



**MMC**  
**Contrarian**  
Limited

**Acquisition of MBF Life  
and ClearView, and  
Equity Financing**

Investor Presentation 26 March 2010

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# Agenda

- 1 Transaction Highlights
- 2 Acquisition Overview
- 3 Strategic Rationale
- 4 Pro-forma Financials
- 5 Funding
- 6 Summary
- 7 Appendices

# 1. Transaction Highlights



# Transaction Highlights

## Company transforming acquisition

- MMC to acquire Bupa Australia's financial services businesses, MBF Life and ClearView
- Consistent with a strategy, MMC will transform into a highly focused wealth management and life company
- Regulatory approval expected in June 2010 – being approval under IATA, FSSA and FATA

## Attractive Price

- Purchase price of \$195m (excluding Transaction Costs and Capital Raising Costs of \$9.2m and purchase price adjustments) represents an 8.5% discount to Embedded Value (\$213m) or a 22.6% discount to Embedded Value including value for future franking credits (\$252m)
- Right time of the cycle to invest

## Significant growth opportunities and synergies

- 10 year exclusive Distribution Alliance Agreement providing access to Bupa Australia's high value 2.9 million member base
- Substantial scope to reduce costs by eliminating duplicated costs and the replacement of Bupa allocated overhead costs (saving \$6.5m)
- Well developed integration and growth strategy formulated

## Financial flexibility

- Well established and profitable businesses with minimal legacy issues
- High cash generating business portfolio with \$36.5m in surplus capital above regulatory capital requirements
- MMC will remain debt free on completion

## Fully funded

- \$69.2m in existing MMC cash plus \$135m fully underwritten equity capital raising
- Equity capital raising approximately \$62m conditional placement\* and approximately \$73m 1 for 1 non-renounceable entitlement offer
- Offer price of \$0.50 per share representing a discount of approximately 10.6% to NAV (pro-forma)\*

## Support from major shareholder and MD

- Major shareholder GPG to fully participate in entitlement offer by investing an additional \$49.8m and bringing total investment to c\$110m
- GPG diluting from 68% to under 50% to facilitate a broader register
- Simon Swanson appointed as Managing Director (ex Commlnsure CEO) and will personally invest \$1m in conditional placement\*

\* Subject to shareholder approval

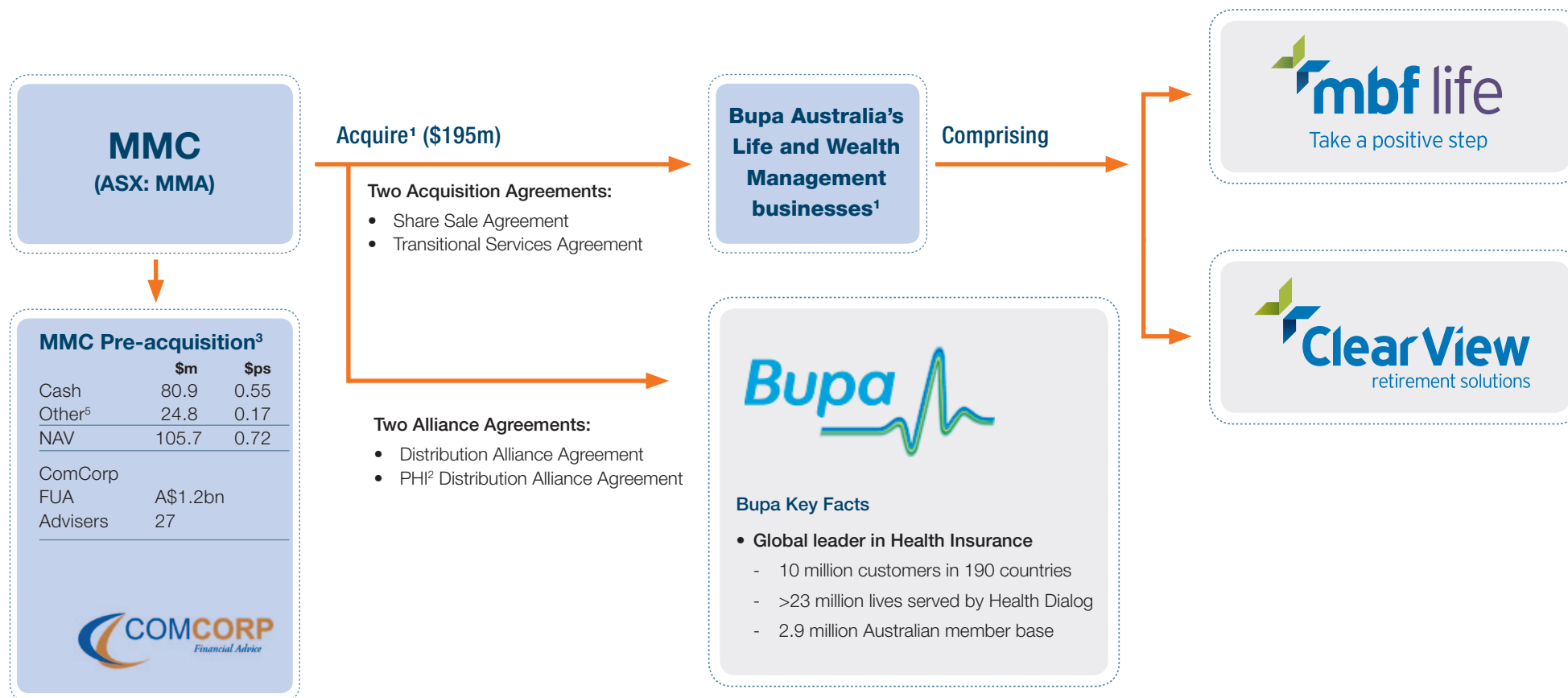
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## 2. Acquisition Overview



# Acquisition of MBF Life and ClearView

- MMC is acquiring MBF Life and the ClearView entities for \$195m<sup>4</sup> from Bupa Australia



<sup>1</sup> MMC is buying 100% of MBF Management which owns MBF Life and ClearView

<sup>2</sup> Private Health Insurance

<sup>3</sup> As at December 2009

<sup>4</sup> Excluding Transaction Costs and Capital Raising Costs and any purchase price adjustment in accordance with the Share Sale Agreement

<sup>5</sup> Includes employee share plan loan receivable of \$3.7m

# Snapshot of Acquired Businesses

- **Well established, profitable and stable businesses**
  - Conservatively managed - low risk, high margin products
  - Stable customer base
  - Surplus capital above regulatory requirements of \$36m
- **No legacy issues - single IT system**
- **Bupa Australia is not the natural owner (focused on health)**
  - Bupa network underutilised
  - Wealth Management strategy not consistent with distribution channel

## Year Ended December 2009

Net Premium and Fee Income	\$72m
NPAT (Actual)	\$7m
NPAT (before accounting for DAC)	\$13m
Embedded Value (excluding future franking credits)	\$213m
Embedded Value (with future franking credits)	\$252m
Purchase Price	\$195m
Net assets	\$157m
Surplus Capital <sup>3</sup>	\$36m
Staff approximately	150

Includes substantial Bupa/MBF allocated overhead costs (\$10.6m pre-tax)



### Non advice life insurance

- Term Life
- Accidental Death
- Funeral Plan
- Income Protection
- Accidental Cash Benefit
- 2 life insurance advisers

**In-force premium c\$40m**  
**60,000+ life policies**



### Advice based dealer group and investment operation

- Managed investments
- Superannuation
- Pensions
- 25 financial planners

**Approx FUM \$1.7bn**  
**Approx FUA \$0.5bn**

<sup>1</sup> MBF Life brand not being acquired - will 'white label' through Bupa network

<sup>2</sup> ClearView Retirement Solutions brand being acquired

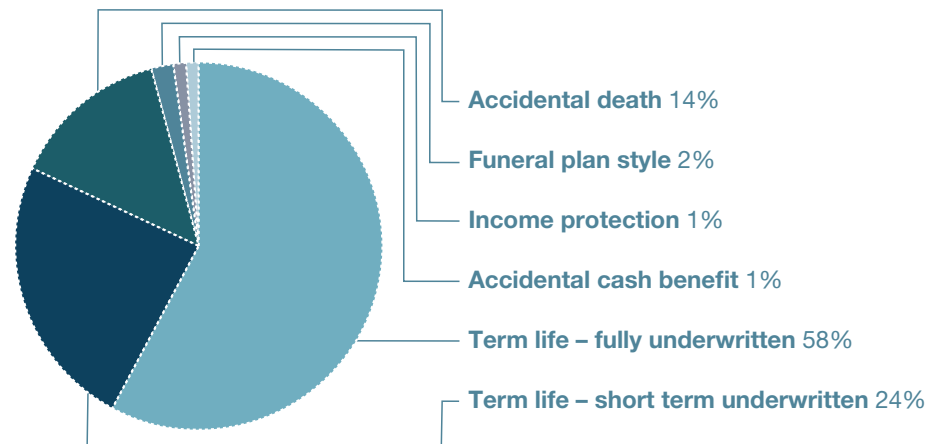
<sup>3</sup> above Regulatory Requirements



