

# AXA

## FINANCIAL REPORT AXA ASIA PACIFIC HOLDINGS LIMITED

FOR THE 15 MONTHS ENDED 31 DECEMBER 2001



ASIA PACIFIC

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# Statement of Financial Performance

for the 15 months ended 31 December 2001

\$ million	Note	Consolidated		Company	
		15 months ended 31 Dec 2001	12 months ended 30 Sept 2000	15 months ended 31 Dec 2001	12 months ended 30 Sept 2000
Premium, fee and other revenue	2	4,044	3,405	2	449
Investment revenue	2	1,196	2,113	1,007	116
Revenues from ordinary activities		5,240	5,518	1,009	565
Claims expense	2	(2,269)	(1,670)	–	–
Changes in net policy liabilities and policyowner retained profits	16	(819)	(2,006)	–	–
Commission		(458)	(328)	–	–
Other operating expenses	2	(1,209)	(990)	(2)	(35)
Expenses from ordinary activities		(4,755)	(4,994)	(2)	(35)
Borrowing costs	2	(164)	(161)	(22)	(37)
<b>Profit from ordinary activities before income tax</b>		<b>321</b>	<b>363</b>	<b>985</b>	<b>493</b>
Income tax expense/(benefit)	3	(109)	(50)	18	1
<b>Net profit from ordinary activities after income tax</b>		<b>430</b>	<b>413</b>	<b>967</b>	<b>492</b>
Outside equity interests		35	39	–	–
<b>Net profit after tax attributable to shareholders of AXA</b>		<b>395</b>	<b>374</b>	<b>967</b>	<b>492</b>
Increase in retained profits on adoption of AASB 1038		–	947	–	–
Decrease in foreign currency translation reserve on adoption of AASB 1038		–	(27)	–	–
Decrease in asset revaluation reserve on adoption of AASB 1038		–	(2,159)	–	–
Decrease in asset revaluation reserve on adoption of AASB 1041		–	(528)	–	(3,162)
Revaluation of investments		–	15	–	–
<b>Total revenues, expenses and valuation adjustments attributable to members of AXA and recognised directly in equity</b>		<b>–</b>	<b>(1,752)</b>	<b>–</b>	<b>(3,162)</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>395</b>	<b>(1,378)</b>	<b>967</b>	<b>(2,670)</b>
		<b>Cents per share</b>	<b>Cents per share</b>		
<b>Basic earnings per ordinary share</b>		22.4	21.2		
<b>Diluted earnings per ordinary share</b>		n/a	n/a		
<b>Proposed and paid dividends per share</b>		12.25	9.5		

The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share

1,762,433,891 1,762,433,891

The accompanying notes form part of this Financial Report.

# Statement of Financial Position

as at 31 December 2001

\$ million	Note	Consolidated		Company	
		As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
<b>Assets</b>					
Cash at bank and deposits on call	27	1,597	1,859	6	35
Receivables	5	708	694	51	85
Equity securities	6	9,033	7,017	36	17
Debt securities	6	12,298	12,645	2,662	681
Property investments	6	2,517	2,638	–	–
Other investments	6	358	416	–	–
Operating assets	7	105	141	–	–
Intangibles	8	13	15	–	–
Investments in controlled entities	6	–	–	1,366	1,342
Excess of market value over net assets of controlled entities	9	1,483	1,266	–	–
Deferred tax assets		27	23	8	2
Other assets	10	187	149	104	62
<b>Total Assets</b>		<b>28,326</b>	<b>26,863</b>	<b>4,233</b>	<b>2,224</b>
<b>Liabilities</b>					
Payables	11	1,299	998	151	108
Current tax liabilities		–	53	–	–
Borrowings	12	1,251	1,878	1,308	145
Provisions	13	300	173	134	89
Deferred tax liabilities		197	417	7	–
Other liabilities	14	274	273	–	–
Subordinated debt	15	1,184	286	–	–
Life insurance policy liabilities	16	20,432	19,624	–	–
<b>Total Liabilities</b>		<b>24,937</b>	<b>23,702</b>	<b>1,600</b>	<b>342</b>
<b>Net Assets</b>		<b>3,389</b>	<b>3,161</b>	<b>2,633</b>	<b>1,882</b>
<b>Equity attributable to shareholders of the parent entity</b>					
Contributed equity	17	1,186	1,186	1,186	1,186
Reserves	18	15	15	–	–
Shareholders' retained profits	18	1,815	1,636	1,447	696
<b>Total equity attributable to shareholders of the parent entity</b>		<b>3,016</b>	<b>2,837</b>	<b>2,633</b>	<b>1,882</b>
Outside equity interests in controlled entities	19	373	324	–	–
<b>Total equity</b>		<b>3,389</b>	<b>3,161</b>	<b>2,633</b>	<b>1,882</b>

The accompanying notes form part of this Financial Report.

# Statement of Cash Flows

for the 15 months ended 31 December 2001

\$ million	Note	Consolidated		Company	
		15 months ended 31 Dec 2001	12 months ended 30 Sept 2000	15 months ended 31 Dec 2001	12 months ended 30 Sept 2000
<b>Cash flows from Operating Activities</b>					
Premiums received		6,986	5,805	-	-
Interest received		1,137	842	22	23
Dividends/ trust distributions received		451	196	172	137
Fees, rents and other cash received		657	494	-	1
Policy payments		(5,623)	(3,647)	-	-
Interest and other finance costs paid		(190)	(212)	(22)	(39)
Income tax (paid)/received		(272)	(156)	(5)	-
Fees and commissions paid		(514)	(343)	-	-
Payment to suppliers and employees		(1,120)	(886)	(5)	(2)
<b>Net Cash Provided by/(Used in) Operating Activities</b>	<b>27</b>	<b>1,512</b>	<b>2,093</b>	<b>162</b>	<b>120</b>
<b>Cash flows from Investing Activities</b>					
Proceeds from sale of operating assets		38	-	-	-
Payment for the purchase of operating assets		(43)	(21)	-	-
Proceeds from sale of controlled entities		173	-	-	2,947
Payments for investment in controlled entities		(220)	-	-	(923)
Payments for investment in associated entities		(46)	(5)	(19)	(5)
Payments for investments in minority interests		-	(835)	-	-
Net proceeds from sale of/(investment in) equity securities		(2,724)	(1,337)	-	-
Net proceeds from sale of/(investment in) debt securities		457	(514)	-	(448)
Net proceeds from sale of/(investment in) property investments		280	(3)	-	-
Net proceeds from sale of/(investment in) other investments		(107)	(16)	-	-
Capital transfers to controlled entities		-	-	-	(1,148)
Other investing items		256	105	-	-
<b>Net Cash Provided by/(Used in) Investing Activities</b>		<b>(1,936)</b>	<b>(2,626)</b>	<b>(19)</b>	<b>423</b>
<b>Cash flows from Financing Activities</b>					
Dividends paid		(172)	(159)	(172)	(159)
Proceeds from borrowings		2,312	1,817	-	198
Repayment of borrowings		(2,034)	(700)	-	(555)
<b>Net Cash Provided by/(Used in) Financing Activities</b>		<b>106</b>	<b>958</b>	<b>(172)</b>	<b>(516)</b>
<b>Net Increase/(Decrease) in Cash Held</b>					
Cash at beginning of the financial period		(318)	425	(29)	27
Cash at beginning of the financial period		1,859	330	35	8
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 period		56	(123)	-	-
<b>Cash at the End of the Financial Period</b>	<b>27</b>	<b>1,597</b>	<b>1,859</b>	<b>6</b>	<b>35</b>

The accompanying notes form part of this Financial Report.

# Notes

to the Financial Report for the 15 months ended 31 December 2001

## 1 | Summary of Significant Accounting Policies

### Financial reporting framework

The AXA Group comprises AXA Asia Pacific Holdings Limited (the Company) and its controlled entities. 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 Act 2001.

This financial report has been prepared in accordance with the market value convention for life insurance and health insurance business and on the historical cost convention for all other businesses, unless otherwise noted.

The preparation of this financial report in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates although it is not anticipated that such differences would be material.

Where necessary, comparative information has been reclassified to be consistent in disclosure with current period amounts and other disclosures.

Unless otherwise indicated, all amounts are shown in \$million and are expressed in Australian currency.

Accounting policies are selected and applied in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported. The significant accounting policies set out below, which are consistent with those of the previous financial period except as detailed below, have been adopted in the preparation and presentation of this financial report.

### Change in balance date

On 28 May 2001 the Company was granted an Order by the Australian Securities and Investments Commission approving a change in year end to 31 December (formerly 30 September). The effect of this Order is such that these financial statements have been prepared for the fifteen months ended 31 December 2001. Comparative information is for the twelve months to 30 September 2000.

### Changes in accounting policies and disclosures

#### Adoption of transitional provisions of AASB1038 "Life Insurance Business"

In the prior year the Company adopted the requirements of Accounting Standard AASB 1038 "Life Insurance Business" for the first time in the preparation of its financial report resulting in significant changes in the methods of accounting for life insurance business. However, the transitional provisions of AASB 1038 did not require the Company to comply with the provisions relating to the splitting of premiums and claims. In the current period, the transitional provisions have lapsed and life insurance premiums have been split between their revenue and deposit components. Similarly, expenses relating to life insurance policy payments and policy liabilities have been split between their expenses and withdrawal components. The details of the split are shown in Note 2.

This requirement applies to the Company for the first time in 2001. Previously the total amount of premiums received and receivable was recognised as revenue and the total amount of claims paid and payable was treated as expense. There is no effect on profit as a result of the change.

#### Revised AASB 1018 "Statement of Financial Performance" and AASB 1034 "Financial Report Presentation and Disclosure" and adoption of AASB 1040 "Statement of Financial Position"

Three accounting standards now cover the presentation of financial reports, collectively referred to as "the trilogy". The key changes to this financial report as a result of the implementation of the trilogy are as follows:

- Revenues, expenses and valuation adjustments recognised directly in equity have been disclosed on the face of the Statement of Financial Performance.
- The disclosure of abnormal items has been replaced by the disclosure of significant items in the notes to the financial statements.
- All expenses from ordinary activities have been classified by nature and the amount in each class has been disclosed.

Comparative information has been reclassified to be consistent in disclosure with the trilogy presentation requirements. The reclassification of comparative amounts has not resulted in a change to the aggregate amounts of assets, liabilities or equity or the net profit of the Company or economic entity as reported in the prior year financial report.

### Classification of assets and liabilities

The AXA Group operates predominantly in the financial services industry. As such, the assets and liabilities disclosed in the consolidated Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity.

### Accounting for life insurance business

The consolidated entity complies with Accounting Standard, AASB 1038 'Life Insurance Business' ("AASB 1038"). Under AASB 1038 the financial statements must include all assets, liabilities, revenues, expenses and equity, irrespective of whether they are designated as relating to shareholders or policyowners. Therefore the consolidated entity's financial statements include total (combined) statutory and shareholder's funds of any life insurance subsidiaries.

In addition, AASB 1038 requires the following Accounting Standards to be modified in respect of the group's life insurance business:

#### AASB 1008 Accounting for Leases

Consistent with the market value basis of accounting, investments in leases are classified as investments and valued at net market values.

#### AASB 1010 Accounting for the Revaluation of Non-Current Assets and AASB 1041 Revaluation of Non-Current Assets

Consistent with the market value basis of accounting, unrealised gains are recorded in the Statement of Financial Performance rather than credited to an asset revaluation reserve.

#### AASB 1012 Foreign Currency Translation

Consistent with the market value basis of accounting, the effect of movements in the exchange rates on the carrying amount of investments is included in their net market values, changes in which are recognised as part of investment revenue in the Statement of Financial Performance as they occur.

#### AASB 1013 Accounting for Goodwill

Consistent with the market value basis of accounting, goodwill does not arise.

## 1 | Summary of Significant Accounting Policies (continued)

### AASB 1016 Accounting for Investments in Associates

Consistent with the market value basis of accounting, investments in associates have been recognised at net market value.

### AASB 1020 Accounting for Income Tax (Tax-effect Accounting)

A reconciliation of prima facie tax payable on operating profit before income tax to income tax expense has not been prepared for life insurance businesses. The income tax payable by a life insurance company is not based upon traditional profit concepts and is not comparable to other industries. Accordingly any reconciliation of the income tax expense to the prima facie tax payable on the operating profit would not be meaningful. Note 3 provides an overview of the bases and calculation of the income tax expense for life insurance business.

### AASB 1021 Depreciation of Non-Current Assets

Consistent with a market value basis of accounting, property investments are not depreciated.

### AASB 1028 Accounting for Employee Entitlements

All liabilities of life insurers, including the current employee entitlements are required to be measured at net present value.

### **Principles of consolidation**

The consolidated financial report has been prepared so as to reflect the financial position of the AXA Group as a single economic entity. The consolidated financial report comprises the financial statements of AXA as the parent entity and the financial statements of all entities which AXA has the capacity to control. The financial statements of controlled life insurance entities, comprising policyholder funds and shareholder funds, are also included in the consolidated financial report and are consolidated on a line by line basis. The retained earnings and other reserves attributable to policyholders have been disclosed as part of life insurance policy liabilities in the consolidated Statement of Financial Position and profits attributable to policyholders have been disclosed as an operating expense (within "Changes in net policy liabilities and policyholder retained profit") in the consolidated Statement of Financial Performance. This recognises the separate entitlements of policyholders and shareholders in the life funds of controlled life insurance entities under life insurance legislation. Assets held in life funds are subject to the distribution and transfer restrictions and other requirements of the various life insurance regulators.

Life insurance entities carry investments in controlled entities at market value. On consolidation of the life insurance controlled entities in the AXA Group consolidated financial report, the investment in controlled entities is reclassified to reflect those entities' underlying assets and liabilities. Any excess in the valuation of these controlled entities over the recognised net assets is disclosed in the consolidated financial report as an investment entitled "Excess of market values over net assets of controlled entities". The recoverable amount of this asset is assessed regularly.

Where an entity either began or ceased to be controlled during the financial year, the results are included only from the date control commenced or up to the date control ceased.

Where accounting policies adopted by controlled entities differ from those of AXA, the financial reports of those controlled entities have been restated to ensure consistency with the policies adopted by AXA, unless the differences are required to comply with other accounting standards or regulations, or the differences are not considered material.

