

# AXA

National Mutual Holdings  
1999 FINANCIAL  
STATEMENTS



**NATIONAL MUTUAL  
HOLDINGS**

National Mutual Holdings Limited ACN 069 123 011  
Member of the Global AXA Group

# Contents

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Profit and Loss Statement	1	19 Employee Entitlements	15
Balance Sheet	2	20 Share Capital	15
Statement of Cash Flows	3	21 Reserves	16
Notes to and forming part of the financial statements	4	(a) Reserves comprise	
1 Summary of Accounting Policies	4	(b) Movements in Reserves	
(a) Principles of Consolidation		22 Earnings per Share	16
(b) Investments		23 Retained Profits	16
(c) Capital Gains Tax		24 Commitments for Expenditure	17
(d) Recoverable Amount of Non-Current Assets		(a) Lease Expenditure Commitments	
(e) Operating Revenue		(b) Capital Expenditure Commitments	
(f) Income Tax	5	(c) Other Commitments	
(g) Goodwill		25 Contingent Liabilities	18
(h) Depreciation		26 Defined Benefit Superannuation Plans	18
(i) Employee Entitlements		27 Remuneration of Directors	19
(j) Superannuation		28 Remuneration of Executive Officers	20
(k) Leased Assets		29 Related Party Disclosures	21
(l) Foreign Currency		(a) Directors	
(m) Acquisition of Assets		(b) Transactions within the Wholly-Owned Group	23
(n) Derivative Financial Instruments		(c) Transactions with Other Related Parties	
(o) Year 2000 Software Modification Costs		(d) Controlling Entities	
(p) Mortgage Servicing Rights		30 Auditors' Remuneration	24
(q) Software Development Costs		31 Outside Equity Interests	24
(r) Tax Rate Changes		32 Notes to the Statement of Cash Flows	24
(s) Comparative Figures		(a) Reconciliation of Cash	
2 Operating Profit	6	(b) Businesses Disposed	25
3 Income Tax	8	(c) Businesses Acquired	
4 Dividends	9	(d) Financing Facilities	26
(a) Interim dividend paid		(e) Reconciliation of Net Cash Flows from Operating Activities to Operating Profit After Tax	
(b) Final dividend proposed		33 Investment in Controlled Entities	27
(c) Franking credits		(a) Controlled Entities at Balance Date	
5 Current Receivables	9	(b) Acquisitions of Controlled Entities	29
6 Current Investments	10	(c) Disposals of Controlled Entities	
(a) Non-Quoted Investments		34 Acquisition of Businesses	29
(b) Quoted Investments		35 Subsequent Events	29
7 Other Current Assets	10	36 Economic Dependency	29
8 Non-Current Investments	11	37 Segment Information	30
9 Property, Plant & Equipment	12	38 Financial Instruments	30
10 Intangibles	13	(a) Significant Accounting Policies	
11 Other Non-Current Assets	13	(b) Objectives of Derivative Financial Instruments	
12 Accounts Payable	14	(c) Interest Rate Risk	32
13 Current Borrowings	14	(d) Credit Risk Exposures	33
(a) Unsecured		(e) Net Fair Values (Liquidity Risk)	
(b) Secured		39 Details of Life Insurance Funds of Life Insurance Subsidiaries	34
14 Current Provisions	14	40 Total Assets and Assets Under Management	38
15 Other Current Liabilities	14	41 Employee Share Purchase Schemes	38
16 Non-Current Borrowings	15	Directors' Declaration	39
(a) Unsecured		Auditors' Report	40
(b) Secured			
17 Non-Current Provisions	15		
18 Other Non-Current Liabilities	15		

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**Secretary**

Kevin Le Plastrier

**Auditors**Deloitte Touche Tohmatsu  
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Melbourne 3000**Registered Office**18th Floor  
447 Collins Street  
Melbourne 3000**National Mutual Holdings Limited**

ACN 069 123 011

Incorporated in Victoria Australia

# Profit and Loss Statement

for the financial year ended 30 September 1999.

	Note	Consolidated		Company	
		1999	1998	1999	1998
		\$'000	\$'000	\$'000	\$'000
<b>Operating profit before abnormals and income tax</b>		343,589	239,369	198,795	96,233
Abnormals	2(b)	23,278	(37,600)	-	(15,500)
<b>Operating profit after abnormals and before income tax</b>	2	366,867	201,769	198,795	80,733
Income tax expense/(benefit)	3	15,951	(16,321)	(15,148)	(10,507)
<b>Operating profit after income tax</b>		350,916	218,090	213,943	91,240
Outside equity interests in operating profit after income tax		(48,940)	(12,767)	-	-
<b>Operating profit after income tax attributable to members of the Parent Entity</b>		301,976	205,323	213,943	91,240
Retained Profits at the beginning of the financial year		339,050	287,432	315,208	377,673
Total available for appropriation		641,026	492,755	529,151	468,913
Dividends provided for or paid	4	(158,619)	(153,705)	(158,619)	(153,705)
<b>Retained profits at the end of the financial year</b>		482,407	339,050	370,532	315,208

The accompanying notes form part of these financial statements.

# Balance Sheet

as at 30 September 1999.

	Note	Consolidated		Company	
		1999	1998	1999	1998
		\$'000	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>					
Cash		134,803	30,526	8,319	20,574
Receivables	5	205,470	161,074	44,235	73,686
Investments	6	720,527	722,542	-	9,934
Other	7	8,912	6,053	-	-
<b>Total Current Assets</b>		<b>1,069,712</b>	<b>920,195</b>	<b>52,554</b>	<b>104,194</b>
<b>NON-CURRENT ASSETS</b>					
Investments	8	3,706,994	3,688,737	5,143,784	5,009,281
Plant and equipment	9	26,716	36,157	3,646	-
Intangibles	10	1,330,378	1,602,187	-	-
Other	11	70,598	60,781	42,157	21,808
<b>Total Non-Current Assets</b>		<b>5,134,686</b>	<b>5,387,862</b>	<b>5,189,587</b>	<b>5,031,089</b>
<b>TOTAL ASSETS</b>		<b>6,204,398</b>	<b>6,308,057</b>	<b>5,242,141</b>	<b>5,135,283</b>
<b>CURRENT LIABILITIES</b>					
Accounts payable	12	151,121	174,806	1,968	3,430
Borrowings	13	612,624	144,070	423,876	69,237
Provisions	14	126,724	141,748	84,453	93,848
Other	15	131,401	115,939	445	1,014
<b>Total Current Liabilities</b>		<b>1,021,870</b>	<b>576,563</b>	<b>510,742</b>	<b>167,529</b>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	16	2,100	110,063	-	90,000
Provisions	17	22,234	11,824	69	1,403
Other	18	12,491	123,695	12,491	123,392
<b>Total Non-Current Liabilities</b>		<b>36,825</b>	<b>245,582</b>	<b>12,560</b>	<b>214,795</b>
<b>TOTAL LIABILITIES</b>		<b>1,058,695</b>	<b>822,145</b>	<b>523,302</b>	<b>382,324</b>
<b>NET ASSETS</b>		<b>5,145,703</b>	<b>5,485,912</b>	<b>4,718,839</b>	<b>4,752,959</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	20	1,186,335	1,186,335	1,186,335	1,186,335
Reserves	21	2,713,137	2,919,426	3,161,972	3,251,416
Retained profits		482,407	339,050	370,532	315,208
<b>Shareholders' equity attributable to members of the parent entity</b>		<b>4,381,879</b>	<b>4,444,811</b>	<b>4,718,839</b>	<b>4,752,959</b>
Outside equity interests in controlled entities	31	763,824	1,041,101	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>5,145,703</b>	<b>5,485,912</b>	<b>4,718,839</b>	<b>4,752,959</b>
Commitments for Expenditure	24				
Contingent Liabilities	25				

The accompanying notes form part of these financial statements.

# Statement of Cash Flows

For the financial year ended 30 September 1999.

	Note	Consolidated		Company	
		1999	1998	1999	1998
		\$'000	\$'000	\$'000	\$'000
<b>Cash flows from Operating Activities</b>					
Premiums received		704,593	687,527	-	-
Hospital fees received		77,174	99,508	-	-
Interest received		180,349	141,106	2,933	2,856
Dividends/trust distribution received		3,569	2,128	249,458	320,822
Management fee income received		110,277	103,722	-	-
Transfer from life insurance funds		378,751	208,284	-	-
Reimbursement of overheads		-	-	12,483	21,426
Other income received		12,004	20,633	443	8,083
Interest and other finance costs paid		(173,010)	(125,616)	(30,301)	(30,202)
Income tax (paid)/received		3,724	1,249	-	(3,949)
Payments under policy		(563,227)	(545,093)	-	-
Payment to suppliers and employees		(505,181)	(378,891)	(45,151)	(56,246)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	32 (e)	<b>229,023</b>	<b>214,557</b>	<b>189,865</b>	<b>262,790</b>
<b>Cash flows from Investing Activities</b>					
Proceeds from sale of property, plant and equipment		2,165	3,823	435	-
Proceeds on sale of controlled entities	32 (b)	64,369	-	-	-
Purchase of controlled entities	32 (c)	54,609	(286,045)	(134,963)	(316,065)
Purchase of shares in associate companies		(17,778)	-	(11,489)	-
Payment for property, plant and equipment		(12,256)	(12,554)	(5,907)	1,016
Net proceeds from sale of/(investment in) traded securities		(86,746)	(20,241)	-	-
Net decrease/(increase) in loans		(50,865)	14,038	(122,557)	(3,126)
Proceeds from sale of shares		46,280	-	-	-
Capital transfers into life funds		(20,000)	-	(20,000)	-
Other capital transfers		-	-	(10,000)	-
Other investing items		-	7,086	-	6,252
Special dividend		-	320,000	-	320,000
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(20,222)</b>	<b>26,107</b>	<b>(304,481)</b>	<b>8,077</b>
<b>Cash flows from Financing Activities</b>					
Dividend/distribution paid		(158,619)	(123,338)	(158,619)	(84,917)
Proceeds from issue of shares		-	(8,854)	-	-
Payments to minority interests		(142,389)	-	-	-
Net payment of borrowings		215,795	(178,512)	252,791	(178,047)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(85,213)</b>	<b>(310,704)</b>	<b>94,172</b>	<b>(262,964)</b>
<b>Net Increase/(Decrease) in Cash Held</b>					
Cash at beginning		206,126	265,592	30,508	22,605
Effect of exchange rate changes on the balance of cash held in foreign currencies		(173)	10,574	(1,745)	-
<b>Cash at the End of the Financial Year</b>	32 (a)	<b>329,541</b>	<b>206,126</b>	<b>8,319</b>	<b>30,508</b>

The accompanying notes form part of these financial statements.

to and forming part of the financial statements for the financial year ended 30 September 1999.

## 1 SUMMARY OF ACCOUNTING POLICIES

### Financial Reporting Framework

This financial report is a general purpose financial report which has been prepared in accordance with the Corporations Law, applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

### Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported. The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

#### (a) Principles of Consolidation

The consolidated financial statements have been prepared by combining the financial statements of all the entities that comprise the economic entity, being the Company (the parent entity) and its controlled entities as defined in applicable accounting standard AASB 1024: 'Consolidated Accounts'. A list of controlled entities appears in Note 33.

Policyholders' interests in the assets of the Life Insurance Funds of subsidiaries and their controlled entities do not form part of the assets to which the economic entity are entitled and are therefore excluded from consolidation, together with the associated liabilities, income and expenses.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions and unrealised profits arising within the economic entity are eliminated in full.

Where necessary, dissimilar accounting policies adopted by controlled entities have been amended to ensure consistent policies are adopted within the economic entity.

#### (b) Investments

Investments are shown at either cost or Directors' valuation. When valuing investments the Directors have taken into account the following:

##### Life Insurance Subsidiaries

Australian Casualty & Life Limited, AXA China Region, National Mutual Life and AXA Life Singapore: valuations of the companies include the value of net worth, plus in-force business and the value of future new business by Trowbridge Consulting, an independent expert actuary.

##### Non-Life Subsidiaries

National Mutual Funds Management (Global) Limited and National Mutual Health Insurance Pty Ltd: valuations based on discounted cashflows of the companies by PricewaterhouseCoopers Securities Limited, an independent expert.

#### Property

The value of investment properties are based on independent valuations and are revalued every year.

The Company's consolidated balance sheet includes the following three elements which together represent the economic entities investment in the unconsolidated life insurance funds:

#### Accumulated Shareholders' Interest In Life Funds (Refer Note 8)

The accumulated shareholders' interest in life funds represents the undistributed profits and capital contributions attributable to the Company,

within the statutory funds of life insurance subsidiaries. On the basis of an actuarial assessment, the surplus of net assets over policyholder liabilities within the statutory funds accrues to the benefit of each life insurance subsidiary and, subject to actuarial approval (and for Australian subsidiaries in accordance with the **Life Insurance Act (1995)**), this surplus is transferable to the shareholders' funds of each life insurance subsidiary. Movements in the accumulated shareholders' interest in life insurance funds are reported in the profit and loss account.

As described in Note 1 (a), the policyholders' interest in assets, liabilities, revenue and expenses of the life insurance funds are not consolidated.

#### Value of Life Business In-Force (Refer Note 8)

The value of the in-force business of unconsolidated life insurance funds represents the discounted cash flows, attributable to the Company, which are expected to be generated from the major lines of business in-force at balance date. The value is actuarially determined at each balance date. In 1999, valuations took account of the value of 70% of dividend imputation credits. The amount included in the value of business in-force was \$222,000,000. Changes in the value of business in-force are taken directly to an asset revaluation reserve in accordance with the requirements of applicable accounting standard AASB 1010: Accounting for the Revaluation of Non-Current Assets.