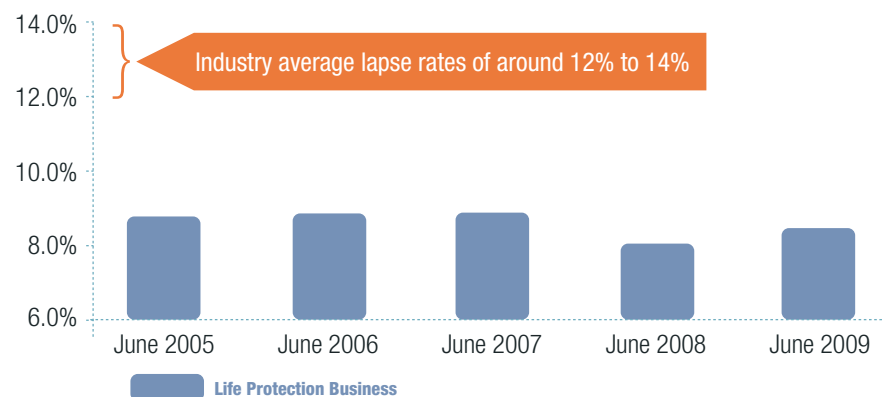
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- **Historical focus on simple, direct marketed risk products (mainly term life)**
  - Minimal Group Life and Income Protection - less than 2%
- **Scalable**
- **In-force premiums of c\$40.3m as at December 2009**
- **New business sales low by industry standards (c\$2m in 2009) due to:**
  - Distribution being predominantly direct and through MBF only
  - Non-core asset for current owner
- **Stable customer base evidenced by below industry average lapse rates**

## Annual In-force Premiums - \$40.3m

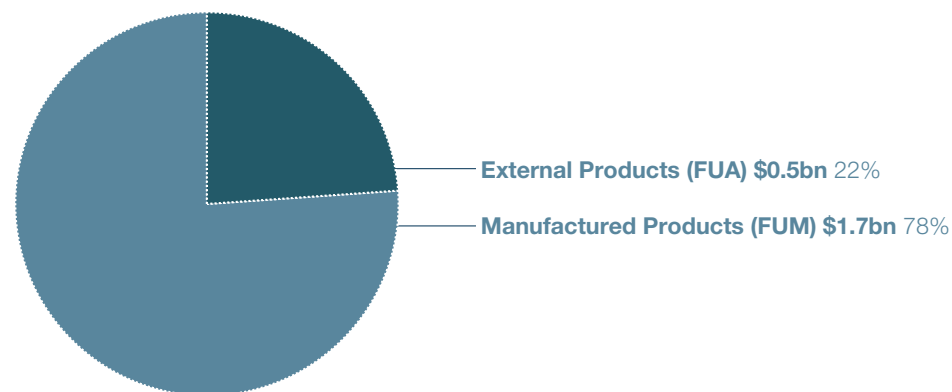


## Life Protection Business lapse rates

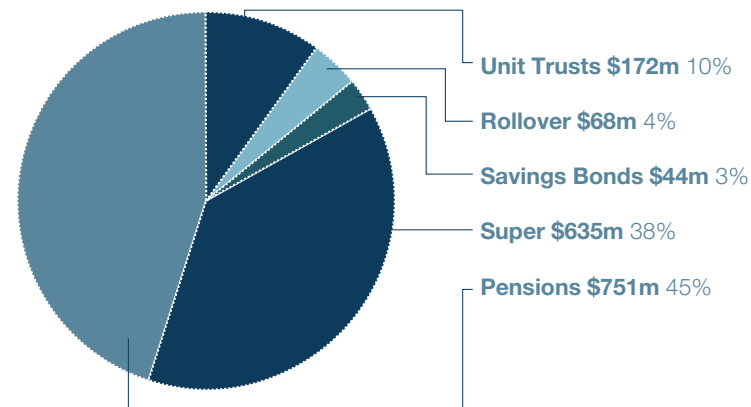


- Limited utilisation of Bupa member base as a lead source
- Targets mass affluent, pre-retirement and retirement markets (55 - 69 years olds)
- Strong brand recognition particularly in New South Wales
  - Distribution via direct response TV, direct mail, letterbox drops, print and radio
  - Historically high external marketing spend
- Limited marketing and distribution
- Good customer retention history
- Scalable

## FUMA - 31 December 2009



## FUM by Product - 31 December 2009



### 3. Strategic Rationale



# Strategic Rationale - “Platform for Growth”

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# 1. High Growth Industries

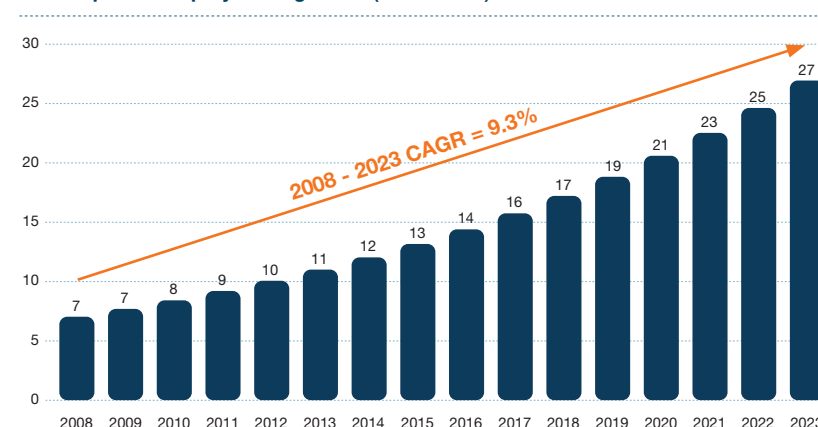
## Life insurance

- **High growth**
  - Life industry forecast to grow by a CAGR of 9.3% p.a. for next 15 years
  - Life insurance premium inflows increased 15.1% and total sales increased 21.2% for the 12 months to September 2009
- **Positive industry drivers**
  - Under-insurance
  - Government initiatives
  - Ageing population
  - Increased focus on life insurance

## Savings market

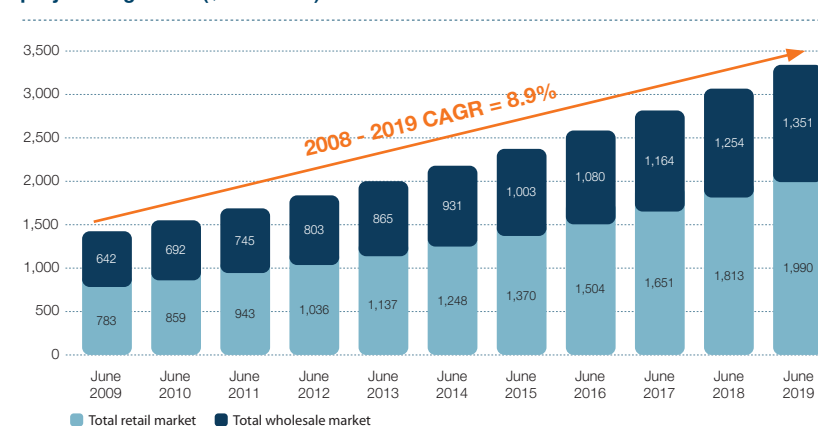
- **High growth**
  - Superannuation Assets expected to grow from 107% of GDP in 2010 to 147% in 2040
  - Superannuation forecast to grow by a CAGR to 8.9% p.a. for the next 10 years
- **Positive industry drivers**
  - Compulsory superannuation regime
  - Favourable tax treatment of super contributions
  - Improving economic conditions
  - Increasingly sophisticated retail investor base

## Australian life insurance market annual premium projected growth (\$A billions)



Source: DEXX&R November 2009.

