

AXA

FINANCIAL REPORT

AXA Asia Pacific Holdings Limited

For The Year Ended 30 September 2000



ASIA PACIFIC

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Profit and Loss Statement

for the financial year ended 30 September 2000

\$ million	Note	Consolidated		Company	
		2000	1999	2000	1999
Operating profit before abnormal items and income tax	2(a)	309	344	121	199
Abnormal items before income tax	2(b)	54	23	372	-
Operating profit before income tax	2	363	367	493	199
Income tax expense/(benefit) attributable to operating profit	3	(50)	16	1	(15)
Operating profit after income tax		413	351	492	214
Outside equity interests in operating profit after income tax		(39)	(49)	-	-
Operating profit after income tax and after outside equity interests		374	302	492	214
Retained profits at the beginning of the financial year		482	339	371	316
Adjustment to opening retained earnings following adoption of AASB 1038		841	-	-	-
Transfers from reserves		106	-	-	-
Total available for appropriation		1,803	641	863	530
Dividends provided for or paid	4	(167)	(159)	(167)	(159)
Retained Profits at the End of the Financial Year		1,636	482	696	371
		Cents per share	Cents per share		
Basic earnings per ordinary share before abnormal items	34	17.6	16.6		
Basic earnings per ordinary share after abnormal items	34	21.2	17.1		
Proposed and paid dividends per share	34	9.5	9.0		

The accompanying notes form part of this Financial Report.

Balance Sheet

as at 30 September 2000

\$ million	Note	Consolidated		Company	
		2000	1999	2000	1999
Assets					
Cash at bank and deposits on call		2,384	365	35	8
Receivables	5	694	206	732	44
Equity securities	6	7,002	133	14	9
Debt securities	6	10,755	502	50	50
Property investments	6	2,638	-	-	-
Other investments	6	1,796	3,562	-	-
Other assets	7	172	80	64	42
Operating assets	8	141	27	-	4
Intangibles	9	23	1,289	-	-
Investments in controlled entities	6	-	-	1,329	5,085
Excess of market value over net assets of controlled entities	10	1,220	41	-	-
Total Assets		26,825	6,205	2,224	5,242
Liabilities					
Payables	11	1,006	164	108	15
Borrowings	12	1,878	615	145	424
Provisions	13	597	149	89	84
Other liabilities	14	273	131	-	-
Subordinated debt	15	286	-	-	-
Life insurance policy liabilities	16	19,624	-	-	-
Total Liabilities		23,664	1,059	342	523
Net Assets		3,161	5,146	1,882	4,719
Shareholders' Equity					
Share capital	17	1,186	1,186	1,186	1,186
Reserves	18	15	2,714	-	3,162
Retained profits		1,636	482	696	371
		2,837	4,382	1,882	4,719
Outside equity interests in controlled entities	19	324	764	-	-
Total Shareholders' Equity		3,161	5,146	1,882	4,719

The consolidated balance sheet reflects the adoption of AASB 1038. Further details are contained in Note 1.

The accompanying notes form part of this Financial Report.

Statement of Cash Flows

for the financial year ended 30 September 2000

\$ million	Note	Consolidated		Company	
		2000	1999	2000	1999
Cash flows from Operating Activities					
Premiums received		5,805	705	-	-
Interest received		842	180	23	3
Dividends/ trust distributions received		196	4	137	249
Fees, rents and other cash received		494	578	1	13
Policy payments		(3,647)	(563)	-	-
Interest and other finance costs paid		(212)	(173)	(39)	(30)
Income tax (paid)/received		(156)	4	-	-
Fees and commissions paid		(343)	-	-	-
Payment to suppliers and employees		(526)	(505)	(2)	(45)
Net Cash Provided/(Used) by Operating Activities	27	2,453	230	120	190
Cash flows from Investing Activities					
Net proceeds from sale/(purchase) of operating assets		(21)	(10)	-	(6)
Proceeds from sale of controlled entities		-	64	2,947	-
Payments for investment in controlled entities		-	55	(923)	(135)
Proceeds from sale of associated entities		-	-	-	(11)
Payment for investment in associated entities		(5)	(18)	(5)	-
Payments for investments in minority interests		(835)	-	-	-
Net proceeds from sale of/(investment in) investment assets		(1,356)	(41)	-	-
Net decrease/(increase) in loans		(349)	(51)	(448)	(123)
Capital transfers to controlled entities		-	(20)	(1,148)	(30)
Other investing items		105	-	-	-
Net Cash Provided/(Used) by Investing Activities		(2,461)	(21)	423	(305)
Cash flows from Financing Activities					
Dividends paid		(159)	(159)	(159)	(159)
Payments to outside equity interests		-	(142)	-	-
Proceeds from borrowings		1,817	216	198	253
Repayment of borrowings		(700)	-	(555)	-
Net Cash Provided/(Used) by Financing Activities		958	(85)	(516)	94
Net Increase/(Decrease) in Cash Held		950	124	27	(21)
Cash at beginning of the financial year		330	206	8	31
Adjustment to cash following the adoption of AASB 1038		1,227	-	-	-
Effect of exchange rate changes on the balance of cash held in foreign currencies at the beginning of the financial year		(123)	-	-	(2)
Cash at the End of the Financial Year	27	2,384	330	35	8

The consolidated cashflow represents cashflows of the restated economic entity as defined by AASB 1038. Further details are contained in Note 1.

The accompanying notes form part of this Financial Report

Notes

to the Financial Report for the year ended 30 September 2000

1 | Summary of Significant Accounting Policies

Financial reporting framework

This general purpose financial report has been prepared in accordance with applicable Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views and the Corporations Law.

The AXA Group, comprising AXA Asia Pacific Holdings Limited (the Company) and its controlled entities (the consolidated entity), operates predominantly in the life insurance industry through its subsidiaries, National Mutual Life (NMLA), AXA China Region (AXA CR), Australian Casualty and Life (AC&L) and AXA Life Singapore (AXA LS). The financial report as it relates to the AXA Groups life operations, comprising the assets, liabilities, revenues and expenses, is measured on the basis of net market value and net present value.

Changes in accounting policies and disclosures

Adoption of AASB 1038 "Life Insurance Business"

The Company has adopted the requirements of Accounting Standard AASB 1038 "Life Insurance Business" for the first time in the preparation of this financial report resulting in significant changes in the methods of accounting for life insurance business.

On the adoption of AASB 1038, the Company has included the assets, liabilities, revenues and expenses of the life insurance funds of life subsidiaries in these consolidated financial statements for the first time. This has increased total assets and total liabilities as at 1 October 1999 by \$16,595 million and \$18,453 million, respectively, and total revenue and total expenses by \$4,935 million and \$4,857 million, respectively.

Adjustments relating to prior year consolidated financial statements

In prior financial periods, in the absence of an Australian Accounting Standard relating to life insurance business, the Company consolidated the shareholder funds of life insurance subsidiaries, but did not include the assets, liabilities, revenues and expenses of the life insurance funds of life insurance subsidiaries in its consolidated financial statements. The Company also recognised the following items, relating to the Company's interest in its life insurance subsidiaries, as assets in its consolidated balance sheets for the year ended 30 September 1999 and prior years:

- (i) Accumulated Shareholders' Interests in Life Funds was shown as a non-current investment and represented the undistributed profits and capital contributions attributable to the company within the unconsolidated life insurance funds.
- (ii) The "Value of Future New Business of Life Insurance Subsidiaries" was shown as an intangible asset and represented the discounted cash flows attributable to the Company which were expected to be generated from future new business.
- (iii) The "Value of Life Business inforce" was shown as an investment and represented discounted cash flows attributable to the Company which were expected to be generated in the future from existing life insurance policies.

The "Value of Future New Business of Life Insurance Subsidiaries" and "Value of Life Business inforce" were revalued at the end of each reporting period, with any increment or decrement in the carrying amount of such items being brought to account in the asset revaluation reserve. The carrying amount of such items as shown in the Company's 30 September 1999 consolidated balance sheet were \$1,263 million and \$1,542 million, respectively. The amounts were not amortised.

The Consolidated Entity has made the following adjustments on the adoption of Accounting Standard AASB 1038:

- (i) Derecognised the "Value of Future New Business of Life Insurance Subsidiaries" and the "Value of Life Business inforce" totalling \$2,805 million. This comprises past revaluations of \$2,149 million and acquisitions of \$656 million. The adjustment in respect of past revaluations is included in the Asset Revaluation Reserve Adjustment and outside equity interests in controlled entities.
- (ii) Consolidated the assets and liabilities of life insurance funds in the consolidated balance sheet, eliminated the investment in life insurance subsidiaries and recognised goodwill arising of \$656 million.
- (iii) Recognised accumulated amortisation in respect of the periods from the purchase of the life insurance subsidiaries to 30 September 1999 totalling \$100 million. This adjustment would have been made as an adjustment to opening retained profits.

The Australian Securities and Investments Commission ("ASIC") is of the view that the "Value of Future New Business of Life Insurance Subsidiaries" and the "Value of Life Business inforce" largely represents goodwill and that the revaluation of such items in the consolidated financial statements at each prior reporting date resulted in the recognition of internally-generated goodwill totalling \$2,149 million. The recognition of internally generated goodwill is prohibited by accounting standard AASB 1013 "Accounting for Goodwill". ASIC also believes that the remaining \$656 million was largely purchased goodwill and should have been amortised over no more than 20 years, resulting in an annual amortisation expense of \$30 million. Accordingly, ASIC is of the view that adjustments similar to those detailed in paragraph (i) and (ii) would have been required irrespective of the adoption of AASB 1038, except that the adjustment in paragraph (iii) would have been made against current year operating profit.

The Company maintains that the consolidated financial statements of previous reporting periods were prepared in accordance with Australian Accounting Standards. Accordingly, the Company was entitled to revalue the "Value of Future New Business of Life Insurance Subsidiaries" and the "Value of inforce Life Business" in its consolidated financial statements, and was not required to record any amortisation charges in relation to these items.

ASIC and the Company have agreed that the adjustments referred to above be recorded through current period operating profit as an abnormal item (refer note 2(b)).

Adoption of AASB 1041 "Revaluation of Non-current assets"

The Company has adopted the transitional provisions of Accounting Standard AASB 1041 early and has reverted from the revaluation basis to the cost basis of measuring "Investments in Consolidated Entities" with effect from 1 October 1999. This has reduced the carrying value and the asset revaluation reserve by \$3,162 million as at 1 October 1999. There is no effect on the profit and loss statement in the current year or on opening retained profits.

In all other respects, unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information relating to changes in accounting policies has been reclassified accordingly.

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to the Financial Report for the year ended 30 September 2000

1 | Summary of Significant Accounting Policies (continued)

Effect of Group Restructuring

On 31 March 2000, the company sold its 74% interest in AXA CR to NMLA. AXA CR is now wholly owned by a life insurance subsidiary, and AASB 1038 requires the excess of the market value of the investment in AXA CR over the value of its net assets to be recorded in the consolidated financial statements.

The consolidated financial statements recognise the following adjustments arising as a result of the sale of the interest in AXA CR at 31 March 2000 from the Company to NMLA:

- (i) Derecognition of purchased goodwill (net of accumulated amortisation of \$100 million) arising in respect of the interest in AXA CR
- (ii) Recognition of the excess of the market value of the interest in AXA CR over the net amount of that life insurance subsidiary's assets and liabilities.

These adjustments have been recognised as abnormal items in the Consolidated Profit and Loss Statement.

The excess of the market value of the interest in AXA CR over the net amount of that life insurance subsidiary's assets and liabilities is recorded as a separate asset in the consolidated financial statements and, in accordance with AASB 1038 "Life Insurance Business" does not require amortisation from 1 April 2000. Up to the restructuring on 31 March 2000 purchased goodwill relating to AXA CR was required to be amortised (refer note 2(b)).

Classification of assets and liabilities

The AXA Group operates predominantly in the life insurance industry. As such, AASB 1038 requires that the assets and liabilities disclosed in the consolidated balance sheet be grouped by nature and listed in an order that reflects their relative liquidity.

Principles of consolidation

The consolidated financial report has been prepared by combining the financial reports of the Company and all the entities that the Company has the capacity to control. The financial reports of controlled life insurance entities comprise both policyholder funds and shareholders' funds and their controlled entities.

The consolidated financial report includes 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 an entity. In preparing the consolidated financial report, all inter-company 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.

Premium and related revenue

Life insurance premium income includes all receipts from customers regardless of whether they are of a risk premium or a deposit nature. Premiums with no due date are recognised as revenue on a cash basis. Premiums with a regular due date are recognised as revenue on an accruals basis. Unpaid premiums are only recognised as revenue during the days of grace or where secured by the surrender value of the policy. Conversions inward are included within premium income. Policy conversions inward or outward occur when a policy is transferred from one product to another at the request of the client or as a result of specific product conversion campaigns.

Non-life insurance premiums primarily consist of contributions to health insurance. Non-life insurance premiums are recognised as revenue on an accrual basis.

Investment revenue

Interest, dividends and rent are taken to income on a due and receivable basis.

Net realised and unrealised gains and losses in respect of the assets of the life insurance operations are recognised in the Profit and Loss Statement in the period in which they occur.

Claims and related expense

Life insurance claims include all payments to policyholders regardless of whether they are of a risk claim or withdrawal nature. Claims under investment-linked business are recognised when policies cease to participate in the earnings of the relevant Statutory Fund. Claims on non-investment-linked business are recognised when the liability to the policy owner under the policy contract has been established. Claims in respect of policies remaining in force at balance date are included in policy liabilities. Conversions outward are included within claims expense.

Non-life insurance claims primarily represent health and medical claims. Non-life insurance claims are recognised when the liability to the policyholder under the contract has been established.

Income tax

For non-life insurance entities, 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 the provision for deferred income tax and future income tax benefit, as applicable. Future income tax benefits are not brought to account unless realisation is assured beyond reasonable doubt.

For life insurance business, income tax expense is the amount that is expected to be assessed on the life insurers' operations for the year adjusted for permanent differences, calculated on the various taxation bases for the different classes of business conducted in each country. An adjustment is made for under or over provision of previous years' taxation provisions.

The provision for deferred income tax includes a provision in relation to tax potentially payable should investment assets be realised at the reported amount in this financial report. In order to maintain equity between generations of policy owners, the provision for deferred income tax and the future income tax benefit have been discounted to present values using reasonable assumptions as to current levels of interest rates, average periods for which each asset category of investments is held, the tax rate applicable to the respective classes of business and the tax regime in each country of operation.

Notes

to the Financial Report for the year ended 30 September 2000

1 | Summary of Significant Accounting Policies (continued)

The Australian Government has introduced extensive reforms to the Australian business taxation system. The reforms include changes to the company tax rate, the capital gains tax (CGT) system, business accounting systems, entity taxation and the method of taxing life insurers.

The financial impact of the changes has been reflected in this financial report.

Policyholder tax expense has been included as a separate line item in movement in Policy Liabilities.

Receivables

Life insurance receivables are reported at net market value with unrealised gains and losses recognised in the Profit and Loss Statement.

All other receivables are carried at amounts due less any provisions for doubtful debts.

Investments

Investment in controlled entities of the Company, are recorded at the lower of cost or recoverable amount.

Derivative financial instruments held by the Company are entered into 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.

Investments held by non-life entities are shown at either cost or Directors' valuation. Any changes in the valuation of investments held by non-life insurance entities are recognised in the asset revaluation reserve of the Company in accordance with AASB 1010 "Accounting for the Revaluation of Non-Current Assets".

Life insurance investment assets are measured at net market value as at the reporting date and changes in their net market values are recognised in the Profit and Loss Statement in the financial year in which the changes occur.

