

Appendix 4B

Final 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')

30 June 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>)	up/down	6.9%	to	4,138
Profit (loss) from ordinary activities after tax attributable to members (<i>item 1.22</i>)	up/down	120.5%	to	(25)
Profit (loss) from extraordinary items after tax attributable to members (<i>item 2.5(d)</i>)	gain (loss) of			NIL
Net profit (loss) for the period attributable to members (<i>item 1.11</i>)	up/down	120.5%	to	(25)
Dividends (distributions)		Amount per security		Franked amount per security
Final dividend (<i>Preliminary final report only - item 15.4</i>)		6.0¢		6.0¢
Interim dividend (<i>Half yearly report only - item 15.6</i>)				
Previous corresponding period (<i>Preliminary final report - item 15.5; half yearly report - item 15.7</i>)		6.0¢		6.0¢
+Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (<i>see item 15.2</i>)		25 September 2002		
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>)	4,138	3,870
1.2	Expenses from ordinary activities (<i>see items 1.26 & 1.27</i>)	(4,193)	(3,571)
1.3	Borrowing costs	(46)	(84)
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	(101)	215
1.6	Income tax on ordinary activities (<i>see note 4</i>)	18	(31)
1.7	Profit (loss) from ordinary activities after tax	(83)	184
1.8	Profit (loss) from extraordinary items after tax (<i>see item 2.5</i>)	-	-
1.9	Net profit (loss)	(83)	184
1.10	Net profit (loss) attributable to outside ⁺ equity interests	(58)	62
1.11	Net profit (loss) for the period attributable to members	(25)	122
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	(25)	122

Earnings per security (EPS)		Current period	Previous corresponding Period
1.18	Basic EPS on ordinary shares	(1.78) cents	8.62 cents
	Basic EPS on reset preference shares	- cents	- cents
1.19	Diluted EPS	(1.77) cents	8.61 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>)	(83)	184
1.21 Less (plus) outside ⁺ equity interests	(58)	62
1.22 Profit (loss) from ordinary activities after tax, attributable to members	(25)	122

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	4,023	3,177
1.24 Interest revenue	256	272
1.25 Other relevant revenue	(141)	421
1.26 Details of relevant expenses	4,162	3,539
1.27 Depreciation and amortisation excluding amortisation of intangibles (<i>see item 2.3</i>)	31	32
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	(164)	-
1.31 Net profit (loss) attributable to members (<i>item 1.11</i>)	(25)	122
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	(186)	(286)
1.35 Retained profits (accumulated losses) at end of financial period	(375)	(164)

+ 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	26	-	-	26
2.2	Amortisation of other intangibles	17	-	-	17
2.3	Total amortisation of intangibles	43	-	-	43
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)	49 (17)
3.2	Consolidated profit (loss) from ordinary activities after tax attributable to members for the <i>2nd</i> half year	(74) 139

+ 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	253	223	134
4.2	Receivables	1,519	1,439	1,228
4.3	Investments	1,619	1,338	1,397
4.4	Inventories	2	2	2
4.5	Tax assets	6	13	3
4.6	Other (provide details if material)	311	261	269
4.7	Total current assets	3,710	3,276	3,033
Non-current assets				
4.8	Receivables	192	1,273	254
4.9	Investments (equity accounted)	-	-	-
4.10	Other investments	6,471	7,118	6,505
4.11	Inventories	-	-	-
4.12	Exploration and evaluation expenditure capitalised (see para .71 of AASB 1022)	-	-	-
4.13	Development properties (+mining entities)	-	-	-
4.14	Other property, plant and equipment (net)	95	104	101
4.15	Intangibles (net)	632	658	643
4.16	Tax assets	206	149	154
4.17	Other (provide details if material)	1	8	2
4.18	Total non-current assets	7,597	9,310	7,659
4.19	Total assets	11,307	12,586	10,692
Current liabilities				
4.20	Payables	1,281	592	290
4.21	Interest bearing liabilities	224	1,970	245
4.22	Tax liabilities	49	71	197
4.23	Provisions exc. tax liabilities (includes outstanding claims)	1,352	1,251	1,376
4.24	Other (unearned premium)	1,839	1,720	1,686
4.25	Total current liabilities	4,745	5,604	3,794
Non-current liabilities				
4.26	Payables	-	-	-
4.27	Interest bearing liabilities	86	55	83
4.28	Tax liabilities	135	328	139
4.29	Provisions exc. tax liabilities (includes outstanding claims)	2,435	2,275	2,309

+ See chapter 19 for defined terms.