#### Value of Future New Business of Life Insurance Subsidiaries (Refer Note 10)

The value of future new business of unconsolidated life insurance funds subsidiaries represents the discounted cash flows, attributable to the Company, which are expected to be generated from future new business, and is shown as an intangible asset. This value is actuarially determined at each balance date. In 1999, valuations took account of the value of 70% of dividend imputation credits. The amount included in the value of future new business was \$90,000,000. Changes in the value of future new business are taken directly to an asset revaluation reserve in accordance with the requirements of applicable accounting standard AASB 1010: Accounting for the Revaluation of Non-Current Assets.

#### (c) Capital Gains Tax

No provision has been made for capital gains tax which may arise in the event of sale of revalued assets.

#### (d) Recoverable Amount of Non-Current Assets

Non-current assets are written down to their recoverable amount where the carrying value of any non-current asset exceeds its recoverable amount. In determining the recoverable amount of non-current assets, the expected cash flows have been discounted to their present value.

#### (e) Operating Revenue

##### Share of Profit of Life Insurance Funds

The Company's operating results include the proportion of the current year's profit of Life Insurance Funds held by National Mutual Life, AC&L, and AXA China Region, which accrues to the benefit of the Company and which, subject to actuarial approval (and for Australian subsidiaries in accordance to the Company).

Profit of the life insurance subsidiaries is calculated after making allowance for policyholder liabilities determined on a Margin on Services basis. The Margin on Services method requires the provision of policy liabilities to be calculated in a way which ensures that profits are recognised over the life of the policies as the services are provided.

to and forming part of the financial statements for the financial year ended 30 September 1999.

## 1 SUMMARY OF ACCOUNTING POLICIES (continued)

### (f) Income Tax

Tax effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustments for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in provision for deferred income tax and future income tax benefit, as applicable. Shareholders' profit from life insurance funds is brought to account net of income tax.

### (g) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period of 20 years.

### (h) Depreciation

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation:

- plant and equipment	4 - 10 years
- plant and equipment under finance lease	3 - 10 years

### (i) Employee Entitlements

Provision is made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and benefits are capable of being measured reliably.

Provisions made in respect of annual leave and other employee entitlements expected to be settled within 12 months are measured at their nominal value.

Provisions made in respect of other employee entitlements which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the economic entity in respect of services provided by employees up to the reporting date.

### (j) Superannuation

Contributions, which are determined on an actuarial basis, to superannuation schemes are charged to superannuation plan expenses in the profit and loss account.

The assets or liabilities of the schemes have not been consolidated as the Company does not have direct or indirect control of the schemes.

### (k) Leased Assets

Leased assets classified as finance leases are capitalised as non-current assets. The amount initially brought to account is the present value of minimum lease payments.

A finance lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property. Capitalised leased assets are amortised on a straight line basis over the estimated useful life of the assets. Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating leases are charged as an expense in the period in which they are incurred.

### (l) Foreign Currency

All foreign currency transactions during the year have been brought to account using the exchange rate in effect at the date of the transactions.

Foreign currency monetary items at balance date are translated at the exchange rate existing at that date.

Financial statements of self-sustaining foreign subsidiaries are translated at the balance date using the current rate method, and exchange differences are transferred directly to the foreign currency translation reserve.

### (m) Acquisition of Assets

Assets acquired are initially recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

### (n) Derivative Financial Instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, forward interest rate contracts and interest rate swaps.

Derivatives are valued on a mark-to-market basis, which involves the calculation and recognition of gains and losses on all current positions. Further details of derivative financial instruments are disclosed in Note 38 to the financial statements.

National Mutual Holdings Limited uses derivatives as hedging tools and therefore does not record their market value in its financial statements.

### (o) Year 2000 Software Modification Costs

Costs relating to the modification of computer software for Year 2000 compatibility are charged as expenses when incurred.

### (p) Mortgage Servicing Rights

The benefit of future mortgage servicing rights are brought to account as income and carried as an asset on the balance sheet upon the establishment of mortgage portfolios. The asset represents the fair value of the future mortgage service rights assumed.

The rights will be progressively amortised in the profit and loss account over the period of estimated net servicing revenue. The rights are evaluated for impairment annually by comparing the carrying amount of the servicing rights to their fair value.

The financial effect of the introduction of this new policy for the current financial year is that operating profit before tax has increased by \$7,346,000 and current and non-current assets have increased by \$2,414,000 and \$4,932,000 respectively.

### (q) Software Development Costs

Software development costs of major projects are capitalised where it is expected that future economic benefit will be derived. Software capitalised is depreciated over a period not exceeding 5 years from the date it is brought to use. The financial effect of the introduction of this new policy for the current year is that operating profit before income tax and non-current assets have increased by \$2,307,000.

### (r) Tax Rate Changes

Since the end of the financial year, legislation has been passed by both Houses of the Parliament reducing future corporate tax rates and changing the method for the calculation of capital gains tax. The financial impact of these changes has been reflected in the financial statements.

### (s) Comparative Figures

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures presented for the current financial year.

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated		Company	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
<b>2 OPERATING PROFIT</b>				
<b>(a)</b> Included in the operating profit are the following items of revenue and expense:				
<b>Operating Revenue</b>				
Non-life insurance premiums	699,142	680,682	-	-
Hospital fees	68,593	98,553	-	-
Management fees	132,243	101,796	-	-
Shareholders profit from insurance funds* 1	305,943	269,644	-	-
Dividends received:				
- Controlled entities	-	-	206,211	223,987
- Other corporations	1,710	2,131	-	-
Equity share of Associates profit	1,859	46	-	-
Interest received:				
- Directors	-	18	-	-
- Other related parties	401	139	696	-
- Other persons	179,451	133,882	2,013	3,015
Increments from the revaluation of investment assets	16,700	9,370	-	-
Net Foreign Exchange Gains from Operations	759	8,545	56,530	-
<b>Total Operating Revenue</b>	<b>1,406,801</b>	<b>1,304,806</b>	<b>265,450</b>	<b>227,002</b>
<b>Non Operating Revenue</b>				
Profit from sales of non-current assets:				
- Investments****	25,780	2,497	-	-
- Controlled Entities***	44,678	-	-	-
Other Non Operating revenue	17,528	25,472	443	9,104
<b>Total Non Operating Revenue</b>	<b>87,986</b>	<b>27,969</b>	<b>443</b>	<b>9,104</b>
<b>Total Revenue</b>	<b>1,494,787</b>	<b>1,332,775</b>	<b>265,893</b>	<b>236,106</b>
<b>Expenses</b>				
Interest paid:				
- Directors	-	111	-	-
- Other related parties	145,358	81,976	-	-
- Other persons	26,174	31,592	28,839	28,519
Health & Medical Claims	576,007	537,503	-	-
Salaries	113,808	143,350	-	-
Commission	15,847	14,608	-	-
Depreciation, amortisation or diminution in value of:				
- Plant and equipment	13,251	13,736	798	-
- Leased assets	1,513	718	-	-
- Intangibles: goodwill	2,124	3,070	-	-
- Other intangibles	348	-	-	-
Loss on sale of current investments	17,660	29,473	-	-
Loss from sale of property, plant and equipment	959	391	41	-
Transfers to provisions:				
- Annual leave	4,045	7,882	228	640
- Long service leave	1,172	2,082	240	318
- Other employee entitlements	1,577	2,153	1,529	1,908
- Other provisions	-	2,802	-	-
Finance charges	18	250	-	-
Operating lease rental expense	9,991	13,240	1,720	-
Contribution to superannuation plans	2,137	8,787	926	2,855
Bad debts written off:				
- Other corporations	1,947	1,016	1,958	1,016
- Other persons	5	92	-	-
Provision for doubtful debts:				
- Other related parties	115	-	-	-
- Other persons	(14)	693	-	-
Decrements from revaluation of :				
- Non-current investments	2,095	18,571	-	-
- Current investments	14,282	27,024	-	-
- Intangibles	-	265	-	-
Net foreign exchange losses from operations	-	-	-	89,004
Abnormal expenses **	14,433	42,300	-	15,500
Other expenses	163,068	147,321	30,819	15,613
<b>Total Expenses</b>	<b>1,127,920</b>	<b>1,131,006</b>	<b>67,098</b>	<b>155,373</b>

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated		Company	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
<b>2 OPERATING PROFIT (continued)</b>				
<b>(b) Abnormals</b>				
* This figure includes the following abnormal items:				
Redundancies/restructuring costs	(11,986)	(31,700)	-	-
Year 2000 program costs	(20,324)	-	-	-
Capitalised loss reversals	-	36,400	-	-
	(32,310)	4,700	-	-
** This figure comprises:				
Redundancies/restructuring costs	(9,148)	(34,800)	-	(8,000)
Year 2000 program costs	(5,285)	(7,500)	-	(7,500)
	(14,433)	(42,300)	-	(15,500)
*** This amount is an abnormal item:				
Profit on sale of Controlled Entities	44,678	-	-	-
**** This amount includes the following abnormal item:				
Profit on sale of shares	25,343	-	-	-
Total abnormals	23,278	(37,600)	-	(15,500)
Applicable income tax	(13,908)	12,500	-	2,880
<b>Total Abnormals After Tax</b>	<b>9,370</b>	<b>(25,100)</b>	<b>-</b>	<b>(12,620)</b>

(1) The 1998 figure includes the shareholder amount for the revaluation of The National Mutual Life Association of Australasia Limited' operating subsidiaries (NMAM(Australia), NMAM(NZ), NM Nominees, NMMT and National Payroll Systems) of \$27.6 million.

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated		Company	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
<b>3 INCOME TAX</b>				
<b>Operating Profit</b>	366,867	201,769	198,795	80,733
Prima facie tax thereon at 36%	132,072	72,637	71,566	29,064
Tax effect of permanent differences:				
Reduction in tax payable from:				
Shareholders profit from life funds brought to account net of tax	(110,546)	(91,691)	-	-
Non assessable income	-	(9,303)	(20,796)	(3,633)
Building allowance	-	(940)	-	-
Foreign tax credits receivable	(275)	(1,135)	-	(576)
Net capital losses	(348)	(225)	-	-
Investment revaluations	-	(245)	-	-
Increase in tax payable from:				
Goodwill on consolidation written down	-	336	-	-
Other non-deductible items	6,317	14,681	3,709	3,295
Tax benefit from unrealised losses not recognised	-	-	-	34,550
Tax effect of intercorporate dividends	18,770	7,381	(54,510)	(73,050)
Amounts (over) under provided in prior years	(7,423)	(1,355)	-	(157)
Effect of lower tax rates on overseas income	(135)	(1,479)	-	-
Effect on FITB and PDIT due to changes in tax rate and method of calculating capital gains tax	904	-	577	-
Net FITB/ PDIT from prior period not previously recognised	(23,385)	(4,983)	(15,694)	-
<b>Total Income Tax (Benefit) Attributable to Operating Profit</b>	<b>15,951</b>	<b>(16,321)</b>	<b>(15,148)</b>	<b>(10,507)</b>

## FUTURE INCOME TAX BENEFIT

Potential future income tax benefits of \$1,245,187 (1998: \$7,455,000) attributable to tax losses carried forward by a controlled entity have not been recognised in the consolidated financial statements at balance date because the Directors do not believe it is appropriate to regard realisation of the future income tax benefit as virtually certain.

These benefits will only be obtained if:

- (i) assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
- (ii) conditions for deductibility imposed by the law continue to be complied with; and
- (iii) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Similarly, future benefits of \$4,305,822 (1998: \$44,421,000) attributable to timing differences, with respect to the Company, have not been recognised as the Directors do not believe the benefits are assured beyond reasonable doubt.

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated		Company	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
<b>4 DIVIDENDS</b>				
(a) Interim dividend paid				
Franked at 60% (1998: 100%)	79,310	74,396	79,310	74,396
(b) Final dividend proposed				
Franked at 60% (1998 : 60%)	79,309	79,309	79,309	79,309
<b>Total Dividends Provided for or Paid</b>	<b>158,619</b>	<b>153,705</b>	<b>158,619</b>	<b>153,705</b>
(c) Franking credits				
Franking credits available at the 36% corporate tax rate after allowing for tax payable in respect of the current year's profits and the payment of the proposed dividends	-	-	-	-
The movement in the franking account comprises:				
Balance brought forward	-	-	-	43,254
Credits from dividends received/receivable	-	-	95,171	78,728
Credits from tax payable	-	-	-	-
Debits from dividends paid	-	-	(47,586)	(74,397)
Debits from dividends payable	-	-	(47,585)	(47,585)
<b>Franking Credits Available</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
National Mutual Holdings Limited will endeavour to maximise franked dividends in the future. Full franking in the future is unlikely as future dividends will in part be serviced from profits which are not taxed at the prevailing 36% corporate tax rate.				
<b>5 CURRENT RECEIVABLES</b>				
Trade receivables	39,982	21,597	-	-
Provision for doubtful debts in trade receivables	(246)	(973)	-	-
Net Trade Receivables	39,736	20,624	-	-
Interest receivable	4,185	4,682	-	224
Premiums outstanding	1,758	1,775	-	-
Dividends receivable	-	-	10,000	53,247
Other current receivables	85,320	58,694	17,868	9,394
Amounts due from controlled entities	-	-	11,671	10,821
Amounts due from life insurance funds	44,491	71,751	-	-
Amounts due from other related parties	-	3,548	4,696	-
Amounts due from other corporations	29,980	-	-	-
<b>Total Current Receivables</b>	<b>205,470</b>	<b>161,074</b>	<b>44,235</b>	<b>73,686</b>