The balances and financial impact of transactions between controlled entities included in the consolidated financial report have been eliminated.

Outside equity interests in the equity and results of the entities that are controlled by the AXA Group are shown as a separate line item in the consolidated Statement of Financial Position and consolidated Statement of Financial Performance.

### **Premium revenue and claims expense**

Life insurance premium revenue comprises the revenue component of premium receipts from customers. Premium receipts of a deposit nature are recognised as a change in policy liabilities. Premiums for investment account and investment-linked business are recognised on a cash basis. Other premiums are recognised as income when due from policyholders, except that unpaid premiums are recognised only during the days of grace or where secured by the surrender value of the policy. Conversions inward are included within premium revenue.

Life insurance claims expense comprises the expense component of claims payments to customers. Claims payments of a deposit withdrawal nature are recognised as a change in policy liabilities. 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 policyowner 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.

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 on an accrual basis. 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.

### **Investment revenue**

Interest, dividends, distributions 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 businesses and health insurance business are recognised in the Statement of Financial Performance in the period in which they occur. Net realised gains and losses in respect of the assets of other business are recognised in the Statement of Financial Performance in the period in which they occur.

### **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 deferred tax asset and liability, as applicable.

For life insurance business, income tax expense is the amount that is expected to be assessed on the life insurer's 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.

# Notes

to the Financial Report for the 15 months ended 31 December 2001

## 1 | Summary of Significant Accounting Policies (continued)

The deferred tax liability includes a provision in relation to tax potentially payable should investment assets be realised at the reported amount in this financial report. The deferred tax liability and asset 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.

Deferred tax assets are not brought to account unless realisation is assured beyond reasonable doubt. Deferred tax assets relating to controlled entities with tax losses are only brought to account when their realisation is virtually certain.

Policyholder tax expense has been included as a separate line item in movement in policy liabilities.

### Financial instruments

The AXA Group is a financial institution which uses an extensive range of on and off balance sheet financial instruments. Each class of financial instrument listed below is transacted on a commercial basis to derive an interest yield or cost with terms and conditions having due regard to the nature of the transaction and the risks involved.

### Cash at bank and deposits on call

Cash at bank and deposits on call include currency notes, investments in cash management trusts and other short term money market deposits. They are brought to account at the face value of the outstanding balance. Interest is recognised in the Statement of Financial Performance when earned.

### Receivables

Receivables include insurance premiums billed but not yet collected and accrued investment income receivable. These assets are recorded at the cash value to be realised when settled, less any provisions for doubtful debts.

### Investments

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

Investments in associated entities held by life insurance entities are recorded at net market value with reference to the life insurance entity's 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.

Investments held by non-life and health insurance entities are shown at either cost or Directors' valuation. Any changes in the valuation of investments held by non-life and health 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 and health 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 Statement of Financial Position in the financial period in which the changes occur.

The net market values of investment assets reflect an allowance for estimated selling costs.

The investments of life insurance and health 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.

### 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

Other investments are recorded at net market value at balance.

### Operating assets

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

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 and are amortised over a period not exceeding three years. Software maintenance costs continue to be expensed as incurred.

# Notes

to the Financial Report for the 15 months ended 31 December 2001

## 1 | Summary of Significant Accounting Policies (continued)

### Intangibles

Intangible assets consist of goodwill. 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

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 cash flows 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".

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.

This asset does not require amortisation. Changes in the amount of this asset are included in the consolidated Statement of Financial Performance.

#### Effect of group restructuring

On 27 December 2001, The National Mutual Life Assurance Association of Australasia Limited ("NMLA") transferred its interests in National Mutual International Pty Limited (including its investment in AXA Life Insurance Singapore Pte Ltd), AXA China Region Limited, Detura Limited and NMMT Limited to the Company or other non life insurance subsidiaries.

Prior to the transfer, the excess of the market values of the investments in these entities over their net assets (the "excess") was recorded in the consolidated Statement of Financial Position as a separate asset in accordance with the requirements of AASB 1038 "Life Insurance Business". This separate excess asset did not require amortisation.

The financial impact of the above-noted transaction within the economic entity has been eliminated in accordance with the requirements of AASB 1024 "Consolidated Accounts" and the excess at the time of transfer continues to be recognised as excess in the consolidated Statement of Financial Position at balance date.

This excess will constitute a permanent consolidation adjustment, subject to ongoing recoverable value testing.

### Payables

Payables are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Payables are recorded at the cash values to be incurred when settled.

### Borrowings and subordinated debt

The carrying value of borrowings and subordinated debt represents the amount of outstanding principal. Interest is recognised in the Statement of Financial Performance on an accrual basis.

### Employee entitlements

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

### Life insurance policy liabilities

Policy liabilities in the Statement of Financial Position and the increase/(decrease) in policy liabilities in the Statement of Financial Performance have been calculated using the margin on services methodology in accordance with Actuarial Standard 1.02 "Valuation of Policy Liabilities" as issued by the Life Insurance Actuarial Standards Board. 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 policyowner.

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

Policyowner retained profits are amounts that have been allocated to participating policyowners generally but that have not vested in specific policyowner entitlements as at the reporting date. These amounts are included in 'Life insurance policy liabilities' in the Statement of Financial Position.

### 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.

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 Statement of Financial Performance as they occur. Exchange differences for controlled entities of non life insurance entities are transferred directly to the foreign currency translation reserve.

# Notes

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to the Financial Report for the 15 months ended 31 December 2001

## 1 | Summary of Significant Accounting Policies (continued)

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### **Contributed capital**

Ordinary share capital is recognised at the fair value of consideration received by the Company.

### **Earnings per share**

Basic earnings per share is determined by dividing operating profit from ordinary activities after tax attributable to shareholders by the weighted average number of shares outstanding during the financial period.

### **Fiduciary activities**

Certain of AXA's controlled entities act as trustees or managers for a number of wholesale, superannuation and investment funds, trusts and approved deposit funds. Further details are set out in note 32.

The assets and liabilities of these trusts and funds are not included in the consolidated financial report as AXA does not have direct or indirect control of the trusts and funds. Commissions and fees earned in respect of the activities are included in the Statement of Financial Performance of the AXA Group.

# Notes

for the 15 months ended 31 December 2001

## 2 | Operating Profit

\$ million	Consolidated		Company	
	15 months ended 31 Dec 2001	12 months ended 30 Sept 2000	15 months ended 31 Dec 2001	12 months ended 30 Sept 2000
<b>(a) Included in the operating profit are the following items of revenue and expense:</b>				
<b>Revenue</b>				
<b>Premium revenue</b>				
Life insurance premium revenue received and receivable	6,065	4,435	-	-
Less deposits recognised as an increase in life insurance policy liabilities	(3,354)	(2,388)	-	-
Life insurance premiums – recognised as revenue	2,711	2,047	-	-
Non life insurance premiums	1,092	771	-	-
<b>Total premium revenue</b>	<b>3,803</b>	<b>2,818</b>	<b>-</b>	<b>-</b>
<b>Fee and other revenue</b>				
Operating				
Management fees	79	80	-	-
Other operating income	12	83	2	1
Non-operating				
Profit on sale of other assets	-	149	-	399
Other non-operating revenue	163	276	-	49
<b>Total fee and other revenue</b>	<b>254</b>	<b>588</b>	<b>2</b>	<b>449</b>
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	(13)	(1)	-	-
<b>Premium, fee and other revenue</b>	<b>4,044</b>	<b>3,405</b>	<b>2</b>	<b>449</b>
<b>Investment revenue</b>				
Equity securities				
Dividends				
- Controlled entities	-	-	928	152
- Associated entities	6	6	-	-
- Other parties	76	111	-	-
Net realised and unrealised gains/(losses)	(510)	985	-	-
Unit trust distribution	319	63	-	-
Debt securities				
Interest income				
- Controlled entities	-	-	78	-
- Other related parties	1	1	-	-
- Other parties	1,161	875	1	-
Net realised and unrealised gains/(losses)	204	(14)	-	-
Unit trust distribution	11	4	-	-
Property				
Net property rental				
- Other parties	163	124	-	-
Net realised and unrealised gains/(losses)	127	30	-	-
Unit trust distribution	28	14	-	-
Other				
Net exchange gain/(loss) on foreign currency transactions	(308)	(173)	-	(36)
Net realised and unrealised gains/(losses)	(82)	88	-	-
<b>Investment revenue</b>	<b>1,196</b>	<b>2,113</b>	<b>1,007</b>	<b>116</b>
<b>Revenue from ordinary activities</b>	<b>5,240</b>	<b>5,518</b>	<b>1,009</b>	<b>565</b>

# Notes

for the 15 months ended 31 December 2001

## 2 | Operating Profit (continued)

\$ million	Consolidated		Company	
	15 months ended 31 Dec 2001	12 months ended 30 Sept 2000	15 months ended 31 Dec 2001	12 months ended 30 Sept 2000
<b>Expenses</b>				
<b>Claims expense</b>				
Life insurance claims expenses paid and payable	4,810	3,032	-	-
Outwards reinsurance expense	33	75	-	-
	<b>4,843</b>	<b>3,107</b>	-	-
Less withdrawals recognised as a reduction in life insurance policy liabilities	(3,406)	(2,046)	-	-
Life insurance claims recognised as expense	1,437	1,061	-	-
Non life insurance claims	832	609	-	-
<b>Claims expense</b>	<b>2,269</b>	<b>1,670</b>	-	-
<b>Other operating expenses</b>				
Salaries	294	287	-	-
Other employee costs	63	59	-	-
Other expenses	852	644	2	35
<b>Other operating expenses</b>	<b>1,209</b>	<b>990</b>	<b>2</b>	<b>35</b>
<b>Borrowing costs</b>				
Interest				
- Other related parties	98	54	-	-
- Other parties	66	107	22	37
<b>Borrowing costs</b>	<b>164</b>	<b>161</b>	<b>22</b>	<b>37</b>

### (b) Significant Items

AASB 1018 "Statement of Financial Performance" requires disclosure of the nature and amount of individually significant items where such disclosure is relevant in understanding the financial performance of an entity. The following items have been recognised in the Statement of Financial Performance for the period, net of tax:

Sale of Property Management business	50	-	-	-
Tax benefit arising from foreign exchange losses on crystallisation on repayment of debt	30	-	-	-
Tax benefit arising on liquidation of subsidiaries	23	-	-	-
Sale of NMHI NZ	7	-	-	-
Restatement of Members Equity Mortgage Servicing Rights	(6)	-	-	-
Writedown in the value of AXA Taiwan as a result of sale	(34)	-	-	-
Investment Bond provision	(24)	(7)	-	-
Restructuring provision	(18)	(37)	-	-
Losses on Enron Portfolio	(24)	-	-	-
Other provisions	-	(5)	-	-
Y2K and GST	-	(22)	-	-
Impact of Business Tax Reform	-	25	-	-
Profit - AXA China Region transfer	-	149	-	399
Receipt of special dividend from NMLA	-	-	708	-
Write-off of AC&L goodwill	-	(47)	-	(27)
<b>Total</b>	<b>4</b>	<b>56</b>	<b>708</b>	<b>372</b>

### (c) Specific expense disclosures

Included within expenses above are the following specific items:

Depreciation, amortisation or diminution in value of				
Operating assets	27	22	-	-
Leased assets	5	1	-	-
Goodwill	2	25	-	-
Transfers to provisions				
Employee entitlements	66	51	-	-
Other provisions	59	9	-	-
Operating lease rental expense	49	53	-	-
Contribution to superannuation plans	13	7	-	-
Charge for bad debts and doubtful debts				
- Other related parties	(9)	4	-	-
- Other parties	(1)	4	-	-
Loss on disposal of operating assets	-	(22)	-	-

# Notes

for the 15 months ended 31 December 2001

## 3 | Income Tax

\$ million	Consolidated		Company	
	15 months ended 31 Dec 2001	12 months ended 30 Sept 2000	15 months ended 31 Dec 2001	12 months ended 30 Sept 2000
Operating profit before income tax	321	363	985	493
Less: Operating profit attributable to life insurance entities	(18)	(49)	–	–
<b>Operating profit attributable to non life insurance entities</b>	<b>303</b>	<b>314</b>	<b>985</b>	<b>493</b>
Prima facie tax thereon at 30% (2000:36%)	91	113	296	177
<b>Tax effect of permanent differences</b>				
Reduction in tax payable from:				
- Non assessable income	–	(95)	–	(143)
- Rebatable/Exempt Dividends	–	–	(287)	(55)
- Amounts under/(over) provided in prior years	1	(1)	2	(1)
Increase in tax payable from:				
- Other non deductible items	1	25	6	22
- Other	12	(5)	–	–
Effect on deferred tax assets and deferred tax liability due to changes in tax rate and method of calculating capital gains tax	–	–	1	–
Net deferred tax asset/deferred tax liability from prior period not previously recognised	–	–	–	1
<b>Total income tax expense/(benefit) attributable to non life insurance operating profit</b>	<b>105</b>	<b>37</b>	<b>18</b>	<b>1</b>
Income tax expense/(benefit) attributable to life insurance entities <sup>1</sup>	(214)	(87)	–	–
<b>Total income tax expense/(benefit) attributable to operating profit</b>	<b>(109)</b>	<b>(50)</b>	<b>18</b>	<b>1</b>

- <sup>1</sup> The significant tax credit arising in relation to life insurance activities is a result of:
- the discounted tax rate and various tax concessions offered to life insurance operations in Hong Kong
  - the transitional provisions applying to life companies until July 2005 mean that one third of NMLA's income (referable to pre 30 June policies) is not subject to tax
  - receipt of exempt dividends
  - certain one-off tax benefit items detailed in note 2(b).

### Life Insurance Entities

The income tax expense of the Economic Entity's life insurance businesses was based on 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:

	2001* %	2000 %
Australia		
Superannuation Business (via establishment of a virtual PST)	15%	15%
Immediate Annuity and Current Pension Business (via segregation as Segregated Exempt Assets)	0%	0%
Ordinary Business (including Shareholders' Fund) (see note below)	30%	36%
New Zealand	33%	33%
Taiwan	25%	25%
Hong Kong	16%	16%
Singapore	26%	26%

\* During the period the Company was granted leave to adopt a substituted accounting period for taxation purposes. The tax rate applicable for the 2001 tax year of income (1 October 2000 to 31 December 2000) was 34%. The tax rate applicable for the 2002 tax year of income (1 January 2001 to 31 December 2001) was 30%.