## Australian total assets in financial services market projected growth (\$A billions)\*



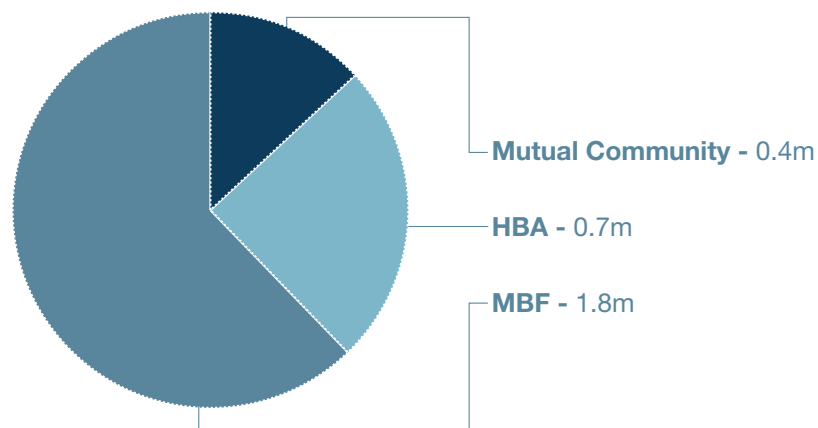
Source: Rice Warner February 2009.

\*Note: excluding consolidation of wholesale investments in retail products.

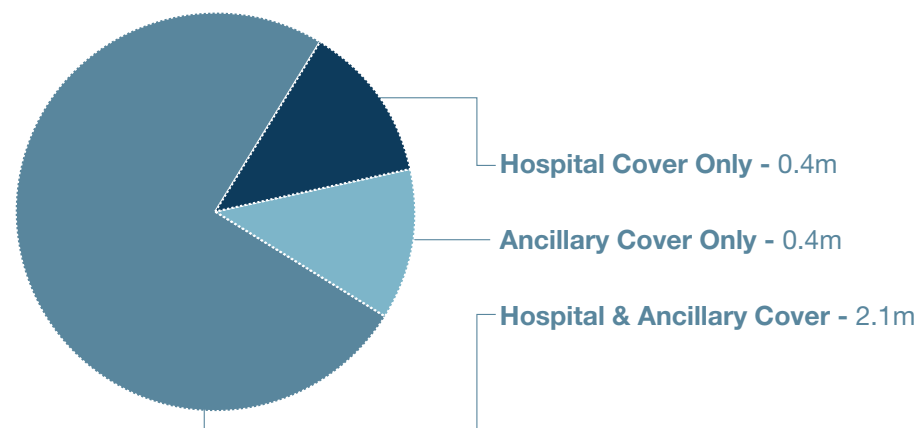
## 2. Exclusive Bupa Distribution Alliance

- 10 year exclusive distribution alliance
- Represents one of the best and most underutilised referral sources in Australia
  - Ability to target mass affluent individuals that are already buyers of discretionary insurance policies
  - 2.5m individuals with discretionary ancillary health cover - propensity to buy life and wealth management products is strong

**Bupa Australia Member Base**



**Hospital and Ancillary**

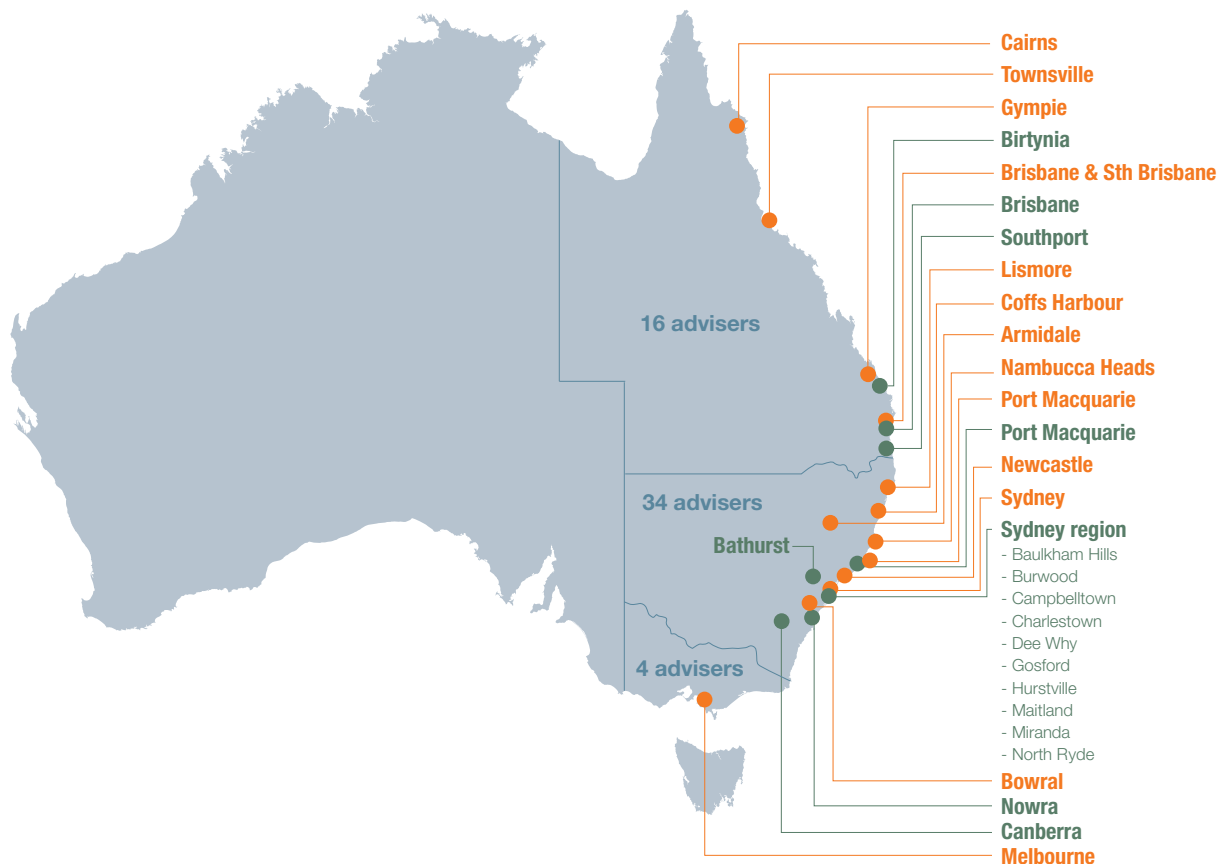


- No previous attempt by Bupa to market life insurance to the HBA and Mutual Community customer bases
  - Increases the prospective client base by 60%
- Reciprocal arrangement with ComCorp's referral partners
- Bupa never had the benefit of integrated referral management systems **ComCorp has the solution**

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# 3. Delivers Critical Mass and Synergies

- Adds critical mass to ComCorp (Combined FUMA of \$3.3bn)
- Substantial cost overlap and rationalisation potential
- Cross-referral opportunities across Life and Wealth Management
- Referral management system readily deployable across Bupa network





- Financial planning business
- Access to approximately 800,000 mutual members
- Since purchase of ComCorp business in April 2009 referrals have increased by over 30% and conversions by over 250%



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# 4. Leveraging ComCorp's Technology

- ComCorp utilises X-Plan technology to manage customer referrals and convert leads
- Since using X-Plan, ComCorp's referrals have increased 30% and conversions of referrals by over 250%
- ComCorp believes the integration of X-Plan into ClearView will deliver significant revenue synergies

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COMCORP Client Focus: (Unknown Individual) Previous Next Cancel

Status  
Privacy Statement  
Personal Details

**Select Planner**  
Adviser: O'Riordan, Andrew \* This is a mandatory field

**Client and Partners Details**  
Title: Mr  
Surname\*: Wilson \* This is a mandatory field  
First Name\*: Bradley \* This is a mandatory field  
Preferred Name\*: Brad \* This is a mandatory field  
Date of Birth: 10 / Aug / 1945 Today  
Gender: Male

**Contact Details**  
Contact Number\*: 02 9525 4532 \* This is a mandatory field  
Email Address: bradleywilson@gmail.com

**Preferred Address:**  
125 Attunga Road  
Street:  
Suburb: Sutherland  
State: NSW  
Postcode: 2232

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COMCORP Client Focus: Wilson, Brad Previous Next Cancel

Status  
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Referral Details  
Confirmation Page

**Referral Information**  
Staff Member who lodged Referral\*: Jane Piper \* This is a mandatory field  
Client Member Number: 025647  
Appointment required in\*: One Week (7 Days) \* This is a mandatory field  
Preferred location for appointment: Planners Office  
Marketing Source\*: Staff Generated \* This is a mandatory field

**Main reasons for seeking advice**  
 Change of circumstances  
 Provide for your emergency funding needs  
 Provide for your capital expenditure plans  
 Received a lump sum greater than \$50,000  
 Received a lump sum less than \$50,000  
 Consider margin lending/gearing strategy  
 Have surplus discretionary income to invest  
 Maximise entitlements (Centrelink)  
 Build up an investment portfolio

Reasons for advice

Referral Partner Comments  
Please contact this member after 5pm.