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated		Company	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
<b>6 CURRENT INVESTMENTS</b>				
<b>(a) Non-Quoted Investments</b>				
<b>At Cost</b>				
Deposits at call *	229,744	233,694	-	9,934
<b>Total Shares and Deposits</b>	<b>229,744</b>	<b>233,694</b>	<b>-</b>	<b>9,934</b>
<b>At Valuation</b>				
Units in trusts	25,015	17,343	-	-
Shares:				
Other	-	19,369	-	-
Bills of exchange **	71,498	15,856	-	-
Debentures	3,082	1,105	-	-
Floating rate notes ***	-	50,794	-	-
Other	1,156	-	-	-
<b>Total Other Non-Quoted Investments</b>	<b>100,751</b>	<b>104,467</b>	<b>-</b>	<b>-</b>
<b>(b) Quoted Investments</b>				
<b>At Valuation</b>				
Government and semi government securities	129,018	177,711	-	-
Debentures	138,180	130,920	-	-
Shares:				
Other corporations	2,341	2,122	-	-
Units in trusts	6,373	15,056	-	-
Fixed interest securities	103,556	58,572	-	-
Other	10,564	-	-	-
<b>Total Quoted Investments</b>	<b>390,032</b>	<b>384,381</b>	<b>-</b>	<b>-</b>
<b>Total Current Investments</b>	<b>720,527</b>	<b>722,542</b>	<b>-</b>	<b>9,934</b>
<b>* Deposits at call</b>				
The deposits are bearing floating interest rates between 3.50% and 6.50% (1998: 4.90% and 5.43%).				
<b>** Bills of exchange</b>				
Bills are generally subject to credit risk in the event of default by the acceptor. However, the risk has been mitigated by ensuring that a percentage of the bills have been accepted by banks.				
<b>*** Floating notes</b>				
The deposits are bearing floating interest rates at an average of 4.80% (1998: 4.60%).				
<b>7 OTHER CURRENT ASSETS</b>				
Prepayments	3,097	3,114	-	-
Hedge receivable	215	-	-	-
Other	5,600	2,939	-	-
<b>Total Other Current Assets</b>	<b>8,912</b>	<b>6,053</b>	<b>-</b>	<b>-</b>

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated		Company	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
<b>8 NON-CURRENT INVESTMENTS</b>				
<b>At Cost</b>				
Shares:				
Other related parties	-	150	-	-
Loans – Controlled entities	-	-	49,800	-
Loans – Other	2,451	2,886	-	-
Other	188	-	-	-
	<b>2,639</b>	<b>3,036</b>	<b>49,800</b>	<b>-</b>
<b>At Valuation</b>				
Debentures	8,838	-	-	-
Shares:				
Controlled entities <sup>(1)</sup>	-	-	5,084,655	5,009,281
Other related parties	68,638	-	-	-
Associate companies	31,309	15,992	9,329	-
Other corporations	5,371	18,815	-	-
Units in trusts	26,541	1,907	-	-
Freehold and leasehold properties <sup>(2)</sup>	-	72,495	-	-
Mortgages	280	4,075	-	-
Accumulated shareholders interest in life funds <sup>(3)</sup>	2,021,346	2,111,631	-	-
Value of inforce life business <sup>(4)</sup>	1,542,032	1,460,786	-	-
	<b>3,704,355</b>	<b>3,685,701</b>	<b>5,093,984</b>	<b>5,009,281</b>
<b>Total Non-Current Investments</b>	<b>3,706,994</b>	<b>3,688,737</b>	<b>5,143,784</b>	<b>5,009,281</b>

## (1) Shares in controlled entities

Shares in controlled entities are revalued by Directors as at 30 September 1999

- for life insurance subsidiaries, having regard to an independent valuation made by Trowbridge Consulting, independent consulting actuaries.
- for National Mutual Funds Management (Global) Ltd and National Mutual Health Insurance Pty Ltd, having regard to an independent valuation made by PricewaterhouseCoopers Securities Limited, an independent expert. On consolidation, these subsidiaries are carried at net asset value.

These valuations were made in accordance with a regular policy of revaluation which is carried out annually.

National Mutual Holdings Limited's investment in controlled entities are as follows :

Australian Casualty & Life Limited	-	-	310,000	234,500
AXA China Region (1999: 73.6%, 1998:68.5%)	-	-	2,126,396	2,222,402
National Mutual Funds Management (Global) Limited	-	-	291,000	255,000
National Mutual Funds Management (International)	-	-	51,013	30,020
National Mutual Health Insurance Limited	-	-	204,000	176,000
National Mutual International Pty Ltd	-	-	92,246	66,359
The National Mutual Life Association of Australasia Limited	-	-	2,010,000	2,025,000
<b>Total Shares in Controlled Entities</b>	<b>-</b>	<b>-</b>	<b>5,084,655</b>	<b>5,009,281</b>

No provision has been made for capital gains tax which may arise in the event of sale of revalued assets shown above. The amount of capital gains tax that would be paid if those assets were sold at balance date at their revalued amounts would be as follows:

Shares:				
Controlled entities	-	-	855,954	1,088,271

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated		Company	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
<b>8 NON-CURRENT INVESTMENTS (continued)</b>				
<b>(2) Freehold and leasehold properties</b>				
Freehold and leasehold properties are revalued annually based on independent valuations. These valuations are made in accordance with a regular policy of revaluation which is carried out annually. The valuations were completed by Mr R Lohmaeyer F.V.L.E. (Val) App Sc (Valuation), Mr R R Wood A.V.L.E. (Val) B App Sc PRM (Valuation), Ms J K P Robertson A.V.K.E. (Val) B Bus Property (Valuation) as at 30 September 1998.				
<b>(3) Accumulated Shareholders' Interest in Life Funds</b>				
The details of this interest are further detailed in Note 38				
Accumulated shareholders' interest in life funds comprises the following:				
Shareholders' interest in:				
National Mutual Life Association	664,900	801,700	-	-
Australian Casualty & Life	160,773	135,837	-	-
AXA China Region	1,189,344	1,174,094	-	-
AXA Life Singapore	6,329	-	-	-
<b>Total Accumulated Shareholders' Interest in Life Funds</b>	<b>2,021,346</b>	<b>2,111,631</b>	<b>-</b>	<b>-</b>
<b>(4) Value of Inforce Life Business</b>				
Value of inforce life business was revalued by Directors at 30 September 1999 having regard to an independent valuation made by Trowbridge Consulting, independent consulting actuaries. This valuation was made in accordance with a regular policy of revaluation which is carried out annually. The value of inforce life business comprises:				
National Mutual Life Association	1,023,096	852,469	-	-
Australian Casualty & Life	74,762	35,513	-	-
AXA China Region	427,053	572,804	-	-
AXA Life Singapore	17,121	-	-	-
<b>Total Inforce Life Business</b>	<b>1,542,032</b>	<b>1,460,786</b>	<b>-</b>	<b>-</b>
<b>9 PLANT AND EQUIPMENT</b>				
Plant and equipment – at cost	51,146	63,322	4,304	-
Accumulated depreciation	(24,808)	(30,064)	(658)	-
	<b>26,338</b>	<b>33,258</b>	<b>3,646</b>	<b>-</b>
Plant and equipment under finance leases – at cost	1,315	5,350	-	-
Accumulated amortisation	(937)	(2,451)	-	-
	<b>378</b>	<b>2,899</b>	<b>-</b>	<b>-</b>
<b>Total Plant and Equipment</b>	<b>26,716</b>	<b>36,157</b>	<b>3,646</b>	<b>-</b>
<b>Depreciation</b>				
Aggregate depreciation of plant and equipment allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the financial year.				
Plant and equipment	13,251	13,736	798	-
Plant and equipment under finance lease	1,513	718	-	-
<b>Total</b>	<b>14,764</b>	<b>14,454</b>	<b>798</b>	<b>-</b>

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated		Company	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
<b>10 INTANGIBLES</b>				
Goodwill – at cost	81,721	42,134	-	-
Accumulated amortisation	(15,467)	(20,790)	-	-
	66,254	21,344	-	-
Bed licences – at valuation	-	2,575	-	-
Other intangibles – at cost	1,928	2,903	-	-
Accumulated amortisation	(348)	(1,314)	-	-
	1,580	1,589	-	-
Value of future new business – at valuation <sup>(1)</sup>	1,262,544	1,576,679	-	-
<b>Total Intangibles</b>	<b>1,330,378</b>	<b>1,602,187</b>	<b>-</b>	<b>-</b>
<b>Amortisation</b>				
Aggregate amortisation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the financial year:				
Goodwill	2,124	3,070	-	-
<b>Total</b>	<b>2,124</b>	<b>3,070</b>	<b>-</b>	<b>-</b>
<b><sup>(1)</sup> Value of Future New Business</b>				
Value of Future New Business was revalued by Directors as at 30 September 1999 having regard to an independent valuation made by Trowbridge Consulting, independent consulting actuaries. This valuation was made in accordance with a regular policy of revaluation which is carried out annually.				
This balance comprises the following:				
National Mutual Life Association	214,100	334,000	-	-
Australian Casualty & Life	66,000	53,000	-	-
AXA China Region	948,854	1,189,679	-	-
AXA Life Singapore	33,590	-	-	-
<b>Total Value of Future New Business</b>	<b>1,262,544</b>	<b>1,576,679</b>	<b>-</b>	<b>-</b>
<b>11 OTHER NON-CURRENT ASSETS</b>				
Future income tax benefit	38,486	42,343	19,159	5,261
Other	32,112	18,438	22,998	16,547
<b>Total Other Non-Current Assets</b>	<b>70,598</b>	<b>60,781</b>	<b>42,157</b>	<b>21,808</b>

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated		Company	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
<b>12 ACCOUNTS PAYABLE</b>				
Trade payables	42,961	82,563	-	-
Outstanding claims	103,942	86,275	-	-
Interest payable	1,970	3,430	1,968	3,430
Management fees payable to related parties	2,248	2,538	-	-
<b>Total Accounts Payable</b>	<b>151,121</b>	<b>174,806</b>	<b>1,968</b>	<b>3,430</b>
<b>13 CURRENT BORROWINGS</b>				
<b>(a) Unsecured</b>				
Bank overdrafts	35,006	58,094	-	-
Bank loans (Note 32(d))	357,000	-	357,000	-
Amounts due to related parties	172,794	12,179	20,599	15,454
Amounts due to other corporations	47,651	57,376	46,277	53,783
Other	-	274	-	-
Total Unsecured Current Borrowings	612,451	127,923	423,876	69,237
<b>(b) Secured</b>				
Bank loans	-	15,056	-	-
Finance lease liabilities	173	1,091	-	-
Total Secured Current Borrowings	173	16,147	-	-
<b>Total Current Borrowings</b>	<b>612,624</b>	<b>144,070</b>	<b>423,876</b>	<b>69,237</b>
<b>Financing arrangements</b>				
Details are disclosed at Note 32 (d).				
<b>14 CURRENT PROVISIONS</b>				
Income tax	28,772	20,459	-	-
Dividends payable to outside equity interests	-	1,546	-	-
Dividends payable to members of National Mutual Holdings Limited	79,309	79,690	79,309	79,690
Employee entitlements	15,346	29,178	5,144	14,158
Other	3,297	10,875	-	-
<b>Total Current Provisions</b>	<b>126,724</b>	<b>141,748</b>	<b>84,453</b>	<b>93,848</b>
<b>15 OTHER CURRENT LIABILITIES</b>				
Premiums in advance	99,199	76,244	-	-
Accrued management expenses	9,391	9,359	-	-
Commissions payable	753	1,207	-	-
General insurance fund – claims in progress	14,302	19,189	-	-
Other	7,756	9,940	445	1,014
<b>Total Other Current Liabilities</b>	<b>131,401</b>	<b>115,939</b>	<b>445</b>	<b>1,014</b>

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated		Company	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
<b>16 NON-CURRENT BORROWINGS</b>				
<b>(a) Unsecured</b>				
Bank loans (Note 32(d))	-	90,000	-	90,000
Other	1,912	1,919	-	-
<b>Total Unsecured Non-Current Borrowings</b>	<b>1,912</b>	<b>91,919</b>	<b>-</b>	<b>90,000</b>
<b>(b) Secured</b>				
Bank loans	-	16,000	-	-
Finance leases liabilities	188	1,820	-	-
Other	-	324	-	-
<b>Total Unsecured Non-Current Borrowings</b>	<b>188</b>	<b>18,144</b>	<b>-</b>	<b>-</b>
<b>Total Non-Current Borrowings</b>	<b>2,100</b>	<b>110,063</b>	<b>-</b>	<b>90,000</b>
<b>Financing arrangements</b>				
Details are disclosed at Note 32 (d).				
<b>17 NON-CURRENT PROVISIONS</b>				
Provision for deferred income tax	10,268	3,225	-	1,169
Employee entitlements	3,730	7,257	69	234
Other	8,236	1,342	-	-
<b>Total Non-Current Provisions</b>	<b>22,234</b>	<b>11,824</b>	<b>69</b>	<b>1,403</b>
<b>18 OTHER NON-CURRENT LIABILITIES</b>				
Hedge payable	12,491	123,695	12,491	123,392
<b>Total Other Non-Current Liabilities</b>	<b>12,491</b>	<b>123,695</b>	<b>12,491</b>	<b>123,392</b>
<b>19 EMPLOYEE ENTITLEMENTS</b>				
The aggregate employee entitlement liability recognised and included in the financial statements is as follows:				
Provision for employee entitlements:				
Current (Note 14)	15,346	29,178	5,144	14,158
Non-current (Note 17)	3,730	7,257	69	234
<b>Total</b>	<b>19,076</b>	<b>36,435</b>	<b>5,213</b>	<b>14,392</b>
<b>20 SHARE CAPITAL</b>				
Issued share capital				
1,762,433,891 ordinary shares (1998 :1,762,433,891)	1,186,335	1,186,335	1,186,335	1,186,335
<b>Total Share Capital</b>	<b>1,186,335</b>	<b>1,186,335</b>	<b>1,186,335</b>	<b>1,186,335</b>

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated		Company	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
<b>21 RESERVES</b>				
<b>(a) Reserves comprise:</b>				
Share Premium Reserve	-	-	-	-
Asset Revaluation Reserve	2,686,768	2,837,227	3,161,972	3,251,416
Foreign Currency Translation Reserve	26,369	82,199	-	-
<b>Total Reserves</b>	<b>2,713,137</b>	<b>2,919,426</b>	<b>3,161,972</b>	<b>3,251,416</b>
<b>(b) Movements in Reserves</b>				
<b>Share Premium Reserve</b>				
Balance at beginning of the financial year	-	248,777	-	248,777
Surplus from issue of shares	-	56,341	-	56,341
Transfer to share capital	-	(305,118)	-	(305,118)
<b>Balance at end of the financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Asset Revaluation Reserve</b>				
Balance at beginning of the financial year	2,837,226	2,432,195	3,251,416	2,582,092
(Decrease)/increase on revaluation of investments	(150,458)	405,032	(89,444)	669,324
<b>Balance at end of the financial year</b>	<b>2,686,768</b>	<b>2,837,227</b>	<b>3,161,972</b>	<b>3,251,416</b>
<b>Foreign Currency Translation Reserve</b>				
Balance at beginning of the financial year	82,199	2,233	-	-
(Deficit)/surplus from translation of financial statements of foreign operations	(55,830)	79,966	-	-
<b>Balance at end of financial year</b>	<b>26,369</b>	<b>82,199</b>	<b>-</b>	<b>-</b>
<b>22 EARNINGS PER SHARE</b>				
	<b>1999</b>	<b>1998</b>		
	<b>cents per share</b>	<b>cents per share</b>		
Basic earnings per share	17	12		
Diluted earnings per share	17	12		
	<b>No.</b>	<b>No.</b>		
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	1,762,433,891	1,747,187,519		

## 23 RETAINED PROFITS

Retained Earnings comprise the life funds' undistributed profits reserve and retained profits. Transfers from the life funds' undistributed profits reserves to the retained profits account of the life subsidiaries are subject to meeting the capital adequacy requirements of the **Life Insurance Act (1995)** in Australia and corresponding legislation in Hong Kong. Such transfers are made upon the advice of the appointed actuary of the relevant life insurance subsidiary.

