CALLIDEN GROUP LIMITED
AND ITS CONTROLLED ENTITIES
A.C.N. 061 215 601

APPENDIX 4D
INTERIM FINANCIAL REPORT
PERIOD ENDED 30 JUNE 2014

This information should be read in conjunction with the annual financial report for the twelve months ended 31 December 2013, and the accompanying interim financial report for the six months ended 30 June 2014.

1. DETAILS OF THE REPORTING PERIOD

Report for the six months ended 30 June 2014. The previous corresponding period was the six months ended 30 June 2013.

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Up / Down	Change %		30 June 2013 $'000		30 June 2014 $'000
Revenue from ordinary activities	Down	36.6	from	137,564	to	87,280
Profit / (loss) after tax attributable to members	Up	37.2	from	2,011	to	2,759
Net profit / (loss) attributable to members	Up	37.2	from	2,011	to	2,759

3. NET TANGIBLE ASSETS PER SECURITY

30 June 2014: $0.22 per share

31 December 2013: $0.22 per share

4. CHANGES TO CONTROLLED ENTITIES

Not applicable.

5. DIVIDENDS

On 26 March 2014, the Directors paid a fully franked final dividend of 1.7 cents per share and a fully franked special dividend of 0.5 cents per share.

Subsequent to 30 June 2014, the Directors have declared a fully franked dividend of 1.0 cents per share. The record date for the dividend is 16 September 2014, with a payment date of 30 September 2014.

6. DIVIDEND REINVESTMENT PLAN

Calliden Group Limited has a Dividend Reinvestment Plan (the "DRP") which was approved by the members at an Annual General Meeting on 10 April 1997. The DRP has been suspended.

7. ASSOCIATES AND JOINT VENTURE ENTITIES

During the six months ended to 30 June 2014, Calliden Group Limited held an interest in the following joint ventures:

	Ownership interest	
	30 June 2014 %	31 Dec 2013 %
Arena Underwriting Pty Ltd	**-**	50.0
QUS Pty Ltd	**47.5**	47.5
Famous Insurance Agency Pty Ltd	**50.0**	-

The company's aggregate share of profits from joint ventures in which a continuing interest is held for the six months ended 30 June 2014 is $0.3m (30 June 2013: $0.1m).

8. FOREIGN ENTITIES GAAP APPLIED

Not applicable.

9. AUDIT REPORT ISSUES

There was no qualification or dispute relating to the financial report.

CALLIDEN GROUP LIMITED

30 JUNE 2014

INTERIM FINANCIAL REPORT

ACN 061 215 601

CALLIDEN GROUP LIMITED
30 JUNE 2014
INTERIM FINANCIAL REPORT

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DIRECTORS' REPORT

The Directors of Calliden Group Limited present their report together with the consolidated financial report for the six months ended 30 June 2014 and the auditor review report thereon.

Calliden Group Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 30 June 2014 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

1. DIRECTORS OF CALLIDEN GROUP LIMITED

The Directors of the Group at any time during or since the end of the interim period are:

Name	Date of Appointment
Non-executive: RJ Hill Chairman	19 April 2000
JT Lowenstein Non-Executive Director	19 April 2000
MW Loomes Non-Executive Director	24 October 2000
JI Messenger Non-Executive Director	24 May 2007
AV Connon Non-Executive Director	21 September 2007
GGM Smith Non-Executive Director	23 October 2008
Executive: NG Kirk Chief Executive Officer	1 January 2005

Mr GGM Smith retired as a non-executive director on 22 May 2014. All other Directors were in office for the period to 30 June 2014.

DIRECTORS' REPORT (continued)

2. PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

2.1. PRINCIPAL ACTIVITIES

The Group's principal activity during the year is that of an insurance group including:

- The underwriting of general insurance through its APRA authorised insurance subsidiary Calliden Insurance Limited ("CIL");
- Acting as an underwriting agent on behalf of ACE Insurance ("ACE"), Great Lakes Reinsurance (UK) Plc. trading as Great Lakes Australia ("GLA") and the NSW Self-Insurance Corporation ("SICorp");
- The investment management of shareholders' and policyholders' funds; and
- Ownership interests in several underwriting agencies.

2.2. REVIEW OF OPERATIONS

The Group's financial result for the first half of 2014 represents a solid improvement on the equivalent period in 2013.