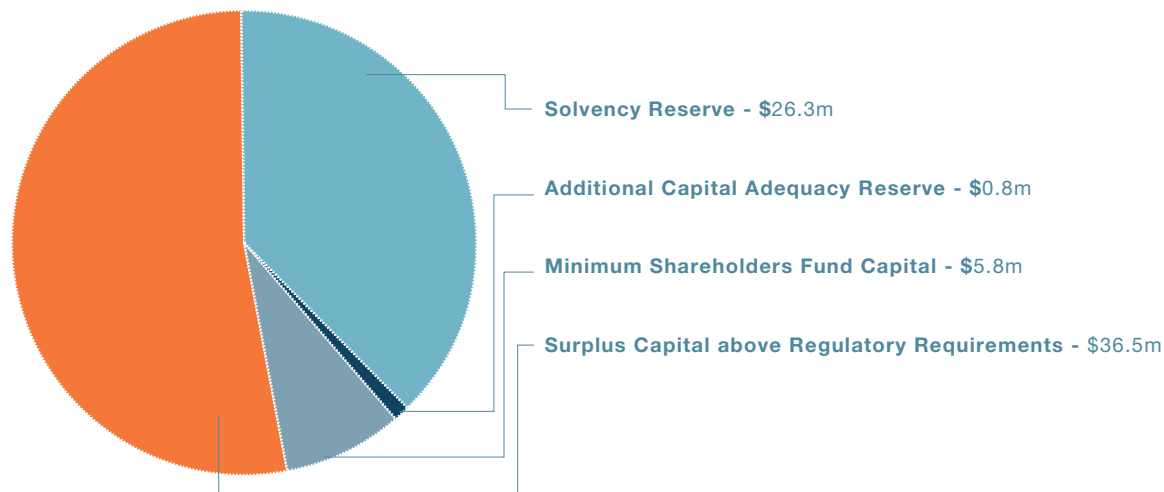
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# 5. Conservative Capital Structure

- MBF Life/ClearView has surplus capital above regulatory requirements of \$36m
- Shareholder Fund investment assets are low risk and are invested in cash deposits earning a modest rate of return
- No additional working capital is likely to be required to fund initial growth phase

## Capital Position - December 2009



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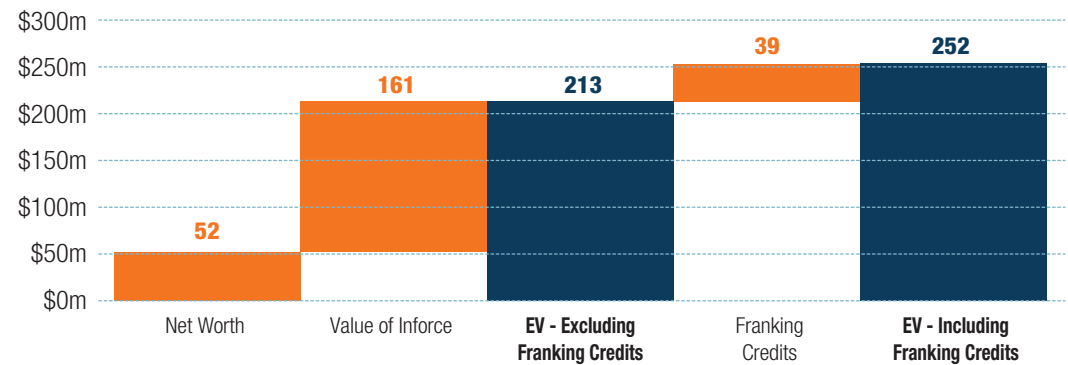
# 6. Value for Shareholders - Embedded Value

- **Purchase price represents**
  - 22.6% discount to Embedded Value including future franking credits or
  - 8.5% discount to Embedded Value excluding future franking credits

### Key Assumptions

- Net Worth is assets in excess of Capital Adequacy
- Embedded Value is on the basis of business being acquired with no allowance for future growth potential
- Risk Discount rate of 11% for risk business and 12.75% for investment business
- Expenses based on MBF Life actual experience
- Mortality/morbidity based on actual experience
- Policy discontinuances based on historical experience

### Composition of EV - December 09



The following table sets out key sensitivities of the Embedded Value results to changes in risk discount rate and maintenance expenses assumptions leaving all other assumptions unchanged.

#### Embedded Value of the Companies (Excluding Franking Credits) as at 31 December 2009.

	Risk Discount Rate: Life Risk/Investment		
	10%/11.75%	11%/12.75%	12%/13.75%
Net Worth	52	52	52
Value of Business in Force	171	161	152
<b>Embedded Value</b>	<b>223</b>	<b>213</b>	<b>204</b>
Embedded Value assuming a 10% increase in maintenance expenses	216	206	198
Embedded Value assuming a 10% decrease in maintenance expenses	229	219	210

The following table shows the possible value of Franking Credits

#### Value of Franking Credits at 31 December 2009

	Risk Discount Rate: Life Risk/Investment		
	10%/11.75%	11%/12.75%	12%/13.75%
Franking Credits	\$m 42	\$m 39	\$m 37

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## 7. Supportive Major Shareholder and Management Alignment

- GPG has a strong track record in financial services
- GPG to invest an additional c\$50m bringing total investment to c\$110m
- GPG prepared to dilute to <50% shareholding to facilitate broader shareholder base
- CEO and other key staff remuneration structures geared towards maximising shareholder returns
  - Simon Swanson
    - > Invest \$1m in Placement\*
    - > 10 million Shares over 3 years\*
 

~ Year 1	2m at 50 cents
~ Year 2	4m at 58 cents
~ Year 3	4m at 65 cents

\* subject to shareholder approval

### GPG Financial Services Track Record



- Sponsored demerger of Tower Australia
- Sold major stake in Tower Australia to Dai-ichi Mutual Life in 2008
- Remains a cornerstone shareholder of Tower (NZ)



- Engineered spin-off of AWM from Tower in 2004
- Directed merger with Select Managed Funds



- Foundation shareholder
- Series of acquisitions over 8 years
- Sold to Royal & Sun Alliance
  - now part of Suncorp

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## 8. Substantial Scope to Grow New Business



# 9. Well-Prepared Integration Plan

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## Strong Management Team

- Simon Swanson as appointed Managing Director
  - Leader in the Australian Life and Wealth Management industry; ex CEO of CommInsure
- Alex Hutchison will become CEO of the Wealth Management and Advice Business (ClearView and ComCorp)
- Senior MMC/ComCorp management team ex-Bridges/Tower/AWM/IOOF
- Unrivalled experience dealing with/generating referrals from financial institutions

## Systems and Processes in Place

- ComCorp has leading referral and client management systems
- Since introduction of new automated referral management system in ComCorp referral volumes have increased by over 30% and conversion rates by 250%
- Directly relevant to accessing the Bupa member base and readily deployable
- Significant functional/cost overlap in Wealth Management and Advice businesses

## Extensive Due Diligence

- Simon Swanson - 5 months preparation of plan
- MMC team - 3 months preparation of plan
- Extensive accounting, legal and actuarial due diligence
- Detailed bottom-up cost analysis

## Integration Plan

- Roles and responsibilities - clearly defined corporate structure
- '90 day plan' - integrate and consolidate
- Training and technology rollout strategy
- 10 year Distribution Alliance effective from completion of Acquisition
- Transitional Services from Bupa to be phased out as soon as possible
- MMC Contrarian to change name of company to ClearView Wealth Limited to reflect investment, opportunity and new direction for the business of the Combined Group