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated		Company	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
<b>24 COMMITMENTS FOR EXPENDITURE</b>				
<b>(a) Lease Expenditure Commitments</b>				
<b>Operating Leases *</b>				
Payable no later than one year	9,153	15,373	537	-
Payable later than one, not later than two years	8,010	10,236	735	-
Payable later than two, not later than five years	40,217	44,576	3,500	-
Payable later than five years	7,202	11,722	-	-
<b>Operating Lease Expenditure Contracted for but Not Provided</b>	<b>64,582</b>	<b>81,907</b>	<b>4,772</b>	<b>-</b>
<b>* Operating Leases</b>				
Operating leases are predominately comprised of leases over motor vehicles.				
<b>Finance Leases</b>				
Payable no later than one year	173	996	-	-
Payable later than one, not later than two years	95	1,099	-	-
Payable later than two, not later than five years	44	1,144	-	-
Payable later than five years	49	77	-	-
Minimum lease payments	361	3,316	-	-
Less future finance charges	-	405	-	-
<b>Total Finance Lease Liability</b>	<b>361</b>	<b>2,911</b>	<b>-</b>	<b>-</b>
Included in the financial statements as:				
Borrowings				
- Current	173	1,091	-	-
- Non current	188	1,820	-	-
<b>Total Provided in Accounts</b>	<b>361</b>	<b>2,911</b>	<b>-</b>	<b>-</b>
<b>(b) Capital Expenditure Commitments</b>				
Estimated aggregate amount of contracts for capital expenditure not provided for:				
Computer and data facilities				
Payable no later than one year	299	264	-	-
Freehold and leasehold properties				
Payable no later than one year	705	3,943	-	3,519
Payable later than one, not later than two years	-	550	-	550
Payable later than two, not later than five years	-	2,521	-	2,521
Payable later than five years	-	1,041	-	1,041
<b>Total Capital Expenditure Commitments</b>	<b>1,004</b>	<b>8,319</b>	<b>-</b>	<b>7,631</b>
<b>(c) Other Commitments</b>				
Payable no later than one year	19,888	2,392	70,142	1,201
Payable later than one, not later than two years	-	324	-	-
Payable later than two, not later than five years	-	-	-	-
<b>Total Other Commitments</b>	<b>19,888</b>	<b>2,716</b>	<b>70,142</b>	<b>1,201</b>
Comprises:				
Loan to Subsidiary	-	-	70,142	-
Hire purchase and medical equipment	-	2,716	-	1,201
Investment in AXA China Asia No.1 Fund	19,135	-	-	-
Others	753	-	-	-
<b>Total Other Commitments</b>	<b>19,888</b>	<b>2,716</b>	<b>70,142</b>	<b>1,201</b>

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated		Company	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
<b>25 CONTINGENT LIABILITIES</b>				
Contingent liabilities for which no specific provision was made in the Accounts at balance date are estimated to be:				
Guarantees	1,646,249	5,500	-	-
Other	-	125	-	-
<b>Total Contingent Liabilities</b>	<b>1,646,249</b>	<b>5,625</b>	<b>-</b>	<b>-</b>

National Mutual Assets Management Limited has provided guarantees in respect of certain unit issued by the National Mutual Australian Income Fund and the National Mutual Cash Management Trust (unit trusts managed by National Mutual Assets Management Limited) to the value of \$1,390,849,000. Sufficient assets exist within these unit trusts to satisfy these guarantees and the Directors are satisfied that no loss will be incurred by the economic entity.

National Mutual Assets Management Limited (New Zealand) has provided guarantees in respect of certain unit issued by the Mortgage Income Trust Fund, Cash Management Fund, Mortgage Backed Fund, and the Fixed Deposit Funds (unit trusts managed by National Mutual Assets Management (New Zealand) Limited) to the value of \$255,400,000. Sufficient assets exist within these unit trusts to satisfy these guarantees and the Directors are satisfied that no loss will be incurred by the economic entity.

## 26 DEFINED BENEFIT SUPERANNUATION PLANS

The Company contributes to a number of in-house defined benefit superannuation plans which exist to provide benefits for employees and their dependants. Contributions as specified in the rules of the respective funds are made by entities of the economic entity and its employees. Actuarial investigations of the funds are undertaken no less frequently than every three years. Details of the major funds with assets in excess of \$20 million are:

Name of Fund	Principal Type of Benefit	Date of last Actuarial Assessment
National Mutual Staff Superannuation Plan	Defined Benefit Lump sum/ Pension Scheme, providing benefits on resignation, retirement, disability, death or other termination.	30/06/1996**
National Mutual New Zealand Superannuation Scheme	As above	1/10/98
National Mutual Health Insurance Superannuation Plan	As above	01/07/1998

National Mutual Holdings is obliged to contribute to each plan as a consequence of legislation or trust deeds. Legal enforceability is dependent on the terms of the legislation and trust deeds. Funds are available for the purpose of each plan to satisfy all benefits that would have vested under the plan in the event of termination of the plan or voluntary or compulsory termination of the employment of each employee.

Details of major defined benefit schemes are as follows:

	National Mutual Health Insurance Superannuation Plan	National Mutual Staff Superannuation Plan	National Mutual New Zealand Superannuation Scheme
	A\$m	A\$m	A\$m
Accrued Benefits at last Valuation	21.2	192.6	53.0
Net market Value of Assets*	27.4	287.0	80.8
Surplus	6.2	94.4	27.8
Vested Benefits*	26.1	231.6	50.3

\*Net market values of assets and vested benefits are as at the last reporting date of the funds concerned. For National Mutual Staff Superannuation Plan this was 30 June 1999, for National Mutual New Zealand Superannuation Scheme this was 30 September 1999 and for National Mutual Health Insurance Superannuation Plan, this was 30 June 1999.

The difference between the accrued benefits and net market value of plan assets has not been recognised in the financial statements of the Company. The Company also participates in the INSUPER Industry Superannuation plan. In accordance with an award commitment, it contributes 3% of salary in respect of all employees with salaries less than \$50,000. This plan operates on an accumulation basis and provides lump sum benefits for members on resignation, retirement or death.

\*\* An actuarial investigation is currently under way, however results are not anticipated to be received prior to 31 December 1999.

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated		Company	
	1999	1998	1999	1998
	\$	\$	\$	\$

## 27 REMUNERATION OF DIRECTORS

(a) Directors of National Mutual Holdings Limited who have held office during the year were:

R. H. Allert AM	W.E. Jarman	F. de Meneval	M. K. Ward AO
P. Cooper	F. A. Manford	A. L. Owen	D. R. Wills AO
T. B. Finn AO	P. H. Masfen	M. Pinault	J. A. Killen <sup>2</sup>
G. E. Heeley	E. A. Mayer AM	G. A. Tomlinson <sup>1</sup>	J.C. Arvis (alternate) <sup>3</sup>

1 Resigned 24/11/98      2 Appointed 24/11/98      3 Appointed 20/7/99

(b) The aggregate of income paid or payable or otherwise made available (including termination payments) in respect of the financial year, to all directors of National Mutual Holdings Limited directly or indirectly by the Company or from any related party.

Base remuneration package		3,016,961	1,966,415
Incentive payments *		511,547	334,335
Eligible termination payments		4,160,385	-
Other benefits **		-	1,349,381
<b>Total Remuneration</b>		<b>7,688,893</b>	<b>3,650,131</b>

The aggregate of income paid or payable or otherwise made available (including termination payments) in respect of the financial year, to all Directors of each entity in the economic entity, directly or indirectly, by the entities in which they are Directors or from any related party.

Base remuneration package	8,160,597	13,497,075
Incentive payments *	1,858,397	1,794,906
Eligible termination payments	5,215,486	5,044,419
Other benefits **	-	5,252,305
<b>Total Remuneration</b>	<b>15,234,480</b>	<b>25,588,705</b>

\* Represents bonuses paid to executive directors with respect to prior year performance.

\*\* Represents payments in respect of:

- special retention incentives established as part of NMH's demutualisation and listing process;
- the wind-up of a long term incentive arrangement finalised redundant during the financial year.

(c) The number of directors of the company whose total income falls within each successive \$10,000 band of income:

\$	1999 Number	1998 Number
0 – 9,999	4	7
30,000 – 39,999	1	-
60,000 – 69,999	1	2
70,000 – 79,999	2	2
80,000 – 89,999	2	1
90,000 – 99,999	1	1
110,000 – 119,999	-	1
140,000 – 149,999	1	-
150,000 – 159,999	-	1
180,000 – 189,999	1	-
190,000 – 199,999	-	1
200,000 – 209,999	1	-
1,100,000 – 1,109,999	1	-
2,720,000 – 2,729,999	-	1
5,560,000 – 5,569,999	1	-

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Executive Officers of Entities in the Economic Entity		Executive Officers of the Company	
	1999	1998	1999	1998
	\$	\$	\$	\$
<b>28 REMUNERATION OF EXECUTIVE OFFICERS</b>				
(a) Aggregate remuneration of executive officers of the Company working mainly in Australia and receiving \$100,000 or more from the Company or from any related party.				
Base remuneration package			7,153,475	4,539,000
Incentive payments *			1,744,751	1,012,000
Eligible termination payments			6,524,810	1,445,000
Other benefits **			846,392	3,058,000
<b>Total Remuneration</b>			<b>16,269,428</b>	<b>10,054,000</b>

The definition of an executive was changed in the current year to include all employees who have been offered shares under the Australian executive share plan, as well as any other employees not in the plan, but who were considered to be involved in the key strategic decision making process of the company. The prior year disclosure was confined to employees involved in the key strategic decision making process.

Aggregate remuneration of executive officers of each entity in the economic entity working mainly in Australia and receiving \$100,000 or more from the entity for which they are executive officers or from any related party.

Base remuneration package	23,717,077	12,513,000		
Incentive payments *	3,953,817	2,398,000		
Eligible termination payments	8,201,114	6,041,000		
Other benefits **	1,215,113	6,381,000		
<b>Total Remuneration</b>	<b>37,087,121</b>	<b>27,333,000</b>		

\* Represents bonuses paid with respect to prior year performance.

\*\* Represents payments in respect of:

- (i) special retention incentives established as part of NMH's demutualisation and listing process;
- (ii) the wind-up of a long term incentive arrangement made redundant during the financial year.
- (iii) retention payments for executives who were critical to the Company/MLC merger process and restructuring within Australia & New Zealand after the proposed merger was cancelled.

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Executive Officers of Entities in the Economic Entity		Executive Officers of the Company	
	1999	1998	1999	1998
	Number	Number	Number	Number
<b>28 REMUNERATION OF EXECUTIVE OFFICERS (continued)</b>				
(b) The number of executive officers ( including executive directors) whose income falls within each successive \$10,000 band of income (commencing at \$100,000).				
\$				
100,000 – 109,999	2	–	–	–
110,000 – 119,999	4	1	–	–
120,000 – 129,999	2	–	–	–
130,000 – 139,999	4	–	–	–
140,000 – 149,999	6	1	–	–
150,000 – 159,999	3	1	–	1
160,000 – 169,999	5	1	–	–
170,000 – 179,999	7	–	–	–
180,000 – 189,999	5	1	–	–
190,000 – 199,999	5	2	–	–
200,000 – 209,999	5	2	1	–
210,000 – 219,999	6	1	1	–
220,000 – 229,999	6	1	–	–
230,000 – 239,999	6	1	–	–
240,000 – 249,999	2	1	–	–
250,000 – 259,999	1	–	–	–
260,000 – 269,999	3	–	–	–
270,000 – 279,999	1	–	–	–
280,000 – 289,999	6	5	1	2
290,000 – 299,999	2	–	1	–
300,000 – 309,999	4	–	2	–
310,000 – 319,999	2	–	2	–
320,000 – 329,999	1	–	1	–
330,000 – 339,999	2	–	–	–
340,000 – 349,999	–	3	–	1
350,000 – 359,999	2	1	1	1
360,000 – 369,999	1	1	–	1
370,000 – 379,999	–	1	–	–
410,000 – 419,999	1	–	–	–
420,000 – 429,999	1	–	–	–
430,000 – 439,999	–	1	–	1
460,000 – 469,999	–	1	–	–
490,000 – 499,999	1	–	1	–
500,000 – 509,999	–	1	–	–
510,000 – 519,999	1	–	–	–
540,000 – 549,999	2	–	1	–
550,000 – 559,999	1	–	–	–
560,000 – 569,999	1	1	1	–
600,000 – 609,999	1	–	1	–
610,000 – 619,999	1	–	–	–
660,000 – 669,999	–	1	–	–
670,000 – 679,999	1	–	1	–
720,000 – 729,999	1	–	–	–
730,000 – 739,999	–	1	–	–
740,000 – 749,999	1	–	1	–
780,000 – 789,999	–	1	–	1
890,000 – 899,999	1	1	1	–
900,000 – 909,999	–	1	–	–
1,100,000 – 1,109,999	1	–	1	–
1,210,000 – 1,219,999	–	1	–	–
1,240,000 – 1,249,999	–	1	–	–
1,330,000 – 1,339,999	–	1	–	1
1,450,000 – 1,459,999	–	1	–	–
1,490,000 – 1,499,999	–	1	–	–
2,150,000 – 2,159,999	1	–	1	–
2,720,000 – 2,729,999	–	1	–	1
2,880,000 – 2,889,999	–	1	–	–
2,980,000 – 2,989,999	–	1	–	1
5,560,000 – 5,569,999	1	–	1	–
<b>Total Number of Executive Officers</b>	<b>110</b>	<b>41</b>	<b>20</b>	<b>11</b>

The definition of an executive was changed in the current year to include all employees who have been offered shares under the Australian executive share plan, as well as any other employees not in the plan, but who were considered to be involved in the key strategic decision making process of the company. The prior year disclosure was confined to employees involved in the key strategic decision making process.