The key operating highlights for the Group are the continuing growth in agency revenue, a positive profit contribution from the insurance operations and a profit on the sale of the Group's share in the Arena Underwriting Agency joint venture.

2.3. OPERATING RESULT FOR THE FINANCIAL YEAR

The Group returned a net profit after tax of $2.8m for the first half of 2014, compared with a $2.0m profit in the first half of 2013.

The result is attributable to:

- The Group's agency operations continuing to grow through alliances with GLA, ACE and SICorp;
- A slight deterioration in insurance portfolio performance with favourable weather experience offset by a strengthening of run-off portfolio reserves; and
- A profit on the sale of the Group's 50% stake in Arena Underwriting Agency Pty Ltd ('Arena') and a positive profit contribution from the QUS Pty Ltd ('QUS') joint venture, partially offset by an expensed investment in Famous Insurance Agency Pty Ltd ('Famous').
- The half year profit means that the Group has used all of its recent tax losses and is now in a tax paying position. The Group's large amount of older tax losses are subject to an available loss fraction of 87%, meaning that the Group's effective tax payable rate is approximately 4% and is expected to remain at that level for at least another five years.

DIRECTORS' REPORT (continued)

2.3.1. GENERAL INSURANCE UNDERWRITING

The insurance profit for the half-year was $0.5m, compared with a profit of $2.9m in the same period last year.

The insurance profit has reduced principally due to adverse run-off portfolio performance. The Group reported a small $1.4m underwriting loss compared with a profit of $0.5m in the same period last year.

CIL underwrote Gross Written Premium ("GWP") of $49.4m, which was 8% lower than at 30 June 2013, the reduction primarily related to a decrease in the size of the Motor portfolio, the transitioning of further Business Pack schemes to GLA and the exit from the Construction portfolio.

For the first half of the year, CIL's gross earned premium fell 39% to $46.5m when compared to the same period of 2013, representing the transition of the Business Pack and Farm Pack portfolios to GLA and the QUS residential strata portfolio to WR Berkley, while net earned premium fell just 7% to $31.1m as a result of a decrease in proportional reinsurance.

While CIL's gross exposure to claims in the first half of 2014 at $31.6m was significantly lower than the $47.1m in the equivalent period in 2013, a large decrease in proportional reinsurance resulted in CIL's net incurred claims in the first half of 2014 increasing slightly from $19.5m at 30 June 2013 to $20.9m at 30 June 2014.

The underwriting result for the half year was affected by a movement in the discount rate (from 3.1% at 31 December 2013 to 2.8% at 30 June 2014) which had a $0.3m negative impact, a further modest strengthening of builders warranty reserves of $0.7m for claims incurred but not reported, $0.4m in additional builders warranty claims reported and the raising of a claims estimate of $0.7m for a Reinsurance Australia Corporate Limited run-off claim in respect of an unexpectedly unfavourable judgement in Canada, which is subject to appeal.

2.3.2. UNDERWRITING AGENCY

The Group's agency produced a profit of $4.3m in contrast with the prior half year profit of $2.0m. The result was, as in 2012 and 2013, affected by the build-up of a provision for future administration and claims costs, though this provision is now largely built and so its effect on future profitability will be significantly reduced.

The Group wrote policies on behalf of three external insurers in the period: GLA – part of the Munich Re Group, ACE and SICorp. The Group increased its GWP underwritten by third party insurers by 9% from $44.5m in the first half of 2013 to $49.5m in the first half of 2014, and in 2014 over half of the Group's overall GWP is forecast to be underwritten by third party insurers.

DIRECTORS' REPORT (continued)

2.3.3. JOINT VENTURES

The Group sold its 50% share of Arena in the period, recording a profit on sale of $0.6m.

QUS contributed $0.3m in the half-year compared to $0.1m for the first half of 2013, the increase being primarily due to a change in accounting policy to accrue for unclosed business revenue. The Group also expensed $0.3m as part of its investment in a new joint venture, Famous which was launched on 1 July 2014.

2.4. REVIEW OF FINANCIAL CONDITION

2.4.1. FINANCIAL POSITION

The Group's financial position remained relatively stable over the first half of 2014, with decreases to Shareholders' Equity and Net Tangible Assets as a result of the profit in the half year being offset by the payment of the 2013 final ordinary and special dividends in the period ($5.0m). During the six month period to 30 June 2014 Shareholders' Equity decreased from $99.0m to $97.0m and Net Tangible Assets decreased from 22.5 cents per share to 22.1 cents per share.