## 4. Pro-forma Financials



# Pro-forma Profit and Loss - Immediately Profitable

## Unaudited statement of financial performance for the year ended 31 December 2009

Currency: A\$000	MMC Year Ended 31 Dec 2009	MBF Management Year Ended 31 Dec 2009	Pro-forma Adjustment	Combined Group Year Ended 31 Dec 2009
Fee revenue	6,713	35,911	-	42,624
Net life insurance premium	-	35,836	-	35,836
Investment income	3,568	46,055	(2,834)	46,789
Net fair value (losses)/gains on financial assets	-	149,241	-	149,241
Other income	-	400	-	400
Realised capital gains	(203)	-	-	(203)
<b>Net income</b>	<b>10,078</b>	<b>267,443</b>	<b>(2,834)</b>	<b>274,687</b>
Net claims expense	-	(11,957)	-	(11,957)
Change in life insurance policy liabilities	-	(4,883)	8,961	4,078
Change in life investment policy liabilities	-	(189,708)	-	(189,708)
Change in reinsurers' share of life insurance liabilities	-	(118)	-	(118)
Impairments	(412)	-	-	(412)
Commissions	(3,589)	(271)	-	(3,860)
Other expenses	(8,411)	(48,159)	-	(56,570)
Share of losses of associates	(33)	-	-	(33)
<b>NPBT</b>	<b>(2,367)</b>	<b>12,347</b>	<b>6,127</b>	<b>16,107</b>
Tax	866	(5,503)	(1,838)	(6,475)
<b>NPAT</b>	<b>(1,501)</b>	<b>6,844</b>	<b>4,289</b>	<b>9,632</b>
<b>Attributable to:</b>				
Equity holders of the parent	(1,627)	6,844	4,289	9,506
Minority interests	126	-	-	126

### Does not reflect:

- Substantial reduction in costs - Bupa allocated overhead costs (\$6.5m pre-tax cost savings)
- Other potential cost synergies (remove duplicated functions)
- Immediate and medium term revenue growth opportunities
- One-off restructure and integration costs

The statement of financial performance for the Combined Group has been calculated by aggregating the performance of MMC and MBF Management and applying the pro forma assumptions set out in Section 8 of the Prospectus.

As \$69.2 million of the Acquisition price will be sourced from existing internal resources, that amount will not be available to generate investment income. This reduces the pro forma NPAT by \$1.9 million post tax (\$2.8 million pre tax).

The un-recouped DAC component of the change in policy liabilities expense arising as a result of changes in interest and inflation assumptions has been separately adjusted. The non-cash effect of this item represents a timing difference in the release of profit. As a result of the increase in interest rates in 2009, the DAC subsequently reduced by \$9.0 million in the December 2009 results, thereby reducing pro forma NPAT by \$6.3 million post tax.

# Pro-forma Balance Sheet - Financially Flexible

## Unaudited pro forma statement of financial position as at 31 December 2009

Currency: A\$000	MMC 31 Dec 09	MBF Management 31 Dec 09	Pro forma restructure adjustment	Pro forma acquisition adjustment	Pro forma consolidation adjustment	Combined Group 31 Dec 09
Cash and cash equivalents	2,975	2,668	-	-	-	5,643
Receivables	659	10,903	(6,591)	-	-	4,971
Financial assets	78,758	1,595,071	(12,074)	(69,200)	-	1,592,555
Property, plant & equipment	112	312	1,103	-	-	1,527
Deferred Tax Asset	11,978	16,003	708	1,410	-	30,099
Goodwill and other intangibles	10,685	48	-	-	37,577	48,310
Reinsurers share of policy liabilities	-	(10)	-	-	-	(10)
Investment in subsidiary	-	-	-	195,000	(195,000)	-
Investments accounted for using the equity method	167	-	-	-	-	167
<b>Total assets</b>	<b>105,334</b>	<b>1,624,995</b>	<b>(16,854)</b>	<b>127,210</b>	<b>(157,423)</b>	<b>1,683,262</b>
Payables	1,172	16,647	-	-	-	17,819
Intercompany payables	-	19,215	(19,215)	-	-	-
Provisions	2,132	-	2,361	-	-	4,493
Life insurance policy liabilities	-	(68,377)	-	-	-	(68,377)
Life investment policy liabilities	-	1,500,087	-	-	-	1,500,087
<b>Total liabilities</b>	<b>3,304</b>	<b>1,467,572</b>	<b>(16,854)</b>	<b>-</b>	<b>-</b>	<b>1,454,022</b>
<b>NET ASSETS</b>	<b>102,030</b>	<b>157,423</b>	<b>-</b>	<b>127,210</b>	<b>(157,423)</b>	<b>229,240</b>
Issued capital	144,816	225,067	-	131,710	(225,067)	276,526
Retained (losses)/profits	(43,298)	(67,644)	-	(4,500)	67,644	(47,798)
Reserves	512	-	-	-	-	512
<b>Total equity</b>	<b>102,030</b>	<b>157,423</b>	<b>-</b>	<b>127,210</b>	<b>(157,423)</b>	<b>229,240</b>

### Financially Flexible

- Sound cash position
- \$36m in surplus capital above regulatory requirements
- Cash producing portfolio

The statement of financial position of the Combined Group has been calculated by aggregating the unaudited statement of financial position of MMC and MBF Management as at 31 December 2009 and applying the pro forma assumptions set out in Section 8 of the Prospectus.

Property, plant and equipment currently used by the MBF Life and ClearView businesses of \$1.1 million is owned by BUPA and is to be transferred as part of the Acquisition.

MMC will offer employment to employees of the Acquired Businesses. For those who transfer, MMC will acquire the associated employee benefit liability - estimated to be \$2.4 million.

The pro forma assumptions regarding funding of the Acquisition and the proposed capital structure has the following impact:

- an increase in equity of \$131.7 million being \$135 million of new equity less estimated capital raising costs of \$4.7 million. The capital raising costs are adjusted by \$1.4 million to reflect tax effect accounting;
- a decrease in retained earnings reflects the \$4.5 million of acquisition costs which are expensed in accordance with Accounting Standards
- a reduction in the cash balance of \$69.2 million, being funds contributed to the Acquisition including acquisition and capital raising costs; and
- Deferred tax asset of \$1.4 million reflecting the tax effect accounting referred to above.



## 5. Funding



# Acquisition Funding

## Sources - \$m

MMC excess cash	69.2
Underwritten equity capital raising	135.0
	<b>204.2</b>

## Uses - \$m

Acquisition price	195.0
Transaction and capital raising costs	9.2
	<b>204.2</b>

### Cash

1. As at 31 December 2009, MMC had c\$80.9m of cash and no debt
2. Post use of \$69.2m of MMC cash c\$11.7m excess cash in MMC pre restructure and intergration costs and purchase price adjustment

### New Equity

2. Approx \$62m Conditional Placement at \$0.50 per share
3. Approx \$73m 1 for 1 Non-renouncable Entitlement Offer at \$0.50 per share
  - Fully underwritten
  - GPG to take up full entitlement representing c\$50m

# Offer Structure

## 1. Conditional Placement to raise approx \$62m

- At \$0.50ps
- Representing 123.4m shares or 84.2% of total shares outstanding
- Settlement conditional on shareholder approvals (50% vote) at EGM on 30 April 2010
  - 50% shareholder vote to approve ordinary resolutions at EGM
  - GPG will vote in favour of resolutions at EGM

## 2 1 for 1 Non-Renounceable Entitlement Offer to raise \$73.3m

- At \$0.50 per share
- To eligible shareholders on the register at 7 April 2010
- Shares issued under the placement will not participate
- Settlement at same time as conditional placement
- GPG to subscribe for full entitlement c\$50m

## Pricing metrics

MMC Statistics	Per share	Offer Premium/ (Discount)
Net Asset Value (pro-forma) <sup>1</sup>	\$0.56	-10.6%
TERP <sup>2</sup>	\$0.48	4.2%

<sup>1</sup> Represents pro-forma Total Net Assets of Combined Group plus ESP Loans Receivable divided by total pro-forma shares on issue

<sup>2</sup> Theoretical Ex-Rights Price. Calculated off MMC's last price of \$0.46ps on 24 March 2010