The investments of life insurance entities and their subsidiaries have been valued as follows:

Equity securities

Ordinary and preference shares, equity options (included in equities) and investments in unit trusts are recorded at their latest available market value as quoted on stock exchanges or, where the investment is unlisted, at Directors' valuations with reference to the net assets of the respective entity or on the advice of suitably qualified valuers.

Investments in associated entities by the life insurance entities are recorded at net market value with reference to the life insurance entities proportionate interest in the market value of each associated entity. Investments in associated entities, other than those owned by life insurance entities, are accounted for using the equity method.

Debt securities

Interest bearing securities and convertible notes listed on stock exchanges are shown at quoted prices at balance date. Unlisted fixed interest securities are recorded at valuations based on pricing formulas using rates of interest equivalent to the yields obtainable on comparable investments. These securities may or may not be backed by some form of security.

Loans to controlled entities, loans to related parties and loans to other parties are recorded at Directors' valuations with reference to principal amounts outstanding less, where applicable, a provision for doubtful debts. Loans provided are of varying duration and usually interest bearing. These securities may or may not be backed by some form of security.

Leveraged leases are recorded at their market value by adopting the multiple income sinking fund approach to determine the constant investment yield on after tax cash flows earned over the life of the investment. This yield is used to calculate income based on the outstanding balance of the leverage-leased investment.

Property

Freehold and leasehold properties, including owner occupied properties, are carried at market value. Properties have been valued on an annual basis by external valuers in accordance with a regular policy of revaluation.

Other investments

Futures contracts and other derivatives are shown at market value at balance date and are included in other investments.

Investments in controlled entities

Controlled entities owned by life insurance entities are valued at net market value. For material controlled entities, net market value is determined by a directors' valuation for life insurance subsidiaries or by an independent valuation with reference to the net tangible assets, the anticipated discounted cashflows or a multiple of earnings of the controlled entity. On consolidation of the controlled entities, any excess in the valuation of these controlled entities over the recognised net assets is disclosed in the consolidated financial report as a separate asset entitled "Excess of net market value over net assets of controlled entities".

Operating assets

Operating assets comprise plant and equipment and plant and equipment under finance lease.

The operating assets of the life insurance subsidiaries are measured on the basis of net market value.

For non-life insurance operations, the operating assets are carried at cost less accumulated depreciation. 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

Software development costs of major projects are capitalised where it is expected that future economic benefit will be derived. Costs relating to the modification of computer software for Year 2000 compatibility are charged as expenses when incurred.

Notes

to the Financial Report for the year ended 30 September 2000

1 | Summary of Significant Accounting Policies (continued)

Intangibles

Intangible assets consist of goodwill and other intangible items. Goodwill arises on the consolidation of controlled entities and represents the excess of the purchase price over the fair value of identifiable net assets of the controlled entities. Purchased goodwill is amortised on a straight-line basis over a maximum of 20 years.

Excess of net market value over net assets of controlled entities

On consolidation, any excess in the valuation of life insurance controlled entities over the recognised net assets is disclosed in the consolidated financial report as a separate asset entitled "Excess of net market value over net assets of controlled entities". This excess represents:

- Acquired goodwill to the extent it remains at reporting date
- Increments in the value of the acquired goodwill since acquisition date or establishment
- Measurement differences, being the different value being assigned to the assets and liabilities of the subsidiary due to measurement.

This asset does not require amortisation. Changes in the amount of this asset are included in the consolidated Profit and Loss Statement.

Payables

Liabilities relating to the life insurance entities are measured at net present value and changes to those net present values are recognised as expenses or revenues of the period.

Accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

Borrowings

Liabilities relating to the life insurance entities are measured at net present value and changes to those net present values are recognised as expenses or revenues of the period.

All other borrowings represent the amount of the outstanding principal.

Provisions

Provisions are 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, which is not materially different from the net present 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.

Contributions, which are determined on an actuarial basis, to superannuation schemes are charged to the profit and loss statement. The assets or liabilities of the schemes have not been consolidated, as the Company does not have direct or indirect control of the schemes.

Policy owner retained profits

The Company has calculated policy liabilities using the Margin on Services methodology in accordance with Actuarial Standard 1.02 'Valuation Standard' issued by the Life Insurance Actuarial Standards Board on 20 September 1999. Policy liabilities are measured at net present values of estimated future cash flows with the exception of certain product groups, where the liability is calculated as the accumulated benefits available to the policy owner.

Benefits vested in the policy owner (policyholders bonus) are treated as an expense and any amount payable at the reporting date is included as a component of policy liabilities.

Policy owner retained profits are amounts that have been allocated to participating policy owners generally but that have not vested in specific policy owner entitlements as at the reporting date. These amounts are recognised as a separate liability entitled "policy owner retained profits" in the Balance Sheet.

Foreign currency translation

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.

The financial reports of self-sustaining foreign operations are translated at the balance date using the current rate method.

In respect of controlled entities of a life insurer, the effects of movements in the exchange rates on the carrying amount of the investment is included in their net market values, changes in which are recognised as part of investment revenue in the profit and loss statement as they occur. Exchange differences for controlled entities of non-life insurance entities are transferred directly to the foreign currency translation reserve.

Notes

to the Financial Report for the year ended 30 September 2000

1 | Summary of Significant Accounting Policies (continued)

Restated Comparative Information

The application of AASB 1038 has resulted in significant changes in the method of accounting for life insurance business. The consolidated Profit and Loss Statement and Balance Sheet below show the information that would have been disclosed had AASB 1038 been applied in previous years.

\$ million	30 September 2000	Consolidated	30 September 1999 (Restated)
Profit and Loss Statement			
Operating profit before abnormal items and income tax	309		473
Abnormal items before income tax	54		(28)
Operating profit before income tax	363		445
Income tax/(benefit) attributable to operating profit	(50)		114
Operating profit after income tax	413		331
Outside equity interests in operating profit after income tax	(39)		(22)
Operating profit after income tax and after outside equity interests	374		309
Retained profits at the beginning of the financial year	1,323		339
Adjustment to opening retained earnings following adoption of AASB 1038	-		834
Transfers from reserves	106		-
Total available for appropriation	1,803		1,482
Dividends provided for or paid	(167)		(159)
Retained Profits at the End of the Financial Year	1,636		1,323
Balance Sheet			
Assets			
Cash at bank and deposit on call	2,384		1,596
Receivables	694		633
Equity securities	7,002		4,809
Debt securities	10,755		10,406
Property investments	2,638		2,635
Other investments	1,796		1,759
Other assets	172		137
Operating assets	141		126
Intangibles	23		585
Investments in controlled entities	-		-
Excess of market value over net assets of controlled entities	1,220		114
Total Assets	26,825		22,800
Liabilities			
Payables	976		549
Borrowings	1,908		791
Provisions	597		493
Other liabilities	273		677
Subordinated debt	286		286
Life insurance policy liabilities	19,624		16,716
Total Liabilities	23,664		19,512
Net Assets	3,161		3,288
Shareholders' Equity			
Share capital	1,186		1,186
Reserves	15		56
Retained profits	1,636		1,323
Outside equity interests in controlled entities	2,837		2,565
	324		723
Total Shareholders' Equity	3,161		3,288
Revenue			
Premium and related revenue	5,885		4,362
Investment revenue	2,113		1,452
Other operating income	163		582
Non operating revenue	305		34
Total Revenue	8,466		6,430
Expenses			
Claims and related expense	4,396		1,895
Change in net policy liabilities and policy owner retained profits	2,348		142
Borrowing costs	161		225
Other expenses	1,198		3,723
Total Expenses	8,103		5,985
Operating Profit before Income Tax	363		445

Notes

to the Financial Report for the year ended 30 September 2000

2 | Operating Profit

\$ million	Consolidated		Company	
	2000	1999	2000	1999
(a) Included in the operating profit are the following items of revenue and expense before abnormal items:				
Revenue				
Operating revenue				
Shareholders profit from insurance funds	-	338	-	-
Premium and related revenue				
Life insurance premiums	5,012	-	-	-
Inwards reinsurance revenue	102	-	-	-
Non-life insurance premiums	771	699	-	-
Total premium and related revenue	5,885	1,037	-	-
Investment revenue				
Equity securities				
Dividends				
- Controlled entities	-	-	152	206
- Other related parties	-	-	-	-
- Other parties	112	2	-	-
- Other associated entities	6	-	-	-
Equity share of associates profit	(1)	2	-	-
Net realised and unrealised gains/(losses)	985	(15)	-	-
Unit trust distribution	63	-	-	-
Debt securities				
Interest income				
- Other related parties	1	-	-	1
- Other parties	874	179	-	2
Net realised and unrealised gains/(losses)	(14)	-	-	-
Unit trust distribution	4	-	-	-
Property				
Net property rental				
- Other parties	124	-	-	-
Net realised and unrealised gains/(losses)	30	-	-	-
Unit trust distribution	14	-	-	-
Other				
Net exchange gain/(loss) on foreign currency transactions	(173)	1	(36)	57
Net realised and unrealised gains/(losses)	88	-	-	-
Total investment revenue	2,113	169	116	266
Other operating income				
Management fees	80	132	-	-
Hospital fees	-	69	-	-
Other operating income	83	-	1	-
Total operating income	163	201	1	-
Total Operating Revenue	8,161	1,407	117	266
Non-operating revenue				
Profit on sale of other assets	45	70	399	-
Increment arising from revaluation of other assets				
Operating assets	99	-	-	-
Intangibles	-	-	-	-
Other non-operating revenue	161	18	49	-
Total Non-Operating Revenue	305	88	448	-
Total Revenue	8,466	1,495	565	266

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2 | Operating Profit (continued)

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Expenses				
Claims and related expense				
Life insurance claims	3,610	-	-	-
Outwards reinsurance expense	177	-	-	-
Non-life insurance claims	609	576	-	-
Total claims and related expenses	4,396	576	-	-
Change in net policy liabilities and policy owner retained profits	2,348	-	-	-
Borrowing costs				
Interest				
- Other related parties	54	145	-	-
- Other parties	107	26	37	29
Total borrowing costs	161	171	37	29
Other expenses				
Salaries	286	114	-	-
Commission	328	16	-	-
Depreciation, amortisation or diminution in value of				
- Operating assets	22	13	-	1
- Leased assets	1	2	-	-
- Goodwill	25	2	-	-
Transfers to provisions				
- Employee entitlements	51	7	-	2
- Other provisions	9	-	-	-
Operating lease rental expense	53	10	-	2
Contribution to superannuation plans	7	2	-	1
Charge for bad debts and doubtful debts				
- Other related parties	4	-	-	-
- Other parties	4	2	-	2
Loss on disposal of operating assets	(22)	1	-	-
Other expenses	430	212	35	30
Total other expenses	1,198	381	35	38
Total Expenses	8,103	1,128	72	67
Operating Profit	363	367	493	199

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2 | Operating Profit (continued)

\$ million	Consolidated		Company	
	2000	1999	2000	1999
(b) Abnormal items				
Abnormal revenues				
Abnormal profit on sale of life insurance subsidiary ¹	-	-	399	-
Less applicable income tax	-	-	-	-
Abnormal profit on AXA CR transfer ¹ /sale of controlled entities	149	45	-	-
Less applicable income tax	-	(16)	-	-
Profit on sale of shares	-	25	-	-
Less applicable income tax	-	(9)	-	-
	149	45	399	-
Abnormal expenses				
Redundancies/restructuring costs	(48)	(21)	-	-
Less applicable income tax	11	5	-	-
Writedown of goodwill on consolidation/investment in controlled entity	(47)	-	(27)	-
Less applicable income tax	-	-	-	-
Year 2000 program costs	-	(26)	-	-
Less applicable income tax	-	6	-	-
	(84)	(36)	(27)	-
Total abnormal items				
Abnormal income/(expense) before income tax	54	23	372	-
Less applicable income tax	11	(14)	-	-
Total Abnormal Items After Tax	65	9	372	-
1 Abnormal Revenues				
Abnormal Profit on AXA CR transfer and application of market value accounting				
Accumulated amortisation of purchased goodwill in respect of life insurance subsidiaries to prior reporting periods recognised on 1 October 1999	(100)	-	-	-
Amortisation of purchased goodwill in respect of AXA CR arising in the current reporting period	(13)	-	-	-
Derecognition of purchased goodwill (net of accumulated amortisation of \$113 million) in respect of the interest in AXA CR on the sale at 31 March 2000 of that interest from the Company to NMLA	(443)	-	-	-
Recognition of the excess of the market value of the interest in AXA CR over the net amount of that life insurance subsidiary's assets and liabilities recognised arising on the sale on 31 March 2000 of that interest from the Company to NMLA	705	-	-	-
Profit on the sale of life insurance subsidiary	-	-	399	-
Abnormal Profit After Applicable Income Tax	149	-	399	-
(c) Life Insurance Administration Expenses				
Included within the expenses above are the following administration costs related to the life insurance business:				
Policy acquisition	274	-	-	-
Policy maintenance	479	-	-	-
Investment management	179	-	-	-
Interest on subordinated debt	52	-	-	-
Total Life Insurance Administration Expenses	984	-	-	-

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3 | Income Tax

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Operating profit before income tax	363	367	493	199
Less: Operating profit attributable to life insurance entities after abnormal items	57	-	-	-
Operating profit attributable to non-life insurance entities	306	367	493	199
Prima facie tax thereon at 36%	110	132	177	72
Tax effect of permanent differences				
Reduction in tax payable from				
Non-assessable income	(95)	(110)	(143)	(21)
Rebatable/Exempt Dividends	-	18	(55)	(55)
Amounts (over)/under provided in prior years	(1)	(8)	(1)	-
Increase in tax payable from				
- Other non-deductible items	29	6	22	4
- Other	(5)	-	-	-
Effect on FITB and PDIT due to changes in tax rate and method of calculating capital gains tax	-	1	-	1
Net FITB/ PDIT from prior period not previously recognised	-	(23)	1	(16)
Total income tax expense/(benefit)	38	16	1	(15)
Income tax expense/(benefit) attributable to non-life insurance operating profit	38	16	1	(15)
Income tax expense/(benefit) attributable to life insurance entities	(88)	-	-	-
Total Income Tax Expense/(Benefit) Attributable to Operating Profit	(50)	16	1	(15)

Future Income Tax Benefit

Potential future income tax benefits of \$1m (1999: \$1m) attributable to tax losses carried forward by a controlled entity have not been recognised in the consolidated financial report 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:

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

Life Insurance Entities

The income tax expense of the Company's life insurance business is based on the specific requirements for determining taxable income in each country in which life insurance business is conducted. Such bases differ from the basis used to determine accounting profit. The rates of taxation applicable to the taxable income of significant classes of business by country are as follows:

%	2000	1999
Australia		
Superannuation (including rollover annuities)	see below	15
Non-Complying Superannuation	see below	47
Immediate Annuity Business	see below	Nil
Other Business	see below	39
New Zealand	33	33
Taiwan	25	25
Hong Kong	16	16
Singapore	26	26

The tax base of life companies in Australia was changed from 1 July 2000. From 1 July 2000,

the taxation bases of life companies changed to be:

Superannuation Business (via establishment of a virtual PST)	15%
Immediate Annuity and Current Pension Business (via segregation as Segregated Exempt Assets)	0%
Ordinary Business (including Shareholders' Fund)	36%

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4 | Dividends Provided for or Paid

\$ million	Company	
	2000	1999
Dividends provided or paid by the Company are as follows:		
Interim dividend of 4.5 cents (1999 - 4.5 cents) paid on 24 July 2000 as follows:		
Franked to 60% at 34% (1999 - 36%)	79	80
A final dividend of 5 cents (1999 - 4.5 cents) has been approved by the Directors to be paid on 6 February 2001 as follows:		
Franked to 60% at 36%	-	79
Franked to 30% at 34%	88	-
	167	159

Dividend Franking Account

Franking credits available for subsequent financial years	2000	1999
	-	-

The balance of the franking account is adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date
- (d) franking credits that may be prevented from being distributed in subsequent financial years.