The total assets of the Group as at 30 June 2014 were $296.7m compared with $290.0m at 31 December 2013. The movement is mainly attributable to:

- An increase in cash and investments of $9.2m reflecting large refunds of Fire Services Levy instalments and proportional reinsurance claims recoveries exceeding premiums ceded;
- An increase in premiums receivable of $10.7m related to higher production in the months leading up to June 2014 compared to December 2013 and a large receivable balance regarding one scheme with a common 1 January renewal date that is collected progressively through the year;
- An increase in deferred reinsurance expense of $2.9m reflecting the cost of reinsurance placed each January then brought to account throughout the year, partially offset by a lower proportional reinsurance level in 2014 compared to 2013;
- A reduction in reinsurance and other recoveries receivable of $7.3m due to reduced exposure and the reduction of proportional reinsurance; and
- A reduction in intangible assets of $1.1m as a result of amortisation of past software development costs and identifiable intangibles relating to past acquisitions.

DIRECTORS' REPORT (continued)

The total liabilities of the Group as at 30 June 2014 were $199.7m compared to $191.0m at 31 December 2013. The movement is mainly attributable to:

- An increase in trade and other payables of $13.7m reflecting increased payables to third party insurers due to increased production and reinsurance instalments payable on the 2014 programme;
- An increase in unearned premium liability of $2.9m principally as a result of common renewal dates for two large schemes in the first half of the year, partially offset by the completion of the run-off of portfolios transitioned to other insurers; and
- A reduction in outstanding claims of $8.1m reflecting the run-off of portfolios transitioned to other insurers.

The decrease in the Group's equity from $99.0m at 31 December 2013 to $97.0m at 30 June 2014 reflects the payment of the 2013 final ordinary and special dividends in March 2014 of $5.0m being partially offset by the results of operations for the first half of the year.

2.4.2. CASH FROM OPERATIONS

The Group's net cash inflow from operating activities for the first half year of 2014 was $13.8m compared to a net outflow of $7.7m at 30 June 2013. The majority of this inflow was attributable to:

- A reduction of $22.2m in claims paid as a result of the run-off of portfolios transitioned to other insurers which also saw a decrease in reinsurance recoveries received of $18.0m;
- A reduction of $11.6m in reinsurance premiums paid due to the reduction in the level of proportional reinsurance;
- An increase in premium received of $10.2m due to growth in GWP for GLA portfolios and receipt of 2013 fire service levy ("FSL") refunds in the first half of 2014;
- An increase of $8.8m in commission and fee income resulting from increased agency production and the Farm Pack portfolio commencing as an agency operation in January 2013, with the first related receipts commencing in March 2013 and the introduction of fees on Business Package and Farm Package in January 2013, with related cash being received from around March 2013; partially offset by
- An increase in premiums paid to third-party insurers of $16.8m resulting from increased agency production and the Farm Pack transition to an agency basis in January 2013 with the first related payments to GLA occurring in around April 2013.

DIRECTORS' REPORT (continued)

2.4.3. CAPITAL MANAGEMENT

As a result of the payment of the 2013 final ordinary and special dividends profit in the first half of 2014, the Group's and CIL's capital positions have declined despite the half year profit, as reflected in the Capital Adequacy Multiples ("CAMs"), but remain comfortably over the target capital range of 1.7 to 1.8 times.

The Group's CAM was 2.1 as at 30 June 2014 compared with 2.3 as at 31 December 2013, while CIL's CAM was 2.5 as at 30 June 2014 compared with 2.8 at 31 December 2013.

2.5. IMPACT OF LEGISLATION AND OTHER EXTERNAL REQUIREMENTS

The final instalment of Australian Prudential Regulation Authority's ("APRA") Life and General Insurance Capital ("LAGIC") standards came into effect from 1 January 2014, the result being a general increase in the level of capital required by insurers. The Group worked with APRA and its advisors to ensure its capital position was adequate to meet the new requirement at the start of 2014.

2.6. INVESTMENT ACTIVITIES

The Group largely continued its investment strategy from 2013 by investing in fixed term deposits and cash at call with Australian banks. As a result, there was no offset to the impact of discount rates on claims reserves which amounted to a non-cash negative movement in net claims reserves of $0.3m in the first half of 2014.

In May 2014 the Group commenced investing a portion of investment assets in Australian equities, with the Board resolving to purchase $0.5m of equities each month until the end of 2014.