# Notes

for the 15 months ended 31 December 2001

## 4 | Dividends Provided for or Paid

\$ million	Company	
	15 months ended 31 Dec 2001	12 months ended 30 Sept 2000
Dividends provided or paid by the Company are as follows:		
Interim dividend of 4.75 cents (2000 - 4.5 cents) paid on 24 July 2001 as follows:		
Unfranked (2000 - franked to 60% at 34%)	84	79
A final dividend of 7.5c per share has been declared (2000 - 5 cents) to be paid on 5 April 2002.		
Fully franked at 30% (2000 - franked to 30% at 34%)	132	88
<b>Total dividends provided for or paid</b>	<b>216</b>	<b>167</b>

### Dividend Franking Account

Franking credits available for subsequent financial years	2	-
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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	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
Sundry receivables	352	288	49	32
Less provision for doubtful debts	(9)	(9)	-	-
	<b>343</b>	<b>279</b>	<b>49</b>	<b>32</b>
Outstanding premiums	169	175	-	-
Investment income accrued and receivable				
- Controlled entities	-	-	1	51
- Other parties	164	163	-	-
Reinsurance claims receivable	8	14	-	-
Other receivables	-	28	-	-
Amounts due from				
- Controlled entities	-	-	-	-
- Other related parties	1	4	-	-
- Other parties	17	28	-	2
Goods and Services Tax recoverable	6	3	1	-
	<b>365</b>	<b>415</b>	<b>2</b>	<b>53</b>
<b>Total Receivables</b>	<b>708</b>	<b>694</b>	<b>51</b>	<b>85</b>

# Notes

as at 31 December 2001

## 6 | Investment Assets

\$ million	Consolidated		Company	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
<b>Equity securities, at valuation</b>				
Equities held directly	6,764	5,096	-	-
Equities in				
- Associated entities	180	156	36	17
- Other related parties	-	69	-	-
Held via unit trusts	2,089	1,696	-	-
	<b>9,033</b>	<b>7,017</b>	<b>36</b>	<b>17</b>
<b>Debt securities, at valuation</b>				
Interest bearing securities				
- National government	2,384	2,588	-	-
- Other public sector	742	977	-	-
- Private sector (unsecured)	7,490	7,095	-	-
- Private sector (secured)	34	129	-	-
- Other	223	131	-	-
Loans to				
- Controlled entities (unsecured)	-	-	2,662	681
- Other related parties (unsecured)	9	48	-	-
- Other parties (unsecured)	270	35	-	-
- Other parties (secured)	1,067	1,464	-	-
Held via unit trusts	79	178	-	-
	<b>12,298</b>	<b>12,645</b>	<b>2,662</b>	<b>681</b>
<b>Property investments, at valuation</b>				
Freehold and leasehold properties	1,915	2,244	-	-
Held via unit trusts	602	394	-	-
	<b>2,517</b>	<b>2,638</b>	<b>-</b>	<b>-</b>
<b>Other, at valuation</b>				
Other investments	122	236	-	-
Partnership and joint ventures	178	154	-	-
Held via unit trusts	58	26	-	-
	<b>358</b>	<b>416</b>	<b>-</b>	<b>-</b>
<b>Investments in controlled entities, at cost/recoverable amount</b>				
Australian Casualty & Life Limited (at recoverable amount)	-	-	94	94
National Mutual Funds Management (Global) Limited	-	-	25	25
National Mutual Funds Management (International) Limited	-	-	30	30
National Mutual Funds Management Limited	-	-	41	-
AXA Asia Pacific Finance Limited (formerly National Mutual Group Finance Limited)	-	-	21	21
National Mutual Health Insurance Limited	-	-	144	144
National Mutual International Pty Ltd <sup>1</sup>	-	-	183	-
The National Mutual Life Association of Australasia Limited <sup>2</sup>	-	-	828	1,028
	-	-	<b>1,366</b>	<b>1,342</b>
<b>Total Investment Assets</b>	<b>24,206</b>	<b>22,716</b>	<b>4,064</b>	<b>2,040</b>

1 The cost of the Company's investment in National Mutual International Pty Ltd is the value at which it was transferred from the National Mutual Life Association of Australasia Limited (refer note 1).

2 The investment in National Mutual Life Association of Australasia Limited is reduced by the amount of capital returned to the Company (refer note 25c).

# Notes

as at 31 December 2001

## 7 | Operating Assets

\$ million	Consolidated		Company	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
Plant and equipment - at cost	199	283	-	-
Accumulated depreciation	(94)	(144)	-	-
	<b>105</b>	<b>139</b>	-	-
Plant and equipment under finance leases - at cost	-	4	-	-
Accumulated amortisation	-	(2)	-	-
	-	2	-	-
<b>Total Operating Assets</b>	<b>105</b>	<b>141</b>	-	-

## 8 | Intangibles

\$ million	Consolidated		Company	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
Goodwill - at cost	22	22	-	-
Accumulated amortisation	(9)	(7)	-	-
	<b>13</b>	<b>15</b>	-	-
<b>Total Intangibles</b>	<b>13</b>	<b>15</b>	-	-

## 9 | Excess of Net Market Value Over Net Assets of Controlled Entities

\$ million	Consolidated		Company	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
AXA China Region Limited <sup>1</sup>	1,140	1,117	-	-
National Mutual International, including AXA Life Insurance Singapore Pte Ltd <sup>1</sup>	64	59	-	-
Didus Pty Ltd	1	13	-	-
Enemelay Investments Pty Limited	1	-	-	-
National Mutual Assets Management NZ Limited	-	1	-	-
S G Holdings Ltd <sup>2</sup>	184	-	-	-
S G Australia Holdings Ltd <sup>2</sup>	49	-	-	-
National Mutual Corporate Superannuation Services Ltd	-	3	-	-
Neuville Company Inc.	-	4	-	-
National Mutual Life Nominees	-	16	-	-
NMMT Limited <sup>1</sup>	37	26	-	-
NM Rural Enterprises Pty Limited	5	8	-	-
National Payroll Systems Pty Ltd.	2	2	-	-
Silverton Ltd	-	17	-	-
<b>Excess of Net Market Value over Net Assets of Controlled Entities</b>	<b>1,483</b>	<b>1,266</b>	-	-

<sup>1</sup> On 27 December 2001, The National Mutual Life Association of Australasia Limited transferred its interests in National Mutual International Limited (incorporating AXA Life Singapore), AXA China Region Limited and NMMT Limited to the company or other non life insurance subsidiaries.

Prior to the transfer, the excess of the market values of the investments in the transferred entities over the net assets of those entities ("excess") was recorded in the consolidated statement of financial position as a separate asset in accordance with AASB 1038 "Life Insurance Business".

This separate excess asset did not require amortisation.

In accordance with the requirements of AASB 1024 "Consolidated Accounts" to eliminate the financial impact of transactions within the economic entity, the excess at the time of transfer continues to be recorded in the consolidated statement of financial position.

This excess will constitute a permanent consolidation adjustment, subject to impairment testing.

<sup>2</sup> This excess was created on acquisition of the Sterling Grace group on 31 October 2001.

# Notes

as at 31 December 2001

## 10 | Other Assets

\$ million	Consolidated		Company	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
Prepayments	22	19	–	–
Inventories	3	50	–	–
Hedge receivable	102	64	102	61
Other assets	60	16	2	1
<b>Total Other Assets</b>	<b>187</b>	<b>149</b>	<b>104</b>	<b>62</b>

## 11 | Payables

\$ million	Consolidated		Company	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
Sundry payables	511	559	2	–
Operational debt of controlled funds	256	–	–	–
Outstanding claims - life insurance	249	201	–	–
Outstanding claims - non life insurance	134	130	–	–
Hedge payable	149	108	149	108
<b>Total Payables</b>	<b>1,299</b>	<b>998</b>	<b>151</b>	<b>108</b>

## 12 | Borrowings

\$ million	Consolidated		Company	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
<b>Unsecured</b>				
Deposits	213	116	42	45
Loans from				
- Controlled entities	–	–	1,266	100
- Controlling entity	1,038	1,579	–	–
- Other related parties	–	44	–	–
- Associated entities	–	18	–	–
- Other parties	–	10	–	–
Other borrowings	–	8	–	–
	<b>1,251</b>	<b>1,775</b>	<b>1,308</b>	<b>145</b>
<b>Secured</b>				
Bank loans <sup>1</sup>	–	28	–	–
Deposits <sup>2</sup>	–	67	–	–
Finance lease liabilities <sup>3</sup>	–	2	–	–
Other borrowings <sup>4</sup>	–	6	–	–
	–	<b>103</b>	–	–
<b>Total Borrowings</b>	<b>1,251</b>	<b>1,878</b>	<b>1,308</b>	<b>145</b>

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

# Notes

as at 31 December 2001

## 13 | Provisions

\$ million	Consolidated		Company	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
Dividends	132	88	132	88
Employee entitlements	66	59	–	1
Other provisions	102	26	2	–
<b>Total Provisions</b>	<b>300</b>	<b>173</b>	<b>134</b>	<b>89</b>

### 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	55	51	–	1
Non-current - includes long service leave	11	8	–	–
<b>Total Employee Entitlements</b>	<b>66</b>	<b>59</b>	<b>–</b>	<b>1</b>

<b>Number of employees at end of financial year</b>	<b>3,944</b>	<b>4,542</b>	<b>–</b>	<b>–</b>
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## 14 | Other Liabilities

\$ million	Consolidated		Company	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
Premiums in advance	102	109	–	–
Unearned premium reserve	13	15	–	–
Accrued management expenses	18	5	–	–
Commissions payable	59	47	–	–
Other liabilities	82	97	–	–
<b>Total Other Liabilities</b>	<b>274</b>	<b>273</b>	<b>–</b>	<b>–</b>

## 15 | Subordinated Debt

\$ million	Consolidated		Company	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
Subordinated debt	280	286	–	–
Non-cumulative Redeemable Preference Share Issue	904	–	–	–
<b>Total Subordinated Debt</b>	<b>1,184</b>	<b>286</b>	<b>–</b>	<b>–</b>

2001 - Subordinated debt provided by AXA SA of \$280 million

- On the 14th of August 2001, AXA China Region converted 26.45% of its ordinary capital, 100% owned by NMLA, to Non-Convertible Redeemable Preference Shares (NCRPS). NMLA then sold its holding of NCRPS to the ultimate parent entity, AXA SA, for US\$462,660,155. AXA APH separately provided AXA SA with a subordinated put option, guaranteeing the capital value and dividend stream of the NCRPS.

2000 - Approved subordinated debt with the ANZ Bank of \$283 million. Repayment of the principal was made at the term of the loan on 27 September 2001.

Other subordinated debt represented a debt incurred by Varnsdorf Pty. Ltd. in connection with its investment activities. Varnsdorf Pty. Ltd. was sold during the period ending 31 December 2001.

# Notes

as at 31 December 2001

## 16 | Policy Liability and Life Insurance Business

\$ million	Consolidated		Company	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
<b>(a) Policy Liabilities</b>				
<b>Movements in Policy Liabilities</b>				
Gross Policy Liabilities and policyowner retained profits	20,590	19,755	-	-
Reinsured policy liabilities				
- Gross policy liabilities ceded	158	131	-	-
<b>Net Policy Liabilities and policyowner retained profits at end of year</b>	<b>20,432</b>	<b>19,624</b>	<b>-</b>	<b>-</b>
Net policy liabilities and policyowner retained profits at the end of the previous period	19,624	16,716	-	-
<b>Net change in policy liabilities</b>	<b>808</b>	<b>2,908</b>	<b>-</b>	<b>-</b>
Net change in policy liabilities as above	808	2,908	-	-
Gross policy liabilities ceded upon entering into reinsurance arrangements for various business insurance (risk and permanent) policies	-	(359)	-	-
Premiums recognised as an increase in policy liabilities	(3,354)	(2,388)	-	-
Claims recognised as a decrease in policy liabilities	3,406	2,046	-	-
Terminal bonus paid in the current period	193	138	-	-
Policyholder tax	95	275	-	-
Exchange adjustment	(329)	(614)	-	-
<b>Change in net policy liabilities and policyowner retained profits</b>	<b>819</b>	<b>2,006</b>	<b>-</b>	<b>-</b>
<b>Components of Policy Liabilities</b>				
<b>Value of policy liabilities - projection method <sup>1</sup></b>				
Best Estimate Liability				
- Value of future policy benefits <sup>2</sup>	29,753	26,132	-	-
- Value of future expenses	2,941	2,634	-	-
- Value of future premiums	(20,809)	(18,348)	-	-
<b>Total Best Estimate Liability</b>	<b>11,885</b>	<b>10,418</b>	<b>-</b>	<b>-</b>
Value of Future Profits <sup>1</sup>				
- Policyowner bonuses <sup>3</sup>	4,309	4,728	-	-
- Shareholder profit margins	2,411	2,653	-	-
<b>Total Value of Future Profits</b>	<b>6,720</b>	<b>7,381</b>	<b>-</b>	<b>-</b>
<b>Value of policy liabilities - accumulation method</b>				
Best Estimate Liability				
- Value of future policy benefits <sup>2</sup>	1,196	1,220	-	-
- Value of future charges for acquisition expenses	(1)	(4)	-	-
<b>Total Best Estimate Liability</b>	<b>1,195</b>	<b>1,216</b>	<b>-</b>	<b>-</b>
Policyowner retained profit	423	396	-	-
Total value of declared bonus <sup>4</sup>	209	213	-	-
<b>Net Policy Liabilities and Policyowner retained profits</b>	<b>20,432</b>	<b>19,624</b>	<b>-</b>	<b>-</b>
<b>Policy liabilities subject to capital guarantees</b>	<b>9,347</b>	<b>12,767</b>	<b>-</b>	<b>-</b>

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 policyowners 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.

# Notes

to the Financial Report for the 15 months ended 31 December 2001

## 16 | Policy Liability and Life Insurance Business (continued)

### (b) Actuarial Methods and Assumptions

#### Policy Liabilities

The effective date of the actuarial report on policy liabilities and solvency reserves is 31 December 2001. The actuarial report was prepared by Mr Kent Griffin, FIAA. The actuarial report indicates that Mr Griffin is satisfied as to the accuracy of the data upon which policy liabilities have been determined.