5 | Receivables

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Sundry receivables	288	40	32	-
Less: Provision for doubtful debts	(9)	-	-	-
	279	40	32	-
Outstanding premiums	175	2	-	-
Investment income accrued and receivable				
- Controlled entities	-	-	51	10
- Other parties	163	4	-	-
Reinsurance claims receivable	14	-	-	-
Other receivables	28	85	-	18
Amounts due from				
- Controlled entities	-	-	647	11
- Other related parties	4	-	-	5
- Other parties	28	30	2	-
- Life Insurance Funds	-	45	-	-
Goods and Services Tax recoverable	3	-	-	-
	415	166	700	44
Total Receivables	694	206	732	44

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6 | Investment Assets

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Equity securities, at valuation				
Equities held directly	5,124	7	-	-
Equities in				
- Other related parties	69	69	-	-
- Associated entities	113	31	14	9
Held via unit trusts	1,696	26	-	-
	7,002	133	14	9
Debt securities, at valuation				
Interest bearing securities				
- National government	2,588	129	-	-
- Other public sector	977	-	-	-
- Private sector (unsecured)	5,175	232	-	-
- Private sector (secured)	129	-	-	-
- Other	161	108	-	-
Loans to				
- Controlled entities (unsecured)	-	-	50	50
- Other related parties (unsecured)	48	-	-	-
- Other parties (unsecured)	35	2	-	-
- Associated entities (unsecured)	-	-	-	-
- Other parties (secured)	1,464	-	-	-
Held via unit trusts	178	31	-	-
	10,755	502	50	50
Property investments, at valuation				
Freehold and leasehold properties ¹	2,244	-	-	-
Held via unit trusts	394	-	-	-
	2,638	-	-	-
Other, at valuation				
Accumulated shareholders' interest in life funds ²	-	2,020	-	-
Value of life business inforce ³	-	1,542	-	-
Other investments	1,616	-	-	-
Partnership and joint ventures	154	-	-	-
Held via unit trusts	26	-	-	-
	1,796	3,562	-	-
Investments in controlled entities, at cost (1999 - at valuation)				
Australian Casualty & Life Limited (at recoverable amount)	-	-	94	310
AXA China Region (1999: 73.6%)	-	-	-	2,127
National Mutual Funds Management (Global) Limited	-	-	25	291
National Mutual Funds Management (International)	-	-	30	51
AXA Asia Pacific Finance Limited (formerly National Mutual Group Finance Limited)	-	-	5	-
National Mutual Health Insurance Limited	-	-	144	204
National Mutual International Pty Ltd	-	-	-	92
P.T. AXA Life Indonesia	-	-	3	-
The National Mutual Life Association of Australasia Limited	-	-	1,028	2,010
	-	-	1,329	5,085
Total Investment Assets	22,191	4,197	1,393	5,144

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	-	-	-	856
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to the Financial Report for the year ended 30 September 2000

6 | Investment Assets (continued)

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Freehold and leasehold properties are revalued annually based on independent valuations. 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).				
(2) Accumulated Shareholders' Interest in Life Funds				
Accumulated shareholders' interest in life funds comprises the following:				
Shareholders' interest in:				
National Mutual Life Association	-	665	-	-
Australian Casualty & Life	-	160	-	-
AXA China Region	-	1,189	-	-
AXA Life Singapore	-	6	-	-
Total Accumulated Shareholders' Interest in Life Funds	-	2,020	-	-

The Company has adopted AASB 1038 for the first time in the preparation of this financial report. The accumulated shareholders' interest in life funds is therefore no longer recognised as a separate asset. Further details are in Note 1.

(3) Value of Inforce Life Business

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	-	-
Australian Casualty & Life	-	75	-	-
AXA China Region	-	427	-	-
AXA Life Singapore	-	17	-	-
Total Value of Inforce Life Business	-	1,542	-	-

The Company has adopted AASB 1038 for the first time in the preparation of this financial report. The inforce life business is therefore no longer recognised as an asset. Further details are in Note 1.

7 | Other Assets

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Prepayments	19	3	-	-
Inventories	50	-	-	-
Hedge receivable	64	-	61	-
Future income tax benefit	23	39	2	19
Other assets	16	38	1	23
Total Other Assets	172	80	64	42

8 | Operating Assets

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Plant and equipment - at cost	283	52	-	4
Accumulated depreciation	(144)	(25)	-	-
	139	27	-	4
Plant and equipment under finance leases - at cost	4	1	-	-
Accumulated amortisation	(2)	(1)	-	-
	2	-	-	-
Total Operating Assets	141	27	-	4

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9 | Intangibles

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Goodwill - at cost	38	40	-	-
Accumulated amortisation	(15)	(15)	-	-
	23	25	-	-
Other intangibles - at cost	-	2	-	-
Accumulated amortisation	-	(1)	-	-
	-	1	-	-
Value of future new business of life insurance subsidiaries ¹	-	1,263	-	-
Total Intangibles	23	1,289	-	-

(1) Value of Future New Business

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	-	-
Australian Casualty & Life	-	66	-	-
AXA China Region	-	949	-	-
AXA Life Singapore	-	34	-	-
Total Value of Future New Business	-	1,263	-	-

The Company has adopted AASB 1038 for the first time in the preparation of this financial report. The value of future new business is therefore no longer recognised as an asset. Further details are in Note 1.

10 | Excess of Net Market Value Over Net Assets of Controlled Entities

\$ million	Consolidated		Company	
	2000	1999	2000	1999
AXA China Region Limited ¹	1,071	-	-	-
AXA Life Insurance Singapore Pte Ltd ²	59	-	-	-
Didus Pty Ltd	13	-	-	-
National Mutual Assets Management NZ Limited	1	3	-	-
National Mutual Corporate Superannuation Services Ltd	3	-	-	-
Neuville Company Inc.	4	-	-	-
National Mutual Life Nominees	16	11	-	-
NMMT Limited	26	25	-	-
NM Rural Enterprises Pty Limited	8	-	-	-
National Payroll Systems Pty Ltd	2	2	-	-
Silverton Ltd	17	-	-	-
Excess of Net Market Value over Net Assets of Controlled Entities	1,220	41	-	-

1 Represents excess on application of market value accounting on AXA China Region Limited acquired by National Mutual Life on 31 March 2000.

2 Excess created on acquisition of AXA Life Insurance Singapore (AXA LS) on 1 October 1999 and includes goodwill carried by AXA LS at this date.

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11 | Payables

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Sundry payables	529	43	-	-
Outstanding claims - life insurance	201	-	-	-
Outstanding claims - non-life insurance	130	105	-	-
Interest payable	-	2	-	2
Hedge payable	108	12	108	12
Goods and Services Tax payable	2	-	-	-
Management fees payable to related parties	-	2	-	-
Other payables	36	-	-	1
Total Payables	1,006	164	108	15

12 | Borrowings

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Unsecured				
Bank overdrafts	-	35	-	-
Bank loans	-	357	-	357
Deposits	116	-	-	-
Loans from				
- Controlled entities	-	-	100	-
- Controlling entity	1,579	-	-	-
- Other related parties	44	173	-	21
- Associated entities	18	-	-	-
- Other parties	10	50	45	46
Other borrowings	8	-	-	-
	1,775	615	145	424
Secured				
Bank loans ¹	28	-	-	-
Deposits ²	67	-	-	-
Finance lease liabilities - secured by the assets leased ³	2	-	-	-
Other borrowings ⁴	6	-	-	-
	103	-	-	-
Total Borrowings	1,878	615	145	424

1 Secured by a first ranking fixed and floating rate charge over the assets of a controlled entity.

2 Secured by a floating charge over the assets of certain controlled entities.

3 Secured by the assets leased.

4 Secured by a floating charge over the assets of certain controlled entities.

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13 | Provisions

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Income tax	53	29	-	-
Dividends	88	79	88	79
Employee entitlements	59	19	1	5
Deferred tax	371	10	-	-
Other provisions	26	12	-	-
Total Provisions	597	149	89	84

Employee Entitlements

The aggregate employee entitlement liability recognised and included in the financial report is as follows:

Provision for employee entitlements

Current - includes annual leave and long service leave	51	15	1	5
Non-current - includes long service leave	8	4	-	-
Total Employee Entitlements	59	19	1	5

14 | Other Liabilities

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Premiums in advance	109	99	-	-
Unearned premium reserve	15	14	-	-
Accrued management expenses	5	9	-	-
Commissions payable	47	1	-	-
Other liabilities	97	8	-	-
Total Other Liabilities	273	131	-	-

15 | Subordinated Debt

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Subordinated debt				
- Approved by the Australian Prudential Regulation Authority	283	-	-	-
- Other	3	-	-	-
Total Subordinated Debt	286	-	-	-

Approved subordinated debt with the ANZ Bank is on an interest-only basis. Repayment of the principal will be made at the conclusion of the loan as at 30 September 2001. Other subordinated debt represents a debt incurred by Varnsdorf Pty. Ltd. in connection with its investment activities.

Notes

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16 | Policy Liability and Life Insurance Business

\$ million	Consolidated		Company	
	2000	1999	2000	1999
(a) Policy Liabilities				
Movements in Policy Liabilities				
Gross Policy Liabilities and policy owner retained profits	19,755	-	-	-
Reinsured policy liabilities				
- Gross policy liabilities ceded	131	-	-	-
- Gross policy liabilities assumed	-	-	-	-
Net Policy Liabilities and policy owner retained profits at end of year	19,624	-	-	-
Net policy liabilities and policy owner retained profits at the end of the previous year	16,716	-	-	-
	2,908	-	-	-
Net change in policy liabilities as above	2,908	-	-	-
Gross policy liabilities ceded upon entering into reinsurance arrangements for various business insurance (risk and permanent) policies	(359)	-	-	-
Terminal bonus paid in the current year	138	-	-	-
Policyholder tax	275	-	-	-
Exchange adjustment on operating balance	(614)	-	-	-
Change in net policy liabilities and policy owner retained profits	2,348	-	-	-
Components of Policy Liabilities				
Value of policy liabilities - projection method ¹				
Best Estimate Liability				
- Value of future policy benefits ²	26,132	-	-	-
- Value of future expenses	2,634	-	-	-
- Value of future premiums	(18,348)	-	-	-
Total Best Estimate Liability	10,418	-	-	-
Value of Future Profits ¹				
- Policy owner bonuses ³	4,728	-	-	-
- Shareholder profit margins	2,653	-	-	-
Total Value of Future Profits	7,381	-	-	-
Value of policy liabilities - accumulation method				
Best Estimate Liability				
- Value of future policy benefits ²	1,220	-	-	-
- Value of future charges for acquisition expenses	(4)	-	-	-
Total Best Estimate Liability	1,216	-	-	-
Policy owner retained profit	396	-	-	-
Total value of declared bonus ⁴	213	-	-	-
Net Policy Liabilities and Policy owner Retained Profits	19,624	-	-	-
Policy liabilities subject to capital guarantees	12,767	-	-	-

1 For businesses valued by the projection method, the value of future charges for the acquisition expenses is not an identified component of the policy liability.

2 Future policy benefits include bonuses credited to policy owners in prior periods but exclude current year bonuses.

3 Future bonuses exclude current year bonuses.

4 Current year declared bonuses valued in accordance with the actuarial standard.

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16 | Policy Liability and Life Insurance Business (continued)

\$ million	Consolidated	
	Total 2000	Total 1999
(b) Analysis of life insurance results		
Components of operating profit after tax related to life insurance business attributable to shareholders include:		
Investment earnings on shareholders' retained profits and capital	79	-
Emergence of shareholder planned profits	237	-
Experience profit/(loss)	(54)	-
Capitalised (loss)/reversal of capitalised loss	(9)	-
Abnormal/extraordinary items	(38)	-
Operating profit after tax attributable to shareholders arising from the life insurance funds	215	-

(c) Actuarial Methods and Assumptions

The amount of policy liabilities of the life insurance subsidiaries have been determined in accordance with methods and assumptions disclosed in this financial report and with the standards of the Life Insurance Actuarial Standards Board (LIASB), by the Chief Actuary of each subsidiary.

National Mutual Life

Assumptions

Policy liabilities are valued in accordance with Actuarial Standard AS1.02 "Valuation Standard" issued by the Life Insurance Actuarial Standards Board under the Life Act. The Actuarial Standard requires the policy liabilities to be calculated in a way which allows for the systematic release of planned margins as services are provided to policyholders and premiums are received.

The methods and profit carriers used for particular policy types in order to achieve the systematic release of planned margins were as follows:

Policy Type	Method	Profit Carrier
Individual		
Traditional participating	Projection*	Bonuses
Traditional non-participating	Projection	Claim payments
Investment account	Projection	Investment earnings
Investment-linked	Projection	Investment earnings
Lump sum and income stream risk	Projection	Claim payments
Life annuities	Projection	Annuity payments
Term certain annuities	Projection	Investment earnings
Group		
Investment account (small plans)	Projection	Investment earnings
Investment account (large plans)	Accumulation**	N/A
Investment-linked (small plans)	Projection	Servicing charges
Investment-linked (large plans)	Accumulation**	N/A
Lump sum and income stream risk	Accumulation**	N/A

*For traditional participating business on overseas closed registers, a simplified method was used.

**It has been assessed that the accumulation method would not produce a materially different policy liability amount to the projection method for this product group.

The following sets out the key assumptions used in the calculation of policy liabilities for business in Australia and New Zealand. Except for expenses, assumptions used in the calculation of policy liabilities for business in Taiwan generally reflected the assumptions used in pricing the relevant policy types, with some variations based on recent experience. The policy liabilities for this business are not material.

Discount rates

Where assets are closely matched to policy liabilities and are largely held in fixed-interest securities, the rate assumed is the expected rate of return on the existing assets over the future term of the liabilities. Otherwise, the rate assumed is the expected long-term rate of return based on the neutral asset mix of the relevant asset pool.

Australia	Ordinary business before tax	6.5% - 11.0% (1999: 6.5% - 11.0%)
	Superannuation business after tax - Complying	5.5% - 10.8% (1999: 5.5% - 11.2%)
New Zealand	Ordinary business before tax	7.0% - 9.5% (1999: 7.0% - 9.5%)

Unit prices

For investment-linked business the assumed future rates of growth of unit prices are the discount rates (determined as above) less appropriate allowance for management fees.

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16 | Policy Liability and Life Insurance Business (continued)

Inflation rates

Allowance for future inflation in Australia of 2.5% pa (1999: 2.5%) and New Zealand of 1.5% pa (1999: 1.5%) is assumed. This level is consistent with long term expectations.

Future expenses and indexation

Future maintenance expenses are based on expense levels experienced in the current year, excluding "one off" expenses, with allowance for future inflation set out above.

Future investment expenses have been assumed to be at the same percentage of assets under management as currently applies.

Benefits and premiums under most of the regular premium policies are automatically indexed. Assumed future take up of these indexation options has been based on the company's previous experience.

Taxation

Tax assumptions have been modified to reflect the recent changes to the life insurance tax basis. Rates of taxation in the future have been assumed to remain at current levels, except where future changes to tax rates have been legislated.

Surrender values

Surrender values assumed are those current at the reporting date.