At 30 June 2014 the investment portfolio was made up of $60.6m in term deposits, $41.8m in cash at call and $1.0m in equities, compared with $65.6m in term deposits and $28.6m in cash at call at 31 December 2013.

Total investment income earned during the first half of 2014 (including the fair value adjustment on the investment in equities) was $2.3m (30 June 2013: $2.3m). The weighted average rate of return on total investments has seen a downward trend in the first half of 2014, consistent with the decline in the Bank Bill rate. The weighted average rate of return on total investments for the six months to 30 June 2014 (including the fair value adjustment in equities) was 5.04% compared to 5.79% for the six months to 30 June 2013. As at balance date, the average duration of the term deposits was 3.76 years, and the average time to maturity for the remaining term deposits is 1.97 years.

The Group also holds a number of joint venture investments. The Group's share of net profits from joint venture operations was $0.3m (30 June 2013: $0.1m), though this was largely offset by the investment in the new Famous joint venture. The Group sold its share in the Arena joint venture to its joint venture partner during the period, recording a profit on sale of $0.6m.

DIRECTORS' REPORT (continued)

2.7. OUTLOOK

On 1 July 2014 the new Famous joint venture agency was launched with a targeted media campaign. The Group will continue to work to identify new joint venture opportunities as an increasingly important source of shareholder value.

In the second half of 2014 the Group will complete and launch the link to the Steadfast Virtual Underwriter contestable platform which should result in a multiple of the current number of Business Package quoting opportunities.

The Group has recently reached an agreement with a Lloyd's underwriter to become the insurer for the Group's business interruption portfolio currently underwritten by CIL. The transition to the new underwriter will occur in the second half of 2014 after which no new business interruption risks will be underwritten by CIL.

CIL will continue to focus on improving the underlying profitability of the underwritten portfolio, taking advantage of a less conservative 2014 reinsurance programme.

2.8. LIKELY DEVELOPMENTS

Further information about likely developments in the Group's operations and commentary on the expected results of those operations in future financial years have not been included in this report because disclosure would be likely to result in unreasonable prejudice for the Group.

2.9. EVENTS SUBSEQUENT TO REPORTING DATE

On 27 August 2014, the Group entered into a Scheme Implementation Deed ("the Scheme") with Steadfast Group ("Steadfast") under which Steadfast would acquire 100% of the capital of the Group. Under a separate agreement, it is proposed that Steadfast would immediately on-sell the Group's general insurance underwriting operations and Business Package and Middle Market portfolios to Munich Holdings of Australasia Pty Limited ("MHA"), a subsidiary of Munich Re.

The unanimous recommendation of the Board of Directors is that shareholders vote in favour of the Scheme in the absence of a superior proposal and following an Independent Expert's conclusion that the Scheme is fair and reasonable, and in the best interests of shareholders.

The Scheme is subject to the approval by shareholders and the Federal Court of Australia in order to become effective.

As at the date of this report, there were no other material or unusual events or transactions occurring after the reporting date that the Directors are aware of.

DIRECTORS' REPORT (continued)

3. DIVIDENDS

On 26 March 2014 the Directors paid a fully franked final dividend of 1.7 cents per share and a fully franked special dividend of 0.5 cents per share.

On 27 August 2014, the Directors declared a fully franked dividend of 1.0 cents per share. The record date for the dividend is 16 September 2014, with a payment date of 30 September 2014. This dividend has not been provided for and will be recognised in subsequent financial reports.

4. LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 13 and forms part of the Directors' Report for the six months ended 30 June 2014.

5. ROUNDING OFF

The Group is of a kind referred to in the class order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the condensed consolidated interim financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

RJ Hill

Chairman

Dated at Sydney this 27th day of August 2014.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Calliden Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2014 there have been:

i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Madeleine Mattera
Partner

Sydney
27 August 2014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	30 June 2014 $'000	30 June 2013 $'000
CONTINUING OPERATIONS			
Gross written premium		**49,414**	53,908
Gross premium revenue	5	**46,510**	75,694
Reinsurance premium expense	6	**(15,444)**	(42,117)
Net premium revenue		**31,066**	33,577
Gross claims expense	6	**(31,584)**	(47,137)
Reinsurance and other recoveries revenue	5	**10,695**	27,665
Net claims expense		**(20,889)**	(19,472)
Acquisition costs	6	**(10,263)**	(16,223)
Reinsurance commission revenue	5	**3,819**	13,495
Net acquisition costs		**(6,444)**	(2,728)
Other underwriting expenses	6	**(4,202)**	(4,877)
Levies and charges	6	**(949)**	(5,955)
Underwriting expenses		**(5,151)**	(10,832)
Underwriting profit / (loss)		**(1,418)**	545
Investment income on assets backing insurance liabilities	5	**1,909**	2,312
Insurance profit / (loss)		**491**	2,857
Agency commission and fee revenue	5	**23,123**	18,279
Agency acquisition costs	6	**(9,614)**	(8,731)
Agency expenses	6	**(9,246)**	(7,580)
Agency profit / (loss)		**4,263**	1,968
Investment income on shareholders' funds	5	**380**	21
Share of net profits of joint ventures	5	**278**	93
Other revenue	5	**566**	5
Administration and other expenses	6	**(3,063)**	(2,933)
PROFIT / (LOSS) BEFORE INCOME TAX		**2,915**	2,011
Income tax expense		**(156)**	-
PROFIT FROM CONTINUING OPERATIONS		**2,759**	2,011
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,759**	2,011
Basic earnings per ordinary share (cents)		**1.24**	0.89
Diluted earnings per ordinary share (cents)		**1.22**	0.89

The condensed notes on pages 18 to 31 are an integral part of this condensed interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	30 June 2014 $'000	31 Dec 2013 $'000
ASSETS			
Cash and cash equivalents		**41,764**	28,589
Investments	9	**61,582**	65,592
Premium receivable		**50,926**	40,141
Trade and other receivables		**15,017**	22,213
Reinsurance and other recoveries receivable		**46,899**	54,220
Prepayments		**729**	902
Deferred levies and charges		**597**	901
Deferred reinsurance expense		**15,760**	12,869
Deferred acquisition costs		**14,433**	13,802
Deferred tax assets		**3,750**	3,750
Plant and equipment		**1,599**	1,817
Investments in joint ventures	10	**444**	855
Intangible assets		**8,856**	9,952
Goodwill	11	**34,371**	34,371
TOTAL ASSETS		**296,727**	289,974
LIABILITIES			
Trade and other payables		**40,767**	27,054
Employee benefits		**1,541**	1,375
Unearned premium liability		**48,597**	45,693
Unearned reinsurance commission		**3,635**	4,011
Unearned agency commission		**2,410**	2,172
Outstanding claims liability		**102,592**	110,701
Tax liabilities		**156**	-
TOTAL LIABILITIES		**199,698**	191,006
NET ASSETS		**97,029**	98,968
EQUITY			
Share capital		**99,539**	99,539
Treasury shares held in trust		**(1,292)**	(1,388)
Share-based payments reserve		**891**	698
(Accumulated losses) / retained earnings		**(2,109)**	119
TOTAL EQUITY		**97,029**	98,968

The condensed notes on pages 18 to 31 are an integral part of this condensed interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2014

CONSOLIDATED	Share capital $'000	Treasury shares held in trust $'000	Share-based payments reserve $'000	(Accumulated losses) / retained earnings $'000	Total equity $'000
For the six months ended 30 June 2014					
Balance at 1 January 2014	**99,539**	**(1,388)**	**698**	**119**	**98,968**
Total comprehensive income for the period	**-**	**-**	**-**	**2,759**	**2,759**
Transactions with owners of the Company, recognised directly in equity					
Dividend to owners of the Company	**-**	**-**	**-**	**(4,987)**	**(4,987)**
Acquisition of shares by the Calliden Employee Share Trust	**-**	**-**	**-**	**-**	**-**
Vesting of share-based remuneration	**-**	**96**	**(116)**	**-**	**(20)**
Long-term incentive expense	**-**	**-**	**309**	**-**	**309**
Total transactions with owners of the Company	**-**	**96**	**193**	**(4,987)**	**(4,698)**
Balance at 30 June 2014	**99,539**	**(1,292)**	**891**	**(2,109)**	**97,029**
For the six months ended 30 June 2013					
Balance at 1 January 2013	99,539	(70)	379	(3,997)	95,851
Total comprehensive income for the period	-	-	-	2,011	2,011
Transactions with owners of the Company, recognised directly in equity					
Dividend to owners of the Company	-	-	-	(905)	(905)
Acquisition of shares by the Calliden Employee Share Trust	-	(91)	-	-	(91)
Vesting of share-based remuneration	-	-	-	-	-
Long-term incentive expense	-	-	182	-	182
Total transactions with owners of the Company	-	(91)	182	(905)	(814)
Balance at 30 June 2013	99,539	(161)	561	(2,891)	97,048