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 are:

Policy Type	Method	Profit Carrier
<b>Individual</b>		
Traditional participating	Projection (Australia, NZ, Hong Kong)	Bonuses
Traditional non-participating	Projection (Australia, NZ, Hong Kong)	Claim payments
Investment-linked	Projection (Australia, NZ)	Investment earnings
	Projection (Hong Kong)	Asset Charges
	Accumulation (Hong Kong)	Not applicable
Lump sum and income stream risk	Projection (Australia, NZ, Hong Kong)	Claim payments
Life annuities	Projection (Australia, NZ)	Annuity payments
Term certain annuities	Projection (Australia, NZ)	Investment earnings
<b>Group</b>		
Investment account	Projection (small plans – Australia, NZ)	Investment earnings
	Accumulation (large plans – Australia, NZ)	Not applicable
Investment-linked	Accumulation (large plans – Australia, NZ, Hong Kong)	Not applicable
	Projection (small plans – Australia, NZ, Hong Kong)	Servicing charges
Capital guaranteed (DA / MPF)	Projection (Hong Kong)	Interest credited / Asset Charges
Lump sum and income stream risk	Accumulation (Australia, NZ)	Not applicable
	Unearned Premium (Hong Kong)	Not applicable

#### Actuarial Assumptions

The following sets out the key assumptions used in the calculation of policy liabilities and any material changes over the year. These relate to Australia, New Zealand and Hong Kong. Consistent principles and assumptions are used in Taiwan and Singapore.

Assumption	Basis of Assumption	Changes
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.	The year 2000 values were:
	Ordinary business: 4.8% - 11.0% (before tax, Australia)	6.5% - 11.0%
	5.5% - 11.0% (before tax, NZ)	7.0% - 9.5%
	Superannuation: 4.0% - 9.7% (after tax, Australia)	5.5% - 10.8%
	Long Term Fund: 7.0% - 8.2% (before tax, Hong Kong)	7.5% - 9%
Retirement Fund: 6.3% - 8.1% (before tax, Hong Kong)	8.1%	
Unit prices	For investment-linked business, the assumed future rates of growth of unit prices are the discount rates less appropriate management fees.	No change in methodology
Inflation	Allowance for future inflation is assumed at the levels consistent with long term expectations (2.5% Australia, NZ, 3% Hong Kong).	No change for Australia, 1% increase for NZ, 1% decrease for Hong Kong.
Future participating benefits	Bonus and crediting rates are those supported by the policy liabilities and projected cash flows, allowing for future allocations to shareholders, relevant policy conditions and the provisions for Memorandum of Demutualisation	The year 2000 values were:
	Typical supportable bonus rates on major product lines are:	No change
	Australia: 1.3% reversionary bonus on sum insured	No change
	2.6% reversionary bonus on existing bonus	3.8% - 5.4%
	4.4% - 6.1% crediting rate	No change
	NZ: 1.6% reversionary bonus on sum insured	No change
	2.9% reversionary bonus on existing bonus	No change
	4.6% - 5.0% crediting rate	3.8%
	Hong Kong: 6% - 7% supportable dividend interest rate	6.5% - 8%
	6% - 7% crediting rate	6.5% - 8%

# Notes

to the Financial Report for the 15 months ended 31 December 2001

## 16 | Policy Liability and Life Insurance Business (continued)

Assumption	Basis of Assumption	Changes																																																
Future expenses	<p>Future maintenance expenses are based on expense levels experienced in the current year, excluding "one off" expenses, with allowance for future inflation.</p> <p>Future investment expenses have been assumed to be at the same percentage of assets under management as currently applies.</p>	No change																																																
Taxation	Rates of taxation in the future have been assumed to remain at current levels, except where future changes to tax rates have been legislated.	No change																																																
Mortality – individual insurance products	<p>Rates vary by sex, age, product type and smoker status. Rates are expressed as a proportion of standard mortality tables adjusted for recent company experience.</p> <p>Australia: 80% - 90% of IA90-92            NZ: 80% - 105% of IA90-92            Hong Kong: 90% - 100% of SMK99/NSMK99 (smart term &amp; linked)            90% - 100% of ACR97 (other products)</p> <p>The tables in Hong Kong are derived from the company's recent experience.</p>	No change																																																
Mortality – annuitants	<p>Rates are adjusted for mortality improvement prior to and after the valuation date.</p> <p>Australia: 80% of IM/IF80            NZ: 90% of PMA80, 10% of PFA80            Hong Kong: Not applicable</p>	No change																																																
Disability lump sum	<p>Australia and NZ: claim rates are expressed as a proportion of pricing assumptions, based on the Company's recent experience (65% Australia; 75% NZ).</p> <p>Hong Kong: loss ratio of claims to premium income, currently 40%.</p>	<p>Australia: claim rates decreased from 70% to 65% of pricing table</p> <p>Hong Kong: loss ratio increased from 35% to 40%</p>																																																
Morbidity – trauma lump sum	<p>Australia and NZ: claim rates are expressed as a proportion of pricing assumptions, based on the Company's recent experience (55% - 90% Australia; 90% - 130% NZ).</p> <p>Hong Kong: claim incidence rates based on a reinsurer's table and company's recent experience, currently 75%.</p>	<p>Australia: no change            NZ: increase in male assumption from 80% to 90%</p> <p>Hong Kong: no change</p>																																																
Morbidity – disability income	<p>Australia and NZ: Rates vary by sex, age, product type, smoker status, occupation class and waiting period. The assumed rates of claim incidence and termination are based on the Company's recent experience and are expressed as proportions of IAD89-93.</p> <p>Australia: 61% - 107% (incidence), 55% - 100% (termination)            NZ: 70% (incidence), 72% - 100% (termination)            Hong Kong: 12% (loss ratio)</p>	<p>In general, incidence and termination rates have been strengthened.            Year 2000 incidence / termination            70% - 100% / 60% - 100%            70% / 75%            No change</p>																																																
Surrender values	Surrender values are based on the provisions specified in policy contracts and include a recovery of policy establishment and maintenance costs. Surrender values assumed are those current at the reporting date.	No change																																																
Discontinuance	<p>Discontinuance rates are based on recent company's experience and vary by country, product and duration in force. Allowance is made for cash withdrawals, paid-ups and non-payment of contractual premiums.</p> <p>Future rates of discontinuance for major classes of business are assumed in aggregate to be:</p>	No significant change.																																																
		The year 2000 values were:																																																
	<table border="1"> <thead> <tr> <th></th> <th>Australia</th> <th>NZ</th> <th>Hong Kong</th> </tr> </thead> <tbody> <tr> <td>Term life insurance</td> <td>9%</td> <td>8%</td> <td>15%</td> </tr> <tr> <td>Disability income insurance</td> <td>14%</td> <td>12%</td> <td>15%</td> </tr> <tr> <td>Regular premium investment</td> <td>7%</td> <td>13%</td> <td>10%</td> </tr> <tr> <td>Single premium investment</td> <td>16%</td> <td>20%</td> <td>5%</td> </tr> <tr> <td>Conventional business</td> <td>6%</td> <td>5%</td> <td>7%</td> </tr> </tbody> </table>		Australia	NZ	Hong Kong	Term life insurance	9%	8%	15%	Disability income insurance	14%	12%	15%	Regular premium investment	7%	13%	10%	Single premium investment	16%	20%	5%	Conventional business	6%	5%	7%	<table border="1"> <thead> <tr> <th></th> <th>Australia</th> <th>NZ</th> <th>Hong Kong</th> </tr> </thead> <tbody> <tr> <td></td> <td>9%</td> <td>7%</td> <td>15%</td> </tr> <tr> <td></td> <td>14%</td> <td>12%</td> <td>15%</td> </tr> <tr> <td></td> <td>7%</td> <td>10%</td> <td>10%</td> </tr> <tr> <td></td> <td>19%</td> <td>20%</td> <td>Not applicable</td> </tr> <tr> <td></td> <td>6%</td> <td>5%</td> <td>7%</td> </tr> </tbody> </table>		Australia	NZ	Hong Kong		9%	7%	15%		14%	12%	15%		7%	10%	10%		19%	20%	Not applicable		6%	5%	7%
	Australia	NZ	Hong Kong																																															
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	6%	5%	7%																																															

# Notes

as at 31 December 2001

## 16 | Policy Liability and Life Insurance Business (continued)

### (c) Details of the solvency position of each life insurer in the AXA Asia Pacific Holdings Group

\$ million	NMLA	AC&L	AXA China Region	AXA Life Singapore
<b>At December 2001</b>				
Solvency Reserve	1,127	6	1,481	38
Assets available for solvency	1,754	24	2,896	65
<b>Coverage of solvency reserve (times)</b>	<b>1.6</b>	<b>3.7</b>	<b>2.0</b>	<b>1.7</b>
<b>At 30 September 2000</b>				
Solvency Reserve	701	13	1,439	37
Assets available for solvency	1,855	36	3,107	57
<b>Coverage of solvency reserve (times)</b>	<b>2.6</b>	<b>2.8</b>	<b>2.2</b>	<b>1.5</b>

#### Australian life insurers

Under the Life Insurance Act 1995 ('the Act'), life insurers are required to hold reserves in excess of the amount of policy liabilities. These additional reserves are necessary to support the life insurer's capital requirements under its business plan to provide a cushion against adverse experience in managing long-term risks.

The Life Insurance Actuarial Standards Board has issued Actuarial Standard 2.02 'Solvency Standard' for determining the level of solvency reserves. This 'Solvency Standard' prescribes a minimum capital requirement for each statutory fund and the minimum level of assets required to be held in each statutory fund.

The summarised information provided above has been extracted from the financial report prepared by each life insurer for the purpose of fulfilling reporting requirements prescribed by local Acts and prevailing prudential rules. For detailed solvency information on a statutory fund basis, users should refer to the financial report prepared by each life insurer.

#### Non-Australian life insurers

Each of the non-Australian life insurers shown above are required to hold reserves in excess of the amount of policy liabilities. The summarised information provided above has been prepared by each life insurer in accordance with local solvency requirements, as prescribed by local Acts and prevailing local prudential rules.

### (d) Disaggregated information - Australasian Life Insurance Businesses

AXA's Australasian life insurance operations are conducted through NMLA and AC&L.

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 NMLA 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.

### (e) 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	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
Issued share capital				
1,762,433,891 ordinary shares (2000: 1,762,433,891)	1,186	1,186	1,186	1,186
<b>Total Contributed Capital</b>	<b>1,186</b>	<b>1,186</b>	<b>1,186</b>	<b>1,186</b>

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

# Notes

as at 31 December 2001

## 18 | Reserves

\$ million	Consolidated		Company	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
<b>Asset Revaluation Reserve</b>				
Balance at beginning of the period	15	2,687	–	3,162
Adjustment due to adoption of AASB 1038	–	(2,159)	–	–
Adjustment due to adoption of AASB 1041	–	(528)	–	(3,162)
Increase/(decrease) on revaluation of investments	–	15	–	–
<b>Balance at end of the period</b>	<b>15</b>	<b>15</b>	<b>–</b>	<b>–</b>
<b>Shareholder Retained Profits</b>				
Balance at beginning of the period	1,636	482	696	371
Profit for the period	395	374	967	492
Adjustment to opening retained profits following adoption of AASB 1038	–	947	–	–
Dividends provided or paid	(216)	(167)	(216)	(167)
<b>Balance at end of the period</b>	<b>1,815</b>	<b>1,636</b>	<b>1,447</b>	<b>696</b>

## 19 | Outside Equity Interests

\$ million	Consolidated	
	As at 31 Dec 2001	As at 30 Sept 2000
Share capital	342	342
Reserves	(2)	(2)
Retained profits	33	(16)
<b>Outside Equity Interests</b>	<b>373</b>	<b>324</b>

# Notes

as at 31 December 2001

## 20 | Commitments

\$ million	Consolidated		Company	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
<b>(a) Lease Expenditure Commitments</b>				
<b>Operating Leases</b>				
No later than one year	35	39	-	-
Later than one year and not later than five years	94	74	-	-
Later than five years	3	26	-	-
<b>Future Lease Payments</b>	<b>132</b>	<b>139</b>	<b>-</b>	<b>-</b>
Operating leases predominantly comprises of leases of properties.				
A provision of \$8m (2000: \$5m) has been raised for surplus leased space. Property leases have been disclosed at current market values, however, they are subject to periodic review.				
The total future minimum lease payments expected to be received for non-cancellable sub-leases is \$18m (2000: \$13m)				
<b>Finance Leases</b>				
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	-	-	-	-
<b>Finance Lease Payable</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>
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	-	-
	<b>-</b>	<b>7</b>	<b>-</b>	<b>-</b>
<b>(b) Capital Expenditure Commitments</b>				
Estimated aggregate amount of contracts for capital expenditure not provided for:				
Computer and data facilities				
No later than one year	1	4	-	-
Later than one year and not later than five years	-	2	-	-
Later than five years	-	3	-	-
Freehold and leasehold properties				
No later than one year	3	24	-	-
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
Plant and equipment				
Other	-	-	-	-
No later than one year	2	6	-	-
Later than one year and not later than five years	2	-	-	-
Later than five years	-	-	-	-
<b>Total Capital Expenditure Commitments</b>	<b>8</b>	<b>39</b>	<b>-</b>	<b>-</b>
Economic Entity's share of Associates' capital expenditure commitments:				
No later than one year	18	3	-	-
Later than one year and not later than five years	5	-	-	-
Later than five years	-	-	-	-
	<b>23</b>	<b>3</b>	<b>-</b>	<b>-</b>

# Notes

as at 31 December 2001

## 20 | Commitments (continued)

\$ million	Consolidated		Company	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
<b>(c) Other Commitments</b>				
No later than one year	92	138	–	–
Later than one year and not later than five years	–	–	–	–
Later than five years	–	–	–	–
<b>Total Other Commitments</b>	<b>92</b>	<b>138</b>	<b>–</b>	<b>–</b>
Comprises:				
Loan to Subsidiary	–	–	–	–
Investment in AXA China Asia No.1 Fund	–	23	–	–
Investment in TMT Ventures	3	–	–	–
Futures contracts	73	86	–	–
Undrawn Loan commitments	16	29	–	–
	<b>92</b>	<b>138</b>	<b>–</b>	<b>–</b>

## 21 | Contingent Liabilities

\$ million	Consolidated		Company	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
Contingent liabilities for which no specific provision was made in the financial report at balance date are estimated to be:				
Underwriting and sub-underwriting agreements	–	3	–	–
Litigation	11	9	–	–
Guarantees <sup>1</sup>	1,753	1,505	8	–
Other <sup>2</sup>	20	20	904	–
<b>Total Contingent Liabilities</b>	<b>1,784</b>	<b>1,537</b>	<b>912</b>	<b>–</b>

1 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 \$1,547m (2000: \$1,290m). Sufficient assets exist within these unit trusts to satisfy these guarantees.