Mortality and morbidity

Mortality – individual insurance products	Standard mortality table IA90-92, adjusted by factors to take account of smoking status and company's recent experience.	Rates of 80% to 90% of IA90-92 for Australia and 80% to 105% of IA90-92 for New Zealand (1999: 75% to 80% of IA90-92 for Australia and 80% to 105% of IA90-92 for New Zealand).
Mortality – annuitants	Standard table IM/IF80 (Australia) and PMA/PFA80 (New Zealand) adjusted for mortality improvement prior to and after the valuation date.	No change in assumption. (Rate of 80% of IM/IF80 for Australia and 90% of PMA80 and 100% of PFA80 for New Zealand).
Disability lump sum	Claim rates based on pricing assumptions and the company's recent experience.	Claim rates of 70% for Australia and 75% for New Zealand of 1995 pricing assumptions. (1999: 75% of 1995 pricing assumptions.)
Trauma lump sum	Claim rates based on pricing assumptions and the company's recent experience.	Claim rates of 55% to 90% of 1997 pricing assumptions in Australia and 80% to 130% of 1997 pricing assumptions in New Zealand. (1999: 65% to 110% for Australia and 80% to 100% for New Zealand.)
Disability income	The assumed rates of claim incidence and termination are based on company's recent experience and are expressed as proportions of the IAD89-93 table.	Incidence rates of 70% to 100% of IAD89-93 and termination rates of 60% to 100% of IAD89-93 in Australia. (1999: 100% for incidence rates and 60% to 100% for termination rates.) Incidence rates of 70% of IAD89-93 and termination rates of 75% to 100% of IAD89-93 in New Zealand. (1999: 50% for incidence rates and 75% to 100% for termination rates.)
Group risk	Claims are assumed to be a proportion of premium income, based on the company's recent experience.	No change in method or significant parameters.

Actuarial tables referred to:

IA90-92	A mortality table developed by the Institute of Actuaries of Australia, based on Australian insured lives experience.
IM/IF80	Mortality tables developed by the Institute of Actuaries and the Faculty of Actuaries, based on United Kingdom annuitant lives experience from 1979 to 1982. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of investigation.
PMA/PFA80	Mortality tables developed by the Institute of Actuaries and the Faculty of Actuaries, based on United Kingdom pensioner lives experience from 1979 to 1982. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of investigation.
IAD89-93	A disability table developed by the Institute of Actuaries of Australia, based on individual disability income experience from 1989 to 1993.

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16 | Policy Liability and Life Insurance Business (continued)

Discontinuances

Discontinuance rates are based on the average experience of the company. Allowance is made for cash withdrawals, paid ups and non-payment of contractual premiums.

Future rates of discontinuance for major classes of business are assumed in aggregate to be:

	Australia	New Zealand
Term life insurance	9% (1999: 8%)	7% (1999: 8%)
Disability income insurance	14% (1999: 14%)	12% (1999: 12%)
Regular premium investment	7% (1999: 7%)	10% (1999: 9%)
Single premium investment	19% (1999: 17%)	20% (1999: 22%)
Conventional business	6% (1999: 6%)	5% (1999: 5%)

Future participating benefits

Bonus rates assumed are those supported by the policy liabilities and projected cashflows, allowing for future allocations to shareholders. Interest crediting rates assumed for investment account business reflect the relevant policy conditions and the provisions for Memorandum of Demutualisation.

Typical supportable bonus rates on major product lines are as follows:

	Reversionary Bonus		Crediting rate
	Bonus on Sum Insured	Bonus on Existing Bonus	
Australia	1.3%	2.6%	3.80% - 5.35%
New Zealand	1.6%	2.9%	3.75%

The terminal bonus scales are complex and vary by country, duration, product lines and class of business.

For some product groups, some changes in the long term assumptions listed above have been incorporated to allow for expected short term variations in experience.

AC&L

Assumptions

Policy liabilities are valued in accordance with Actuarial Standard AS1.02 "Valuation Standard" issued by the Life Insurance Actuarial Standards Board under the Life Act. The Actuarial Standard requires the policy liabilities to be calculated in a way which allows for the systematic release of planned margins as services are provided to policyholders and premiums are received.

The methods and profit carriers used for particular policy types in order to achieve the systematic release of planned margins were as follows:

Policy Type	Method	Profit Carrier
Individual		
Lump sum and income stream risk	Projection	Claim payments
Group		
Lump sum and income stream risk	Accumulation*	N/A

* It has been assessed that the accumulation method would not produce a materially different policy liability amount to the projection method for this product group.

The following sets out the key assumptions used in the calculation of policy liabilities.

Discount rates

Where assets are closely matched to policy liabilities and are largely held in fixed-interest securities, the rate assumed is the expected rate of return on the existing assets over the future term of the liabilities. Otherwise, the rate assumed is the expected long-term rate of return based on the neutral asset mix of the relevant asset pool.

Ordinary business before tax	8.5% (1999: 8.5%)
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Inflation rates

Allowance for future inflation of 2.5% pa (1999: 2.5%) is assumed. This level is consistent with long term expectations.

Future expenses and indexation

Future maintenance expenses are based on expense levels experienced in the current year, excluding "one off" expenses, with allowance for future inflation set out above.

Future investment expenses have been assumed to be at the same percentage of assets under management as currently applies.

Benefits and premiums under most of the regular premium policies are automatically indexed. Assumed future take up of these indexation options has been based on the company's previous experience.

Taxation

Tax assumptions have been modified to reflect the recent changes to the life insurance tax basis. Rates of taxation in the future have been assumed to remain at current levels, except where future changes to tax rates have been legislated.

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16 | Policy Liability and Life Insurance Business (continued)

Mortality and morbidity

Mortality – individual insurance products	Based on pricing assumptions and the company's recent experience.	100% of 2000 pricing assumptions.
Disability lump sum		Claim rates based on pricing assumptions and the company's recent experience.
Trauma lump sum	Claim rates based on pricing assumptions and the company's recent experience.	No change in assumption.
Disability income	The assumed rates of claim incidence and termination are based on the company's recent experience and are expressed as proportions of the IAD89-93 table.	Rates of 112% of IAD89-93 for incidence and 48% to 95% of IAD89-93 for termination (1999: 110% of IAD89-93 for incidence and 50% to 100% of IAD89-93 for termination).
Group risk	Claims are assumed to be a proportion of premium income, based on the company's recent experience.	

Actuarial tables referred to:

IAD89-93 A disability table developed by the Institute of Actuaries of Australia, based on individual disability income experience from 1989 to 1993.

Discontinuances

Discontinuance rates are based on the average experience of the company. Allowance is made for cash withdrawals, paid ups and non-payment of contractual premiums.

Future rates of discontinuance for major classes of business are assumed in aggregate to be:

Term life insurance	14% (1999: 12%)
Disability income insurance	15% (1999: 15%)

For some product groups, some changes in the long term assumptions listed above have been incorporated to allow for expected short term variations in experience.

AXA China Region Limited

Assumptions

Policy liabilities are valued in accordance with Actuarial Standard AS1.02 "Valuation Standard" issued by the Life Insurance Actuarial Standards Board under the Life Act. The Actuarial Standard requires the policy liabilities to be calculated in a way which allows for the systematic release of planned margins as services are provided to policyholders and premiums are received.

The methods and profit carriers used for particular policy types in order to achieve the systematic release of planned margins were as follows:

Policy Type	Method	Profit Carrier
Individual		
Traditional participating	Projection	Dividends/Bonuses
Traditional non-participating	Projection	Claim payments
Investment-linked	Accumulation*	N/A
Lump sum and income stream risk	Projection	Claim payments
Group		
Capital Guaranteed (DA)	Projection	Excess interest (over guarantee) credited
Investment-linked	Accumulation	N/A
Lump sum and income stream risk	Unearned Premium	N/A
General Insurance	Unearned Premium	N/A

*It has been assessed that the accumulation method would not produce a materially different policy liability amount to the projection method for this product group.

The following sets out the key assumptions used in the calculation of policy liabilities for business in Hong Kong and Macau.

Discount rates

The rate assumed is the expected long-term rate of return based on the neutral asset mix of the relevant asset pool.

Hong Kong	Long Term Fund	7.5% and 9.0% (1999: 7.5% and 8.0%)
	Retirement Fund	8.0% (1999: 6.75%)

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to the Financial Report for the year ended 30 September 2000

16 | Policy Liability and Life Insurance Business (continued)

Inflation rates

Allowance for future inflation in Hong Kong of 4.0% pa (1999: 4.0%) is assumed. This level is consistent with long term expectations.

Future expenses and indexation

Future maintenance expenses are based on expense levels experienced in the current year, with allowance for future inflation set out above.

Future investment expenses are netted off against the expected investment return.

Benefits and premiums under the Health policies are automatically indexed.

Taxation

Rates of taxation in the future have been assumed to be slightly above the current levels, in line with our long term expectation.

Surrender values

Surrender values assumed are those current at the reporting date.

Mortality and morbidity

Mortality – individual insurance products except Smart Term	Company mortality table ACR97, adjusted by factors to take account of company's recent experience.	Rates between 90% and 100% (1999: 100%).
Mortality – Smart Term	Company table SMK99 and NSMK99 for smoker and non-smoker (derived from ACR97) adjusted by factors to take account of company's recent experience.	New products. Rate between 90% and 100% (1999: Nil).
Disability (accident) lump sum	Claims are assumed to be a proportion of premium income, based on the company's recent experience.	Loss ratio of 35% (1999: 35%).
Trauma lump sum	Claim incidence rates based on a reinsurer's table, and the company's recent experience.	Claim rates of 75% of reinsurer's table (1999: 75%).
Health insurance	Claims are assumed to be a proportion of premium income, based on the company's recent experience.	Loss ratio of 50% (1999: 50%).

Actuarial tables referred to:

ACR97	A mortality table developed by AXA CR, based on the ASHK97 insured lives table. Adjustments are made to reflect the company's own experience.
SMK99 and NSMK99	Mortality tables developed by AXA CR based on the ACR97 aggregate table. The tables refer to male and female lives respectively and incorporate factors that allow for the difference between smokers and non-smokers.

Discontinuances

Discontinuance rates are based on the average experience and the expected future experience of the company, and differ by product groups, duration and premium mode.

Future rates of discontinuance for major classes of business are assumed in aggregate to be:

	Aggregate discontinuance rate
Term life insurance	15% (1999: 14%)
Health insurance	13% (1999: 12%)
Other risk insurance	10% (1999: 9%)
Conventional business	7% (1999: 7%)

Future participating benefits

Dividend and Bonus rates, interest crediting rates on dividend on deposit and Retirement deposit administration fund assumed are those in line with the assumed long term investment return, maintaining the required shareholders' margin.

Dividend scales are complex, but can be approximately represented by an aggregate rate as follows:

	Dividend/Bonus/Crediting rate
Smart Series	8%
National Series and other	6.5%
Retirement (DA)	6.8%

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16 | Policy Liability and Life Insurance Business (continued)

AXA Life Singapore

Assumptions

Policy liabilities are valued in accordance with Actuarial Standard AS1.02 "Valuation Standard" issued by the Life Insurance Actuarial Standards Board under the Life Act. The Actuarial Standard requires the policy liabilities to be calculated in a way which allows for the systematic release of planned margins as services are provided to policyholders and premiums are received.

The methods and profit carriers used for particular policy types in order to achieve the systematic release of planned margins were as follows:

Policy Type	Method	Profit Carrier
Individual		
Traditional participating	Projection	Bonuses
Traditional non-participating	Projection	Claim payments
Investment account	Projection	Investment earnings
Investment-linked	Projection	Investment earnings
Group		
Lump sum and income stream risk	Accumulation*	N/A

*It has been assessed that the accumulation method would not produce a materially different policy liability amount to the projection method for this product group.

The following sets out the key assumptions used in the calculation of policy liabilities for business in Singapore.

Discount rates

Where assets are closely matched to policy liabilities and are largely held in fixed-interest securities, the rate assumed is the expected rate of return on the existing assets over the future term of the liabilities. Otherwise, the rate assumed is the expected long-term rate of return based on the neutral asset mix of the relevant asset pool.

Singapore	Ordinary business before tax	8%
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Unit prices

For investment linked business the assumed future rates of growth of unit prices are the discount rates (determined as above) less appropriate allowance for management fees.

Inflation rates

Allowance for future inflation in Singapore of 3% is assumed. This level is consistent with long-term expectations.

Future expenses and indexation

Future maintenance expenses are based on expense levels experienced in the current year, excluding "one off" expenses, with allowance for future inflation set out above.

Future investment expenses have been assumed to be at the same percentage of assets under management as currently applies.

Benefits and premiums under most of the regular premium policies are automatically indexed. Assumed future take up of these indexation options has been based on the company's previous experience.

Taxation

Tax assumptions have been modified to reflect the recent changes to the life insurance tax basis. Rates of taxation in the future have been assumed to remain at current levels, except where future changes to tax rates have been legislated.

Surrender values

Surrender values assumed are those current at the reporting date.

Mortality and morbidity

Mortality	Standard mortality table A 67-70. With select rates for early durations.	Rates of 55% of A 67-70 for Singapore.
Disability lump sum	Claim rates based on pricing assumptions and the company's recent experience.	Rate of 0.3% per \$1000 sum insured for Singapore.

Actuarial tables referred to:

A 67-70 A mortality table developed by the Institute of Actuaries, based on United Kingdom insured lives experience.

Discontinuances

Discontinuance rates are based on the average experience of the company. Allowance is made for cash withdrawals, paid ups and non-payment of contractual premiums.

Future rates of discontinuance for major classes of business are assumed in aggregate to be:

	Singapore
Single premium	2%
Regular premium	1.75% - 6%

Future participating benefits

Bonus rates assumed are those supported by the policy liabilities and projected cashflows, allowing for future allocations to shareholders. Interest crediting rates assumed for investment account business reflect the relevant policy conditions.

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to the Financial Report for the year ended 30 September 2000

16 | Policy Liability and Life Insurance Business (continued)

\$ million	Note	National Mutual Life		AC&L	
		2000	1999	2000	1999
(d) Solvency Requirements of the Statutory Funds					
Solvency Requirement	A	16,441	14,957	273	382
Represented by:					
- Minimum termination value		14,371	12,647	40	279
- Other liabilities		1,653	1,898	220	72
- Approved subordinated debt		(283)	(283)	-	-
- Solvency reserve	B	700	695	13	31
Solvency Requirement		16,441	14,957	273	382
Assets Available to Meet Solvency Reserve	C	1,856	1,857	36	44
Comprised as:					
- Net assets		848	735	64	223
- Liability for policy owner retained profits at end of year		396	417	-	-
- Approved subordinated debt		283	283	-	-
- Excess of net policy liabilities over minimum termination value		329	422	(28)	(179)
Assets Available to Meet Solvency Reserves		1,856	1,857	36	44
Required Solvency Reserve %	(B/(A-B))X100	4.5	4.9	5.0	8.8
Coverage of Required Solvency Reserve	C/B	2.6	2.7	2.8	1.5

The solvency requirement is the minimum level of assets required to be held in each statutory fund, prescribed by the solvency standard referred to in Part 5 of the Life Insurance Act 1995. The Minimum Termination Value is determined in accordance with the solvency standard and is the base figure upon which reserves against liability and asset risks are layered in determining the Solvency Requirement. The Minimum Termination Value represents the minimum obligation of the company to policy owners at the reporting date.

AXA China Region Limited

For AXA China Region, the local Statutory Minimum Solvency Margin is based on:

- 4% of mathematical reserves including dividends on deposit and 1% of class C business;
- a percentage of capital at risk (0.1% for 1 year term products, 0.15% for 5 year term and 0.3% for ordinary life);
- 20% on the first HK\$200m of additional benefits and 10% on any additional benefits in excess of \$200m;
- an amount based on the relevant premium income for general business.

At balance date, the Statutory Minimum Solvency Calculation is:

	HK\$m
Statutory Minimum Solvency Margin	
Life and Group Life	
4% of Mathematical Reserves	642
% of Capital at Risk	623
Additional Benefit	130
Total Life and Group Life	1,395
General Business	44
Statutory Minimum Solvency Margin (A)	1,439
Capital and Surplus	
Statutory Basis Net Assets	22,675
Statutory Basis Policy Reserves	(19,569)
Capital and Surplus (B)	3,106
Solvency Margin [(B) - (A)]	1,667
Solvency Coverage [(B)/(A)]	216%

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16 | Policy Liability and Life Insurance Business (continued)

AXA Life Singapore Pty Ltd

The methodology for minimum solvency requirement is set by the Monetary Authority of Singapore (MAS). It comprises two parts:

- 1 A percentage of Reserves (2% for Par, 3% for Non Par and 0% for Linked);
- 2 0.2% of Sum at Risk.