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated		Company	
	1999	1998	1999	1998
	\$	\$	\$	\$

## 29 RELATED PARTY DISCLOSURES

### (a) Directors

#### Loans – Total Amount

Aggregate of loans outstanding at balance date made to the Directors of the entities in the National Mutual Holdings Group and their Director-related entities from:

The Company			-	-
National Mutual Holdings Group	-	432,428		

As at balance date, loans outstanding from the Directors of the entities in the National Mutual Holdings Group and their Directors-related entities to statutory funds of the life insurance subsidiaries and their controlled entities (being related parties of the National Mutual Holdings Group) amounted to \$2,856,469 (1998: \$4,318,564).

#### Loans Advanced to Directors During the Year\*\*

Aggregate of loans advanced during the year to the Directors of the entities in the National Mutual Holdings Group and their Director-related entities by:

The Company			-	-
National Mutual Holdings Group	-	18,000		

During the year, the statutory funds of the life insurance subsidiaries and its controlled entities (being related parties of the National Mutual Holdings Group) advanced loans of \$827,058 (1998: \$1,433,404) to Directors of the National Mutual Holdings Group and their Director-related entities.

#### Loan Repayments Received from Directors During the Year\*\*

Aggregate of loans repaid during the year by Directors of the National Mutual Holdings Group and their Director-related entities to:

The Company			-	-
National Mutual Holdings Group	432,428	322		

During the year, Directors of the National Mutual Holdings Group and their Director-related entities repaid loans of \$2,106,588 (1998: \$4,576,526) to the statutory funds of the life insurance subsidiaries and its controlled entities (being related parties of the National Mutual Holdings Group).

\*\*Loans made under normal commercial terms, or on terms consistent with those applicable to management.

The following Directors received loans and/or made loan repayments during the year:

# G. M. Armour	# C. Hendry	* # R. Norman	* # A. S. Wamsteker
* # B. Birrell	# J. A. Killen	# A. J. Parker	# G. R. White
# K. Bradley	* K Le Plastrier	# A. R. Penn	# K. R. White
# C. M. Cheong	# U.T. Malik	# B. J. Pollock	# M.A. Wilson
# F. J. Cullen	# L. R. Mann	* # W. A. Ractliffe	# M. Yeo
* # J. Foote	* # R. McEwan	# G. W. Smith	
* # A. J. Foster	# P. J. Meehan	# K. Swain	

\* Loans Advanced to Directors

# Loans Repaid by Directors

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Issuing Entity	Class	Number	
			1999	1998
<b>29 RELATED PARTY DISCLOSURES (continued)</b>				
<b>Share transactions with Directors and Director-related entities</b>				
The aggregate number of shares held by Directors of the Company and their Director-related entities as at reporting date				
	National Mutual Holdings Limited	Ordinary	612,784	698,151
<b>Acquisitions</b>				
The aggregate number of shares acquired by Directors of the Company and their Director-related entities during the financial year and held as at reporting date.				
	National Mutual Holdings Limited	Ordinary	228,943	73,132
<b>Disposals</b>				
The aggregate number of shares disposed by Directors of the Company and their Director-related entities during the financial year.				
	National Mutual Holdings Limited	Ordinary	200,437	–

## Other transactions with Directors and their Director-related Entities

Any interest and dividend transactions with Directors and their Director-related entities are disclosed in Note 2.

(i) Management services were provided during the year to a number of controlled entities in the National Mutual Holdings Group by Director-related entities. These services were provided under normal commercial terms and conditions on an arm's length basis.

Fees paid for the year ended 30 September 1999 were \$906,620 (1998: \$4,327,583).

Directors:

C. Charman	R. Edwards	L. Jamieson	* M. Yeo
K. Collins	* A. Hayes	G. Reynolds	
M. Colwell	* H. Hewitt	* Y. Y. See	
P. Comley	* R. Jacobson	M. Walsh	

\* Relates only to financial year ended 30 September 1998

(ii) During the year, the National Mutual Holdings Group provided management services to Director-related entities under normal commercial terms and conditions on an arm's length basis. Fees received for the year ended 30 September 1999 was \$488,000. (1998: \$Nil).

Director:

J Godfrey

(iii) During the year, a controlled entity acquired the minority interest, in a subsidiary held by a Director related entity, on an arm's length basis. Acquisition cost was \$50,000 (1998: \$Nil)

Director:

K. Gilligan

(iv) Transactions entered into during the period by Directors and their Director-related entities which were on the same terms and conditions available to other employees and customers and are trivial or domestic in nature, include:

Purchase of insurance products available to other employees and policy holders

- life insurance
- health insurance
- general insurance

Purchase of superannuation products available to other employees and policyholders

Placement of funds on deposit

Acquisition and disposal of units in controlled unit trusts and receipt of trust distributions

Other services:

- investment advice, tax and property management

(v) A number of the Directors of the National Mutual Holdings Group are also Directors of other public companies which have transactions with the economic entity. The Directors do not believe that they have the capacity to control or significantly influence the financial or operating policies of either company in their dealings with each other. Those companies are therefore not considered to be director-related entities.

(vi) Amounts payable to Directors/ Director-related entities as at 30 September 1999 totalled \$Nil (1998: \$815,000).

## (b) Transactions within the wholly-owned group

The ultimate parent entity in the wholly-owned group is the Company.

Details of dividend revenue derived by the Company from wholly-owned controlled entities are disclosed in Note 2 to the financial statements. Amounts receivable from and payable to wholly-owned controlled entities are disclosed in the respective notes to the financial statements.

During the financial year the Company recovered overhead expenses from other entities in the wholly-owned group, and reimbursed expenses incurred by National Mutual Life on behalf of the Company.

Other transactions that occurred during the financial year between entities in the wholly-owned group were:

- provision of management fees on normal terms and conditions,
- placement of funds on deposit and interest received on these funds on normal terms and conditions.

## (c) Transactions with Other Related Parties

AXA and the Company have agreed to provide each other with personnel, property and other services in order to assist each other in carrying on and developing their respective businesses. The provider of services in terms of these agreements, will be reimbursed for the costs and expenses (direct and indirect) for the provision of such services, provided that the costs and expenses reimbursed may not exceed the charges which would be incurred in acquiring equivalent services from an unrelated third party. Services from AXA to the Company include:

Corporate Financial Advice	Staff Training
Human Resources	Accounting and Reporting

and the estimated fees for these services totalled \$6,330,766 (1998: \$6,746,057).

During the year, the Company provided services to AXA for the management of insurance operations owned by AXA in the Asia Pacific Region. Fees charged for these services totalled \$1,668,169 (1998: \$3,132,500).

National Mutual Funds Management Ltd received management fees of \$46,188,000 (1998: \$63,980,000) for managing investment portfolios of the life insurance subsidiaries as well as other related entities.

Dividends paid by the Company to AXA and other AXA Group entities \$80,895,715 (1998: \$77,870,864).

During the year, the Company and the statutory funds of National Mutual Life Association received \$2,830,000 and \$8,550,000 respectively from AXA for partial reimbursement of the costs associated with the adoption of the AXA Australia brand.

## (d) Controlling Entities

The parent entity in the economic entity and the ultimate Australian parent entity is National Mutual Holdings Limited. The ultimate parent entity is AXA.

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated		Company	
	1999	1998	1999	1998
	\$	\$	\$	\$
<b>30 AUDITORS' REMUNERATION</b>				
(a) Auditor of the parent entity				
– auditing the financial report	1,980,000	2,298,000	197,000	225,000
– other services	3,862,000	1,971,000	829,000	1,780,000
(b) Other auditors:				
– auditing the financial report	625,000	727,000	–	–
<b>Total Auditors' Remuneration</b>	<b>6,467,000</b>	<b>4,996,000</b>	<b>1,026,000</b>	<b>2,005,000</b>

## 31 OUTSIDE EQUITY INTERESTS

	\$'000	\$'000	\$'000	\$'000
Outside equity interests in controlled entities comprise:				
– Issued capital	6,756	17,065	–	–
– Retained profits	279,472	276,877	–	–
– Other reserves	477,596	747,159	–	–
<b>Total Outside Equity Interests</b>	<b>763,824</b>	<b>1,041,101</b>	<b>–</b>	<b>–</b>

Outside Equity Interests mainly consist of :

- 26.4% of AXA China Region Limited owned directly by the public.

## 32 NOTES TO THE STATEMENT OF CASH FLOWS

### (a) Reconciliation of Cash

The Statement of Cash Flows includes as cash flows amounts paid to or received from third parties which are paid directly from or deposited into a bank account operated by a related party. The gross amount of such payments and deposits are included in amounts received from and amounts paid to the said related party.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows :

Deposits at call	229,744	233,694	–	9,934
Cash at bank, cash at hand	134,803	30,526	8,319	20,574
Borrowings – bank overdraft unsecured **	(35,006)	(58,094)	–	–
<b>Cash at the End of the Financial Year</b>	<b>329,541</b>	<b>206,126</b>	<b>8,319</b>	<b>30,508</b>

### \* Deposits at call

The deposits are bearing floating interest rates between 3.50% and 6.50% (1998: 4.90% and 5.43%).

### \*\* Bank overdraft

The bank overdraft facilities may be drawn at any time and may be terminated by the bank with notice. Interest rates on all facilities are variable and subject to adjustment after 90 days.

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated	
	1999	1998
	\$'000	\$'000
<b>32 NOTES TO THE STATEMENT OF CASH FLOWS (continued)</b>		
<b>(b) Businesses Disposed</b>		
During the financial year:		
Consideration for sales Cash consideration	64,584	-
<b>Total Businesses Disposed</b>	<b>64,584</b>	<b>-</b>
Book value of net assets disposed		
<b>Current assets:</b>		
Cash	215	-
Receivables	17,957	-
Other	2,919	-
<b>Non-current assets:</b>		
Property, plant and equipment	77,844	-
Other	3,575	-
<b>Current liabilities:</b>		
Accounts payable	42,555	-
Provisions	8,081	-
<b>Non-current liabilities:</b>		
Accounts payable	17,895	-
Provisions	2,803	-
<b>Outside Equity Interest</b>	<b>11,270</b>	<b>-</b>
<b>Net Assets Disposed</b>	<b>19,906</b>	<b>-</b>
Gain on disposal	44,678	-
	<b>64,584</b>	<b>-</b>
<b>Cash movement on disposal</b>		
Cash consideration	64,584	-
Less cash disposed	215	-
<b>Net Cash Movement on Disposal</b>	<b>64,369</b>	<b>-</b>
<b>(c) Businesses Acquired</b>		
Consideration		
Cash	3,139	286,045
Amount due to related party	115,085	-
Credit to intercompany account	106,800	-
<b>Total Businesses Acquired</b>	<b>225,024</b>	<b>286,045</b>
Fair value of net assets of entities acquired		
<b>Current assets:</b>		
Cash	57,748	-
Bills of exchange	216	-
Receivables	14,600	1,141
Investments	29,157	49,956
Other	2,800	931
<b>Non-current assets:</b>		
Accumulated shareholders interest in life funds	6,329	-
Investments	40,078	135,298
Inforce life business	17,121	114,392
Future life business	33,590	-
Property, plant and equipment	1,500	-
Other	1,700	1,155
<b>Current liabilities:</b>		
Bank overdraft	100	-
Accounts payable	-	4,382
Borrowings	3,600	47
Provisions	10,914	10,076
Other	-	2,323
<b>Non-current liabilities:</b>		
Accounts payable	2,000	-
Provisions	2,400	-
	<b>185,825</b>	<b>286,045</b>
Less:		
Goodwill on acquisition	45,500	-
Outside equity interest	(100)	-
<b>Net Assets Acquired</b>	<b>231,225</b>	<b>286,045</b>
Outflow of cash to acquire controlled entity, net of cash acquired		
Cash consideration	3,139	286,045
Less : Balances acquired	57,748	-
Cash	(54,609)	286,045