1 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 \$192m (2000: \$215m). Sufficient assets exist within these unit trusts to satisfy these guarantees.

2 As a result of an 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.

The Company has a contingent liability to the ultimate parent entity, AXA SA, in relation to a subordinated put option provided to AXA SA by the Company. The put option is a condition of sale of 574,804,516 Non Convertible Redeemable Preference Shares ("NCRPS"), in AXA China Region, by NMLA, which allows AXA SA to put the NCRPS to the Company for the exercise price of USD\$0.8049 per share (USD\$463 million in total) plus accrued dividends on any date after 14 August 2011. The Company's liability under the put option is limited, under the terms of issue, to the exercise price, subordinated to the extent that the payment does not cause the Company to be insolvent. This contingent liability eliminates on consolidation due to the full amount of the NCRPS liability being included in the consolidated statement of financial position.

In the prior year the Directors noted a contingent liability in relation to a claim for compensation by Friends Provident Life Office (FPLO) in the United Kingdom relating to the sale by NMLA of its former UK business FPLO. Agreement terms for the settlement of this claim were reached in January 2002, with no material impact on the financial position of the economic entity.

# Notes

for the 15 months ended 31 December 2001

## 22 | Superannuation Commitments

The economic entity 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. There was a recent actuarial valuation conducted for AXA New Zealand Superannuation Scheme at 30/09/2001 rolled forward to 31/12/2001 (previous valuation was at 1/10/98).

In Australia there is the AXA Australia Staff Superannuation Plan (following last year consolidation of superannuation arrangements and transfer of assets and liabilities of the Australian Casualty & Life Staff Superannuation Plan and National Mutual Health Insurance Superannuation Plan into 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	Accrued benefits at last valuation A\$m	Gross Market Value of Assets A\$m **	Vested Benefits A\$m
AXA Australia Staff Superannuation Plan*	Defined Benefit Lump Sum/Pension Scheme, providing benefits on resignation, retirement, disability, death or other termination.	30/06/1999	277.0	299.7	293.4
AXA New Zealand Superannuation Scheme	As above	31/12/2001	55.9	79.1	59.7

\* Select Super, an accumulation type of benefit has started in April 2001 for new members.

\*\* 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 2001. For the AXA New Zealand Superannuation Scheme this was 31 December 2001.

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

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 30 September 2001 rolled forward to 31 December 2001.

The difference between the accrued benefits and net market value of plan assets has not been recognised in the financial report of the economic entity.

The economic entity also participates in the FINSUPER Industry Superannuation plan. In accordance with the negotiated Enterprise Bargaining Agreement AXA contributes 3% of salary in respect of permanent employees in Australia with salaries less than \$50,000 (alternatively this contribution may be made to the AXA Australia Staff Superannuation Plan). This plan operates on an accumulation basis and provides lump sum benefits for members on resignation, retirement, death, disablement or an income benefit for temporary disablement.

Other Superannuation commitments in the Group are:

### AXA China Region Limited

The AXA China Region Limited Group (AXA CR 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 AXA CR 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 AXA CR 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 AXA CR Group's mandatory contributions (being 5% of the basic salary) and the accrued interest.

They are also entitled to 100% of the AXA CR Group's voluntary contributions (any contributions in excess of the 5% of the basic salary) and the accrued interest after 10 complete years of service, or at increasing scale of between 30% to 90% after completion of 3 to 9 years service. The agents' scheme has similar rules for benefits but AXA CR 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 AXA CR Group contributions shall be used to reduce the future contributions of the AXA CR Group due under the schemes or increase the benefits for the employees and agents.

The AXA CR Group's total retirement cost charged to the profit and loss account for 15 months ended 31 December 2001 amounted to HK\$36,391,000 (12 months to 30 September 2000: HK\$30,813,000), net of forfeited contributions of HK\$6,480,000 (12 months to 30 September 2000: HK\$7,289,000). 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\$16,117,000 (as at 30 September 2000: HK\$12,188,000).

# Notes

for the 15 months ended 31 December 2001

## 23 | Remuneration of Directors

\$'000	Consolidated			Company		
	15 months ended 31 Dec 2001	12 months ended 30 Sept 2001	12 months ended 30 Sept 2000	15 months ended 31 Dec 2001	12 months ended 30 Sept 2001	12 months ended 30 Sept 2000
<b>(a) Directors of AXA Asia Pacific Holdings Limited who have held office during the fifteen months were:</b>						
R H Allert	TB Finn	E A Mayer <sup>2</sup>				
J A Arvis <sup>1</sup>	G E Heeley	A L Owen				
P A Cooper	JY Le Berre	M Pinault				
K Corbet <sup>3</sup>	F A Manford <sup>2</sup>	JV Robins				
F DeMeneval <sup>2</sup>	PH Masfen	M J Slatter				
		M K Ward				
1 Resigned 30/9/2001						
2 Resigned 15/2/2001						
3 Appointed 31/10/2001						
<b>(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. *</b>						
Base remuneration package				3,803	3,070	3,176
Incentive payments **				2,687	1,309	1,309
Eligible termination payments				561	561	2,625
<b>Total Remuneration</b>				<b>7,051</b>	<b>4,940</b>	<b>7,110</b>

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

Base remuneration package	22,369	18,296	15,932
Incentive payments **	5,495	3,632	5,229
Eligible termination payments	2,503	2,503	3,181
<b>Total Remuneration</b>	<b>30,367</b>	<b>24,431</b>	<b>24,342</b>

\* Remuneration for Directors of more than one entity within the group have been proportionately allocated.

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

	15 months ended 31 Dec 2001 Number	12 months ended 30 Sept 2001 Number	12 months ended 30 Sept 2000 Number
<b>(c) The number of Directors of the Company whose total income falls within each successive \$10,000 band of income:</b>			
0 - 9,999	4	4	4
60,000 - 69,999	1	1	-
70,000 - 79,999	-	-	3
80,000 - 89,999	-	-	3
90,000 - 99,999	-	2	1
100,000 - 109,999	-	2	-
110,000 - 119,999	1	-	-
120,000 - 129,999	2	-	1
130,000 - 139,999	1	1	-
160,000 - 169,999	1	-	-
180,000 - 189,999	-	-	1
190,000 - 199,999	1	1	-
200,000 - 209,999	1	1	-
220,000 - 229,999	-	-	1
250,000 - 259,999	-	1	-
320,000 - 329,999	1	-	-
410,000 - 419,999	1	1	-
820,000 - 829,999	-	1	-
1,200,000 - 1,209,999	-	-	1
1,260,000 - 1,269,999	-	-	1
2,340,000 - 2,349,999	1	-	-
2,450,000 - 2,459,999	-	1	-
2,850,000 - 2,859,999	1	-	-
3,510,000 - 3,519,999	-	-	1
	<b>16</b>	<b>16</b>	<b>17</b>

# Notes

for the 15 months ended 31 December 2001

## 24 | Remuneration of Executive Officers

\$'000	Executive Officers of Entities in the Economic Entity			Executive Officers of the Company		
	15 months ended 31 Dec 2001	12 months ended 30 Sept 2001	12 months ended 30 Sept 2000	15 months ended 31 Dec 2001	12 months ended 30 Sept 2001	12 months ended 30 Sept 2000
(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				12,932	10,319	7,799
Incentive payments				4,517	3,139	3,404
Eligible termination payments				1,568	1,568	3,800
<b>Total Remuneration</b>				<b>19,017</b>	<b>15,026</b>	<b>15,003</b>

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	12,932	10,319	7,799
Incentive payments *	4,517	3,139	3,404
Eligible termination payments	1,568	1,568	3,800
<b>Total Remuneration</b>	<b>19,017</b>	<b>15,026</b>	<b>15,003</b>

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

	15 months ended 31 Dec 2001 Number	12 months ended 30 Sept 2001 Number	12 months ended 30 Sept 2000 Number	15 months ended 31 Dec 2001 Number	12 months ended 30 Sept 2001 Number	12 months ended 30 Sept 2000 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).						
\$						
130,000 - 139,999	-	1	-	-	1	-
140,000 - 149,999	-	-	1	-	-	1
160,000 - 169,999	-	1	-	-	1	-
170,000 - 179,999	-	2	-	-	2	-
180,000 - 189,999	-	2	-	-	2	-
190,000 - 199,999	1	1	-	1	1	-
200,000 - 209,999	1	-	-	1	-	-
210,000 - 219,999	1	1	-	1	1	-
220,000 - 229,999	-	2	1	-	2	1
230,000 - 239,999	4	1	-	4	1	-
240,000 - 249,999	-	1	-	-	1	-
250,000 - 259,999	-	2	1	-	2	1
260,000 - 269,999	3	2	1	3	2	1
280,000 - 289,999	1	1	-	1	1	-
290,000 - 299,999	1	-	1	1	-	1
300,000 - 309,999	1	1	-	1	1	-
310,000 - 319,999	1	2	-	1	2	-
320,000 - 329,999	1	-	1	1	-	1
330,000 - 339,999	2	-	-	2	-	-
340,000 - 349,999	-	-	2	-	-	2
350,000 - 359,999	-	-	1	-	-	1
360,000 - 369,999	-	1	-	-	1	-
370,000 - 379,999	3	3	-	3	3	-
380,000 - 389,999	-	1	1	-	1	1
390,000 - 399,999	-	-	1	-	-	1
400,000 - 409,999	-	1	1	-	1	1
410,000 - 419,999	-	2	-	-	2	-
420,000 - 429,999	-	1	-	-	1	-
430,000 - 439,999	-	1	-	-	1	-
440,000 - 449,999	2	-	-	2	-	-
450,000 - 459,999	3	-	-	3	-	-
470,000 - 479,999	-	-	1	-	-	1
480,000 - 489,999	-	1	2	-	1	2
490,000 - 499,999	1	-	2	1	-	2
500,000 - 509,999	1	-	-	1	-	-

# Notes

for the 15 months ended 31 December 2001

## 24 | Remuneration of Executive Officers (continued)

	15 months ended 31 Dec 2001 Number	12 months ended 30 Sept 2001 Number	12 months ended 30 Sept 2000 Number	15 months ended 31 Dec 2001 Number	12 months ended 30 Sept 2001 Number	12 months ended 30 Sept 2000 Number
510,000 - 519,999	3	—	—	3	—	—
520,000 - 529,999	—	1	—	—	1	—
560,000 - 569,999	—	—	1	—	—	1
580,000 - 589,999	1	—	—	1	—	—
610,000 - 619,999	1	—	—	1	—	—
680,000 - 689,999	1	1	—	1	1	—
720,000 - 729,999	—	—	1	—	—	1
820,000 - 829,999	—	1	—	—	1	—
1,200,000 - 1,209,999	—	—	2	—	—	2
1,260,000 - 1,269,999	—	—	1	—	—	1
1,470,000 - 1,479,999	1	1	—	1	1	—
2,340,000 - 2,349,999	1	—	—	1	—	—
2,450,000 - 2,459,999	—	1	—	—	1	—
2,850,000 - 2,859,999	1	—	—	1	—	—
3,760,000 - 3,769,999	—	—	1	—	—	1
	<b>36</b>	<b>36</b>	<b>23</b>	<b>36</b>	<b>36</b>	<b>23</b>

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.

## 25 | Related Party Disclosures

\$'000	Consolidated		Company	
	2001	2000	20001	2000
<b>(a) Directors</b>				
<b>Loans - Total Amount **</b>				
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	5,724	3,803	—	—
<b>Loans Advanced to Directors During the Year **</b>				
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	2,463	1,114	—	—
<b>Loan Repayments Received from Directors During the Year **</b>				
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	1,244	1,279	—	—
** Loans made under normal commercial terms, or on terms consistent with those applicable to management.				
The following Directors of each entity in the economic entity received loans and/or made loan repayments during the year:				
# DL Agnev	# KJ Gilligan	# JB McGougan		
# W Antonik	# C Handayanto	# R Norman		
*# B Birchall	# G Harvey	# AJ Parker		
# J Cameron	*# M Hession	# AR Penn		
# H Coleman	# BJ Lindsay	# J Peters		
# G Cumbrae-Stewart	*# RM McEwan	# DM Tennant		
# AJ Forster	# S Morali	# JM Vitoux		
# GB Fortuin	# DJ McFadyen	# JM Whitelaw		
* Loans Advanced to Directors				
# Loans Repaid by Directors				
<b>Interest Revenue</b>				
Interest revenue on loans provided by AXA Asia Pacific Holdings or controlled entities in the AXA Asia Pacific Holdings Group to Director's & Director Related Entities of:				
The Company	—	—	—	—
AXA Asia Pacific Holdings Group Companies:	375	143	—	—

# Notes

for the 15 months ended 31 December 2001

## 25 | Related Party Disclosures (continued)

	Issuing Entity	Class	Number 2001	Number 2000
<b>Share transactions with Directors and Director-related entities</b>				
The aggregate number of shares held by Directors of the Company and their Director-related entities as at reporting date	AXA Asia Pacific Holdings Limited	Ordinary	950,414	674,784
<b>Acquisitions</b>				
The aggregate number of shares acquired by Directors of the Company and their Director-related entities during the financial year and held as at reporting date	AXA Asia Pacific Holdings Limited	Ordinary	596,635	62,000
<b>Disposals</b>				
The aggregate number of shares disposed by Directors of the Company and their Director-related entities during the financial year	AXA Asia Pacific Holdings Limited	Ordinary	50,000	–
	<b>Consolidated</b>		<b>Company</b>	
\$'000	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>

### (b) Other transactions with Directors and their Director-related entities

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

Service:	Directors:				
Legal Services:	J Liebmman	194	241	–	–
Consultancy Services:	R Edwards	–	13	–	–
	R Hine	–	60	–	–
	C Mackay	–	8	–	–
Contract Services:	K Gilligan	200	–	–	–

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

Purchase of insurance products available to other employees and policyholders:

- life insurance
- health insurance
- general insurance

Purchase of superannuation products available to other employees and policyholders.