For the purposes of solvency, the total statutory fund is considered. If statutory fund assets are insufficient to meet solvency requirements, then assets in the shareholders' fund can be earmarked to cover the shortfall.

At balance date, AXA Life Singapore had 154% coverage of the minimum solvency requirement.

\$ million	Consolidated 2000
(e) Reconciliation to Life Insurance Act 1995 Operating Profit and Retained Profit of Statutory Funds	
Operating profit of current year after tax	413
Less: Non-life insurance operating profit	(305)
Plus: Participating benefits expense	294
Plus: Changes in policy owner retained profits	8
Life Insurance Act Operating Profit after Tax and Abnormal Items	410
Retained profits	1,636
Less: Non-life insurance retained profit	(965)
Plus: Policy owner retained profits	396
Life Insurance Act Retained Profits	1,067

(f) Disaggregated information

AXA's life insurance operations are conducted through NMLA, AC&L, AXA CR and AXA LS.

In accordance with the Australian Life Insurance Act 1995, the life insurance business is conducted within one or more separate statutory funds which are distinguished from each other and from the shareholders' fund. The financial reports of NML and AC&L are prepared in accordance with AASB 1038 and provide details of the major components of the financial report disaggregated between the Statutory Funds and the Shareholders' Fund.

(g) Retained Profits

Retained profits 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 and Singapore. Such transfers are made upon the advice of the appointed actuary of the relevant life insurance company.

17 | Share Capital

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Issued share capital				
1,762,433,891 ordinary shares (1999: 1,762,433,891)	1,186	1,186	1,186	1,186
Total Share Capital	1,186	1,186	1,186	1,186

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18 | Reserves

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Reserves comprise				
Asset Revaluation Reserve	15	2,687	-	3,162
Foreign Currency Translation Reserve	-	27	-	-
Total Reserves	15	2,714	-	3,162
Asset Revaluation Reserve				
Balance at beginning of the financial year	2,687	2,837	3,162	3,251
Adjustment due to adoption of AASB 1038	(2,159)	-	-	-
Adjustment due to adoption of AASB 1041	(528)	-	(3,162)	-
(Decrease)/increase on revaluation of investments	15	(150)	-	(89)
Balance at End of the Financial Year	15	2,687	-	3,162
Foreign Currency Translation Reserve				
Balance at beginning of the financial year	27	83	-	-
Adjustment due to adoption of AASB 1038	(27)	-	-	-
(Deficit)/surplus from translation of financial statements of foreign operations	-	(56)	-	-
Balance at End of the Financial Year	-	27	-	-

19 | Outside Equity Interests

\$ million	Consolidated	
	2000	1999
Share capital	342	7
Reserves	(2)	279
Retained profits	(16)	478
Outside Equity Interests	324	764

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20 | Commitments

\$ million	Consolidated		Company	
	2000	1999	2000	1999
(a) Lease Expenditure Commitments				
Operating Leases				
No later than one year	39	9	-	1
Later than one year and not later than five years	74	48	-	4
Later than five years	26	7	-	-
Future Lease Payments	139	64	-	5
Operating leases are predominantly comprised of leases of properties.				
A provision of \$5m (1999: \$12m) has been raised for surplus leased space.				
Property leases have been disclosed at current market values, however, they are subject to periodic review.				
Economic Entity's share of Associates' operating lease commitments:				
No later than one year	1	-	-	-
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
	1	-	-	-
Finance Leases				
No later than one year	2	-	-	-
Later than one year and not later than five years	3	-	-	-
Later than five years	1	-	-	-
Minimum finance lease payments	6	-	-	-
Less future finance charges	-	-	-	-
Finance Lease Payable	6	-	-	-
Economic Entity's share of Associates' finance lease commitments:				
No later than one year	1	-	-	-
Later than one year and not later than five years	4	-	-	-
Later than five years	4	-	-	-
Minimum finance lease payments	9	-	-	-
Less future finance charges	2	-	-	-
	7	-	-	-

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20 | Commitments (continued)

\$ million	Consolidated		Company	
	2000	1999	2000	1999
(b) Capital Expenditure Commitments				
Estimated aggregate amount of contracts for capital expenditure not provided for:				
Computer and data facilities				
No later than one year	4	-	-	-
Later than one year and not later than two years	2	-	-	-
Later than two years and not later than five years	-	-	-	-
Later than five years	3	-	-	-
Freehold and leasehold properties				
No later than one year	24	1	-	-
Later than one year and not later than two years	-	-	-	-
Later than two years and not later than five years	-	-	-	-
Later than five years	-	-	-	-
Plant and equipment				
-	-	-	-	-
Other				
No later than one year	6	-	-	-
Later than one year and not later than two years	-	-	-	-
Later than two years and not later than five years	-	-	-	-
Later than five years	-	-	-	-
Total Capital Expenditure Commitments	39	1	-	-
Economic Entity's share of Associates' capital expenditure commitments:				
No later than one year	3	-	-	-
Later than one year and not later than two years	-	-	-	-
Later than two years and not later than five years	-	-	-	-
Later than five years	-	-	-	-
	3	-	-	-
(c) Other Commitments				
No later than one year	138	20	-	70
Later than one year and not later than two years	-	-	-	-
Later than two years and not later than five years	-	-	-	-
Later than five years	-	-	-	-
Total Other Commitments	138	20	-	70
Comprises:				
Loan to Subsidiary	-	-	-	70
Investment in AXA China Asia No.1 Fund	23	20	-	-
Futures contracts	86	-	-	-
Undrawn loan commitments	29	-	-	-
	138	20	-	70
Economic Entity's share of Associates' other expenditure commitments:				
No later than one year	-	-	-	-
Later than one year and not later than two years	1	-	-	-
Later than two years and not later than five years	-	-	-	-
Later than five years	-	-	-	-
	1	-	-	-

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21 | Contingent Liabilities

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Contingent liabilities for which no specific provision was made in the Financial Report at balance date are estimated to be:				
Uncalled capital and other obligations in respect of shareholdings				
- in controlled entities	2	-	-	-
Underwriting and sub-underwriting agreements	3	-	-	-
Liability on put/call options in respect of marketable securities	1	-	-	-
Litigation	9	-	-	-
Guarantees	1,505	1,646	-	-
Other	20	-	-	-
Total Contingent Liabilities	1,540	1,646	-	-

As a result of a recent examination of prior year income tax returns of the company, the Australian Tax Office (ATO) has issued amended assessments seeking to recover additional primary tax of approximately \$20m. The company has taken legal advice in relation to these matters and based on that advice no liability has been brought to account. Were the ATO to be successful, additional interest and penalties could apply.

A contingent liability may arise in relation to a claim for compensation by Friends Provident Life Office (FPLO) in the United Kingdom relating to the sale by National Mutual Life Association (NMLA) of its former UK business FPLO. The liability is in relation to the potential for a shortfall between the professional indemnity insurance cover in favour of NMLA and the actual compensation paid by Friends Provident. The amount of the liability, if any, is not able to be quantified at this time and is, in any event, disputed by NMLA.

National Mutual Funds Management Limited has provided guarantees in respect of certain units issued by the National Mutual Australian Income Fund and the National Mutual Cash Management Trust (unit trusts managed by National Mutual Funds Management Limited) to the value of \$1,290m (1999: \$1,391m). 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 (New Zealand) Limited has provided guarantees in respect of certain units issued by the Mortgage Income Trust Fund, Cash Management Fund and the Mortgage Backed Fund (unit trusts managed by National Mutual Assets Management (New Zealand) Limited) to the value of \$215m (1999: \$255m). 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.

22 | Superannuation Commitments

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.

In January 2000 the National Mutual Staff Superannuation Plan was renamed as the AXA Australia Staff Superannuation Plan and the National Mutual New Zealand Superannuation Scheme was renamed as the AXA New Zealand Superannuation Scheme.

During the year there has been a consolidation of superannuation arrangements. At 31 December 1999 the assets and liabilities of the Australian Casualty & Life Staff Superannuation Fund were transferred to the AXA Australia Staff Superannuation Plan. At 1 July 2000 the assets and liabilities of the National Mutual Health Insurance Superannuation Plan were transferred to the AXA Australia Staff Superannuation Plan.

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
AXA Australia Staff Superannuation Plan	Defined Benefit Lump Sum/Pension Scheme, providing benefits on resignation, retirement, disability, death or other termination.	30/06/1999
National Mutual Health Insurance Superannuation Plan	As above	30/06/1999
National Mutual New Zealand Superannuation Scheme	As above	01/10/1998

Accrued Benefits, Vested Benefits and Net Market Value of Plan Assets:

\$ million	AXA Australia Staff Superannuation Plan	National Mutual Health Insurance Staff Superannuation Plan	AXA New Zealand Superannuation Scheme
Accrued Benefits at last Valuation	250.9	26.1	50.3
Gross Market Value of Assets*	305.5	25.0	76.6
Vested Benefits*	265.3	24.1	47.7

*Gross market value of assets and vested benefits are as at the last reporting date of the funds concerned for which financial statements are currently available. For the AXA Australia Staff Superannuation Plan this was 30 June 2000, for the AXA New Zealand Superannuation Scheme this was 30 September 1999, and for the National Mutual Health Insurance Superannuation Plan this was 30 June 2000.

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22 | Superannuation Commitments (continued)

Accrued benefits were determined in accordance with an actuarial review. For the AXA Australia Staff Superannuation Plan this was 30 June 1999 (except for the accrued benefits transferred from the Australian Casualty & Life Staff Superannuation Fund this was 1 January 1998), for the AXA New Zealand Superannuation Scheme this was 1 October 1998, 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 report 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 permanent employees in Australia 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.

Other Superannuation commitments in the Group are:

AXA China Region Limited

The AXA China Region Limited Group operates defined contribution retirement benefit schemes for all eligible employees and agents. The assets of the scheme are held separately from those of the Group in funds under the control of the trustee. Pursuant to the rules of the employees' scheme, employees are required to make contributions to the scheme calculated at 5% of their basic salaries on a monthly basis whilst the Group contributions vary with the number of years service of the employees, from 5% to 15% of the basic monthly salary. The employees are entitled to 100% of the Group's contributions and the accrued interest after 10 complete years service, or at an increasing scale of between 30% to 90% after completion of 3 to 9 years service. The agents' scheme has similar rules for benefits but Group contributions are at 5% of agents' income regardless of years of service.

Where there are employees and agents who leave the schemes prior to vesting fully in the contributions, in accordance with the rules of the scheme, any unvested Group contributions shall be used to reduce the future contributions of the Group due under the schemes or increase the benefits for the employees and agents.

The Group's total retirement cost charged to the profit and loss account for the year ended 30 September 2000 amounted to HK\$30,813,000 (1999: HK\$36,939,000), net of forfeited contributions of HK\$7,289,000 (1999: HK\$ 4,092,000). At the balance sheet date, the total amount of forfeited unvested contributions which were available to reduce contributions payable in future years or improve benefits was HK\$12,188,000 (1999: HK\$2,799,000).

23 | Remuneration of Directors

(a) Directors of AXA Asia Pacific Holdings Limited who have held office during the year were:

R H Allert	G E Heeley	P H Masfen	M J Slatter ⁴
J A Arvis	J A Killen ¹	E A Mayer	M K Ward
P A Cooper	W E Jarman ⁵	L A Owen	
F De Meneval	F A Manford	M Pinault	
T B Finn	D R Wills ²	J V Robins ³	

- 1 Retired 31/12/1999
 2 Retired 30/04/2000
 3 Appointed 07/12/1999
 4 Appointed 25/07/2000
 5 Retired 07/12/2000

\$'000	Consolidated		Company	
	2000	1999	2000	1999
(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 the Company directly or indirectly by the Company or from any related party.				
Base remuneration package			3,176	3,017
Incentive payments *			1,309	512
Eligible termination payments			2,625	4,160
Total Remuneration			7,110	7,689

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	15,906	16,487
Incentive payments *	5,229	3,674
Eligible termination payments	3,181	6,459
Total Remuneration	24,316	26,620

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

Notes

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23 | Remuneration of Directors (continued)

	2000 Number	1999 Number
(c) The number of Directors of the Company whose total income falls within each successive \$10,000 band of income:		
0 - 9,999	4	4
30,000 - 39,999	-	1
60,000 - 69,999	-	1
70,000 - 79,999	3	2
80,000 - 89,999	3	2
90,000 - 99,999	1	1
120,000 - 129,999	1	-
140,000 - 149,999	-	1
180,000 - 189,999	1	1
200,000 - 209,999	-	1
220,000 - 229,999	1	-
1,100,000 - 1,109,999	-	1
1,200,000 - 1,209,999	1	-
1,260,000 - 1,269,999	1	-
3,510,000 - 3,519,999	1	-
5,560,000 - 5,569,999	-	1
	17	16

24 | Remuneration of Executive Officers

\$'000	Executive Officers of Entities in the Economic Entity		Executive Officers of the Company	
	2000	1999	2000	1999
(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			7,799	7,153
Incentive payments *			3,404	1,745
Eligible termination payments			3,800	6,525
Other benefits **			-	846
Total Remuneration			15,003	16,269

The definition of Executive has changed from the prior year, previously all employees whom were offered shares under the Australian Executive Share Plan as well as other employees not in the plan but who were considered to be involved in the key strategic decision making of the company were included within the definition of Executive. The definition this year has been amended to include only those employees involved in the key strategic decision making of the company.

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	7,799	7,153
Incentive payments *	3,404	1,745
Eligible termination payments	3,800	6,525
Other benefits **	-	846
Total Remuneration	15,003	16,269

* Represents bonuses paid with respect to prior year performance.

** Represents payments in respect of:

- (i) special retention incentives established as part of the Company'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

to the Financial Report for the year ended 30 September 2000

24 | Remuneration of Executive Officers (continued)

	Executive Officers of Entities in the Economic Entity		Executive Officers of the Company	
	2000 Number	1999 Number	2000 Number	1999 Number
(b) The number of executive officers (including executive directors) whose income falls within each successive \$10,000 band of income (commencing at \$100,000).				
140,000 - 149,999	1	-	1	-
200,000 - 209,999	-	1	-	1
210,000 - 219,999	-	1	-	1
220,000 - 229,999	1	-	1	-
250,000 - 259,999	1	-	1	-
260,000 - 269,999	1	-	1	-
280,000 - 289,999	-	1	-	1
290,000 - 299,999	1	1	1	1
300,000 - 309,999	-	2	-	2
310,000 - 319,999	-	2	-	2
320,000 - 329,999	1	1	1	1
340,000 - 349,999	2	-	2	-
350,000 - 359,999	1	1	1	1
380,000 - 389,999	1	-	1	-
390,000 - 399,999	1	-	1	-
400,000 - 409,999	1	-	1	-
470,000 - 479,999	1	-	1	-
480,000 - 489,999	2	-	2	-
490,000 - 499,999	2	1	2	1
540,000 - 549,999	-	1	-	1
560,000 - 569,999	1	1	1	1
600,000 - 609,999	-	1	-	1
670,000 - 679,999	-	1	-	1
720,000 - 729,999	1	-	1	-
740,000 - 749,999	-	1	-	1
890,000 - 899,999	-	1	-	1
1,100,000 - 1,109,999	-	1	-	1
1,200,000 - 1,209,999	2	-	2	-
1,260,000 - 1,269,999	1	-	1	-
2,150,000 - 2,159,999	-	1	-	1
3,760,000 - 3,769,999	1	-	1	-
5,560,000 - 5,569,999	-	1	-	1
Total Number of Executive Officers	23	20	23	20

An executive officer includes persons who work in or mainly in Australia, receiving gross remuneration in excess of \$100,000 who are Board appointees, and are responsible for the strategic direction and management of major business units.