The condensed notes on pages 18 to 31 are an integral part of this condensed interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	30 June 2014 $'000	30 June 2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums received (1)	**98,408**	88,245
Reinsurance and other recoveries received	**20,940**	38,899
Acquisition costs paid	**(9,968)**	(9,569)
Reinsurance premium paid	**(13,392)**	(24,984)
Claims paid	**(39,798)**	(62,022)
Underwriting and administration expenses paid	**(14,780)**	(20,578)
Interest received	**3,005**	3,215
Dividends received from joint ventures	**475**	250
Commission income received	**22,060**	14,853
Agency fee income received	**4,738**	3,088
Agency commission expenses paid	**(9,802)**	(7,857)
Premiums paid to underwriters (2)	**(48,101)**	(31,284)
Other operating income / (expenses)	**-**	-
Net cash from / (used in) operating activities	**13,785**	(7,744)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from investments	**4,000**	(5,592)
Outlays for / (proceeds from) plant and equipment	**-**	(8)
Outlays for software development expenditure	**(354)**	(323)
Disposal of interest in joint venture	**781**	-
Net cash from / (used in) investing activities	**4,427**	(5,924)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan provided to joint ventures	**(50)**	-
Dividends paid	**(4,987)**	(907)
Outlay for purchase of treasury shares	**-**	(91)
Net cash from / (used in) financing activities	**(5,037)**	(998)
Net increase / (decrease) in cash and cash equivalents	**13,175**	(14,665)
Cash and cash equivalents at the beginning of the period	**28,589**	24,504
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**41,764**	9,839

(1) Includes premiums received on behalf of GLA, Lloyd's and SICorp.

(2) Includes premiums paid to GLA, Lloyd's and SICorp.

The condensed notes on pages 18 to 31 are an integral part of this condensed interim financial report.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

NOTE 1. REPORTING ENTITY

Calliden Group Limited (the “Company”) is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 30 June 2014 comprises the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and jointly controlled entities. The Group is primarily involved in the underwriting of general insurance and acting as an agent on behalf of external underwriters.

The consolidated annual financial report of the Group as at and for the year ended 31 December 2013, is available upon request from the Company’s registered office Level 7, 100 Arthur Street, North Sydney, NSW 2060, Australia or at www.calliden.com.au.

NOTE 2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial report is a general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 34 *Interim Financial Reporting*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial report as at and for the year ended 31 December 2013. The condensed consolidated interim financial report does not include all of the information required for the full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 31 December 2013.

This condensed consolidated interim financial report was approved by the Board of Directors on the 27 August 2014.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the consolidated interim financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

NOTE 2. BASIS OF PREPARATION (continued)

2.2. ESTIMATES

Preparing the condensed consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2013.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in this condensed consolidated interim financial report, and have been applied consistently by Group entities.

3.1. CHANGES IN ACCOUNTING POLICIES

There were a number of Australian Accounting Standards and Interpretations applicable for the current reporting period. Adoption of these Standards and Interpretations has not had any material effect on the financial position or performance of the Group.

3.2. RESTATEMENT OF COMPARATIVES

Certain comparative amounts have been reclassified to conform to current year presentation in this financial report. This includes the following statements and notes:

Statement of Comprehensive Income

Note 7 – Operating Segments

These reclassifications have had nil impact on the Statement of Comprehensive Income.

NOTE 4. FINANCIAL INSTRUMENTS

4.1. FINANCIAL RISK MANAGEMENT – CREDIT RISK OF TRADE AND OTHER RECEIVABLES

Aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 31 December 2013.

4.2. FAIR VALUE HIERARCHY

The Group holds investments in term deposits with a fair value of $60.6m at 30 June 2014 (31 December 2013: $65.6m). The term deposits have been categorised into the Level 1 fair value hierarchy.

The Group holds investments in equity securities with a fair value of $1.0m at 30 June 2014 (31 December 2013: nil). The equity securities have been categorised into the Level 1 fair value hierarchy.