Placement of funds on deposit.

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

Other services:

- investment advice, tax, property management, legal and Corporate Secretarial services.

Acquisition of parent entity shares via employee share scheme or option scheme.

Purchase of motor vehicle.

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

### (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 2 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 and 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 NMLA 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

# Notes

for the 15 months ended 31 December 2001

## 25 | Related Party Disclosures (continued)

On 27 and 28 December 2001, the following restructuring and related transaction took place:

27 December 2001:

- National Mutual International Pty. Ltd. (NMI) was transferred from NMLA to the Company at market value on intercompany account (proceeds \$182,601,000).
- AXA China Region was transferred from NMLA to NMI at market value on intercompany account (proceeds \$2,664,298,000).
- NMMT Limited was transferred from NMLA to National Mutual Funds Management (Global) Limited at market value on intercompany account (proceeds \$52,212,000).

28 December 2001:

- NMLA paid a special dividend to the Company of \$708,000,000 on intercompany account.
- Certain intercompany loans were settled.
- As approved by the shareholder, the Company, NMLA undertook a capital reduction whereby the shareholders fund capital was reduced by \$200,000,000 and returned to the Company on intercompany account.

\$'000	Consolidated		Company	
	2001	2000	2001	2000
<b>(d) Transactions with partly-owned controlled entities</b>				
Any Interest received or paid is disclosed in Note 2				
Any dividend received is disclosed in Note 2				
Other transactions with partly-owned entities:				
Management fees paid	360	–	–	–
Distributions received from partly-owned trusts	83,418	32,186	–	–
Other Expenses Paid	144	1,189	–	–
Aggregate loans receivable	692	4,181	–	–
Aggregate loans payable	3	4,721	–	–
<b>(e) Transactions with associated entities</b>				
Any Interest received or paid is disclosed in Note 2				
Any dividend received is disclosed in Note 2				
Management Fees paid to associate	5,047	–	–	–
Aggregate Payable	92	–	–	–
Operational Charges paid to associates	210	–	–	–
Superannuation contributions received	951	595	–	–
Aggregate loans receivable	9,768	9,233	–	–

### (f) Transactions with other related parties

AXA SA 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 SA to the Company include:

Corporate Financial Advice	Staff Training	Treasury Services
Human Resources	Accounting and Reporting	

and the fees for these services totalled \$5,000,000 (2000: \$5,297,719)

During the period, AXA SA paid for advertising on behalf of AXA China Region totalling USD\$1.6 million (2000: USD\$2.1 million).

During the period, the Company provided services to AXA SA for the management of insurance operations owned by AXA SA in the Asia Pacific Region. Fees charged for these services totalled \$49,890 (2000: \$872,240).

Dividends paid by the Company to AXA SA and other AXA SA Group entities \$87,637,025 (2000: \$80,895,716).

On the 14th of August 2001, AXA China Region converted 26.45% of its ordinary capital, 100% owned by NMLA, to Non-Convertible Redeemable Preference Shares ("NCRPS"). NMLA then sold its holding of NCRPS to the ultimate parent entity, AXA SA for USD\$462,660,155 (AUD\$897,361,887 at the time of sale), the consideration for which being the repayment of existing debt from AXA SA to NMLA, through AXA Asia Pacific Finance Limited. The Company subsequently provided AXA SA with a subordinated put option, guaranteeing the capital value and dividend stream of the NCRPS. The NCRPS is included as subordinated debt in the consolidated balance sheet of the economic entity.

During the 15 month financial period, the Company and the statutory funds of The National Mutual Life Association received \$5,600,000 (2000:\$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

for the 15 months ended 31 December 2001

## 26 | Auditors' Remuneration

\$'000	Consolidated		Company	
	2001	2000	2001	2000
<b>(a) Total of the remuneration received or due and receivable directly or indirectly from any entity in the AXA Group or any related entity in connection with auditing the financial report</b>				
- by the auditor of the parent entity	1,345	2,013	161	207
- by other member firms of Deloitte Touche Tohmatsu	509	750	-	-
	<b>1,854</b>	<b>2,763</b>	<b>161</b>	<b>207</b>
<b>(b) Total of the remuneration received or due and receivable directly or indirectly from any entity in the AXA Group or any related entity in connection with other services provided to any entity in the AXA Group*</b>				
- by the auditor of the parent entity	4,483	2,404	44	113
- by other member firms of Deloitte Touche Tohmatsu	2,622	4,374	-	-
- by other auditors	3	-	-	-
	<b>7,108</b>	<b>6,778</b>	<b>44</b>	<b>113</b>
<b>TOTAL</b>	<b>8,962</b>	<b>9,541</b>	<b>205</b>	<b>320</b>
* Other services to companies within the group include:				
Regulatory services (e.g. APRA and dealers' licence returns)	508	409	-	47
U.S. & French-GAAP reporting requirements	390	520	44	66
Tax compliance	243	435	-	-
Due diligence	2,622	500	-	-
Change in balance date project	634	-	-	-
Development of systems	1,019	-	-	-
Review of health strategy	728	-	-	-
Systems and software enhancement project	440	368	-	-
Project management services	282	2,972	-	-
Accounting advice on new accounting standards	-	280	-	-
Actuarial services	-	371	-	-
Benchmarking study	-	110	-	-
Review of expense apportionment methodology	-	189	-	-
Re-engineering project	-	601	-	-
Other services	239	23	-	-
Other auditors	3	-	-	-
	<b>7,108</b>	<b>6,778</b>	<b>44</b>	<b>113</b>

# Notes

for the 15 months ended 31 December 2001

## 27 | Notes to the Statement of Cash Flows

\$ million	Consolidated		Company	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
<b>Reconciliation of Cash</b>				
For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:				
Cash at bank and deposits on call	1,597	1,859	6	35
Bank overdrafts	–	–	–	–
<b>Cash at the End of the Financial Year</b>	<b>1,597</b>	<b>1,859</b>	<b>6</b>	<b>35</b>
<b>Businesses Disposed</b>				
Proceeds				
Cash	213	–		
<b>Total Proceeds</b>	<b>213</b>	<b>–</b>		
Book value of net assets disposed				
Cash	40	–		
Receivables	12	–		
Other assets	127	–		
Operating assets	124	–		
Payables	(11)	–		
Borrowings	(112)	–		
Provisions	(21)	–		
Other liabilities	(63)	–		
<b>Net Assets Disposed</b>	<b>96</b>	<b>–</b>		
<b>Cash movement on disposal</b>				
Cash consideration	213	–		
Cash balances disposed	40	–		
<b>Net Cash Movement on Disposal</b>	<b>173</b>	<b>–</b>		
<b>Businesses Acquired</b>				
Consideration				
Cash	220	–		
<b>Total Businesses Acquired</b>	<b>220</b>	<b>–</b>		
Fair value of net assets of entities acquired				
Other assets	142	–		
Borrowings	(129)	–		
Provisions	(19)	–		
Other liabilities	(9)	–		
<b>Net Assets Acquired</b>	<b>(15)</b>	<b>–</b>		
Outflow of cash to acquire controlled entities, net of cash acquired				
Cash consideration	220	–		
<b>Outflow/(Inflow) of Cash</b>	<b>220</b>	<b>–</b>		

# Notes

for the 15 months ended 31 December 2001

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

\$ million	Consolidated		Company	
	As at 31 Dec 2001	As at 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
<b>Financing Facilities</b>				
The total facilities available at balance date were as follows:				
Bank overdraft and bill facilities	5	5	-	-
Loan facilities and subordinated debt (denominated in United States Dollars)	1,669	1,579	-	-
Loan facilities and subordinated debt (denominated in Australian Dollars)	833	283	-	-
Bank standby facilities	-	-	-	-
<b>Total Financing Facilities</b>	<b>2,507</b>	<b>1,867</b>	<b>-</b>	<b>-</b>
Used at balance date:				
Bank overdraft and bill facilities	-	-	-	-
Loan facilities and subordinated debt (denominated in United States Dollars)	1,669	1,579	-	-
Loan facilities and subordinated debt (denominated in Australian Dollars)	553	283	-	-
Bank standby facilities	-	-	-	-
<b>Total Financing Facilities Used</b>	<b>2,222</b>	<b>1,862</b>	<b>-</b>	<b>-</b>
Unused at balance date:				
Bank overdraft and bill facilities	5	5	-	-
Loan facilities and subordinated debt (denominated in United States Dollars)	-	-	-	-
Loan facilities and subordinated debt (denominated in Australian Dollars)	280	-	-	-
Bank standby facilities	-	-	-	-
<b>Total Financing Facilities Unused</b>	<b>285</b>	<b>5</b>	<b>-</b>	<b>-</b>

### Senior debt

During the year, the AXA Group entered into an unsecured bilateral loan facility for USD\$395 million and AUD\$230 million. This facility is interest bearing and repayable at various maturities between September 2002 and September 2009. The group also has one year senior debt facilities of AUD\$323 million, with AUD\$223 million currently drawn.

### Subordinated debt

The Group has a subordinated loan of AUD\$280 million with a maturity of September 2011. In addition to this, the group sold AXA China Region non-convertible redeemable preference shares for a value of USD\$463 million.

\$ million	Consolidated		Company	
	15 months ended 31 Dec 2001	12 months ended 30 Sept 2000	15 months ended 31 Dec 2001	12 months ended 30 Sept 2000
<b>Reconciliation of Net Cash (used in)/provided by Operating Activities to Operating Profit from ordinary activities after Income Tax</b>				
Operating profit/(loss) after income tax	395	374	967	492
Loss/(profit) from sale of other assets	-	(211)	-	(399)
Foreign exchange (gain)/loss	308	173	-	-
Depreciation and amortisation of operating assets	33	28	-	-
Net depreciation/(revaluation) of investment assets and intangibles	281	(1,117)	-	27
(Increase)/decrease in receivables	(14)	(61)	-	12
(Increase)/decrease in other assets	(43)	(5)	-	5
Increase/(decrease) in deferred tax asset	4	16	(4)	(17)
Increase/(decrease) in payables	23	7	-	-
Increase/(decrease) in provision for income tax	(53)	24	7	-
Increase/(decrease) in deferred tax liability	(231)	361	-	-
Increase/(decrease) in other liabilities	1	(404)	(808)	-
Increase/(decrease) in gross policy liabilities	808	2,908	-	-
<b>Net Cash (used)/provided by Operating Activities</b>	<b>1,512</b>	<b>2,093</b>	<b>162</b>	<b>120</b>

On 27 December 2001 the Company acquired National Mutual International Pty Limited (NMI), from a related party, as part of a group restructure. There was no cash consideration paid for the purchase of this entity, as the purchase was funded via intercompany account. The funding of NMI's purchase of AXA China Region from NMLA was also on intercompany account.

Other non-cash transactions include dividends from NMLA amounting to \$708 million, capital reductions in NMLA of \$200 million and other non-cash items amounting to \$48 million.