Notes

to the Financial Report for the year ended 30 September 2000

25 | Related Party Disclosures

\$'000	Consolidated		Company	
	2000	1999	2000	1999
(a) Directors				
Loans - Total Amount ***				
Aggregate of loans outstanding at balance date made to the Directors of the entities in the AXA Asia Pacific Holdings Group and their Director-related entities from:				
The Company	-	-	-	-
AXA Asia Pacific Holdings Group	3,803	-	-	-
<p>The consolidation of the AXA Asia Pacific Holdings statutory funds in the current year, results in a substantially increased disclosure on directors' loans. Had the accounts been prepared on the same basis in the prior year the balance of directors' loans at 30.9.99 would have been \$3,967,701.</p>				
Loans Advanced to Directors During the Year **				
Aggregate of loans advanced during the year to the Directors of the entities in the AXA Asia Pacific Holdings Group and their Director-related entities by:				
The Company	-	-	-	-
AXA Asia Pacific Holdings Group	1,114	-	-	-
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	-	-	-	-
AXA Asia Pacific Holdings Group	1,279	432	-	-
<p>** Loans made under normal commercial terms, or on terms consistent with those applicable to management.</p> <p>***The Current year's Loan - Total Amount now includes loans issued by subsidiaries of the Statutory Funds of the Life Insurance Entities within the Group.</p>				
The following Directors of each entity in the economic entity received loans and/or made loan repayments during the year:				
# D L Agnew	# A J Forster	# J B McGougan *	# G R White	
# G M Armour	# G B Fortuin *	# R Norman *	# J R K Wolt	
# H Coleman	# K J Gilligan *	# A J Parker *	# R J Edwards	
# G Cumbrae-Stewart	# R J Hine	# A R Penn *	# J M Vitoux	
# A R Douglas	# B J Lindsay	# K N Robinson	# J Peters	
# N Filipovic	# R M McEwan	# G W Smith		
# J Foote *	# D J McFadyen *	# D M Tennant		
* Loans Advanced to Directors				
# Loans Repaid by Directors				
Interest Revenue				
Interest revenue on loans provided by AXA Asia Pacific Holdings or controlled entities in the AXA Asia Pacific Holdings Group to Directors and Director Related Entities of:				
The Company	-	-	-	-
AXA Asia Pacific Holdings Group Companies	143	-	-	-

Notes

to the Financial Report for the year ended 30 September 2000

25 | Related Party Disclosures (continued)

(c) Transactions within the wholly-owned group

Details of the dividend revenue derived by the Company from wholly-owned controlled entities are disclosed in Note 6 of the financial report. Amounts receivable from and payable to wholly-owned controlled entities are disclosed in the respective notes to the financial report.

During the financial year the Company recovered overhead expenses from other entities in the wholly-owned group.

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

- Provision of Administrative Services to wholly-owned controlled entities based on cost and/or agreed charges
- Services include accounting, secretarial, payroll, taxation, disbursements, group management, legal, internal audit
- Transfer pricing and reinsurance
- Data processing services and supply of computer equipment by operational lease are provided by NM Computer Services Pty Ltd.
- Cash Depository Services on normal commercial terms and conditions
- Provision of office accommodation on normal terms and conditions
- Reimbursement of expenses and disbursements made on behalf of wholly-owned controlled entities
- 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
- Granting of loan facilities at nil interest and at market rates
- Loans provided to National Mutual Life by controlled entities
- Payment of Management Fees on normal terms and conditions
- Receipt of Insurance premiums on normal terms and conditions
- Receipt of superannuation contributions on normal terms and conditions
- Reinsurance agreement whereby AC&L has reinsured 88% of its life insurance business with NMLA
- Receipt and payment of agency fees and commissions on normal terms and conditions.

\$'000	Consolidated		Company	
	2000	1999	2000	1999

(d) Transactions with Partly-Owned Controlled Entities

Any Interest received or paid is disclosed in Note 2.

Any dividend received is disclosed in Note 2.

Other transactions with partly-owned entities:

Distributions received from partly-owned trusts	32,186	119,805	-	-
Other expenses paid	1,189	-	-	-
Aggregate loans receivable	4,181	6	-	-
Aggregate loans payable	4,721	255	-	-

(e) Transactions with Associated Entities

Any Interest received or paid is disclosed in Note 2.

Any dividend received is disclosed in Note 2.

Management Expenses paid	-	-	-	-
Reimbursement of costs incurred on behalf of third parties	-	-	-	-
Provision of Computer Services	-	-	-	-
Loan Commitment Fees	-	66	-	-
Insurance Premiums Revenue	-	-	-	-
Overriding Commission	-	78	-	-
Directors' Fees received	-	16	-	-
Superannuation contributions received	595	727	-	-
Aggregate loans receivable	9,233	7,795	-	-

(f) 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 fees for these services totalled \$5,297,719 (1999: \$6,331,000).

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 \$872,240 (1999: \$1,668,169).

National Mutual Funds Management Ltd received management fees of \$46,959,000 (1999: \$46,188,000) 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 \$80,895,716 (1999: \$80,895,716).

During the year, the Company and the statutory funds of National Mutual Life Association received \$7,500,000 from AXA for partial reimbursement of the costs associated with the adoption of the AXA Australia brand.

(g) Controlling Entities

The parent entity in the economic entity and the ultimate Australian parent entity is AXA Asia Pacific Holdings Limited. The ultimate parent entity is AXA SA.

Notes

to the Financial Report for the year ended 30 September 2000

26 | Remuneration of Auditors

\$'000	Consolidated		Company	
	2000	1999	2000	1999
(a) Total of the remuneration received or due and receivable directly or indirectly from any entity in the AXA APH Group or any related entity in connection with auditing the financial report				
– by the auditor of the parent entity	2,013	1,980	207	197
– by other member firms of Deloitte Touche Tohmatsu	750	625	–	–
– by other auditors	–	–	–	–
	2,763	2,605	207	197
(b) Total of the remuneration received or due and receivable directly or indirectly from any entity in the AXA APH Group or any related entity in connection with other services provided to any entity in the AXA APH Group				
– by the auditor of the parent entity	2,404	994	113	829
– by other member firms of Deloitte Touche Tohmatsu	4,374	2,868	–	–
– by other auditors	–	–	–	–
	6,778	3,862	113	829

27 | Notes to the Statement of Cash Flows

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Reconciliation of Cash				
Cash at bank and deposits on call	2,384	365	35	8
Bank overdrafts	–	(35)	–	–
Cash at the End of the Financial Year	2,384	330	35	8

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.

\$ million	Consolidated	
	2000	1999
Businesses Disposed		
Consideration	–	64
Total Businesses Disposed	–	64
Proceeds		
Cash	–	64
Debit to intercompany account	–	–
Total Proceeds	–	64

Notes

to the Financial Report for the year ended 30 September 2000

27 | Notes to the Statement of Cash Flows (continued)

\$ million	Consolidated	
	2000	1999
Book value of net assets disposed		
Cash	-	-
Receivables	-	18
Other assets	-	6
Operating assets	-	78
Intangibles	-	-
Payables	-	(60)
Borrowings	-	-
Provisions	-	(11)
Other liabilities	-	-
Outside equity interests	-	(11)
Net Assets Disposed		
Outside equity interests	-	20
Gain/(Loss) on disposal	-	44
	-	64
Cash movement on disposal		
Cash consideration	-	64
Cash balances disposed (including cash attributable to the policyholders of disposed entities)	-	-
Net Cash Movement on Disposal	-	64
Businesses Acquired		
Consideration		
Cash	-	3
Amount due to related party	-	115
Credit to intercompany account	-	107
Shares	-	-
Total Businesses Acquired	-	225
Fair value of net assets of entities acquired		
Cash	-	58
Receivables	-	15
Other assets	-	130
Operating assets	-	2
Intangibles	-	-
Payables	-	(2)
Borrowings	-	(4)
Provisions	-	(13)
Other liabilities	-	-
Outside equity interests	-	-
Net Assets Acquired	-	186
Less:		
Goodwill on acquisition	-	46
Outside equity interests	-	-
Net Assets Acquired	-	232
Outflow of cash to acquire controlled entities, net of cash acquired		
Cash consideration	-	3
Less: Cash balances acquired		
Cash	-	58
Outflow/(Inflow) of Cash	-	(55)

Notes

to the Financial Report for the year ended 30 September 2000

27 | Notes to the Statement of Cash Flows (continued)

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Financing Facilities				
The total facilities available at balance date were as follows:				
Bank overdraft and bill facilities	5	-	-	-
Loan facilities and subordinated debt (denominated in United States Dollars)	1,579	-	-	-
Loan facilities and subordinated debt (denominated in Australian Dollars)	283	375	-	375
Bank standby facilities	-	100	-	100
Total Financing Facilities	1,867	475	-	475
Used at balance date:				
Bank overdraft and bill facilities	-	-	-	-
Loan facilities and subordinated debt (denominated in United States Dollars)	1,579	-	-	-
Loan facilities and subordinated debt (denominated in Australian Dollars)	283	357	-	357
Bank standby facilities	-	-	-	-
Total Financing Facilities Used	1,862	357	-	357
Unused at balance date:				
Bank overdraft and bill facilities	5	-	-	-
Loan facilities and subordinated debt (denominated in United States Dollars)	-	-	-	-
Loan facilities and subordinated debt (denominated in Australian Dollars)	-	18	-	18
Bank standby facilities	-	100	-	100
Total Financing Facilities Unused	5	118	-	118

During the year, the AXA Group entered into an Unsecured Bilateral United States Dollar Loan Facility Agreement for US \$535 million and US \$320 million. The loans are interest bearing and repayable on or by October 2004 and September 2001 respectively.

The AXA Group may cancel the facilities in whole or in part, and in amounts of no less than US \$50 million and US \$20 million respectively, and in an integral multiple of US \$25 million and US \$10 million respectively. Earlier repayments of similar amounts may also be made.

The AXA Group has a Deferrable Non-Amortising Australian Dollar Term Facility for a total of A\$283 million. The subordinated loan is interest bearing and repayable on or by September 2001. The Group may cancel the Facility in whole or in part, and in amounts of no less than A\$10 million or a whole multiple. Earlier repayments of similar amounts may also be made.

\$ million	Consolidated		Company	
	2000	1999	2000	1999
Reconciliation of Net Cash (used)/provided by Operating Activities to Operating Profit after Income Tax and Abnormal Items				
Operating profit/(loss) after income tax and abnormal items	413	351	492	214
Loss/(profit) from sale of other assets	(95)	(26)	(398)	-
Loss/(profit) on sale of investment assets	(1,164)	(27)	-	-
Loss/(profit) from sale of operating assets	(6)	-	-	-
Foreign exchange (gain)/loss	173	(1)	-	(57)
Share of profit in business undertakings	-	1	-	-
Profit on sale of controlled entities	(149)	17	35	-
Depreciation and amortisation of operating assets	28	-	-	-
Net depreciation/(revaluation) of investment assets and intangibles	47	-	27	2
(Increase)/decrease in receivables	(61)	(21)	(24)	47
(Increase)/decrease in other assets	10	(8)	-	-
Increase/(decrease) in future income tax benefit	16	4	(17)	(14)
(Increase)/decrease in operating assets	(15)	-	5	-
Increase/(decrease) in payables	367	(78)	-	(1)
Increase/(decrease) in provision for income tax	24	8	-	-
Increase/(decrease) in provision for deferred income tax	361	7	-	(1)
Increase/(decrease) in other liabilities	(404)	3	-	-
Increase/(decrease) in gross policy liabilities	2,908	-	-	-
Net Cash (used)/provided by Operating Activities	2,453	230	120	190