Consolidated statement of financial position continued

4.30	Other (Life insurance policy liability)	927	936	950
4.31	Total non-current liabilities	3,583	3,594	3,481
4.32	Total liabilities	8,328	9,198	7,275
4.33	Net assets	2,979	3,388	3,417
	Equity			
4.34	Capital/contributed equity	2,852	2,687	2,687
4.35	Reserves (foreign currency translation)	(1)	-	(2)
4.36	Retained profits (accumulated losses)	(375)	(164)	(115)
4.37	Equity attributable to members of the parent entity	2,476	2,523	2,570
4.38	Outside ⁺ equity interests in controlled entities	503	865	847
4.39	Total equity	2,979	3,388	3,417
4.40	Preference capital included as part of 4.37	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	N/A
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	4,171	3,484
7.2 Payments to suppliers and employees	(3,149)	(2,696)
7.3 Dividends received from associates	-	-
7.4 Other dividends received	126	125
7.5 Interest and other items of similar nature received	296	398
7.6 Interest and other costs of finance paid	(65)	(118)
7.7 Income taxes paid	(91)	(52)
7.8 Other (provide details if material)	(757)	(795)
7.9 Net operating cash flows	531	346
Cash flows related to investing activities		
7.10 Payment for purchases of property, plant and equipment	(40)	(49)
7.11 Proceeds from sale of property, plant and equipment	16	17
7.12 Payment for purchases of equity investments	(26,238)	(25,573)
7.13 Proceeds from sale of equity investments	26,064	25,474
7.14 Loans to other entities	(308)	(855)
7.15 Loans repaid by other entities	253	641
7.16 Other (cash acquired / (disposed) on acquisition / disposal of controlled entities	(67)	423
7.17 Net investing cash flows	(320)	78

+ 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)	45	(325)
7.19	Proceeds from borrowings	1,195	839
7.20	Repayment of borrowings	(1,370)	(1,038)
7.21	Dividends paid	(173)	(90)
7.22	Other (provide details if material)	1	534
7.23	Net financing cash flows	(302)	(80)
7.24	Net increase (decrease) in cash held	(91)	344
7.25	Cash at beginning of period <i>(see Reconciliation of cash)</i>	344	-
7.26	Exchange rate adjustments to item 7.25.	-	-
7.27	Cash at end of period <i>(see Reconciliation of cash)</i>	253	344

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	253	223
8.2 Deposits at call	-	-
8.3 Bank overdraft	-	(48)
8.4 Other (commercial bills)	-	169
8.5 Total cash at end of period (item 7.27)	253	344

+ 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>)	(2.4%)	5.6%
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>)	(1.0%)	4.8%

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	(1.78) ¢	8.62 ¢
(b) Diluted EPS per share	(1.77) ¢	8.61 ¢
(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	1,398	1,423
(ii) Diluted EPS	1,404	1,425
For reset preference shares:		
(a) Basic EPS per share	- ¢	- ¢
(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	-	-

NTA backing (see note 7)	Current period	Previous corresponding Period
11.1 Net tangible asset backing per ⁺ ordinary security	107 ¢	133 ¢

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)	See attached - Appendix 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	See attached - Appendix A
14.3 Date to which the profit (loss) in item 14.2 has been calculated	See attached - Appendix 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	See attached - Appendix A
14.5 Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	See attached - Appendix A

Dividends (in the case of a trust, distributions)

15.1 Date the dividend (distribution) is payable	21 October 2002
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)	25 September 2002
15.3 If it is a final dividend, has it been declared? <i>(Preliminary final report only)</i>	Yes

⁺ 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	6.0¢	6.0¢	N/A¢
15.5	Previous year	6.0¢	6.0¢	N/A¢
15.6	<i>(Half yearly and preliminary final reports)</i> Interim dividend: Current year	4.5¢	4.5¢	N/A¢
15.7	Previous year	4.0¢	4.0¢	N/A¢

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

(Preliminary final report only)

	Current year	Previous year
15.8 +Ordinary securities	10.5¢	10.0¢
15.9 Preference +securities	-¢	-¢

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	84
15.11 Preference +securities <i>(each class separately)</i>	-	-
15.12 Other equity instruments <i>(each class separately)</i>	-	-
15.13 Total	78	84

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

N/A

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

N/A

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)*

N/A

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

+ See chapter 19 for defined terms.