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated		Company	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
<b>32 NOTES TO THE STATEMENT OF CASH FLOWS (continued)</b>				
<b>(d) Financing Facilities</b>				
The total facilities available at balance date were as follows :				
Bank overdraft and bill facilities	-	5,000	-	-
Loan facilities	375,000	375,000	375,000	375,000
Bank standby facilities	100,000	150,000	100,000	150,000
<b>Total Financing Facilities</b>	<b>475,000</b>	<b>530,000</b>	<b>475,000</b>	<b>525,000</b>
Used at balance date :				
Bank overdraft and bill facilities	-	-	-	-
Loan facilities and subordinated debt	357,000	90,000	357,000	90,000
Bank standby facilities	-	-	-	-
<b>Total Financing Facilities Used</b>	<b>357,000</b>	<b>90,000</b>	<b>357,000</b>	<b>90,000</b>
Unused at balance date :				
Bank overdraft and bill facilities	-	5,000	-	-
Loan facilities and subordinated debt	18,000	285,000	18,000	285,000
Bank standby facilities	100,000	150,000	100,000	150,000
<b>Total Financing Facilities Unused</b>	<b>118,000</b>	<b>440,000</b>	<b>118,000</b>	<b>435,000</b>
The Company entered into an Unsecured Bilateral Australian Dollar Bank Loan Facility Agreement with a number of banks for a total facility of \$375 million. The loan is interest bearing and repayable on or by July 2000.				
The Company may cancel the facility in whole or in part, and in amounts of no less than \$5 million and in multiples of \$1 million. Earlier repayments of similar amounts may also be made.				
<b>(e) Reconciliation of Net Cash Flows from Operating Activities to Operating Profit After Tax</b>				
Net Profit after tax	350,916	218,090	213,943	91,240
Profit from sale of non current investment assets	(25,780)	(2,497)	-	-
Loss from sale of non-current assets	959	391	41	-
Loss/(profit) on sale of current investments	17,660	29,473	-	-
Foreign exchange (profit)/loss	(759)	(8,545)	(56,530)	95,972
Share of profit in business undertakings	1,057	(25,106)	-	-
Depreciation and amortisation of non-current assets	17,236	17,524	798	1,016
Profit on sale of controlled entities	(45,678)	-	-	-
Net depreciation/(revaluation) of investment assets and intangibles	(323)	36,490	1,958	-
(Increase)/decrease in future income tax benefit	3,857	(17,698)	(13,898)	(1,022)
Increase/(decrease) in provision for current income tax	8,313	8,712	-	(13,436)
Increase/(decrease) in provision for deferred income tax	7,043	2,134	(1,169)	1
Increase/(decrease) in current creditors	(79,383)	(63,617)	(1,462)	2,758
Increase in non-current liabilities	3,355	170	(165)	(159)
Decrease in current receivables	(21,434)	19,831	46,641	87,636
(Increase) in non-current assets	(3,581)	(6,772)	-	-
Decrease in other current assets	(4,435)	5,977	(292)	(1,216)
<b>Net Cash Inflows from Operating Activities</b>	<b>229,023</b>	<b>214,557</b>	<b>189,865</b>	<b>262,790</b>

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

Note	Place of Incorporation/Operation	Principal Activities	Share Type	1999 %	Holding 1998 %	
<b>33 INVESTMENT IN CONTROLLED ENTITIES</b>						
<b>Parent Entity</b>						
	National Mutual Holdings Limited	AUS	Holding Company			
<b>(a) Controlled entities at Balance date</b>						
	<b>NMH Executive Plan (Australia) Pty Limited</b>	AUS	Trustee of Executive Share Plan	Ord	100 100	
	<b>Australian Casualty &amp; Life Limited</b>	AUS	Life & Disability Insurer	Ord	100 100	
	AC&L Staff Superannuation Fund Pty Ltd	AUS	Trustee of Staff Superannuation Fund	Ord	100 100	
	ACC Marketing Limited	AUS	Dormant	Ord	100 100	
	<b>National Mutual Funds Management (Global) Limited</b>	AUS	Provision of funds mgt group services	Ord	100 100	
	National Mutual Funds Management NZ Limited	10	NZ	Mgt of Investment Portfolios	Ord	100 100
	National Mutual Funds Management Limited	AUS	Mgt of Investment Portfolios	Ord	100 100	
	Folio Nominees Pty. Limited	AUS	Nominee Company	Ord	100 100	
	NMFM Asia Investment Management Limited	9	AUS	Promotion & Mgt of Unit Trusts	Ord	100 100
	NMFM Property Fund Management Limited	AUS	Promotion & Mgt of Unit Trusts	Ord	100 100	
	NMPT Management Ltd	AUS	Promotion & Mgt of Unit Trusts	Ord	100 100	
	Didus Nominees Company Pty Ltd	AUS	Trustee for the Didus Property Trust	Ord	100 100	
	Australian Public Capital Corporation Limited	AUS	Infrastructure Project Investment	Ord	100 80	
	NMFM Property Pty. Ltd	AUS	Property Mgt & Consultancy	Ord	100 100	
	NMFM Property (N.S.W.) Pty. Ltd.	3, 11	AUS	Management of Properties	Ord	100 100
	NMFM Property (QLD.) Pty. Ltd.	3, 11	AUS	Real Estate Management	Ord	100 100
	NMFM Property (S.A.) Pty. Ltd.	11	AUS	Non-trading	Ord	100 100
	NMFM Property (VIC) Pty. Ltd.	11	AUS	Real Estate Management	Ord	100 100
	NMFM Property (W.A.) Pty. Ltd.	11	AUS	Non-trading	Ord	100 100
	NMFM Lending Pty Ltd	AUS	Mgt of Commercial and Residential Loans	Ord	100 100	
	Superannuation Members' Home Loans Limited	AUS	Mgt of mortgage trusts	Ord	100 100	
	National Mutual Assets Management Pty Ltd	AUS	Promotion/Mgt of Unit Trusts	Ord	100 -	
	<b>National Mutual Funds Management (International) Limited</b>	AUS	Holding Company	Ord	100 100	
	National Mutual Funds Management (Asia) Limited	10	HK	Mgt of Investment Portfolios	Ord	- 100
	Great Champion Company Limited	10	HK	Dormant	Ord	- 100
	National Mutual Funds Management (Japan) Limited	1, 10	AUS	Mgt of Investment Portfolios	Ord	- 100
	National Mutual Funds Management (Luxembourg) S.A.	10	LUX	Mgt of Investment Portfolios	Ord	100 100
	National Mutual Funds Management North America Inc.	10	USA	Investment Marketing	Ord	100 100
	<b>National Mutual Australia Pty Ltd</b>	AUS	Dormant	Ord	100 -	
	<b>National Mutual Health Insurance Pty. Ltd.</b>	AUS	Health Insurance	Ord	100 100	
	National Mutual Health Insurance (NZ) Limited	8, 10	NZ	Holding Company	Ord	100 100
	ACN 007 513 331	4, 10	AUS	Dormant	Ord	100 100
	The Benchmark Mutual Hospital Group Pty Ltd	6	AUS	Hospital Ownership	Ord	- 62
	The Benchmark Hospital Group Pty Ltd	6	AUS	Trustee company	Ord	- 62
	Benchmark-Surrey Pty Ltd	6	AUS	Trustee company	Ord	- 62
	Benchmark - Peninsula Pty Ltd	6	AUS	Trustee company	Ord	- 62
	Benchmark -Beleura Pty Ltd	6	AUS	Trustee company	Ord	- 62
	Benchmark -Windermere Pty Ltd	6	AUS	Trustee company	Ord	- 62
	Benchmark Chelsea Pty Ltd	6	AUS	Trustee company	Ord	- 62
	Dandenong Valley Private Hospital Pty. Ltd.	6	AUS	Trustee company	Class B Ord	- 62
	Benchmark - The Valley Pty Ltd	6	AUS	Trustee company	Class D	- 62
	Beleura Properties Pty Ltd	6	AUS	Trustee Company	Ord	- 62
	Peninsula Hospital Unit Trust	6	AUS	Hospital Ownership	Ord	- 62
	Beleura Holdings Unit Trust	6	AUS	Investment Ownership	Ord	- 62
	Surrey Hospital Unit Trust	6	AUS	Hospital Ownership	Ord	- 62
	Beleura Hospital Unit Trust	6	AUS	Hospital Ownership	Ord	- 62
	Windermere Hospital Unit Trust	6	AUS	Hospital Ownership	Ord	- 62
	Chelsea Hospital Unit Trust	6	AUS	Hospital Ownership	Ord	- 62
	The Dandenong Valley Private Hospital Unit Trust	6	AUS	Property Owner	Class A	- 62
	The Valley Private Hospital Unit Trust	6	AUS	Hospital Ownership	Ord	- 62
	Beleura Properties Unit Trust	6	AUS	Property Ownership	Ord	- 62
	Benchmark Central Maintenance Unit Trust	6	AUS	Trustee company	Ord	- 62

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

Note	Place of Incorporation/Operation	Principal Activities	Share Type	1999 %	Holding 1998 %
<b>33 INVESTMENT IN CONTROLLED ENTITIES (continued)</b>					
NMHI Superannuation Pty Ltd.	6, 7	AUS	Trustee company	Ord	100 100
H.B.A. Hospital Management Pty. Limited	5	AUS	Dormant	Ord	100 100
<b>National Mutual International Pty. Limited</b>		AUS	Holding of Marketable Securities	Ord	100 100
NM Insurances (Singapore) Pte Ltd.	11	SING	Insure Risks of Hldg & Related Coys	Ord	100 100
AXA Life Insurance Singapore Pte Ltd		SING	Provision of Life Insurance	Ord	100 -
<b>Detura Limited</b>	11	B.VI.	Holding Company	Ord	100 75
<b>AXA China Region Limited</b>	1	BER	Investment Holding	Ord	54 54
AXA China Region Insurance Company (Bermuda) Limited	11, 13	BER	Insurance Underwriters	Ord	- 100
<b>The National Mutual Life Association of Australasia Limited</b>		AUS	Provision of Life Insurance and Superannuation	Ord	100 100
Central Sourcing Proprietary Ltd		AUS	Sale of Life Insurance Products	Ord	100 100
The Foundation for Family & Private Business Pty Ltd	2	AUS	Research	Ord	- 50
HLNZ Management Ltd	10	NZ	Trust manager for securitisation	Ord	100 100
Qantum Financial Solution Ltd	10	NZ	Central distribution sourcing company	Ord	78 78
Mortgage Express New Zealand Limited	10	NZ	Trust mgr for Securitisation Program	Ord	51 51
National Mutual Assets Management (New Zealand) Limited	10	NZ	Unit Trust Management	Ord	100 -
National Mutual Life Nominee Limited		AUS	Trustee for Debs & Unsec Notes	Ord	100 -
AXA Trustees Limited		AUS	Fiduciary Services	Ord	100 -
National Trustees Nominees Proprietary Limited		AUS	Real Estate Agent	Ord	100 -
N.M.L Nominees (Canberra) Limited		AUS	Trustee for Debs & Unsec Notes	Ord	100 -
T&G Guardian Corporation Proprietary Limited		AUS	Trustee for Debs & Unsec Notes	Ord	100 -
National Payroll Services Pty. Ltd.	12	AUS	Payroll Bureau	Ord	89 -
NMMT Limited		AUS	Master Trust Administrator	Ord	100 -
<b>P. T. Tempo National Mutual Life</b>		IND	Provision of Life Insurance	Ord	80 80

All indented entities in this report are controlled by entities within the National Mutual Holdings Group, the investment in which is reflected in the respective reporting entity's balance sheet value. Accordingly, details of loans and contributions to National Mutual Holdings Group Revenue for the year are disclosed in those entities' financial statements.

- Place of Operation (where it differs from place of incorporation):

Entity	Place of Operation
AXA China Region Limited	Hong-Kong
National Mutual Funds Management (Japan) Limited	Japan

- This entity was formerly known as Professional Support Services Pty Ltd.
- Ceased Operations since 30 June 1996
- This company ceased operation on 31 December 1995 in compliance with a Ministerial Order dated 20 December 1991 under Section 82ZP of the National Health Act. NMHI is conducting the business of the fund and no members' rights or entitlement has been, or will be, affected by the cessation of operations. The Company will eventually be removed from the register and the shares no longer exist.
- Dormant since 30 June 1996, and is in the process of being liquidated and the shares have been written off.
- These entities have a balance date as at 30 June. The ASIC has granted a class order permitting these differing balance dates.
- This company is not consolidated in the NMHI Group as per ASIC Regulations.
- Executor Finance Limited amalgamated with this entity in January 1997.
- This entity was formerly known as NMF (ACT) Limited.
- Audited by other member firms of Deloitte Touche Tohmatsu.
- Currently in voluntary liquidation.
- National Mutual Life also holds 100% of Preference A and 50% of Preference B shares.
- This entity was formerly known as National Mutual Insurance Company (Bermuda) Ltd.

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

## 33 INVESTMENT IN CONTROLLED ENTITIES (continued)

### (b) Acquisitions of controlled entities

	Proportion of shares acquired %	Date of acquisition	Consideration \$ 000	Fair value of net tangible assets at time of acquisition \$ 000
National Mutual Assets Management Pty Ltd	100%	31/5/99	46,000	40,000
National Mutual Assets Management (New Zealand) Limited	100%	31/5/99	3,700	1,400
National Mutual Life Nominees Limited	100%	31/5/99	23,500	12,900
National Payroll Systems	89%	31/5/99	3,100	1,000
NMMT Limited	100%	31/5/99	30,500	6,100
<b>Total Controlled Entities Acquired</b>			106,800	61,400

The operating results of the acquired entities have been included in the consolidated Profit and Loss account from the date National Mutual Holdings obtained control of the entities.

### (c) Disposals of controlled entities

	Profit on disposal \$ 000	Fair value of net tangible assets at time of disposal \$ 000	Remaining interest held %
NMFM (Japan) Ltd	(643)	2,462	–
NMFM (Asia) Ltd	45,321	2,343	–
The Benchmark Hospital Group Pty Ltd	–	21,688	–
	44,678	26,493	–

## 34 ACQUISITION OF BUSINESSES

Name of Business Acquired	Date of Acquisition	Cost of Acquisition \$'000
The Singapore Branch of AXA Life Insurance Company Ltd	30/9/99	118,225

The business was acquired via a loan to related parties of \$115,086,000 and cash consideration of \$3,139,000

## 35 SUBSEQUENT EVENTS

On 10 October 1999, the Directors of National Mutual Life (NML) announced the intention to make a voluntary conditional cash offer to acquire all the issued share capital of AXA China Region Ltd (ACR) other than shares already controlled by the Company. The purchase, costing approximately \$816 million, is to be made through the Shareholders' Fund of NML and is to be financed by a loan from within the AXA Group. A Special General Meeting of independent shareholders has voted to delist ACR and NML has now declared the offer unconditional. The Company has requested ACR to make an application to delist, which it has done. ACR's shares ceased to be traded on the Hong Kong Stock Exchange on Wednesday 1 December 1999.