<b>Date</b>	<b>Event</b>
<b>Friday 26 March 2010</b>	Conditional Placement, Entitlement Offer and Acquisition Announced
<b>Friday 26 March 2010</b>	Lodgement of Prospectus with ASIC
<b>Tuesday 30 March 2010</b>	Entitlement Offer Ex-Rights Date
<b>Wednesday 7 April 2010</b>	Record Date for Entitlement Offer
<b>Tuesday 13 April 2010</b>	Entitlement Offer Opens
<b>Tuesday 27 April 2010</b>	Entitlement Offer Closes
<b>Friday 30 April 2010</b>	EGM to approve Conditional Placement
<b>Tuesday 4 May 2010</b>	Conditional Placement Settles
<b>Tuesday 4 May 2010</b>	Entitlement Offer Settles
<b>Wednesday 5 May 2010</b>	Allotment of Placement Shares
<b>Wednesday 5 May 2010</b>	Allotment of Entitlement Offer Shares
<b>Thursday 6 May 2010</b>	Normal Trading of New Securities
<b>June 2010</b>	APRA Approval Date (expected)*

\* Last date for approval is 31 August 2010

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## 6. Summary



# Transaction Highlights

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## Company transforming acquisition

- MMC to acquire Bupa Australia's financial services businesses, MBF Life and ClearView
- Consistent with a strategy, MMC will transform into a highly focused wealth management and life company
- Regulatory approval expected in June 2010 – being approval under IATA, FSSA and FATA

## Attractive Price

- Purchase price of \$195m (excluding Transaction Costs and Capital Raising Costs of \$9.2m and purchase price adjustments) represents an 8.5% discount to Embedded Value (\$213m) or a 22.6% discount to Embedded Value including value for future franking credits (\$252m)
- Right time of the cycle to invest

## Significant growth opportunities and synergies

- 10 year exclusive Distribution Alliance Agreement providing access to Bupa Australia's high value 2.9 million member base
- Substantial scope to reduce costs by eliminating duplicated costs and the replacement of Bupa allocated overhead costs (saving \$6.5m)
- Well developed integration and growth strategy formulated

## Financial flexibility

- Well established and profitable businesses with minimal legacy issues
- High cash generating business portfolio with \$36.5m in surplus capital above regulatory capital requirements
- MMC will remain debt free on completion

## Fully funded

- \$69.2m in existing MMC cash plus \$135m fully underwritten equity capital raising
- Equity capital raising approximately \$62m conditional placement\* and approximately \$73m 1 for 1 non-renounceable entitlement offer
- Offer price of \$0.50 per share representing a discount of approximately 10.6% to NAV (pro-forma)\*

## Support from major shareholder and MD

- Major shareholder GPG to fully participate in entitlement offer by investing an additional \$49.8m and bringing total investment to c\$110m
- GPG diluting from 68% to under 50% to facilitate a broader register
- Simon Swanson appointed as Managing Director (ex Commlnsure CEO) and will personally invest \$1m in conditional placement\*

\* Subject to shareholder approval

## 8. Appendices



# A. Risk Factors

There are a number of factors, both specific to MMC and of a general nature, which may affect the future results of operation, financial performance and business of MMC, its investment returns, the value of its Shares and its funding requirements. Many of the circumstances giving rise to these risks are beyond the control of MMC. This Section describes certain specific areas that are believed to be the key risks associated with an investment in MMC. Each of the risks described below could, if they eventuate, have a material adverse effect on MMC's business, results of operation and financial performance.

You should note that the risks in this Section are not an exhaustive list of the risks faced by an investor in MMC. Additional risks that MMC is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect MMC's business, results of operation and financial performance. You should consider carefully the risks described in this Section, as well as other information in this document, and consult your financial or other professional adviser before deciding whether to make an investment decision.

## 11.1 Risks relating to the Acquisition

The future success of the Combined Group (and the ability to realise the benefits of synergies and cost saving opportunities) will depend, in part, on the success of the integration of the Acquired Businesses and MMC. There is a risk that the Combined Group's future profitability and prospects could be adversely impacted if successful integration is not achieved in an orderly and timely fashion.

The process of integrating operations is a significant undertaking and could, among other things, interrupt or reduce the performance of the businesses of the Combined Group, or result in the loss of key personnel, any of which could have an adverse effect on the financial performance, position and prospects of the Combined Group.

### 11.1.1 Delay in Acquisition or Acquisition not proceeding

Delay in satisfaction of the conditions precedent could delay Completion for a significant period of time or prevent it from occurring entirely. One of the conditions precedent is the granting of required regulatory approvals, in Australia, including approval by APRA, acting on behalf of the Minister, pursuant to the *Financial Sector (Shareholdings) Act 1998*, the *Foreign Acquisitions and Takeovers Act 1975* and *Insurance Acquisition and Takeovers Act 1991*. Should these approvals not be granted, Completion may be delayed or the Acquisition may not proceed in the event of lengthier delays or a failure to receive the required approvals.

### 11.1.2 Due diligence risks

Although MMC has conducted due diligence on MBF Management, those enquiries were largely limited to the information that was chosen to be disclosed by MBF Management and its current owner. Further, MMC does not currently own or operate the business of MBF Management, and is therefore not in a position to independently verify the due diligence information or ascertain whether additional information regarding the business may be material. As such, there is a risk that MMC may be unaware of information which materially and adversely affects the value of MBF Management. Depending on the nature of the information, MMC may not be able to recover compensation for the lost value under the Acquisition agreements.

To the extent that this information is incorrect, inaccurate or misleading, there is the risk that the future profitability and prospects of the Combined Group may differ (including in an adverse way) from MMC's expectations and as reflected in this Prospectus.

### 11.1.3 Integration of business operations

There are integration risks associated with the Acquisition, particularly because the majority of the Acquired Businesses' current workforce is employed by other entities and those people are provided to the Acquired Businesses on a secondment arrangement. Further, there are other shared services which will be provided to the Acquired Businesses post Acquisition under the Transitional Services Agreement. There is a risk that key personnel will not agree to become employees of MBF Management or MMC, and that shared services may not be efficiently transitioned. There is also likely to be a level of cultural change when MMC takes operational control of the Acquired Businesses, which may create unexpected integration difficulties and potentially loss of key personnel. The integration process may therefore be costly and occupy a significant portion of management's time, and there is a risk that the extraction of efficiencies and potential synergies (including cost saving opportunities) may not occur as planned.

### 11.1.4 Execution of Business Plan

MMC's ability to realise value from the Acquisition will depend on the successful execution of its business and marketing plans for the Acquired Businesses. The outcome of these business and marketing plans is subject to various uncertainties and risks, many of which are outside of MMC's control. Accordingly, there is a risk that the Combined Group will not be as successful or profitable as anticipated.



# A. Risk Factors

## 11.1.5 Regulatory risks

In Australia, life insurance companies (such as MBF Life) are regulated by APRA and governed under the *Life Insurance Act*. Superannuation funds, such as those operated by MBF Management, are also supervised by APRA. MMC is not currently subject to the same level of regulatory oversight nor is it subject to APRA requirements as to regulatory capital and other compliance obligations.

In the past, the Acquired Businesses have had issues with internal compliance and control systems, and MMC expects that it will need to invest both money and management time into improving compliance and control systems post Acquisition. There is a risk that if the compliance and control system upgrade is more extensive or takes longer than expected, that the benefits of the Acquisition will be less than planned or will be delayed. In an extreme case, a breach of MBF Management's compliance obligations could put its regulatory authorisations at risk, which would result in a material adverse effect to MMC's financial position.

## 11.1.6 Change of control clauses in contracts

A number of contracts contain "change of control" or similar clauses which may be triggered by the Acquisition. Clauses of this type generally give the counterparty the ability to terminate the agreement if the counterparty's consent to the Acquisition is not obtained. There is a risk that the counterparties to the relevant contracts who do not consent may seek to terminate their contracts with MBF Management, MBF Life or ClearView as a result of the Acquisition. This could adversely impact the ongoing business operations of the Acquired Businesses, even if the contracts can be replaced.

## 11.1.7 Uncertainty regarding outstanding claims liability and policy liabilities

MBF Life has liabilities in respect of outstanding claims and future policy benefits in its life insurance business. The

outstanding claims liability includes claims which have been reported but not yet paid, claims incurred but not yet reported, and the anticipated direct or indirect costs of settling these claims. The assessment of these liabilities requires estimates of future premium and claims incidence, amounts and development, taxation, inflation and other economic factors. The assessment of these liabilities is an inherently uncertain process, and these liabilities may not have been adequately provided for by MBF Life. This may result in a material adverse impact on the Combined Group's profitability and financial performance.