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 (b) Decreases through returns of capital, buybacks, redemptions	3,500,000 Nil	3,500,000 Nil	10,000¢ N/A	10,000¢ N/A
18.3 +Ordinary securities	1,301,703,304	1,301,703,304		
18.4 Changes during current period (a) Increases through issues (b) Decreases through buybacks	223,953 97,857,620	223,953 97,857,620	178¢ 178¢	178¢ 178¢
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 (b) Decreases through securities matured, converted	Nil	Nil	N/A	N/A
18.7 Options (<i>description and conversion factor</i>)	6,776,097	N/A	<i>Exercise price</i>	<i>Expiry date (if any)</i>
18.8 Issued during current period	190,700 135,000 1,000,000 521,897	190,700 135,000 1,000,000 521,897	See below ¹ See below ² See below ³ See below ⁴	2 Aug, 2011 22 Oct, 2011 13 Dec, 2011 5 Mar, 2012
18.9 Exercised during current period	Nil	Nil	Nil	Nil
18.10 Expired during current period	579,820	579,820	N/A	See below ⁵

¹ \$1 per tranche of options issued - 12 tranches issued

² \$1 per tranche of options issued - 5 tranches issued

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

⁴ \$1 per tranche of options issued - 13 tranches issued

⁵ Options expired as a result of employee termination before options were vested.

+ See chapter 19 for defined terms.

18.11 Debentures <i>(description)</i>		
18.12 Changes during current period		
(a) Increases through issues	N/A	N/A
(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 B

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.

- (a) In November 2001, the Company sold NRMA Building Society Limited for \$138 million. This sale resulted in a profit before tax of \$45 million;
- (b) On 4 June 2002, the Company had issued a total of \$350 million in reset preference shares which were listed on the Australian Stock Exchange;
- (c) On 24 June 2002, the Company had completed an off-market buy-back of shares. 98 million shares, which represented 6.99% of the shares on issue, were bought back during this process at a price of \$3.05 per share (comprised of a \$1.78 capital component and a \$1.27 fully franked dividend);
- (d) On 28 June 2002, the Company announced it had reorganised its corporate structure so that NRMA Insurance Limited and its controlled entities undertake all the general insurance underwriting of IAG Group in Australia. As a consequence, previously recognised "excess of net market value of an interest in a controlled entity" by the life company has now been capitalised as goodwill in the IAG Group which is expected to result in a goodwill amortisation expense of \$15 million per annum for 20 years.

Other than the matters identified above, there was no significant change to the state of affairs of the IAG Group during the year ended 30 June 2002.

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).

- (a) In July 2002, the IAG Group's whole of account aggregate stop loss reinsurance contract was terminated.
- (b) On 20 August 2002, a final dividend of 6.0 cents per share, 100% franked, was declared by the Company. The dividend will be paid on 21 October 2002.
- (c) Subsequent to year end, the IAG Group's investment portfolio has experienced continued volatility in returns in line with Australian and International equity markets. The sensitivities of our results to these market fluctuations has been disclosed separately to the market.

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 \$910 million as at 30 June 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*).

(a) Life insurance business revenue and expenses

From 1 July 2001, NRMA Life Limited (a wholly-owned subsidiary of Insurance Australia Group Limited) has recognised all premiums and claims arising in respect of non-risk investment business as changes in policy liabilities. Previously, under the transitional provisions of AASB 1038: Life Insurance Business, these premiums and claims were recognised as premium revenue and expenses. The impact of the change in accounting policy is that life insurance business revenue has decreased by \$212 million (2001 - \$212 million) and life insurance business expense has decreased by \$212 million (2001 - \$212 million). There is no impact on the net result from life insurance operations.

