000	1999
Weighted average number of ordinary shares outstanding during the half year used in the calculation of basic earnings per share	<u>1,341,486,596</u>	1

	CONSOLIDATED	
	2000	1999
	\$m	\$m
7. 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	-
Other (50,541,946 ordinary shares - fully paid)	139	-
Less: Transaction costs arising on share issues	<u>(68)</u>	-
Balance at the end of the half year (1,542,593,339 ordinary shares - fully paid)	<u>2,944</u>	-

* - The number of shares disclosed includes shares issued after 31 December 2000 as a result of 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

8. 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

9. 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.

NRMA INSURANCE GROUP LIMITED

DIRECTORS' DECLARATION

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

(a) the financial statements and notes, set out on pages 3 to 14, are in accordance with the Corporations Law (except as exempted by an Order issued by the Australian Securities & Investments Commission as stated in note 1(b)), including:

- (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2000 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date; and
- (ii) complying with Accounting Standard AASB 1029: Half Year Accounts and Consolidated Accounts and the Corporations Regulations; and

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

Signed at Sydney this 2nd day of March 2001 in accordance with a resolution of the Directors.

..... Director
NR WHITLAM

..... Director
ER DODD

INDEPENDENT AUDITORS' REVIEW REPORT

To the members of NRMA Insurance Group Limited

Scope

We have reviewed the financial report of NRMA Insurance Group Limited for the half year ended 31 December 2000, consisting of the consolidated profit and loss statement, consolidated balance sheet, consolidated statement of cash flows, accompanying notes and the Directors' Declaration set out on pages 3 to 15. The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of the half year or from time to time during the half year. The Company's Directors are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Half-Year Accounts and Consolidated Accounts" and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the Company to lodge the financial report with the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review is limited primarily to inquiries of Company personnel and analytical procedures applied to the financial data. Our review has not involved a study and evaluation of internal accounting controls, tests of accounting records or tests of responses to inquiries by obtaining corroborative evidence from inspection, observation or confirmation. The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of NRMA Insurance Group Limited is not in accordance with:

- (a) the Corporations Law (except as exempted by an Order issued by the Australian Securities & Investments Commission as stated in note 1(b)), including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2000 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Half-Year Accounts and Consolidated Accounts" and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

KPMG

Dr Andries B Terblanché
Partner

Sydney
2nd March 2001