Notes

to the Financial Report for the year ended 30 September 2000

28 | Investment in Controlled Entities

	Note	Place of Incorporation/ Operation	Principal Activities	Type	2000 % Holding	1999 % Holding
AXA Asia Pacific Holdings Limited	2	AUS	Holding Company			
(a) controlled entities at balance date						
NMH Executive Plan (Australia) Pty Ltd		AUS	Trustee of Executive Share Plan	Ord	100.0	100.0
Australian Casualty & Life Limited		AUS	Life & Disability Insurer	Ord	100.0	100.0
AC&L Staff Superannuation Fund Pty Ltd		AUS	Dormant	Ord	100.0	100.0
ACC Marketing Limited		AUS	Dormant	Ord	100.0	100.0
AXA Asia Pacific Finance Limited	6	AUS	Finance Company	Ord	100.0	-
National Mutual Funds Management (Global) Ltd		AUS	Provision of funds mgt group services	Ord	100.0	100.0
National Mutual Funds Management NZ Limited	15	NZ	Mgt of Investment Portfolios	Ord	100.0	100.0
National Mutual Funds Management Ltd		AUS	Mgt of Investment Portfolios	Ord	100.0	100.0
Folio Nominees Pty Ltd		AUS	Nominee Company	Ord	100.0	100.0
Altus Financial Services Limited	3	AUS	Financial Advisers	Ord	-	100.0
NMFM Property Fund Management Ltd		AUS	Promotion & Mgt of Unit Trusts	Ord	100.0	100.0
AXA Australia Property Management Limited	4	AUS	Promotion & Mgt of Unit Trusts	Ord	100.0	100.0
Didus Nominees Company Pty Ltd		AUS	Trustee for the Didus Property Trust	Ord	100.0	100.0
Australian Public Capital Corporation Ltd		AUS	Infrastructure Project Investment	Ord	100.0	100.0
NMFM Property Pty Ltd		AUS	Property Mgt & Consultancy	Ord	100.0	100.0
NMFM Property (NSW) Pty Ltd	5	AUS	Management of Properties	-	-	100.0
NMFM Property (QLD) Pty Ltd	5	AUS	Real Estate Management	-	-	100.0
NMFM Property (SA) Pty Ltd	5	AUS	Non-trading	-	-	100.0
NMFM Property (VIC) Pty Ltd		AUS	Real Estate Management	Ord	100.0	100.0
NMFM Property (WA) Pty Ltd	5	AUS	Non-trading	-	-	100.0
Members Equity Pty Ltd	9	AUS	Provision of Financial Services	Ord	50.0	100.0
ME Portfolio Management Limited	10	AUS	Mgt of mortgage trusts	Ord	100.0	100.0
National Mutual Assets Management Pty Ltd		AUS	Promotion/Mgt of Unit Trusts	Ord	100.0	100.0
National Mutual Funds Management (International) Ltd		AUS	Holding Company	Ord	100.0	100.0
National Mutual Funds Management (Luxembourg) SA	15	LUX	Mgt of Investment Portfolios	Ord	100.0	100.0
National Mutual Funds Management North America Inc	15	USA	Investment Marketing	Ord	100.0	100.0
National Mutual Australia Pty Ltd	11	AUS	Dormant	-	-	100.0
National Mutual Health Insurance Pty Ltd		AUS	Health Insurance	Ord	100.0	100.0
National Mutual Health Insurance (NZ) Ltd	15	NZ	Holding Company	Ord	100.0	100.0
National Mutual Health Limited	15	NZ	Health Insurance	Ord	100.0	100.0
ACN 007 513 331		AUS	Dormant	Ord	100.0	100.0
NMHI Superannuation Pty Ltd		AUS	Dormant	Ord	100.0	100.0
HBA Hospital Management Pty Ltd		AUS	Dormant	Ord	100.0	100.0
National Mutual International Pty Ltd		AUS	Holding Company	Ord	-	100.0
NM Insurances (Singapore) Pte Ltd	15	SING	Insure Risks of Holding and Related Companies	Ord	-	100.0
AXA Life Insurance Singapore Pte Ltd	15	SING	Provision of Life Insurance	Ord	-	100.0
Detura Limited	15,33	BVI	Holding Company	-	-	100.0
AXA China Region Limited	1,15,33	BER	Investment Holding	-	-	54.0
AXA China Region Insurance Company (Bermuda) Ltd	1,15	BER	Insurance Underwriters	-	-	-
P.T. AXA Life Indonesia	12,15	IND	Provision of Life Insurance	Ord	80.0	80.0
The National Mutual Life Association of Australasia Limited		AUS	Provision of Life Insurance	Ord	100.0	100.0
Controlled by Shareholders' Fund						
Altus Financial Services Limited	3	AUS	Provision of investment advice on financial services	Ord	100.0	-
AXA China Region Limited	1,14,15	BER	Provision of Financial Services	Ord	80.1	-
AXA China Region Insurance Company (Bermuda) Limited	1,14,15	BER	Insurance Underwriter	Ord	100.0	-
AXA China Region (Bermuda) Limited	1,14,15, 31	BER	Trustee Services	Ord	100.0	*
AXA Centre (H.K.) Limited	14,15, 31	HK	Property Investment	Ord	100.0	*
Hoxberry Limited	14,15,31	HK	Property Investment	Ord	100.0	*
AXA China Region Insurance Company Limited	14,15,31	HK	Insurance Underwriter	Ord	100.0	*
AXA China Region Property Management Company Limited	14,15,31	HK	Property Manager	Ord	100.0	*
AXA China Region Investment Management Limited	14,15,31	HK	Unit Trust Management Services	Ord	100.0	*
AXA China Region Nominees Limited	14,15,31	HK	Nominee Services	Ord	100.0	*
AXA China Region Investment Services Limited	14,15,31	HK	Investment Advisor	Ord	100.0	*
AXA China Region Trustees Limited	14,15,16,31	HK	Trustee Services	Ord	20.0	*
Central Sourcing Proprietary Limited		AUS	Sale of Life Insurance Products	Ord	100.0	100.0
Detura Limited	14,15	BVI	Holding Company	Ord	100.0	-
HLNZ Management Limited	15	NZ	Trust mgr for Securitisation Program	Ord	100.0	100.0
Mortgage Express New Zealand Limited	15	NZ	Mortgage Lending	Ord	51.0	51.0
National Mutual Assets Management (New Zealand) Limited	15	NZ	Unit Trust Management	Ord	100.0	100.0
National Mutual Corporate Superannuation Services Limited	15,7	NZ	Superannuation Mgt Services	Ord	100.0	-
National Mutual Life Nominees Limited		AUS	Trustee for Debs & Unsec Notes	Ord	100.0	100.0
AXA Trustees Limited		AUS	Fiduciary Services	Ord	100.0	100.0
National Trustees Nominees Proprietary Limited		AUS	Real Estate Agent	Ord	100.0	100.0
N.M.L. Nominees (Canberra) Limited		AUS	Trustee for Debs & Unsec Notes	Ord	100.0	100.0
T&G Guardian Corporation Proprietary Limited		AUS	Trustee for Debs & Unsec Notes	Ord	100.0	100.0
National Payroll Systems Pty. Ltd.	17,18	AUS	Payroll Bureau	Ord	89.4	89.4
NMMT Limited		AUS	Master Trust Administrator	Ord	100.0	100.0
Quantum Financial Solutions Limited	15	NZ	Financial Analyst Services	Ord	77.8	77.8
National Mutual International Pty Limited	14,15	AUS	Holding Company	Ord	100.0	-
NM Insurances (Singapore) Pte Ltd	14,19	SING	Insurance Risks of Hldg & Related Coys	Ord	100.0	-
AXA Life Insurance Singapore Pte Ltd	14,15	SING	Provision of Life Insurance	Ord	100.0	-

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28 | Investment in Controlled Entities (continued)

	Note	Place of Incorporation/ Operation	Principal Activities	Type	2000 % Holding	1999 % Holding
Controlled by Statutory Funds						
31 Carbine Road Limited	15,31	NZ	Property Holding	Ord	100.0	*
132 Vincent Street Limited	15,31	NZ	Property Holding	Ord	100.0	*
ACC Holdings Limited	31	AUS	Non-Trading	Ord	100.0	*
Australian Casualty Company Limited	31	AUS	Non-Trading	Ord	100.0	*
AXA Financial Planning Limited	31	AUS	Mgt of Invest/Licensed Dealer	Ord	100.0	*
AXA New Zealand Nominees Limited	13,15,21,31	NZ	Nominee Company	Ord	100.0	*
Bellasin Pty. Ltd.	31	AUS	Investment in Real Estate	Ord	100.0	*
Bongiorno Financial Services Limited	20,31	AUS	Holding Company	Ord	77.9	*
Brick Securities Limited	19,31	AUS	Investor in Unit Trusts	Ord	100.0	*
Charter Financial Planning Limited	31	AUS	Financial Advisers	Ord	100.0	*
CPO Limited	31	AUS	Property Investment	Ord	100.0	*
Didus Pty. Ltd.	31	AUS	Property Investment	Ord	100.0	*
Enalus Pty. Limited	31	AUS	Property Investment	Ord	100.0	*
Enemelay Investments Pty Limited	31	AUS	Invest in Marketable Securities	Ord	100.0	*
Gateway Plaza Pty Limited	5,32	AUS	Non-Trading	Ord	-	**
Jigsaw Administration & Reporting Service Limited	15,31	NZ	Portfolio admin service	Ord	100.0	*
National Car Parks Pty. Ltd.	31	AUS	Non-Trading	Ord	100.0	*
Paramount Parking (Australia) Pty. Ltd.	31	AUS	Non-Trading	Ord	100.0	*
Paramount Parking Pty. Ltd.	5,32	AUS	Non-Trading	-	-	**
Olderfleet Car Park Pty. Ltd.	5,32	AUS	Non-Trading	-	-	**
National Mutual CPS Management Limited	15,31	NZ	Investment Management	Ord	100.0	*
National Mutual Corporate Superannuation Services Limited	15,32,7	NZ	Superannuation Mgt Services	Ord	-	**
National Mutual Corporation (No.2) Pty. Ltd.	31	AUS	Holding of Marketable Securities	Ord	100.0	*
National Mutual Adviser Services Limited	31	AUS	Promotion of Financial Products	Ord	100.0	*
National Mutual Freedom Financial Services Limited	15,21	NZ	Finance Company	Ord	100.0	*
National Mutual Freedom Nominees Limited	15,21,32	NZ	Nominee Company	Ord	-	**
AXA Asia Pacific Finance Limited	6,32	AUS	Finance Company	Ord	-	**
National Mutual Leasing (NZ) Limited	15,31	NZ	Leasing Company	Ord	100.0	*
National Mutual Management Services Pty. Ltd.	31	AUS	Management Services	Ord	100.0	*
National Mutual Personal Investment Planning Services Limited	15,31	NZ	Investment Services	Ord	100.0	*
National Mutual Security Limited	31	AUS	Issue/Acq Income Prod Assets	Ord	100.0	*
AXA Australia Staff Superannuation Pty. Ltd.	22,23,31	AUS	Trustee of Superannuation Fund	Ord	50.0	*
National Mutual Superannuation Master Trustee Limited	15,31	NZ	Superannuation Management	Ord	100.0	*
National Mutual Terrace Holdings Limited	15,31	NZ	Property Holding Company	Ord	100.0	*
Neuville Company Inc.	15,31	USA	Property Management	Ord	100.0	*
NeuPalma Company. Inc.	15,31	USA	Property Management	Ord	100.0	*
New Zealand Permanent Trustees Limited	15,32	NZ	Trustee Services	Ord	-	**
NZPT Custodians Limited	15,32	NZ	Nominee Company	Ord	-	**
New Zealand Permanent Building Society	15,31	NZ	Building Society	Ord	100.0	*
NM Computer Services Pty. Limited	31	AUS	Provision of Computer Services	Ord	100.0	*
N.M. Consultants Holdings Pty. Limited	5,32	AUS	Hldg Coy for Actuarial Consult	Ord	-	**
Palmer Gould Evans Pty. Limited	30,31	AUS	Non-Trading	Ord	100.0	*
NMFM Mortgages Limited	15,31	NZ	Provider of Finance Mortgages	Ord	100.0	*
NM Rural Enterprises Pty Limited	31	AUS	Agricultural Activities	Ord	100.0	*
Acheever Pty. Ltd.	31	AUS	Agricultural Activities	Ord	100.0	*
N.M. Superannuation Proprietary Limited	31	AUS	Trustees of Super/Insur Plans	Ord	100.0	*
NM Wentworth Holdings Limited	24,25,31	AUS	Investment Company	Ord	50.0	*
OFF Pty Ltd	31	AUS	Mgt of Income Producing Assets	Ord	100.0	*
Setosa Nominees Limited	15,21,32	NZ	Nominee Company	Ord	-	**
Silverton Limited	31	AUS	Real Estate Development	Ord	100.0	*
Coombah Square Pty. Limited	31	AUS	Real Estate Development	Ord	100.0	*
El Morro Pty Ltd	31	AUS	Real Estate Development	Ord	100.0	*
Helensvale Estate Pty. Ltd.	31	AUS	Real Estate Development	Ord	100.0	*
PA. Shingles Pty. Ltd.	31	AUS	Real Estate Development	Ord	100.0	*
Silverton Real Estate Pty. Ltd.	31	AUS	Real Estate Agency	Ord	100.0	*
Triptec Pty. Ltd.	31	AUS	Real Estate Development	Ord	100.0	*
Whitfords Beach Pty. Ltd.	31	AUS	Real Estate Development	Ord	100.0	*
Silverton Securities Proprietary Limited	31	AUS	Financial Activities	Ord	100.0	*
Stephenson & Watt Proprietary Limited	31	AUS	Investment in Equity Markets	Ord	100.0	*
Swann Life Insurance Limited	15,31	NZ	Credit Insurance - Life Cover	Ord	100.0	*
T&G Mutual Life Society Limited.	31	AUS	Non-Trading	-	100.0	*
Third Vynotas Pty. Ltd.	5,32	AUS	Investment in Real Estate	Ord	-	**
Trewal Pty. Ltd.	31	AUS	Invest in Marketable Securities	Ord	100.0	*
Varnsdorf Pty. Ltd.	26,31	AUS	Provn of Thermal Energy/Elect	Ord	100.0	*

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28 | Investment in Controlled Entities (continued)

Name of Controlled Trusts	Note	Place of Incorporation/ Operation	Principal Activities	Type	2000 % Holding	1999 % Holding
Controlled by Statutory Funds						
AXA New Zealand Global Equities Trust	15, 27	NZ	Investment in Equity Markets	-	69.4	93.7
B.S.L. Property Growth Trust No.7	28	AUS	Property Trust	-	-	70.6
Didus Property Trust	28	AUS	Property Trust	-	100.0	100.0
National Car Parks Pty. Ltd						
Paramount Parking Australia Unit Trust		AUS	Non-Trading	-	-	100.0
National Mutual Future Growth Fund	28	AUS	Investing in Unit Trust	-	-	50.5
National Mutual Home Loans Origination Fund No. 1		AUS	Mortgage Lending	-	100.0	100.0
National Mutual New Zealand Leaders Trust	15,27	NZ	Investment in Equity Markets	-	97.9	97.3
National Mutual Resources Fund	28	AUS	Investment in Equity Markets	-	-	59.7
New Zealand Selected Equities Trust	15,27	NZ	General Investment Fund	-	62.2	57.2
NMFM Asian Growth Fund	28	AUS	Investment in Equity Markets	-	79.3	73.7
NMFM International Bond Fund	28	AUS	Investing in International Bonds	-	83.7	75.2
NMFM Property Fund	28	AUS	Property Trust	-	70.6	62.8
The Gateway Trust	28	AUS	Property Trust	-	100.0	100.0
NM Wholesale Equity Imputation Fund	28	AUS	Investment in Equity Markets	-	-	68.8
Ausplus Debt Fund	8,28	AUS	Investment in Debt Markets	-	100.0	-
NMLA Controlled Partnerships/Joint Ventures						
Controlled by Statutory Funds						
Community Development Consortium Partnership	15,29	NZ	Property Development	-	-	67.0
NM Wentworth Partnership	24	AUS	Hotel Operation	-	50.0	50.0
National Mutual Funds Management (Global) Ltd Joint Ventures						
Members Equity Pty Ltd	9	AUS	Provision of Financial Services	-	50.0	-

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

Notes

- 1 Place of Operation where it differs from place of incorporation:

Entity	Place of Operation
AXA China Region Limited	Hong Kong
AXA China Region Insurance Company (Bermuda) Limited	Hong Kong
AXA China Region (Bermuda) Limited	Hong Kong

- 2 Formerly known as National Mutual Holdings Limited
- 3 Formerly known as NMFM Asia Investments Management Limited and then Australian Protection Specialists Limited. Sold to National Mutual Life on 16 March 2000
- 4 Formerly known as NMPT Management Limited
- 5 Deregistered during the year
- 6 Formerly known as National Mutual Group Finance Limited and acquired from NMLA on 6 October 1999
- 7 Sold by Statutory Funds to Shareholders' Fund on 29 February 2000
- 8 Commenced Operations on 1 August 2000
- 9 Formerly known as NMFM Lending Pty Ltd - 50% sold to Industry Fund Services Pty Ltd on 28 April 2000. This company is no longer a controlled entity and is now also reported as a Joint Venture
- 10 Formerly known as Superannuation Members' Home Loans Limited. This is no longer a controlled entity following the sale change in status of its parent - see note 9
- 11 ASIC has approved the deregistration of the company
- 12 Formerly known as PT. Tempo National Mutual Life
- 13 Formerly known as NMFM Nominees Limited
- 14 Acquired from AXA Asia Pacific Holdings Limited on 31 March 2000
- 15 Audited by other member firms of Deloitte Touche Tohmatsu International
- 16 20% owned by AXA China Region Investment Management Limited,
20% AXA China Region Nominees Limited
20% AXA China Region Investment Services Limited
20% AXA China Region Limited
- 17 An additional 0.02% held by NML Nominees (Canberra) Limited
- 18 National Mutual Life also holds 100% of Preference A and 50% of Preference B shares
- 19 Currently in voluntary liquidation
- 20 National Mutual Life also holds 100% of Preference A Shares
- 21 Amalgamated with AXA New Zealand Nominees Limited on 30 September 2000
- 22 Formerly National Mutual Staff Superannuation Pty Ltd
- 23 An additional 50% held by National Mutual Corporation (No 2) Pty Ltd
- 24 An additional 50% held by Enalus Pty Limited
- 25 National Mutual Life also holds 50% of Ordinary B and C shares
- 26 National Mutual Life also holds 100% of Preference A and B shares
- 27 Year end 31 March

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28 | Investment in Controlled Entities (continued)

28 Year end 30 June

29 Non-trading. All requirements finalised during the year

30 Sold to National Mutual Life on 23 December 1999

31 and * Owned at 30 September 1999 but not consolidated at that date. Consolidated in this year following the application of AASB 1038. Percentage ownership is the same as 2000

32 and ** Owned at 30 September 1999 but not consolidated at that date. Consolidated in this year following the application of AASB 1038, unless disposed of, deregistered etc. 100% ownership in 1999

33 Detura Limited holds 19.9% of shares in AXA China Region Ltd (1999:19.9%)

Name of Associate Entity	Note	Place of Incorporation / Operation	Principal Activities	Type	Number	2000 %	1999 %	2000 \$m	1999 \$m
Held by statutory funds									
Greenstone Fund Limited	1,3	NZ	Development capital investment	Ord	5,000,000	20	20	5	5
NMFM Asia Investments Fund	4	AUS	Investment in Asian equities	Ord	–	–	29	–	1
Ticor Limited	2,3	AUS	Mining	Ord	70,408,056	29	29	102	–
Krungthai AXA Life Insurance Company Limited	2,5	SING	Life insurance operations	Ord	22,499,995	45	–	6	–
								113	6

1 Year end 31 March

2 Year end 31 December

3 Audited by another firm of auditors

4 National Mutual Life disposed of its unitholding on 30 November 1999

5 National Mutual Life acquired its unitholding on 1 October 1999

(b) Acquisitions of controlled entities

Name of Entity acquired by National Mutual Life Statutory Funds	Date of acquisition	Proportion of shares acquired	Consideration \$ million
Acquisition of 26.45 % minority interest in AXA CR ¹	1/12/2000	26.45%	835

1 Controlled at 73.55% at 30/09/99

The operating results of the acquired entities have been included in the consolidated Profit and Loss account from the date AXA Asia Pacific Holdings Limited obtained control of the entities.