(b) Earnings per share

The consolidated entity has applied the revised AASB 1027: Earnings Per Share (issued June 2001) for the first time from 1 July 2001. Basic and diluted earnings per share ("EPS") for the comparative year ended 30 June 2001 have been adjusted so that the basis of calculation used is consistent with that of the current year.

The adoption of the revised AASB 1027 did not have material impact on the calculation of basic or diluted earnings per share for the Company.

(c) Segment reporting

The consolidated entity has applied the revised AASB 1005: Segment Reporting (issued in August 2000) for the first time from 1 July 2001. Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns. The adoption of the revised AASB 1005 has led to the identification of three reportable segments under general insurance, being short-tail, long-tail and international insurance businesses. Other than this change, all other reportable segments are the same as those reported in the previous reporting periods.

- 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.

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

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

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

(d) 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 will take place in two parts. The first part of the case, which is to be held in October 2002 will consider the proper meaning of the Treaty. The second part of the case has been deferred until the second half of 2003 and will examine whether the Treaty should 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 was wholly unsuccessful in its claim, it could lose the amount of US\$25 million recognised in its accounts and record a further loss of US\$13 million.

(e) The previous Chief Executive Officer has instituted proceedings against the Company in the Industrial Relations Commission of New South Wales claiming damages in relation to the termination of his contract of employment in April 2001. The claim is listed for hearing in November 2002.

⁺ 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	Wesley Centre 220 Pitt Street, Sydney
Date	13 November 2002
Time	9:30am
Approximate date the ⁺ annual report will be available	3 October 2002

⁺ 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/does not* (*delete one*) 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*)



The +accounts have been audited.



The +accounts have been subject to review.



The +accounts are in the process of being audited or subject to review.



The +accounts have *not* yet been audited or reviewed.

5 If the audit report or review by the auditor is not attached, details of any qualifications are attached/will follow immediately they are available* (*delete one*). (*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/does not have* (*delete one*) a formally constituted audit committee.

Sign here: Date: 20 August 2002
(Director/Company Secretary)

Print name: Anne O'Driscoll

+ See chapter 19 for defined terms.

APPENDIX A: Loss of control of entities having material effect

Name of entity (or group of entities)	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 \$A Million	Date to which the profit (loss) in item 14.2 has been calculated	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 \$A Million	Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control \$A Million
NRMA Building Society Group:	(27)	31 October 2001	(2)	45
- NRMA Building Society Limited				
- NRMA Finance Limited				
- NRMA Securitisation Services Pty Limited				
NRMA Investment Management World Equity Trust	(95)	31 May 2002	(6)	-
NRMA Investment Management Equity Trust	9	30 June 2002	43	-

+ See chapter 19 for defined terms.

APPENDIX B: Segmental reporting

(a) Primary reporting - business segments

The consolidated entity 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 Group's capital funds form a separate segment.

	Short-tail Insurance 2002 \$m	Long-tail Insurance 2002 \$m	International Insurance 2002 \$m	Retirement Services 2002 \$m	Corporate and Investments 2002 \$m	Intersegment elimination 2002 \$m	Total 2002 \$m
External revenue	2,553	1,204	401	19	(39)	-	4,138
Intersegment revenue	-	-	95	-	27	(122)	-
Total revenue	<u>2,553</u>	<u>1,204</u>	<u>496</u>	<u>19</u>	<u>(12)</u>	<u>(122)</u>	<u>4,138</u>
Profit from underwriting	97	33	12	-	-	-	142
Investment income	34	87	15	-	(246)	-	(110)
Other operating result	-	-	-	(5)	(128)	-	(133)
Profit / (loss) from ordinary activities before income tax	<u>131</u>	<u>120</u>	<u>27</u>	<u>(5)</u>	<u>(374)</u>	<u>-</u>	<u>(101)</u>
Income tax credit							18
Net loss							<u>(83)</u>
Segment assets	<u>1,805</u>	<u>3,427</u>	<u>299</u>	<u>1,146</u>	<u>4,637</u>	<u>(7)</u>	<u>11,307</u>
Unallocated assets							-
Total assets							<u>11,307</u>
Segment liabilities	<u>1,805</u>	<u>3,427</u>	<u>299</u>	<u>947</u>	<u>1,861</u>	<u>(11)</u>	<u>8,328</u>
Unallocated liabilities							-
Total liabilities							<u>8,333</u>
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	-	-	-	-	44	-	44
Depreciation expense*	11	8	7	1	4	-	31
Amortisation of goodwill and intangibles	-	-	-	-	43	-	43
Total depreciation and amortisation expense	<u>11</u>	<u>8</u>	<u>7</u>	<u>1</u>	<u>47</u>	<u>-</u>	<u>74</u>
Other non-cash expenses	<u>24</u>	<u>19</u>	<u>2</u>	<u>2</u>	<u>7</u>	<u>-</u>	<u>54</u>