## 11.1.8 Brand reputation

Brands are a key asset of MBF Management. However, MMC will not be acquiring the MBF Life brand as part of the Acquisition. This may have a detrimental effect on the goodwill of the MBF Life business. Further, successful maintenance of the reputation and value associated with the ClearView brands acquired as part of the Acquisition will be crucial to MMC and its strategy going forward. It is possible that MMC may not be able to effectively execute the Acquisition and implement its future strategy, which could result in the erosion of the reputation or value associated with the brand names. This, in turn, could have a material adverse effect on the Combined Group's business and financial performance.

## 11.1.9 Volatility of future reported results

The acquisition of the MBF Life business will mean that the MMC Group becomes subject to special accounting standards relating to the assets and liabilities of life insurance companies. The valuation of these long term assets and liabilities is very sensitive to various internal and external factors, such as long term interest rates, and changes in the valuation will be reflected in MMC's reported financial performance for the relevant reporting period. This combination of accounting standards and sensitivity to factors outside MMC's control is likely to mean that MMC's reported financial results may become

much more volatile. Further, a non-cash loss which arises under the accounting standards could, if it causes MMC to report an accounting loss for the relevant period, prevent MMC from paying dividends in respect of that period even if cash income would have been sufficient to fund a dividend.

## 11.1.10 Limitations on warranties and indemnities

MMC has the benefit of warranties and indemnities from MBF Holdings under the Share Sale Agreement. However, those warranties and indemnities are subject to certain limitations, and might not be sufficient to cover or provide recourse in relation to all possible losses that MMC may suffer as the owner of MBF Management and the other sale assets. In particular, the period of time covered by some of the warranties and indemnities is historical and only extends to 16 June 2008, and prospective only for 18 months after Completion. Losses which cannot be recovered from MBF Holdings or Bupa Australia Holdings Pty Ltd under the Share Sale Agreement may cause a material adverse effect on the Combined Group's business and financial condition.

## 11.1.11 Risks of impairment to deferred tax asset

MMC (on a tax consolidated basis) carried a deferred tax asset on its balance sheet at 31 December 2009 in the amount of \$11.9 million. The Board considered at each reporting period that it was probable that sufficient taxable amounts would be available against which deductible temporary differences or unused tax losses and tax offsets could be utilised.

The future availability of the unrealised losses (once crystallised) and the realised investment disposal losses is subject to MMC satisfying the "continuity of ownership test" under the tax legislation. This test involves an assessment each tax year of changes in shareholdings above a certain threshold.

# A. Risk Factors

As at the date of this Prospectus, the Board has assessed that neither the Conditional Placement nor the Entitlement Offer is expected to cause MMC to fail to satisfy the continuity of ownership test. However, there is a risk that, if individual current or new Shareholders (other than Guinness Peat Group) increase their shareholdings in the future, or if the Underwriter becomes obliged to subscribe for a significant amount of shortfall, the test may not be satisfied in the current or future tax years. If this occurs, MMC would need to pass the “same business test” under tax legislation in order to avoid impairment of the amount of the deferred tax asset and utilisation of the available losses. The ability to satisfy the “same business test” is dependent on the facts at the time the Continuity of Ownership Test is failed.

## 11.2 Risks specific to MMC and the Combined Group

### 11.2.1 Reliance on licences

In order to provide financial advice in Australia an AFSL is required and licensees are regulated by ASIC. ComCorp is an AFSL holder, which requires (amongst other things) ComCorp to have available adequate resources (including financial, technological and human resources) to provide the financial services covered by the licences. If MMC fails to comply with the general obligations of financial services licensees or the specific conditions of its licence, this could result in the suspension or cancellation of the licence which enables it to operate its business. Similar risks will apply to the financial advice business of ClearView and ComCorp, particularly if integration of the Acquired Businesses does not effectively provide the necessary resources to these companies. Breach or loss of licences would have a material adverse effect on the Combined Group’s business and financial performance.

### 11.2.2 Changes in government policy and legislation

The financial planning and superannuation industry in Australia may go through a period of significant regulatory change, with three government enquiries in progress. It is possible that in the near future there may be restrictions on the commission fee model for financial advisers, which may adversely impact the financial planning businesses of the Combined Group. Further, a greater degree of regulatory uncertainty around the financial planning industry in general may change valuation metrics for financial planning businesses such as these, which in turn could adversely affect the value of an investment in the Combined Group.

### 11.2.3 Reliance on technology and systems

The ability of the Combined Group to conduct their operations is heavily reliant upon the capacity and reliability of its information technology infrastructure and systems. A significant or sustained failure in these systems could have a materially adverse effect on the Combined Group’s operations in the short term, which in turn could undermine longer term confidence in the Combined Group.

### 11.2.4 Reliance on financial planners and financial advisers

The financial planning businesses of MMC will be heavily reliant on retaining existing business and generating new business through their networks of financial planners and financial advisers. Failure to retain and motivate these financial planners and financial advisers would be likely to have a material adverse effect on future earnings and the value of the Combined Group’s business.

### 11.2.5 Reliance on senior management and key personnel

The operating and financial performance of MMC is dependent on its ability to retain senior management and

key personnel. MMC’s continued ability to compete effectively depends on the capacity of MMC to retain and motivate these existing employees as well as attract new employees. The loss of key personnel could cause material disruption to the Combined Group’s activities and operations in the short to medium term.

### 11.2.6 Demand for financial products and services

Demand for MMC’s financial products and services is impacted by changes in external investment markets and economic conditions. For example, weak equity markets can discourage customers from investing. In turn, this can lead to lower demand for MMC’s financial products and services as well as increased outflows, which can increase pressure on margins and may result in reduced profitability.

Demand for MMC’s financial products and services is also impacted by MMC’s past investment performance relative to the past investment performance of its competitors. If MMC underperforms in relation to its competitors for a prolonged period, the demand for MMC’s financial products and services may be adversely affected.

### 11.2.7 Reinsurance risk

MBF Life has entered into reinsurance arrangements which reduce the net effect of mortality and morbidity risks on the business. Lack of appropriate reinsurance cover or historical errors leading to current reinsurance arrangements becoming ineffective may have a material adverse effect on the Combined Group.

The availability, amount and cost of reinsurance depends on prevailing market conditions, in terms of price and available capacity, and may vary significantly. There are also risks associated with the determination of proper levels of outwards reinsurance protection, the cost of such reinsurance, the financial security of reinsurers and that reinsurers dispute or default on their obligation to pay valid claims.

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# A. Risk Factors

## 11.2.8 Credit risks on counterparties

Credit risk arises from the Combined Group's investment activities and the potential for loss arising from the failure of counterparties to meet their contractual obligations and any change in value as a result of changes in counterparties' credit ratings. The Combined Group will hold provisions to cover expected write downs of investment assets. The amount of these provisions is determined by assessing, based on current information, the extent of credit risk within the current investment portfolio. However, if the information upon which the assessment of risk is based proves to be inaccurate, the provisions made for investment losses may be insufficient, which could have a material effect on the results and operations of the Combined Group.

## 11.2.9 Liquidity risk

Liquidity risk can affect financial products which are made available by the Combined Group. A failure to be able to realise investments may result in the Combined Group failing to meet obligations under financial products offered, may result in compliance breaches and could damage the reputation of the Combined Group.

More broadly, liquidity may affect the cash flow position of the Combined Group, making it difficult for the Combined Group to meet its liabilities as and when they fall due.

## 11.2.10 Concentration risk

Concentration risk arises when the Combined Group has significant exposure to a single investment. To the extent that there is a deterioration of performance in this single entity or investments in this entity bear increased risk, the profitability of the Combined Group may be materially impacted.

A deterioration in global economic conditions may also affect the financial position and consequent performance by contractual counterparties of the Combined Group. The Combined Group could be adversely affected by changes in

the business or financial condition of one or more of a significant supplier, a joint venture partner or a significant customer.

## 11.2.11 Competition

The financial services and life insurance industries in Australia, in which the Combined Group will operate, are becoming increasingly competitive. Factors contributing to this include mergers, changes in customers' needs and preferences, entry of new participants, development of distribution methods and increased diversification of product mix by major competitors. The Combined Group may lose business to their competitors if they are unable to demonstrate technical expertise, competitive pricing and reliable performance to customers. Because MMC and MBF Management have relatively small market shares in their respective product markets, responses to increased competition may include lower prices or increased costs (such as marketing), or both, which may reduce overall profitability.

## 11.2.12 Risk of litigation

MMC is subject to the usual business risk that disputes or litigation may arise from time to time in the course of its business activities. Litigation risks relating to MMC include, but are not limited to, contractual claims, employee claims and regulatory disputes. There is a risk that material or costly disputes could arise which may have a material adverse effect on the financial performance and position of MMC.