## 36 ECONOMIC DEPENDENCY

Approximately 45% of National Mutual Funds Management (Global) Limited's fees are received from related parties. (1998: 63%)

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

	Consolidated					
	Revenue		Profit Before Tax		Assets	
	1999	1998	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>37 SEGMENT INFORMATION</b>						
<b>Industry</b>						
Life Insurance	571,562	456,290	312,391	222,628	5,564,388	5,756,439
Health Insurance	679,092	648,044	25,793	8,193	332,186	250,860
Funds Management	148,672	99,092	66,297	10,214	225,401	100,104
Hospitals	68,593	102,022	–	(3,923)	–	100,187
Other	26,868	27,327	(37,614)	(35,343)	82,423	100,467
<b>Total Industry</b>	<b>1,494,787</b>	<b>1,332,775</b>	<b>366,867</b>	<b>201,769</b>	<b>6,204,398</b>	<b>6,308,057</b>
<b>Geographical</b>						
Australasia	1,252,185	1,191,995	177,917	147,454	3,079,122	4,692,227
Hong Kong	242,680	132,332	188,351	46,609	2,941,567	1,545,748
Other	(78)	8,448	599	7,706	183,709	70,082
<b>Total Geographical</b>	<b>1,494,787</b>	<b>1,332,775</b>	<b>366,867</b>	<b>201,769</b>	<b>6,204,398</b>	<b>6,308,057</b>

## 38 FINANCIAL INSTRUMENTS

### (a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

### (b) Objectives of Derivative Financial Instruments

A derivative transaction is a contract whose value depends on (or derives from) the value of an underlying asset, reference rate or index.

Under the investment management processes of the Company and its controlled entities, derivatives are principally used as an effective alternative to physical assets in order to achieve a desired level of total exposure to various asset classes, and as a means to hedge against market movements. Total exposure is defined to be the sum of physical assets plus the equivalent physical asset position provided by holding derivatives.

National Mutual Life is the major user of derivatives in the National Mutual Holdings Group. The most commonly used derivatives are futures contracts, options, swaps and foreign exchange contracts. In line with life companies' accounting policy for investments, derivatives are valued on a mark-to-market basis, which involves the calculation and recognition of unrealised gains and losses on all current positions. Accordingly, the Consolidated Profit and Loss Statement and Balance Sheet reflect all unrealised gains and losses on derivatives.

There are four major types of risks inherent in derivatives, these are:

(1) Market Risk - the risk of loss due to a change in market conditions (interest rate change).

(2) Liquidity Risk - the risk that a large transaction in a particular physical asset or derivative could have a detrimental effect on its price: for example in the extreme, it may not be possible to sell the security.

(3) Credit Risk - the risk that a loss will be incurred if a counterparty defaults on a contract.

(4) Operational Risk - is the risk of losses occurring as a result of inadequate systems and control, human error or management failure.

The National Mutual Holdings Group has a Risk Management Statement, which describes its controls to manage these risks inherent in derivatives. In accordance with this statement, derivatives cannot be used to leverage exposure to an asset class. A leveraged position occurs when the use of derivatives results in the exposure to an asset class being greater than the amount of the funds invested in that asset class.

Market risk is controlled through a process of setting exposure limits to various asset classes and exposure limits to particular holdings within an asset class. Liquidity and credit risk are managed by a process of setting limits on transaction levels and aggregate counterparty exposure. These limits, and the criteria upon which they are originally set, are regularly monitored and control processes are independent of portfolio trading activity.

As at 30 September 1999, neither the Company nor any of its controlled entities had any significant counterparty exposure in respect of derivatives to one single entity, other than the normal clearing house exposure associated with dealings through recognised exchanges.

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

## 38 FINANCIAL INSTRUMENTS (continued)

### Interest Rate Swaps & Futures Contracts

Under interest rate swaps, National Mutual Holdings Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts.

Interest rate futures contracts are exchange traded. They fulfill the same purpose as interest rate swaps.

The following table details the notional principal amounts and remaining terms of interest rate swaps and futures contracts outstanding as at 30 September 1999.

These contracts enable National Mutual Holdings Group to mitigate the risk of rising interest rates.

	Consolidated			
	Average Fixed Interest Rate		Notional Principal Amount	
	1999	1998	1999	1998
	%	%	\$'000	\$'000
Less than one year	-	7.9400	-	211,400
<b>Total</b>			-	211,400

### Forward Foreign Exchange Contracts & Currency Swaps

Under forward foreign exchange contracts, National Mutual Holdings Group agrees to exchange specified amounts of various currencies at an agreed future date, at a specified exchange rate.

A currency swap is a transaction which enables two counterparties to exchange specific amounts of two different currencies at the outset, exchange interest payments in the different currencies over the term of the swap and re-exchange principal at maturity.

The following table details the forward foreign currency contracts and currency swaps outstanding as at 30 September 1999 which have been used to manage currency risk.

	Average Exchange Rate		Notional Principal Amount	
	1999	1998	1999	1998
	%	%	\$'000	\$'000
<b>Hong Kong Dollars</b>				
One to two years	4.8720	5.9650	125,000	375,000
Two to five years	5.3243	4.8266	342,000	125,000
<b>Total</b>			467,000	500,000
<b>British Pounds</b>				
Less than one year	-	0.3580	-	18,877
<b>Total</b>			-	18,877
<b>Other currencies</b>				
Less than one year	-	-	-	6,200
<b>Total</b>			-	6,200
<b>Total Forward Foreign Exchange Contracts &amp; Currency Swaps</b>			467,000	525,077

### Foreign Exchange Rates

	Year End Spot Rate	Average rate
At September 30, 1999		
US Dollars	0.6526	0.6381
Hong Kong Dollars	5.0693	4.9471
British Pounds	0.3999	0.3929
At September 30, 1998		
US Dollars	0.5923	0.6425
Hong Kong Dollars	4.5894	4.9758
British Pounds	0.3485	0.3882
At September 30, 1997		
US Dollars	0.7242	0.7675
Hong Kong Dollars	5.6042	5.9426
British Pounds	0.4482	0.4483

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

## 38 FINANCIAL INSTRUMENTS (continued)

### (c) Interest Rate Risk

		Average fixed interest maturing in:						Total
As at 30 September 1999	Note	Average rate %	Floating interest rate \$'000	1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000	non-interest bearing \$'000	\$'000
<b>Financial Assets</b>								
Cash and deposits		3.51%	131,903	1,900	–	–	1,000	134,803
Receivables	5	–	–	–	–	–	205,470	205,470
Current Investments:	6							
Deposits at call		4.68%	229,044	700	–	–	–	229,744
Government and semi-government stocks & bonds		5.29%	6,408	66,079	53,305	3,226	–	129,018
Debentures		6.45%	141,262	–	–	–	–	141,262
Fixed interest securities		5.61%	–	47,221	56,335	–	–	103,556
Other current investments		5.00%	85,922	5,793	3,110	2,738	19,384	116,947
Other current assets	7	–	–	–	–	–	8,912	8,912
Other non-current investments	8	6%	–	–	–	7,010	137,747	144,757
Other non-current assets	11	–	–	–	–	–	70,598	70,598
<b>Total Financial Assets</b>			594,539	121,693	112,750	12,974	443,111	1,285,067
<b>Financial Liabilities</b>								
Accounts payable	12	–	–	–	–	–	151,121	151,121
Current borrowings	13	8.38%	35,021	357,000	–	–	220,603	612,624
Other current liabilities	15	–	–	–	–	–	131,401	131,401
Non-current borrowings	16	5.24%	–	–	–	–	2,100	2,100
Hedge payable	18	–	–	–	12,491	–	–	12,491
<b>Total Financial Liabilities</b>			35,021	357,000	12,491	–	505,225	909,737
<b>Net Financial Assets</b>			559,518	(235,307)	100,259	12,974	(62,114)	375,330

As at 30 September 1998	Average rate %	Interest Bearing \$'000	Non-Interest Bearing \$'000	Total \$'000
Total Financial Assets	5.38	699,150	398,146	1,097,296
Total Financial Liabilities	5.40	377,828	290,745	668,573

### Reconciliation of Net Financial Assets to Consolidated Net Assets

	Note	1999 \$'000
Net financial assets as above		375,330
Non-financial assets and liabilities:		
Accumulated interest in life funds	8	2,020,205
Value of inforce life business	8	1,542,032
Non-current assets	9	26,716
Intangibles	10	1,330,378
Current provisions	14	(126,724)
Non-current provisions	17	(22,234)
<b>Net Assets as per Balance Sheet</b>		<b>5,145,703</b>

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

## 38 FINANCIAL INSTRUMENTS (continued)

### (d) Credit Risk Exposures

The credit risk on the financial assets of the Company which have been recognised on the balance sheet, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

The economic entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

### (e) Net Fair Values (Liquidity Risk)

Except as detailed in the following table, the carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

The net fair value of financial assets and financial liabilities detailed in the financial statements have been determined as follows:

- the net fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the net fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models or directors values. The detail has been disclosed in the notes supporting these particular assets.

The net fair value of the Company's derivative financial instruments at balance date are as follows:

#### Off-Balance Sheet

	Carrying Amount <b>1999</b> \$ 000	Carrying Amount 1998 \$ 000	Net Fair Value <b>1999</b> \$ 000	Net Fair Value 1998 \$ 000
Total Interest Rate Swaps & Futures Contracts	-	-	-	(1,403)
Total Forward Contract & Currency Swaps	(12,343)	(123,400)	(24,016)	(112,600)
<b>Total</b>	<b>(12,343)</b>	<b>(123,400)</b>	<b>(24,016)</b>	<b>(114,003)</b>

The Company uses derivatives as hedging tools and therefore does not record their market value in its financial statements.

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

## 39 DETAILS OF LIFE INSURANCE FUNDS OF LIFE INSURANCE SUBSIDIARIES

This note provides details of the Profit and Loss Statements and Balance Sheets of the life insurance funds of the life insurance subsidiaries of the Company. As discussed in Note 1 to the financial statements, these life funds have not been consolidated into the National Mutual Holdings Limited Group.

Four of the eight operating subsidiaries of the Company are life insurance companies being:

The National Mutual Life Association of Australasia Limited (NMLA)

AXA China Region Limited (AXA-CR)

Australian Casualty & Life Limited (AC&L)

AXA Life Insurance Singapore Pte Ltd (AXA-SG)

National Mutual Life offers a wide range of life insurance, savings, superannuation and other financial products and services in Australia and New Zealand to individuals, families and businesses. AXA China Region is the second

largest group in the Hong Kong and Macau life insurance markets. AXA China Region was listed on the Hong Kong Stock Exchange. It was purchased in 1986 and at 30 September 1999 National Mutual Holdings controlled 73.6% (1998: 63.5%) Australian Casualty and Life is a specialist risk insurer providing income protection, term and trauma insurance. It is the largest provider of income protection insurance in Australia. AXA Life Singapore was purchased during the year and it is fully controlled by the Company at 30 September 1999. It offers a wide range of life insurance in Singapore to individuals, families and businesses.

As discussed in Note 1 to the Financial Statements, only the economic entity's share of profits from these life insurance companies is brought to account in the consolidated profit and loss statement and is the main source of profit for the National Mutual Holdings Group.

The following information provides details of the Profit and Loss Account and Balance Sheet of the life insurance subsidiaries:

	NMLA 1999	NMLA 1998	AXA-CR 1999	AXA-CR 1998	AC&L 1999	AC&L 1998	AXA-SG 1999	AXA-SG 1998	Total 1999	Total 1998
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Profit and Loss Statements for the Year Ended 30 September 1999</b>										
Gross insurance premiums	2,265	2,689	1,227	1,149	155	173	-	-	3,647	4,011
Gross reinsurance premiums ceded	(71)	(21)	(8)	(7)	-	(28)	-	-	(79)	(56)
	2,194	2,668	1,219	1,142	155	145	-	-	3,568	3,955
Investment revenue	1,254	768	189	(237)	24	20	-	-	1,467	551
Other	11	6	-	-	1	-	-	-	12	6
	3,459	3,442	1,408	905	180	165	-	-	5,047	4,512
Gross policy payments	2,400	3,335	594	508	116	120	-	-	3,110	3,963
Gross reinsurance recoveries	(67)	(14)	-	-	(16)	(25)	-	-	(83)	(39)
	2,333	3,321	594	508	100	95	-	-	3,027	3,924
Operating expenses	467	461	76	69	64	51	-	-	607	581
Increase/(decrease) in policy liabilities	155	(779)	447	147	15	(7)	-	-	617	(639)
	2,955	3,003	1,117	724	179	139	-	-	4,251	3,866
<b>Operating Profit</b>										
<b>Before Income Tax</b>	504	439	291	181	1	26	-	-	796	646
<b>Income Tax Benefit/(Expense)</b>	(120)	(63)	(9)	(21)	1	(6)	-	-	(128)	(90)
<b>Operating Profit</b>										
<b>After Income Tax</b>	384	376	282	160	2	20	-	-	668	556
Abnormal revenue/(expense)	(26)	7	-	-	-	-	-	-	(26)	7
Tax on abnormal items	6	-	-	-	-	-	-	-	6	-
<b>Operating Profit/(Loss) and Extraordinary Items</b>										
	364	383	282	160	2	20	-	-	648	563
Attributable to :										
Policyholders	244	191	98	102	-	-	-	-	342	293
Shareholders	120	192	184	58	2	20	-	-	306	270
	364	383	282	160	2	20	-	-	648	563
Retained Profits/(Loss) at										
Beginning of Year	1,046	1,436	892	830	108	124	-	-	2,046	2,390
Transfer of Profits Between Funds	(247)	(508)	(57)	3	2	(36)	-	-	(302)	(541)
<b>Total Retained Earnings</b>	1,163	1,311	1,117	993	112	108	-	-	2,392	2,412
Bonuses Provided or Paid	(230)	(265)	(98)	(101)	-	-	-	-	(328)	(366)
<b>Retained Earnings at the End of the Financial Year</b>										
	933	1,046	1,019	892	112	108	-	-	2,064	2,046