# Notes

for the 15 months ended 31 December 2001

## 28 | Investment in Controlled Entities and Associates

	Note	Place of Incorporation/ Operation	Principal Activities	Type	2001 % Holding	2000 % Holding
AXA Asia Pacific Holdings Limited		AUS	Holding Company			
<b>(a) controlled entities at balance date</b>						
AXA APH Executive Plan (Australia) Pty Limited	6	AUS	Trustee of Executive Share Plan	Ord	100	100
Australian Casualty & Life Limited		AUS	Life & Disability Insurer	Ord	100	100
AC&L Staff Superannuation Fund Pty Limited	5	AUS	Dormant	Ord	–	100
ACC Marketing Limited	5	AUS	Dormant	Ord	–	100
AXA Asia Pacific Finance Limited		AUS	Finance Company	Ord	100	100
AXA New Zealand Finance Limited	11	AUS	Finance Company	Ord	100	–
National Mutual Funds Management (Global) Limited		AUS	Provision of funds mgt group services	Ord	100	100
NMMT Limited	12	AUS	Master Trust Administrator	Ord	100	100
National Mutual Funds Management NZ Limited		NZ	Mgt of Investment Portfolios	Ord	100	100
National Mutual Funds Management Limited		AUS	Mgt of Investment Portfolios	Ord	100	100
Folio Nominees Pty Limited		AUS	Nominee Company	Ord	100	100
NMFM Property Fund Management Limited	16	AUS	Dormant	Ord	100	100
AXA Australia Property Management Limited	4	AUS	Promotion & Mgt of Unit Trusts	Ord	–	100
Didus Nominees Company Pty Limited	5	AUS	Dormant	Ord	–	100
Australian Public Capital Corporation Limited	5	AUS	Dormant	Ord	–	100
National Mutual Assets Management Pty Limited		AUS	Promotion/Mgt of Unit Trusts	Ord	100	100
NMFM Property Pty Limited		AUS	Property Mgt & Consultancy	Ord	100	100
NMFM Property (VIC) Pty Limited		AUS	Real Estate Management	Ord	100	100
National Mutual Funds Management (International) Limited		AUS	Holding Company	Ord	100	100
National Mutual Funds Management (Luxembourg) SA		LUX	Mgt of Investment Portfolios	Ord	100	100
National Mutual Funds Management North America Inc	5	USA	Dormant	Ord	–	100
AXA Australia Health Insurance Pty Limited	7	AUS	Health Insurance	Ord	100	100
National Mutual Health Insurance (NZ) Limited	2	NZ	Holding Company	Ord	–	100
National Mutual Health Limited	2	NZ	Health Insurance	Ord	–	100
ACN 007 513 331	5	AUS	Dormant	Ord	–	100
NMHI Superannuation Pty Limited		AUS	Dormant	Ord	100	100
HBA Hospital Management Pty Limited	5	AUS	Dormant	Ord	–	100
National Mutual International Pty Limited	12	AUS	Holding Company	Ord	100	100
NM Insurances (Singapore) Pte Limited	16	SING	Dormant	Ord	100	100
AXA Life Insurance Singapore Pte Limited		SING	Provision of Life Insurance	Ord	100	100
Detura Limited – (British Virgin Islands)	12, 28	BVI	Holding Company	Ord	100	100
AXA China Region Limited	1, 12, 28	BER	Provision of Financial Services	Ord	80	80
AXA China Region Insurance Company (Bermuda) Limited	1, 12	BER	Insurance Underwriter	Ord	100	100
AXA China Region (Bermuda) Limited	1, 12	BER	Trustee Services	Ord	100	100
AXA Centre (H.K.) Limited	12	HK	Property Investment	Ord	100	100
Hoxberry Limited	12	HK	Property Investment	Ord	100	100
AXA China Region Insurance Company Limited	12	HK	Insurance Underwriter	Ord	100	100
AXA China Region Property Management Company Limited	12	HK	Property Manager	Ord	100	100
AXA China Region Investment Management Limited	12	HK	Unit Trust Management Services	Ord	100	100
AXA Partners Limited	10, 12	HK	Nominee Services	Ord	100	100
AXA China Region Investment Services Limited	12	HK	Investment Adviser	Ord	100	100
AXA China Region Trustees Limited	12, 13	HK	Trustee Services	Ord	20	20
PT. AXA Life Indonesia		IND	Provision of Life Insurance	Ord	80	80
ACN 098 983 816 Limited	9	AUS	Holding Company	Ord	100	–
The National Mutual Life Association of Australasia Limited		AUS	Provision of Life Insurance	Ord	100	100
<b>Controlled by Shareholders' Fund</b>						
Altus Financial Services Limited		AUS	Provision of investment advice on financial services	Ord	100	100
Central Sourcing Proprietary Limited		AUS	Sale of Life Insurance Products	Ord	100	100
HLNZ Management Limited		NZ	Trust mgr for Securitisation Program	Ord	100	100
AXA New Zealand HJZ Limited	25	NZ	Mortgage Lending	Ord	100	51
National Mutual Assets Management (New Zealand) Limited		NZ	Unit Trust Management	Ord	100	100
National Mutual Corporate Superannuation Services Limited		NZ	Superannuation Mgt Services	Ord	100	100
National Mutual Life Nominees Limited		AUS	Trustee for Debs & Unsec Notes	Ord	100	100
AXA Trustees Limited	3	AUS	Fiduciary Services	Ord	–	100
National Trustees Nominees Proprietary Limited	3	AUS	Real Estate Agent	Ord	–	100
N.M.L. Nominees (Canberra) Limited	3	AUS	Trustee for Debs & Unsec Notes	Ord	–	100
T&G Guardian Corporation Proprietary Limited	3	AUS	Trustee for Debs & Unsec Notes	Ord	–	100
National Payroll Systems Pty Limited	15	AUS	Payroll Bureau	Ord	89	89
Quantum Financial Solutions Limited	8	NZ	Financial Analyst Services	Ord	100	78
SG (Aust) Holdings Pty Limited	27	AUS	Holding Company	Ord	100	–
Sterling Grace Portfolio Management Group Pty Limited	27	AUS	Holding Company	Ord	100	–
Invest Assure Holdings Pty Limited	27	AUS	Provision of Financial Services	Ord	100	–
Masterplan Managers Limited	27	AUS	Provision of Financial Services	Ord	100	–
Monitor Money Corporation Pty Limited	27	AUS	Provision of Financial Services	Ord	100	–
Assure Services & Technology Limited	27	AUS	Provision of Financial Services	Ord	100	–
SG Holdings Limited	27, 30	NZ	Holding Company	Ord	100	–
Sterling Grace Portfolio Management Group Limited	27, 30	NZ	Holding Company	Ord	100	–
Staleford Investments Limited	27, 30	NZ	Holding Company	Ord	100	–
Spicers Portfolio Management Limited	27, 30	NZ	Provision of Financial Services	Ord	100	–
Spicers NZ Limited	27, 30	NZ	Dormant	Ord	100	–
Spicers Finance Limited	27, 30	NZ	Dormant	Ord	100	–
Spicers Tauranga Limited	27, 30	NZ	Dormant	Ord	100	–
Client Reserve Limited	27, 30	NZ	Finance Company	Ord	100	–
Client Portfolio Management Limited	27, 30	NZ	Dormant	Ord	100	–
CWML Limited	27, 30	NZ	Dormant	Ord	100	–
Assure NZ Limited	27, 30	NZ	Provision of Financial Services	Ord	100	–
Arcus Investments Limited	27, 30	NZ	Provision of Financial Services	Ord	100	–
Client Portfolio Administration Limited	27, 30	NZ	Provision of Financial Services	Ord	100	–

# Notes

for the 15 months ended 31 December 2001

## 28 | Investment in Controlled Entities and Associates (continued)

	Note	Place of Incorporation/ Operation	Principal Activities	Type	2001 % Holding	2000 % Holding
<b>Controlled by Statutory Funds</b>						
31 Carbine Road Limited		NZ	Property Holding	Ord	100	100
132 Vincent Street Limited	14	NZ	Property Holding	Ord	-	100
ACC Holdings Limited		AUS	Dormant	Ord	100	100
Australian Casualty Company Limited	5	AUS	Dormant	Ord	-	100
AXA Financial Planning Limited		AUS	Mgt of Invest/Licensed Dealer	Ord	100	100
AXA New Zealand Nominees Limited		NZ	Nominee Company	Ord	100	100
Bongiorno Financial Services Limited	5,17	AUS	Dormant	Ord	-	78
Brick Securities Limited	5	AUS	Dormant	Ord	-	100
Charter Financial Planning Limited		AUS	Financial Advisers	Ord	100	100
CPO Limited		AUS	Property Investment	Ord	100	100
Didus Pty Limited		AUS	Property Investment	Ord	100	100
Enalus Pty Limited		AUS	Property Investment	Ord	100	100
Enemelay Investments Pty Limited		AUS	Invest in Marketable Securities	Ord	100	100
Jigsaw Administration & Reporting Service Limited		NZ	Portfolio admin service	Ord	100	100
National Car Parks Pty Limited	5	AUS	Dormant	Ord	-	100
Paramount Parking (Australia) Pty Limited	5	AUS	Dormant	Ord	-	100
National Mutual CPS Management Limited		NZ	Investment Management	Ord	100	100
National Mutual Corporation (No.2) Pty Limited		AUS	Holding of Marketable Securities	Ord	100	100
National Mutual Adviser Services Limited		AUS	Promotion of Financial Products	Ord	100	100
AXA New Zealand Financial Services Limited	18	NZ	Finance Company	Ord	100	100
National Mutual Leasing (NZ) Limited		NZ	Leasing Company	Ord	100	100
National Mutual Management Services Pty Limited	16	AUS	Dormant	Ord	100	100
National Mutual Security Limited		AUS	Issue/Acq Income Prod Assets	Ord	100	100
AXA Australia Staff Superannuation Pty Limited	19	AUS	Trustee of Superannuation Fund	Ord	50	50
National Mutual Superannuation Master Trustee Limited		NZ	Superannuation Management	Ord	100	100
National Mutual Terrace Holdings Limited	14	NZ	Property Holding Company	Ord	-	100
Neuville Company Inc.		USA	Property Management	Ord	100	100
NeuPalma Company, Inc.	5	USA	Dormant	Ord	-	100
NM Computer Services Pty Limited		AUS	Provision of Computer Services	Ord	100	100
Palmer Gould Evans Pty Limited	5	AUS	Dormant	Ord	-	100
NMFM Mortgages Limited		NZ	Provider of Finance Mortgages	Ord	100	100
NM Rural Enterprises Pty Limited		AUS	Agricultural Activities	Ord	100	100
Acheever Pty Limited	16	AUS	Dormant	Ord	100	100
N.M. Superannuation Pty Limited	27	AUS	Trustees of Super/Insur Plans	Ord	100	100
NM Wentworth Holdings Limited	20,21	AUS	Investment Company	Ord	50	50
OFF Pty Limited		AUS	Mgt of Income Producing Assets	Ord	100	100
Silverton Limited	26	AUS	Real Estate Development	Ord	-	100
Coombabah Square Pty Limited	26	AUS	Real Estate Development	Ord	-	100
El Morro Pty Limited	5	AUS	Dormant	Ord	-	100
Helensvale Estate Pty Limited	26	AUS	Real Estate Development	Ord	-	100
PA. Shingles Pty Limited	26	AUS	Real Estate Development	Ord	-	100
Silverton Real Estate Pty Limited	26	AUS	Real Estate Agency	Ord	-	100
Triptec Pty Limited	26	AUS	Real Estate Development	Ord	-	100
Whitfords Beach Pty Limited	26	AUS	Real Estate Development	Ord	-	100
Silverton Securities Proprietary Limited		AUS	Financial Activities	Ord	100	100
Stephenson & Watt Proprietary Limited		AUS	Investment in Equity Markets	Ord	100	100
Swann Life Insurance Limited		NZ	Credit Insurance - Life Cover	Ord	100	100
T&G Mutual Life Society Limited		AUS	Non-Trading	-	100	100
Trewal Pty Limited		AUS	Invest in Marketable Securities	Ord	100	100
Varnsdorf Pty Limited	22	AUS	Provn of Thermal Energy/Elect	Ord	-	100
<b>Name of Controlled Trusts</b>						
<b>Controlled by Statutory Funds</b>						
AXA New Zealand Global Equities Trust	23	NZ	Investment in Equity Markets	-	48	69
Didus Property Trust	24	AUS	Property Trust	-	-	100
National Mutual Home Loans Origination Fund No. 1		AUS	Mortgage Lending	-	100	100
National Mutual New Zealand Leaders Trust	23	NZ	Investment in Equity Markets	-	99	98
New Zealand Selected Equities Trust	23	NZ	General Investment Fund	-	-	62
NMFM Asian Growth Fund	24	AUS	Investment in Equity Markets	-	-	79
NMFM International Bond Fund	24	AUS	Investing in International Bonds	-	80	84
Deutsche Wholesale Property Fund	24, 29	AUS	Property Trust	-	79	71
The Gateway Trust	24	AUS	Property Trust	-	100	100
AXA Ausplus Debt Fund	24	AUS	Investment in Debt Markets	-	100	100
Global Equity Healthcare Fund	24	AUS	Investment in Equity Markets	-	80	-
Global Equity Technology Fund	24	AUS	Investment in Equity Markets	-	94	-
Global Equity Value Fund	24	AUS	Investment in Equity Markets	-	99	-
US Equity - Premier Growth Fund	24	AUS	Investment in Equity Markets	-	86	-
Wholesale International Equity Fund	24	AUS	Investment in Equity Markets	-	100	-
Wholesale Global Diversified Hedge Fund	24	AUS	Investment in Equity Markets	-	100	-
Wholesale Global Equity - Technology Fund	24	AUS	Investment in Equity Markets	-	58	-
Wholesale Global Equity - Healthcare Fund	24	AUS	Investment in Equity Markets	-	50	-
Wholesale US Equity - Premier Growth Fund	24	AUS	Investment in Equity Markets	-	58	-
<b>The National Mutual Life Association of Australasia Limited</b>						
<b>Controlled Partnerships/Joint Ventures</b>						
<b>Controlled by Statutory Funds</b>						
NM Wentworth Partnership	20	AUS	Hotel Operation	-	50	50

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. All entities are audited by Deloitte Touche Tohmatsu or other member firms, unless otherwise stated.

# Notes

for the 15 months ended 31 December 2001

## 28 | Investment in Controlled Entities and Associates (continued)

### 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 Sold 1 December 2000

3 Sold 11 December 2000

4 Sold 20 June 2001

5 Deregistered during the year

6 Formerly known as NMH Executive Plan (Australia) Pty Limited

7 Formerly known as National Mutual Health Insurance Pty Limited

8 Acquired remaining shares on 5 March 2001

9 Commenced operations on 6 December 2001

10 Formerly known as AXA China Region Nominees Limited

11 Commenced operations 31 October 2001

12 Acquired from The National Mutual Life Association of Australasia Limited on 27 December 2001

13 20% owned by AXA China Region Investment Management Limited

20% AXA Partners Limited

20% AXA China Region Insurance Company (Bermuda) Limited

20% AXA China Region Insurance Company Limited

14 Amalgamated with 31 Carbine Road Limited on 30 September 2001

15 The National Mutual Life Association of Australasia Limited also holds 100% of Preference A and 50% of Preference B shares

16 Currently in voluntary liquidation

17 The National Mutual Life Association of Australasia Limited also holds 100% of Preference A Shares

18 Formerly known as National Mutual Freedom Financial Services Limited

19 An additional 50% held by National Mutual Corporation (No 2) Pty Limited

20 An additional 50% held by Enalus Pty Limited

21 The National National Mutual Life Association of Australasia Limited also holds 50% of Ordinary B and C shares

22 Sold 22 March 2001

23 Year end 31 March

24 Year end 30 June

25 Formerly known as Mortgage Express New Zealand Limited. Remaining 50% acquired 30 September 2001

26 Sold on 9 November 2001 subject to option exercisable 29 January 2002

27 Acquired on 31 October 2001

28 Detura Limited holds 27% of shares in AXA China Region Limited (2000:19.9%)

29 Formerly known as NMFPM Property Fund

30 Not audited by Deloitte Touche Tohmatsu.

Name of Associate Entity	Note	Place of Incorporation/ Operation	Principal Activities	2001 %	2000 %	2001 \$m	2000 \$m
Alliance Capital Management Limited	4	AUS	Mgt of Investment Portfolios	50	–	5	–
Alliance Capital Management New Zealand Limited	4	NZ	Mgt of Investment Portfolios	50	–	1	–
Members Equity Pty Limited		AUS	Provision of Financial Services	50	50	36	15
AXA Life Insurance Corporation (Philippines)		PHI	Provision of Life Insurance	50	45	17	13
Greenstone Fund Limited	1,3	NZ	Development capital investment	20	20	5	5
Ticor Limited	2,3	AUS	Mining	29	29	89	102
Krungthai AXA Life Insurance Company Limited	2	THAI	Life insurance operations	49	45	12	6
AXA-Minmetals Assurance Company Limited	5	HK	Life insurance operations	25	25	15	15
						<b>180</b>	<b>156</b>

1 Year end 31 March

2 Year end 31 December

3 Not audited by Deloitte Touche Tohmatsu or other member firms

4 Commenced operations on 1 February 2001

5 AXA China Region has a 49% holding in AXA China SA which has a 51% interest in AXA-Minmetals.

### (b) Acquisitions of controlled entities

Name of Entity acquired by National Mutual Life Shareholders' Fund	Date of acquisition	Proportion of shares acquired	Consideration \$ million
Sterling Grace Portfolio Management Group Limited	31/10/2001	100.00%	<b>220</b>

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.