* Depreciation expense is allocated to different business segments as management fees from the Corporate segment. Therefore all plant and equipment are treated as part of the Corporate segment.

+ See chapter 19 for defined terms.

APPENDIX B: Segmental reporting (continued)

(a) Primary reporting - business segments (continued)

	Short-tail Insurance	Long-tail Insurance	International Insurance	Financial Services	Corporate and Investments	Intersegment elimination	Total
	2001	2001	2001	2001	2001	2001	2001
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
External revenue	2,287	958	132	172	321	-	3,870
Intersegment revenue	-	-	-	-	54	(54)	-
Total revenue	2,287	958	132	172	375	(54)	3,870
Profit / (loss) from underwriting	41	(34)	(7)	-	-	-	-
Investment income	50	155	1	-	158	-	364
Other operating result	-	-	-	20	(169)	-	(149)
Profit / (loss) from ordinary activities before income tax	91	121	(6)	20	(11)	-	215
Income tax expense							(31)
Net profit							184
Segment assets	1,663	3,147	234	2,953	5,443	(854)	12,586
Unallocated assets							-
Total assets							12,586
Segment liabilities	1,663	3,147	234	2,716	2,292	(854)	9,198
Unallocated liabilities							-
Total liabilities							9,198
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets*	-	-	-	-	431	-	431
Depreciation expense*	11	7	3	1	10	-	32
Amortisation of goodwill and intangibles	-	-	-	-	27	-	27
Total depreciation and amortisation expense	11	7	3	1	37	-	59
Other non-cash expenses	15	14	9	3	10	-	51

* Depreciation expense is allocated to different business segments as management fees from the Corporate segment. Therefore all plant and equipment are treated as part of the Corporate segment.

+ See chapter 19 for defined terms.

APPENDIX B: Segmental reporting (continued)

(b) Secondary reporting - geographical segments

The consolidated entity operates mainly in the Australian general insurance and retirement services industries and in the New Zealand general insurance industry. In the Australian market the Group operates in all major states and territories. Australia and International (mainly New Zealand) markets are therefore separate reportable geographical segments.

	Australia		International		Intersegment elimination		Total	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m	2002 \$m	2001 \$m	2002 \$m	2001 \$m
External revenue	3,733	3,738	405	132	-	-	4,138	3,870
Segment assets	10,709	11,948	719	638	(121)	-	11,307	12,586
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	40	409	4	22	-	-	44	431

+ See chapter 19 for defined terms.

APPENDIX C: 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 / (loss) from ordinary activities before income tax	<u>(101)</u>	215
Prima facie tax thereon at 30% (2001 - 34%)	<u>(30)</u>	73
Tax effect of permanent differences:		
Rebateable dividends	(11)	(11)
Capital (profits) / losses not subject to income tax	(6)	2
Other non-deductible items	17	5
Other	10	(14)
Change in income tax rate	-	(14)
Future income tax benefit not recognised	1	(1)
Income tax expense / (credit) applicable to current year	<u>(19)</u>	40
Adjustment to prior year	1	(9)
Income tax attributable to profit from ordinary activities	<u>(18)</u>	31
<p>(b) The potential future income tax benefits relating to tax losses at 30 June 2002 not brought to account are:</p>		
	<u>-</u>	3

The benefits will only be obtained if:

- (i) the economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses and timing differences to be realised;
- (ii) the economic entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the economic entity in realising the benefits from the deductions for the losses.

+ 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 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

⁺ See chapter 19 for defined terms.

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.