(c) Disposals of controlled entities

Name of Controlled Entity	Gain to the economic entity \$ million	Remaining interest held %
Controlled by National Mutual Funds Management (Global) Limited		
Altus Financial Services Limited ¹	–	–
Members Equity Pty Ltd ²	–	50
Controlled by National Mutual Life Statutory Funds		
New Zealand Permanent Trustees Limited	–	–
NZPT Custodians Limited	–	–
BSL Property Growth Trust No 7	–	–
National Mutual Future Growth Fund	–	–
National Mutual Resources Fund	–	–
NM Wholesale Equity Imputation Fund	–	39
NMFM Property (NSW) Pty Ltd	–	–
Property (SA) Pty Ltd ³	–	–
Property (QLD) Pty Ltd ³	–	–
Property (WA) Pty Ltd ³	–	–
Gateway Plaza Pty Limited ³	–	–
Paramount Parking Pty Ltd ³	–	–
Olderfleet car park Pty Ltd ³	–	–
NM Consultants Holdings Pty Limited ³	–	–
Third Vynotas Pty Ltd ³	–	–
	–	89

1 Formerly NMFM Asia Investments Management Limited and also Australian Financial Protection Specialists Limited.

2 Formerly NMFM Lending Pty Ltd - 50% sold to Industry Fund Services Pty Ltd on 28 April 2000. This company is no longer a controlled entity and is now also reported as a Joint Venture.

3 Entities deregistered during the year.

Notes

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29 | Subsequent Events

Sale of AXA Trustees Limited

The Company announced the sale of AXA Trustees Limited, its private client and corporate trustee business, to Perpetual Trustees Australian Limited (Perpetual) on 12 October 2000. The Company will receive consideration that approximates the net market value of this subsidiary in the financial accounts. While the sale has been announced the transaction is still subject to regulatory approval. Consequently the legal transfer will not be effective until formal completion occurs at a later date.

Alliance Capital Management Australia and Alliance Capital Management New Zealand

The Company has signed a Memorandum of Understanding whereby the Company and Alliance Capital Management intend to establish new asset management companies in Australia and New Zealand. The Company and Alliance Capital Management each will own 50 per cent of the equity of each new company and have equal representation on the Boards. Alliance Capital Management will have the day to day responsibility for operational management of the companies that will be named Alliance Capital Management Australia and Alliance Capital Management New Zealand.

30 | Segment Information

\$ million	Revenue		Consolidated Profit Before Tax		Assets	
	2000	1999	2000	1999	2000	1999
Industry						
Life Insurance	7,427	572	196	312	26,034	5,565
Health Insurance	755	679	95	26	435	332
Funds Management	92	149	16	66	217	225
Other	192	95	56	(37)	139	83
Total Industry	8,466	1,495	363	367	26,825	6,205
Geographical						
Australia and New Zealand	6,595	1,252	100	178	18,662	3,079
Hong Kong	1,639	243	252	188	7,380	2,942
International	232	–	11	1	783	184
Total Geographical	8,466	1,495	363	367	26,825	6,205

31 | Financial Instruments

(a) Terms, Conditions and 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 report. Significant terms and conditions of Policy Liabilities are disclosed in Notes 1 and 16 and of Subordinated Debt are disclosed in Note 15.

(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.

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 Life 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.

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31 | Financial Instruments (continued)

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 2000, 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.

The table below details the effective exposure and net market value of contracts in force as at 30 September 2000.

The effective exposure provides an indication of the economic entity's exposure to various asset classes through the use of derivative instruments.

The market value of a derivative represents the positive or negative cash flow which would have occurred if the rights and obligations arising from that instrument were extinguished as at 30 September 2000. The market value in the table below gives no indication of the ultimate gain or loss that will occur upon settlement of the derivatives, as the ultimate gain or loss will depend on the applicable market price at the time of settlement.

Derivative Instruments

\$ million	2000 Market Value	2000 Effective Exposure
FUTURES:		
ON EXCHANGE		
Interest Rate	(1)	737
Equity	(14)	340
OPTIONS:		
ON EXCHANGE		
Interest Rate	-	(1)
Equity	-	11
OPTIONS:		
OFF EXCHANGE		
Interest Rate	-	-
Equity	-	-
TOTAL	(15)	1,087

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31 | Financial Instruments (continued)

(c) Interest Rate Risk

	Average fixed interest maturing in:						Total \$ million
	Average rate %	Floating interest rate %	1 year or less \$ million	Over 1 to 5 years \$ million	More than 5 years \$ million	Non- interest bearing \$ million	
Financial Assets							
Cash at bank and deposits on call	5.36	2,322	94	18	–	(50)	2,384
Outstanding premiums		–	–	–	–	175	175
Receivables		–	–	–	–	519	519
Investment assets							
Equity Securities							
Equities held directly	6.88	–	7	14	–	5,172	5,193
Equities in							
- Associated entities		–	–	–	–	113	113
Held via unit trusts		–	–	–	–	1,696	1,696
Debt Securities							
Interest bearing securities							
- National government	5.30	–	63	620	1,905	–	2,588
- Other public sector	6.73	–	83	440	454	–	977
- Private sector (secured)	6.60	31	1,941	1,380	1,823	–	5,175
- Private sector (unsecured)	7.49	–	57	39	33	–	129
- Other	6.00	63	44	48	2	4	161
Loans to							
- Other related parties (unsecured)	5.57	–	10	–	–	38	48
- Other parties (unsecured)	5.14	2	5	8	–	20	35
- Other parties (secured)	7.58	401	337	572	154	–	1,464
Held via unit trusts	6.64	8	3	22	23	122	178
Property							
Held via unit trusts		–	–	–	–	394	394
Other							
Other investments	7.00	1,567	–	–	–	49	1,616
Partnerships and joint ventures		–	–	–	–	154	154
Held via unit trusts		–	–	–	–	26	26
Other assets							
Interest Rate Swaps	5.79	169	–	–	–	–	169
Total Financial Assets		4,563	2,644	3,161	4,394	8,432	23,194
Financial Liabilities							
Policy claims in process of settlement		–	–	–	–	331	331
Other payables	6.72	–	35	–	–	640	675
Bank overdrafts - unsecured		–	–	–	–	–	–
Bank overdrafts - secured		–	–	–	–	–	–
Deposits - unsecured	5.55	103	12	1	–	–	116
Deposits - secured	6.34	–	–	67	–	–	67
Loans from							
- Controlling entity	6.86	1,579	–	–	–	–	1,579
- Related entities	7.20	44	–	–	–	–	44
- Associated entities	6.60	18	–	–	–	–	18
Other loans - unsecured	6.90	–	–	2	–	16	18
Other borrowings - secured		–	–	–	–	6	6
Finance lease liability	8.25	–	–	2	–	–	2
Bank loans - secured		28	–	–	–	–	28
Premiums in advance		–	–	–	–	109	109
Other liabilities		–	–	–	–	164	164
Subordinated debt	6.78	283	3	–	–	–	286
Total Financial Liabilities		2,055	50	72	–	1,266	3,443
Net Financial Assets							19,751

Notes

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31 | Financial Instruments (continued)

(c) Interest Rate Risk (continued)

As at 30 September 1999	Average rate %	Interest bearing \$ million	Non-interest bearing \$ million	Total \$ million
Total Financial Assets	5.04	842	443	1,285
Total Financial Liabilities	8.38	405	504	909

Reconciliation of Net Financial Assets to Consolidated Net Assets

\$ million	2000	1999
Net financial assets as above	19,751	376
Non-financial assets and liabilities:		
Accumulated interest in life funds	-	2,020
Value of inforce life liabilities	-	1,542
Gross policy liability	(19,624)	-
Property	2,247	-
Excess of market value over net assets of controlled entities	1,220	41
Intangibles	23	1,289
Operating assets	141	27
Provisions	(597)	(149)
Consolidated Net Assets as per Balance Sheet	3,161	5,146

(d) Credit Risk Exposures

The maximum credit risk for financial assets recognised on the balance sheet is the carrying amount less, where applicable, any provision for doubtful debts. The recognised financial assets include amounts receivable arising from unrealised gains on derivative instruments.

As at 30 September 2000 there was no significant credit risk exposure to one single entity, other than the normal clearing house exposure associated with dealings through recognised exchanges. Significant credit risk exposure to a group of entities with similar characteristics are disclosed in the Notes 15 and 25b.

(e) Net Fair Values (Liquidity Risk)

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.

(f) Foreign Currency Risk Exposure

The economic entity is exposed to foreign currency risk through its physical holdings in investments denominated in foreign currency and derivative instruments such as forward foreign exchange contracts, currency swaps and options. The following table details the economic entity's investment portfolio's net exposure to foreign currency as at 30 September 2000:

AUD\$ million	US Dollars	Japanese Yen	Hong Kong Dollars	British Pounds	Deutsche Marks	New Zealand Dollars	Singapore Dollars	Other	Total
Net investment amounts denominated in foreign exchange	3,883	245	213	141	166	1,239	140	751	6,778
Amount effectively hedged	(1,746)	(43)	(336)	24	60	84	3	149	(1,805)
Net Exposure to foreign currency	2,137	202	(123)	165	226	1,323	143	900	4,973

The USD and HKD balances include gross investments held by AXA China Region in the respective currencies together with the value of the currency swaps used to manage the associated currency risks.

The notional value of AUD/HKD cross-currency interest rate swaps outstanding as at 30 September 2000 to hedge the investment in AXA China Region total \$2,430m HKDs.

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32 | Disclosure of Asset Restrictions, Managed Assets and Trustee Activities

Managed Assets

In addition to the assets owned by the Company or controlled entities, the AXA APH Group also manage separate investment portfolios for entities such as superannuation funds and unit trusts.

On an aggregated basis these managed assets, together with the assets reflected in the AXA APH Group, after eliminating appropriate inter-fund entries, total \$40.0 billion (1999: \$33.3 billion).

AXA Asia Pacific Group	Area of Operation
National Mutual Funds Management North America Inc.	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
Australian Casualty & Life Limited (Life Insurance Funds)	Australia
AXA China Region Insurance Company (Bermuda) Ltd. (Life Insurance Funds)	Hong Kong
AXA Life Singapore (Life Insurance Funds)	Singapore
National Mutual Assets Management Limited	Australia
National Mutual Assets Management (New Zealand) Limited	New Zealand
AXA Trustees Limited	Australia
NMMT Limited	Australia
National Mutual Superannuation Master Trustee Limited	New Zealand

\$ million	2000	1999
Assets Held within the AXA APH Group		
Australia and New Zealand	19,777	3,079
AXA CR	6,273	2,942
International	775	184
	26,825	6,205
Assets Managed by the AXA APH Group		
Australia and New Zealand	12,412	22,813
AXA CR	220	4,281
International	585	–
	13,217	27,094
Total Assets Held and Managed by the AXA APH Group		
Australia and New Zealand	32,189	25,892
AXA CR	6,493	7,223
International	1,360	184
Total Managed Assets	40,042	33,299

Restrictions on Assets

Investments held in the statutory funds can only be used within the restrictions imposed under the Life Insurance Act 1995. The main restrictions are that the assets in a fund can only be used to meet the liabilities and expenses of that fund, to acquire investments to further the business of the fund or as distributions when solvency and capital adequacy requirements are met. Participating policyholders can receive a distribution when the higher level of capital adequacy are met.

Trustee Activities

National Mutual Superannuation Master Trustee Limited acts as trustee in relation to superannuation policies issued by National Mutual Life. Arrangements are in place to ensure that the activities of National Mutual Superannuation Master Trustee Limited are managed separately.

Notes

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33 | 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.

The Company also has a share plan which aims to reward key executives for growth in the value of the Company: 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 0.83% of the total shares on issue. All shares have been acquired on market and free of brokerage and stamp duty costs to the participant upon acquisition.

The market price of one ordinary share at 30 September 2000 was \$2.65 (1999 \$2.16).

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.

As at 30 September 2000, there were 1,747 participants in the Plan and a total of 1,368,130 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 the financial year, there was one general offer to all staff under the plan rules. In addition, one opportunity was 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
September 1999	\$2.3806	296,929
February 2000	\$2.2836	189,066

As at 30 September 2000, there were 109 participants in the Plan and 959,652 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 2000, the following allocation rights were outstanding:

Date	Exercise Price	Normal Exercise Period	No. Rights
June 1997	\$2.00	30 June 2000 - 30 June 2002	1,228,000
March 1998	\$3.47	31 March 2001 - 31 March 2003	450,000
March 1999	\$2.74	10 March 2002 - 10 March 2004	500,000
July 1999	\$2.37	28 July 2002 - 28 July 2004	3,884,250
January 2000	\$2.67	5 Jan 2003 - 5 Jan 2005	4,091,250
May 2000	\$2.47	19 May 2003 - 19 May 2005	500,000
September 2000	\$2.70	19 Sept 2003 - 19 Sept 2005	1,036,000

Due to executive departures, 612,221 Company 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 a loan of \$31,188,932 to the Plan Trust (1999: \$22,775,866). Pursuant to a Deed of Agreement dated 9 August 2000 the loan bears an interest rate as determined by the Company from time to time. The Company has charged the Plan interest of \$195,288 for the financial year.

34 | Earnings Per Share

Basic earnings per share for the year to 30 September 2000 is based on 1,762,433,891 shares being the weighted average number of all shares on issue (1999 - 1,762,433,891).


Directors' Declaration

for the financial year ended 30 September 2000

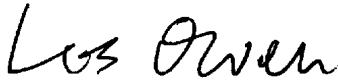
The directors declare that

- (a) the attached financial report and notes thereto of AXA Asia Pacific Holdings Limited comply with accounting standards, the Corporations Regulations and other mandatory professional reporting requirements
- (b) the attached financial report and notes thereto of AXA Asia Pacific 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 AXA Asia Pacific Holdings Limited will be able to pay its debts as and when they become due and payable

This declaration is made in accordance with a resolution of the directors.



R H Allert A.M.
Chairman



A L Owen
Group Chief Executive

Melbourne, 12 December 2000

Auditors' Report

Independent Audit Report to the Members of AXA Asia Pacific Holdings Limited (formerly National Mutual Holdings Limited)

Scope

We have audited the financial report of AXA Asia Pacific Holdings Limited for the financial year ended 30 September 2000 being the Profit and Loss Statement, Balance Sheet, Statement of Cash Flows, Notes to the Financial Report and Directors' Declaration. 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.

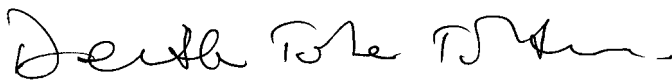
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial 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 issued in Australia 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 AXA Asia Pacific 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 2000 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, 12 December 2000

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Company Secretary and General Counsel

Mr K. Le Plastrier

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