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

## 39 DETAILS OF LIFE INSURANCE FUNDS OF LIFE INSURANCE SUBSIDIARIES (continued)

	NMLA 1999	NMLA 1998	AXA-CR 1999	AXA-CR 1998	AC&L 1999	AC&L 1998	AXA-SG 1999	AXA-SG 1998	Total 1999	Total 1998
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Balance Sheet</b>										
<b>as at 30 September 1999</b>										
<b>Investment Assets</b>	15,360	15,101	3,719	2,615	287	337	346	-	19,712	18,053
<b>Current Assets</b>										
Cash	-	-	271	1,148	18	4	20	-	309	1,152
Outstanding premiums	92	90	-	-	8	5	1	-	101	95
Receivables	646	407	113	104	69	22	5	-	833	533
Other	-	-	3	16	-	-	2	-	5	16
<b>Total Current Assets</b>	738	497	387	1,268	95	31	28	-	1,248	1,796
<b>Non-Current Assets</b>										
Plant and equipment	21	31	-	-	-	-	7	-	28	31
Other	403	17	-	-	-	2	17	-	420	19
<b>Total Non-Current Assets</b>	424	48	-	-	-	2	24	-	448	50
<b>Total Assets</b>	16,522	15,646	4,106	3,883	382	370	398	-	21,408	19,899
<b>Current Liabilities</b>										
Accounts payable	325	252	103	96	69	-	8	-	505	348
Borrowings	122	129	-	-	1	29	-	-	123	158
Provisions	48	100	22	17	(12)	(1)	-	-	58	116
Other	-	-	33	39	-	-	6	-	39	39
<b>Total Current Liabilities</b>	495	481	158	152	58	28	14	-	725	661
<b>Non-Current Liabilities</b>										
Subordinated debt	283	283	-	-	-	-	-	-	283	283
Accounts payable	386	15	-	-	-	-	-	-	386	15
Borrowings	641	405	-	-	-	-	3	-	644	405
Provisions	184	156	-	15	62	53	365	-	611	224
Policy liabilities	13,281	12,884	2,665	2,433	101	152	-	-	16,047	15,469
Policyholder bonuses	190	226	94	109	-	-	-	-	284	335
<b>Total Non-Current Liabilities</b>	14,965	13,969	2,759	2,557	163	205	368	-	18,255	16,731
<b>Total Liabilities</b>	15,460	14,450	2,917	2,709	221	233	382	-	18,980	17,392
<b>Net Assets</b>	1,062	1,196	1,189	1,174	161	137	16	-	2,428	2,507
Capital transfers to										
Life Insurance Funds	164	164	-	-	49	29	-	-	213	193
Foreign currency translation reserve										
Policyholders	(20)	(8)	-	-	-	-	-	-	(20)	(8)
Shareholders	(15)	(6)	170	282	-	-	-	-	155	276
	(35)	(14)	170	282	-	-	-	-	135	268
Retained profits										
Policyholders	417	402	-	-	-	1	10	-	427	403
Shareholders	516	644	1,019	892	112	107	6	-	1,653	1,643
	933	1,046	1,019	892	112	108	16	-	2,080	2,046
<b>Policyholders' and Shareholders' Equity</b>	1,062	1,196	1,189	1,174	161	137	16	-	2,428	2,507

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

## 39 DETAILS OF LIFE INSURANCE FUNDS OF LIFE INSURANCE SUBSIDIARIES (continued)

	Total <b>1999</b> \$'000	Total 1998 \$'000
<b>Commitments for Expenditure of Life Insurance Funds</b>		
These are the commitments for expenditure of the Life Insurance Funds of the life insurance subsidiaries of National Mutual Holdings Limited.		
<b>(a) Lease Expenditure Commitments</b>		
<b>(i) Operating leases</b>		
Payable no later than one year	21,400	23,400
Payable later than one, not later than two years	19,200	18,400
Payable later than two, not later than five years	33,900	44,100
Payable later than five years	26,200	37,600
<b>Lease Expenditure Contracted for but Not Provided</b>	<b>100,700</b>	<b>123,500</b>
<b>(ii) Finance Lease Commitments</b>		
Payable no later than one year	600	100
Payable later than one, not later than two years	600	–
Payable later than two, not later than five years	800	–
Payable later than five years	–	–
Minimum lease payments	2,000	100
Less future finance charges	200	–
<b>Lease Liability</b>	<b>1,800</b>	<b>100</b>
<b>(b) Capital Expenditure Commitments</b>		
Estimated aggregate amount of contracts for capital expenditure not provided for :		
Computer and data facilities	3,600	1,800
Building and freehold properties	42,700	66,300
Plant and equipment	500	200
Other	100	–
<b>Total Capital Expenditure Commitments</b>	<b>46,900</b>	<b>68,300</b>
Payable no later than one year	43,400	51,300
Payable later than one, not later than two years	–	17,000
Payable later than two, not later than five years	2,800	–
Payable later than five years	700	–
<b>Total Capital Expenditure Commitments</b>	<b>46,900</b>	<b>68,300</b>

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

## 39 DETAILS OF LIFE INSURANCE FUNDS OF LIFE INSURANCE SUBSIDIARIES (continued)

	Total 1999 \$'000	Total 1998 \$'000
<b>Commitments for Expenditure of Life Insurance Funds (continued)</b>		
<b>(c) Other Commitments</b>		
<b>(i) Other Commitments</b>		
Payable no later than one year	135,700	269,200
Payable later than one, not later than two years	3,300	3,200
Payable later than two, not later than five years	9,800	9,700
Payable later than five years	17,100	20,100
<b>Total Other Commitments</b>	<b>165,900 *</b>	<b>302,200 *</b>
<b>(ii) Financing Facilities</b>		
Total amount of finance provided	283,300	376,500
Less amount used	283,300	289,200
<b>Total Amount of Credit Unused</b>	<b>–</b>	<b>87,300</b>
Restrictions as to their use are as follows :		
– loans are payable on demand and are only available for a specified time		
– the offering of these facilities is subject to the company's economic and financial condition remaining acceptable to the lender		
– maintenance of a satisfactory relationship with the lender		
– drawdowns are to be made on the basis of signed approval from nominated staff members.		
* Comprises :		
Loan commitments	29,408	145,700
Financing commitments	101,537	102,300
Operating expense commitments	34,892	36,200
Other	63	18,000
<b>Total Other Commitments</b>	<b>165,900</b>	<b>302,200</b>
<b>(d) Contingent Liabilities of Life Insurance Funds</b>		
Contingent liabilities for which no specific provision was made in the financial statements at balance date are estimated to be :		
Uncalled capital and other obligations in respect of shareholdings:		
in controlled entities	–	–
in other companies	25,100	56,900
Liability on call options in respect of marketable securities	1,600	117,000
Litigation	15,300	7,300
Guarantees	2,300	32,000
Other	2,700	4,500
<b>Total Contingent Liabilities</b>	<b>47,000</b>	<b>217,700</b>

# Notes (continued)

to and forming part of the financial statements for the financial year ended 30 September 1999.

## 40 TOTAL ASSETS AND ASSETS UNDER MANAGEMENT

In addition to the assets owned by the Company or controlled entities in the National Mutual Holdings Group, other assets are managed by the following National Mutual Holdings Group Companies.

On an aggregated basis these managed assets, together with the assets reflected in the National Mutual Holdings Group Balance Sheet, after eliminating appropriate inter-company entries, total \$33.3 billion (1998: \$31.4 billion).

NMH Group Company	Area of Operation	
National Mutual Funds Management North America Inc. (formerly CMB Investment Counsellors)	United States	
National Mutual Funds Management Ltd.	Australia	
National Mutual Investment Management Limited	Hong Kong	
National Mutual Funds Management (International) Limited	Australia	
National Mutual Life Association of Australasia (Life Insurance Funds)	Australia	
AXA China Region Insurance Company (Bermuda) Ltd. (Life Insurance Funds)	Hong Kong	
Australian Casualty & Life Limited (Life Insurance Funds)	Australia	
National Mutual Assets Management Limited	Australia	
National Mutual Assets Management (New Zealand) Limited	New Zealand	
AXA Trustees Limited	Australia	
National Mutual Superannuation Master Trustee Limited	New Zealand	
	<b>1999</b>	1998
	\$'000	\$'000
Cash on hand and on deposit	2,576,561	3,936,107
Fixed interest securities	10,432,963	9,274,644
Shares	6,189,586	6,045,757
Loans and advances	5,243,875	4,294,563
Freehold land and buildings	3,821,475	3,778,742
Other investment assets	3,989,992	3,098,267
Other assets	1,044,883	950,286
<b>Total Assets and Assets Under Management</b>	<b>33,299,335</b>	<b>31,378,366</b>

## 41 EMPLOYEE SHARE PURCHASE SCHEMES

The Company has two share purchase schemes available for employees in Australia: The Australian General Employee Share Plan - Tax Exempt; and Australian General Employee Share Plan - Tax Deferred.

During 1998, tax rulings were received from the New Zealand Inland Revenue Office for the New Zealand General Employee Exempt Share Plan, enabling permanent employees in New Zealand to acquire the Company shares through an employee share acquisition plan. This plan was not offered to New Zealand employees in the 1999 year.

The Company also has a share plan which aims to reward key executives for growth in the value of NMH (Australian Executive Plan).

An offer to employees cannot be made under any of the schemes if an issue pursuant to that offer will result in the aggregate of shares issued exceeding 5% of the issued capital of the Company. The total number of shares issued under employee share plans represent 0.66% of total shares on issue. All shares have been acquired on market and are free of brokerage and stamp duty costs to the participant upon acquisition.

The market price of one ordinary share at 30 September 1999, was \$2.16 (1998: \$3.39).

### Australian General Employee Share Plan - Tax Exempt

All permanent employees whether part-time or full-time who are resident in Australia can participate in this Plan. Each eligible employee has a \$1,000 contribution limit per year.

During the financial year, 377,168 fully paid ordinary shares were issued at an average market price of \$2.3770 to 939 eligible employees for a total consideration of \$896,530.

As at 30 September 1999, there were 2,156 participants in the Plan and a total of 1,667,079 shares were subject to plan rules.

### Australian General Employee Share Plan - Tax Deferred

All permanent resident Australian employees who did not participate in other plans are eligible to participate in this plan.

During 1999, there was one general offer to all staff under the plan rules. In addition, two opportunities were provided to management participating in the Company's Annual Incentive Plan to sacrifice incentive payments in order to acquire shares.

The following table outlines the level of participation in the Australian General Employee Share Plan - Tax Deferred:

Date	Average Price	No. Shares Purchased
January 1999	\$2.88	45,899
September 1999	\$2.38	296,929

As at 30 September 1999, there were 141 participants in the Plan and 1,125,838 shares subject to plan rules.

### Australian Executive Plan

Executive directors and executive officers may be given allocation rights under this Plan, subject to set and agreed performance hurdles being achieved.

At 30 September 1999, the following allocation rights were outstanding:

Date	Exercise Price	Normal Exercise Period	No. Rights
June 1997	\$2.00	30 June 2000-30 June 2002	2,355,000
March 1998	\$3.47	31 March 2001-31 March 2003	1,500,000
March 1999	\$2.74	10 March 2002-10 March 2004	500,000
July 1999	\$2.37	28 July 2002-28 July 2004	4,390,750

Due to executive departures, 252,687 NMH shares held within the Plan are not subject to allocation rights.

Further terms and conditions associated with this plan are as per the plan outline approved by shareholders at the 1997 Annual General Meeting.

To meet the obligations under plan rules, the Company has provided an interest free loan of \$22,775,866 to the Plan Trust (1998: \$15,033,057).

# Directors' Declaration

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for the financial year ended 30 September 1999.

The directors declare that

- (a) the attached financial statements and notes thereto of National Mutual Holdings Limited comply with accounting standards,
- (b) the attached financial statements and notes thereto of National Mutual Holdings Limited give a true and fair view of the financial position and performance of the company and the consolidated entity,
- (c) in the directors' opinion, there are reasonable grounds to believe that National Mutual Holdings Limited will be able to pay its debts as and when they become due and payable; and
- (d) in the directors' opinion, the attached financial statements and notes thereto of National Mutual Holdings Limited are in accordance with the Corporations Law.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Law.

On behalf of the Directors



D. R. Wills A.O.  
Chairman



J. A. Killen  
Group Managing Director  
Melbourne, 7 December 1999

# Auditors' Report

Independent Audit Report to the Members of National Mutual Holdings Limited.

## Scope

We have audited the financial report of National Mutual Holdings Limited for the financial year ended 30 September 1999 as set out on pages 2 to 39. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

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

## Audit Opinion

In our opinion, the financial report of National Mutual Holdings Limited is in accordance with:

- (a) the Corporations Law, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 September 1999 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



DELOITTE TOUCHE TOHMATSU



R H WYLIE  
Partner  
Chartered Accountants  
Melbourne, 7 December 1999

The liability of Deloitte Touche Tohmatsu is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

## AXA - National Mutual Holdings

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### National Mutual Holdings Limited

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### Registered Office

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Telephone: 61 3 9616 3911  
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### Company Secretary and General Counsel

Mr K. Le Plastrier

## National Mutual Life

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### The National Mutual Life Association of Australasia Limited

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### New Zealand

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## National Mutual Funds Management

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### National Mutual Funds Management NZ Limited

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## Australian Casualty & Life

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### Australian Casualty & Life Limited

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## National Mutual Health Insurance

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### National Mutual Health Insurance Pty Limited

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### National Mutual Health New Zealand Limited

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## AXA China Region

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### AXA China Region Limited

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### Thailand

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