# Notes

for the 15 months ended 31 December 2001

## 28 | Investment in Controlled Entities and Associates (continued)

### (c) Disposals of controlled entities

#### Controlled by AXA Asia Pacific Holdings Limited

AC&L Staff Superannuation Fund Pty Limited <sup>1</sup>  
ACC Marketing Limited <sup>1</sup>  
AXA Australia Property Management Limited  
Didus Nominees Company Pty Limited <sup>1</sup>  
Australian Public Capital Corporation Limited <sup>1</sup>  
National Mutual Funds Management North America Inc <sup>1</sup>  
National Mutual Health Insurance (NZ) Limited  
National Mutual Health Limited  
ACN 007 513 331 <sup>1</sup>  
HBA Hospital Management Pty Ltd

#### Controlled by National Mutual Life Statutory Funds

NMFM Asian Growth Fund  
Australian Casualty Company Limited <sup>1</sup>  
National Mutual Car Parks Pty Limited <sup>1</sup>  
Paramount Parking (Australia) Pty Limited <sup>1</sup>  
Neu Palma Company Inc. <sup>1</sup>  
New Zealand Selected Equities Trust  
Didus Property Trust  
Bongiorno Financial Services Ltd <sup>1</sup>  
Palmer Gould Evans Pty Limited  
Silverton Limited  
Varnsdorf Pty Limited

#### Controlled by National Mutual Life Shareholders' Funds

AXA Trustees Limited  
National Trustees Nominees Pty Limited  
N.M.L Nominees (Canberra) Limited  
T&G Guardian Corporation Pty Limited

The Group has no interest remaining at balance date in respect of the above entities disposed of during the period.

<sup>1</sup> Entities deregistered during the period

## 29 | Subsequent Events

There has not been any matter or circumstance that has arisen since the end of the financial period that has significantly affected, or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the consolidated entity in future periods.

# Notes

for the 15 months ended 31 December 2001

## 30 | Segment Information

\$ million	Consolidated							
	Revenue		Profit Before Tax <sup>1</sup>		Profit After Tax <sup>2</sup>		Assets	
	15 months ended 31 Dec 2001	12 months ended 30 Sept 2000	15 months ended 31 Dec 2001	12 months ended 30 Sept 2000	15 months ended 31 Dec 2001	12 months ended 30 Sept 2000	As at 31 Dec 2001	As at 30 Sept 2000
<b>Industry</b>								
Life Insurance and funds management	4,437	4,693	414	462	390	378	28,068	26,933
Health Insurance	1,136	792	180	80	126	52	324	420
Other*	57	149	(273)	(179)	(121)	(56)	–	–
Head office and consolidation adjustment	(390)	(116)	–	–	–	–	(66)	(490)
<b>Total Industry</b>	<b>5,240</b>	<b>5,518</b>	<b>321</b>	<b>363</b>	<b>395</b>	<b>374</b>	<b>28,326</b>	<b>26,863</b>
<b>Geographical</b>								
Australia and New Zealand	3,742	3,299	102	100	187	121	28,357	23,142
China Region	2,497	2,454	219	252	209	248	7,408	6,349
Other	321	232	–	11	(1)	5	977	699
Consolidation adjustments	(1,320)	(467)	–	–	–	–	(8,416)	(3,327)
<b>Total Geographical</b>	<b>5,240</b>	<b>5,518</b>	<b>321</b>	<b>363</b>	<b>395</b>	<b>374</b>	<b>28,326</b>	<b>26,863</b>

\* Other comprises corporate expenses, interest expense and non-recurring/significant items

1 Profit before tax is before outside equity interests

2 Profit after tax is after outside equity interests

## 31 | Financial Instruments

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.

### (a) 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 Statement of Financial Performance and Statement of Financial Position 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.
- 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 AXA 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.

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 31 December 2001, 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.

### (b) Effective exposure and net market value of contracts

The table below details the effective exposure and net market value of contracts in force as at 31 December 2001. 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 31 December 2001. 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. Derivatives are carried in the Statement of Financial Position at net market value with any change in net market value being reflected in the Statement of Financial Performance.

# Notes

for the 15 months ended 31 December 2001

## 31 | Financial Instruments (continued)

### Derivative Instruments

\$ million	As at 31 Dec 2001 Market Value	As at 31 Dec 2001 Effective Exposure
<b>Futures/Forwards:</b>		
Interest Rate	(4)	(793)
Equity	79	514
Foreign Currency	(1)	(692)
<b>Swaps:</b>		
Interest Rate	12	600
Cross Currency Swaps	(115)	859
<b>Total</b>	<b>(29)</b>	<b>488</b>

At 30 September 2000 the market value of derivative instruments was (\$15) million with an effective exposure of \$1,087 million.

# Notes

for the 15 months ended 31 December 2001

## 31 | Financial Instruments (continued)

### (c) Interest Rate Risk

	Average rate %	Floating interest rate %	Average fixed interest maturing in:				Non-interest bearing \$ million	Total \$ million
			1 year or less \$ million	Over 1 to 5 years \$ million	More than 5 years \$ million			
<b>Financial Assets</b>								
Cash at bank and deposits on call	2.42	1,449	136	–	–	12	1,597	
Outstanding Premiums	8.75	–	49	–	–	120	169	
Receivables	3.49	5	2	–	–	532	539	
Investment assets								
Equity Securities								
Equities held directly	–	–	–	–	–	6,764	6,764	
Equities in								
- Associated entities	–	–	–	–	–	180	180	
Held via unit trusts	–	–	–	–	–	2,089	2,089	
Debt Securities								
Interest bearing securities								
- National government	4.79	–	8	696	1,680	–	2,384	
- Other public sector	6.29	205	14	192	331	–	742	
- Private sector (secured)	6.09	–	–	4	30	–	34	
- Private sector (unsecured)	6.92	161	3,153	1,971	2,205	–	7,490	
- Other	5.66	10	45	128	40	–	223	
Loans to								
- Other related parties (unsecured)	5.97	–	6	–	–	3	9	
- Other parties (unsecured)	7.28	253	13	4	–	–	270	
- Other parties (secured)	5.35	474	132	425	36	–	1,067	
Held via unit trusts	–	–	–	–	–	79	79	
Property								
Held via unit trusts	–	–	–	–	–	602	602	
Other								
Other investments	3.45	3	–	–	–	119	122	
Partnerships and joint ventures	–	–	–	–	–	–	–	
Held via unit trusts	–	–	–	–	–	58	58	
Other assets	–	–	–	–	–	187	187	
<b>Total Financial Assets</b>	<b>–</b>	<b>2,561</b>	<b>3,558</b>	<b>3,419</b>	<b>4,322</b>	<b>10,745</b>	<b>24,605</b>	
<b>Total Non-Financial Assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,721</b>	
<b>Total Assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>28,326</b>	
<b>Financial Liabilities</b>								
Policy claims in process of settlement	–	–	–	–	–	383	383	
Other payables	5.11	71	180	–	–	665	916	
Bank overdrafts	–	–	–	–	–	–	–	
Bank loans - unsecured	–	–	–	–	–	–	–	
Bank loans - secured	–	–	–	–	–	–	–	
Deposits - unsecured	–	–	–	–	–	213	213	
Deposits - secured	–	–	–	–	–	–	–	
Loans from								
- Controlling entity	5.50	–	1,038	–	–	–	1,038	
- Other related parties	–	–	–	–	–	–	–	
Other borrowings - unsecured	–	–	–	–	–	–	–	
Finance lease liabilities	–	–	–	–	–	–	–	
Other liabilities	4.48	–	–	33	–	241	274	
Subordinated debt	4.35	–	–	1,184	–	–	1,184	
<b>Total Financial Liabilities</b>	<b>–</b>	<b>71</b>	<b>1,218</b>	<b>1,217</b>	<b>–</b>	<b>1,502</b>	<b>4,008</b>	
<b>Total Non-Financial Liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>20,929</b>	
<b>Total Liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>24,937</b>	
<b>Net Assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,389</b>	
				Average rate %	Interest bearing \$ million	Non-interest bearing \$ million	Total \$ million	
<b>As at 31 December 2001</b>								
Total Financial Assets				6.19	13,860	10,745	24,605	
Total Financial Liabilities				4.90	2,506	1,502	4,008	
<b>As at 30 September 2000</b>								
Total Financial Assets				6.24	14,762	8,432	23,194	
Total Financial Liabilities				6.68	2,177	1,266	3,443	

# Notes

for the 15 months ended 31 December 2001

## 31 | Financial Instruments (continued)

### (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 31 December 2001 there was no significant credit risk exposure to one single entity, other than the normal clearing house exposure associated with dealings through recognised exchanges.

### (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 31 December 2001:

AUD\$ million	US Dollars	Japanese Yen	Hong Kong Dollars	British Pounds	European Euro	New Zealand Dollars	Taiwan Dollars	Singapore Other	Other Total	Total
Assets denominated in foreign exchange	6,285	305	1,657	403	686	2,310	87	1,010	308	13,051
Liabilities denominated in foreign exchange <sup>1</sup>	(4,146)	–	(1,435)	–	–	(1,986)	(19)	(902)	–	(8,488)
Amount effectively hedged	(298)	(59)	(859)	(74)	(199)	–	–	–	(62)	(1,551)
<b>Net Exposure to foreign currency</b>	<b>1,841</b>	<b>246</b>	<b>(637)</b>	<b>329</b>	<b>487</b>	<b>324</b>	<b>68</b>	<b>108</b>	<b>246</b>	<b>3,012</b>

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 31 December 2001 to hedge the investment in AXA China Region total AUD\$859m.

<sup>1</sup> The USD Liabilities denominated in foreign exchange include USD denominated borrowings of AUD\$772m (USD\$395m) held with a related party. The HKD amounts effectively hedged include HKD:AUD and HKD:USD cross currency swaps with an effective exposure at 31 December 2001 of AUD\$859m. These borrowings and swaps have been taken out to provide a hedge on the AXA Group's investment in AXA China Region.

At 30 September 2000 total net exposure to foreign currency was AUD\$4,973 million.

# Notes

for the 15 months ended 31 December 2001

## 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 Group also manage separate investment portfolios for entities such as superannuation funds and unit trusts. Included in the 31 December 2001 Funds Under Management are funds relating to the Alliance Capital Management joint venture.

On an aggregated basis these managed assets, together with the assets reflected in the AXA Group, after eliminating appropriate inter-fund entries, total \$47.3 billion (2000: \$40.0 billion).

AXA Asia Pacific Group	Area of Operation
National Mutual Funds Management Ltd.	Australia
National Mutual Funds Management (International) Limited	Australia
National Mutual Life Association of Australasia (Life Insurance Funds)	Australia & New Zealand
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
NMMT Limited	Australia
National Mutual Superannuation Master Trustee Limited	New Zealand

\$ million	2001	2000
<b>Assets Held within the AXA APH Group</b>		
Australia and New Zealand	19,941	19,815
AXA China Region	7,408	6,349
International	977	699
	<b>28,326</b>	<b>26,863</b>
<b>Assets Managed by the AAPH Group</b>		
Australia and New Zealand	17,851	12,412
AXA China Region	180	220
International	908	585
	<b>18,939</b>	<b>13,217</b>
<b>Total Assets Held and Managed by the AAPH Group</b>		
Australia and New Zealand	37,792	32,227
AXA China Region	7,588	6,569
International	1,885	1,284
<b>Total Managed Assets</b>	<b>47,265</b>	<b>40,080</b>

### 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 NMLA. Arrangements are in place to ensure that the activities of National Mutual Superannuation Master Trustee Limited are managed separately.

# Notes

for the 15 months ended 31 December 2001

## 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 1.14% 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 31 December 2001 was \$2.84 (30 September 2000: \$2.65).

### 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 31 December 2001, there were 1,551 participants in the Plan and a total of 1,275,330 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 15 months ended 31 December 2001, there were two general offers to all staff under the plan rules. In addition, other opportunities were provided to management to sacrifice remuneration 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
October 2000	\$2.7782	119,939
December 2000	\$2.6970	450,489
March 2001	\$2.5518	239,997
October 2001	\$2.4433	119,445

As at 31 December 2001, there were 106 participants in the Plan and 1,735,895 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.

As at 31 December 2001, the following allocation rights were outstanding:

Date	Exercise Price	Normal Exercise Period	No. Rights
March 1998	\$3.47	31 March 2001 - 31 March 2003	450,000
March 1999	\$2.74	10 March 2002 - 10 March 2004	0
July 1999	\$2.37	28 July 2002 - 28 July 2004	2,752,000
January 2000	\$2.67	5 Jan 2003 - 5 Jan 2005	3,219,500
May 2000	\$2.47	19 May 2003 - 19 May 2005	500,000
September 2000	\$2.70	19 Sept 2003 - 19 Sept 2005	1,096,000
April 2001	\$2.80	23 April 2004 - 23 April 2006	6,673,500
September 2001	\$2.74	20 September 2004 - 20 September 2005	100,000

Due to executive departures, 2,331,423 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 \$47,009,969 to the Plan Trust (2000: \$31,188,932). 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 \$836,741 for the 15 months ended 31 December 2001.

# Directors' Declaration

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for the 15 months ended 31 December 2001

The Directors declare that:

- (a) the attached financial statements and notes thereto comply with Accounting Standards
- (b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company and the consolidated entity
- (c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (d) in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of Corporations Act 2001.

On behalf of the Directors



R H Allert A.M.  
Chairman

Melbourne, 27 February 2002

# Auditors' Report

Independent Audit Report to the Members of AXA Asia Pacific Holdings Limited

## Scope

We have audited the financial report of AXA Asia Pacific Holdings Limited for the 15 months ended 31 December 2001 as set out on pages 1 to 43. 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 Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2001 and of their performance for the 15 months ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



Deloitte Touche Tohmatsu



P A Caldwell  
Partner  
Chartered Accountants

Melbourne, 27 February 2002

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





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