## 11.2.13 Regulatory compliance

Regulatory compliance has been an area of much focus recently throughout the Australian financial services industry. Some of the key consequences of this focus have been increased levels of monitoring by regulators, new licensing requirements and increasing industry awareness around risk management practices.

Licences issued by APRA and ASIC are critical to the Combined Group's ability to carry on its business. From time to time compliance issues may arise in the operation of the Combined Group. Such issues could arise in the future, resulting in increased costs and management time to rectify, reputation loss and, in extreme circumstances, loss of licences.

## 11.2.14 Operational risk

Operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events which impact on the Combined Group's operations. The Combined Group will be exposed to operational risks present in the Acquired Businesses and MMC's current business including risks arising from process error, fraud, system failure, failure of security and physical protection systems, and unit pricing errors. Operational risk has the potential to have a material adverse effect on the Combined Group's financial performance and position as well as reputation.

The Combined Group will endeavour to take appropriate action or obtain appropriate insurance to mitigate these risks, however certain residual risks will remain.

## 11.3 Risks associated with investing in New Shares

### 11.3.1 Taxation risk

Future changes in taxation law in Australia, including changes in interpretation or application of the law by courts or taxation authorities in Australia, may affect taxation treatment of an investment in Shares, or the holding or disposal of those Shares. Further changes in taxation law, or the way in which MMC operates, may impact MMC's future tax liabilities.

# A. Risk Factors

## 11.3.2 Economic conditions

There are risks associated with any investment listed on the ASX. Investors should recognise that the price of Shares may fall as well as rise. In particular, the price of Shares may rise or fall below the Offer Price, depending on the financial condition and operating performance of MMC. A number of factors outside the control of MMC may impact significantly on MMC, its performance and the price of Shares, including:

- economic conditions in Australia and internationally;
- general movements in the local and international stock markets;
- investor sentiment;
- changes in interest rates and the rate of inflation;
- changes in fiscal, monetary and regulatory policies; and
- international hostilities.

MMC's future dividend levels will be determined by the Board having regard to the operating results and financial position of MMC and there is no guarantee that any dividend will be paid or, if paid, that it will be paid at previous levels.

The historic Share price performance of MMC provides no guidance as to future Share price performance.

## 11.4 Other risks

The above list of risk factors ought not to be taken as exhaustive list of the risks faced by MMC and its Shareholders. The above risks, and others not specifically referred to above, may in the future materially affect the financial performance of MMC and the value of New Shares offered under this Prospectus. Therefore, no assurances or guarantees of future profitability, distributions, payment of dividends, returns of capital or performance of MMC or its securities can be provided by MMC.

**Ray Kellerman** B.EC, LLB, MBA, ACIA

Non-executive Chairman

Ray is an independent director as defined by the ASX Corporate Council's Principles. Ray has a legal background and was head of compliance services at the Corporate Trust division of Perpetual Trustees Australia where he spent 10 years before establishing his own compliance consulting and advisory business in 2001. Ray currently acts as a director, audit and risk committee member and compliance committee member for a number of major fund managers and financial institutions including Goodman Funds Management Australia, Macquarie Bank, Deutsche Asset Management, Aberdeen Asset Management, Alliance Bernstein Investment Management Australia and Credit Suisse. He is an owner and Director of Quentin Ayers, an independent asset consultant in the alternative assets sector.

Ray is the Chairman of the Nomination and Remuneration Committee and a member of the Audit, Risk and Compliance Committee. He was appointed to these committees on 18 April 2007. He was appointed Chairman of the Nomination and Remuneration Committee on 26 November 2008.

Ray was appointed a Director on 10 April 2007 and Chairman on 4 November 2008. Age 46.

**Anthony Eisen** B.COM, CA

Non-executive Director

Anthony has over 15 years' experience in finance and investment. He is currently an executive of GPG. Prior to joining GPG, Anthony was an investment banker in Australia and the United States. Anthony commenced his professional career as an accountant with Price Waterhouse. Anthony currently represents the interests of GPG on the boards of MMC Contrarian Limited, Capral Limited, eServGlobal Limited and TOWER Limited.

Anthony is a member of the Nomination and Remuneration Committee. He was appointed to the Nomination and Remuneration Committee on 26 November 2008.

Anthony was appointed a Director on 12 November 2007. Age 38.

**Michael Jefferies** B.COM, CA

Non-executive Director

Mike has been an executive of GPG for the past 18 years. He currently represents the interests of GPG as Chairman of Touch Holdings Limited and a Non-executive Director of TOWER Limited, Capral Limited, Metals X Limited and eServGlobal Limited. He is also a director of Ozgrowth Limited. Mike was previously a director of Tower Australia Group Limited and Australian Wealth Management Limited.

Mike is a member of the Audit, Risk and Compliance Committee. He was appointed to this Committee on the 26 November 2008.

Mike was appointed a Director on 4 November 2008. Age 53.

**Peter Wade** B.EC, ASIA, MSA

Non-executive Director

Peter is an independent director as defined by the ASX Corporate Council's Principles. For the past 25 years Peter has worked in the Australian and international equity markets. Peter worked for Goldman Sachs JB Were (GSJBW) (previously known as JB Were) in Melbourne, London, New York and Sydney. At the time of the departure from GSJBW, Peter was the Joint Head of the Equities Products Group and was on the Board and Management Committee. In 2005, Peter joined JP Morgan where he became Managing Director, Head of Australian Equities and a member of the management committee before retiring from full time employment. He is currently working in an advisory capacity with the Commonwealth Bank of Australia. Peter has served on boards and committees of a number of security industry related organisations.

Peter is Chairman of the Audit, Risk and Compliance Committee and Remuneration Committee. He was appointed to the above named committees on 28 November 2007. He was appointed Chairman of the Audit Committee on 26 November 2008.

Peter was appointed a Director on 31 October 2007. Age 52.

## B. Executive team

**Simon Swanson** B.EC, B.Bus, ANZIIF (Fellow) CIP CPA

Managing Director

Simon is one of Australia's most skilled and experienced insurance executives having worked for 30 years across life, general and health insurance as well as funds management. He has successfully led the largest life insurer (CommInsure, Sovereign and Colonial) in three countries and has spent half of his career in the Asia Pacific region.

Apart from running large insurance companies, he has also successfully started a broad range of businesses covering life insurance, health insurance and funds management.

Simon will be appointed Managing Director on 26 March 2010. Age 52.

**Alexander Hutchison** LLB MSA, AACI

Chief Executive Officer, Wealth Management and Advice

Alex has over 17 years' experience in the financial services sector and is a qualified lawyer. Alex has extensive experience in the provision of financial services to the mutual sector. Prior to becoming the Managing Director of MMC Contrarian Limited Alex was the Chief Executive Officer of Bridges Financial Services. Alex began his financial services career at the Australian Securities Commission (as it then was) and later the State Bank of NSW, Colonial Limited and Credit Union Services Corporation Australian Limited. Alex resigned as Director with effect on 26 March 2010.

Alex was appointed a Director on 4 November 2008.

**Athol Chiert** B Com, B Acc, CA

Chief Financial Officer and Company Secretary

Athol was appointed Company Secretary on 4 November 2008. Athol was previously the CFO of PrefSure Holdings Limited and PrefSure Life Limited (formerly Lumley Life Limited). Athol has a private equity background as part of the Global Capital Group both in Australia and South Africa and has over 13 years' experience in the finance industry. Athol commenced his professional career as an accountant with Arthur Andersen.

**Justin McLaughlin** B.Ec (Hons)

Chief Investment Officer

Justin was appointed Chief Investment Officer of MMC on 15 June 2008. Prior to this he was employed by Australian Wealth Management as Head of Research. Justin has held a number of senior investment roles with TOWER, United Funds Management, Advance Asset Management and Superannuation Fund Investment Trust (SFIT). Justin has over 20 years experience in the financial services sector.

**Donna McKell**

Head of Advice Support

Donna was appointed Head of Advice support of MMC on 21 July 2008. Prior to MMC, Donna was employed by Australian Wealth Management Limited in the role of Head of Financial Planning Business Support. Donna has occupied senior roles over the past 12 years in all aspects of supporting financial planning practices. Donna has over 25 years of experience in the financial services sector.

**Appointed Actuary** Post acquisition MMC will appoint an Actuary for the Combined Group.

## C. Glossary of terms

Terms in this presentation have the same meaning as in the Prospectus

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