NOTE 5. REVENUE

	30 June 2014 $'000	30 June 2013 $'000
(i) General insurance revenue		
Gross written premium	**49,414**	53,908
Movement in unearned premium liability	**(2,904)**	21,786
Gross premium revenue	**46,510**	75,694
Reinsurance and other recoveries revenue	**10,695**	27,665
Reinsurance commission revenue	**3,819**	13,495
Total general insurance revenue	**61,024**	116,854
(ii) Agency commission and fee revenue		
Agency commission revenue	**18,623**	15,766
Movement in unearned agency commission	**(238)**	(575)
Net agency commission revenue	**18,385**	15,191
Agency fee revenue	**4,738**	3,088
Total agency commission and fee revenue	**23,123**	18,279
(iii) Investment income		
Interest revenue	**2,300**	2,333
Unrealised net losses on equity securities	**(11)**	-
Distribution income from equity securities	**-**	-
Total investment income	**2,289**	2,333
(iv) Share of net profit of joint ventures		
Equity accounted share of net profit of joint ventures	**278**	93
Total share of net profit of joint ventures	**278**	93
(v) Other revenue		
Gains on sale of joint ventures	**566**	-
Total other revenue	**566**	5
Total revenue	**87,280**	137,564

NOTE 6. EXPENSES

	30 June 2014 $'000	30 June 2013 $'000
Profit / (loss) before income tax includes the following specific expenses:		
Gross claims expense	**31,584**	47,137
Reinsurance premium expense	**15,444**	42,117
Acquisition costs - insurance	**10,263**	16,223
Acquisition costs - agency	**9,614**	8,731
Other underwriting expenses	**4,202**	4,877
Levies and charges	**949**	5,955
Administration and other expenses (1):		
Defined contribution superannuation expense	**750**	762
Depreciation expense	**218**	176
Amortisation expense - systems development costs	**1,269**	1,442
Amortisation expense - customer relationships	**523**	553
Other corporate expenses - expensed joint venture investment costs	**303**	-
Other agency expenses	**9,246**	7,580
Total expenses	**84,365**	135,553

(1) All administration expenses are initially incurred by the Company and recharged to other Group entities. Direct administration expenses and a share of corporate overheads are recharged at cost based on estimates of time incurred and an analysis of actual expenditure.

NOTE 7. OPERATING SEGMENTS

BUSINESS AREA OPERATING SEGMENTS	General Insurance Underwriting $'000	 Agency $'000	 Corporate $'000	Consolidated Total $'000
For the six months ended 30 June 2014				
Gross written premium [1]	49,414	49,691	-	99,105
Gross premium revenue	46,510	-	-	46,510
Reinsurance premium expense	(15,444)	-		(15,444)
Net premium revenue	31,066	-	-	31,066
Commission and fee income	-	23,123	-	23,123
Net claims expense	(20,889)	-	-	(20,889)
Net acquisition costs	(6,444)	(9,614)	-	(16,058)
Operating expenses	(5,151)	(9,246)	-	(14,397)
Profit / (loss)	(1,418)	4,263	-	2,845
Investment income on assets backing insurance liabilities	1,909	-	-	1,909
Depreciation and amortisation expense	-	-	(2,010)	(2,010)
Share of net profit of joint ventures	-	-	278	278
Investment income on shareholders' funds	275	87	18	380
Other revenue	-	-	566	566
Expensed joint venture investment costs	-	-	(303)	(303)
Administration and other expenses	-	-	(750)	(750)
Profit / (loss) before income tax	766	4,350	(2,201)	2,915
Reportable segment assets [2]	219,845	42,686	33,751	296,283
Equity accounted investees	-	-	444	444
Reportable segment liabilities [2]	(162,298)	(31,280)	(6,120)	(199,698)

(1) Agency GWP is not earned by the Group and is exclusive of any Fire Services Levy.
(2) Corporate segment assets and liabilities include gross intercompany elimination balances.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2014

NOTE 7. OPERATING SEGMENTS (continued)

BUSINESS AREA OPERATING SEGMENTS	General Insurance Underwriting $'000	General Insurance Agency $'000	Corporate $'000	Consolidated Total $'000
For the six months ended 30 June 2013				
Gross written premium [1]	53,908	44,122	-	98,030
Gross premium revenue	75,694	-	-	75,694
Reinsurance premium expense	(42,117)	-		(42,117)
Net premium revenue	33,577	-	-	33,577
Commission and fee income	-	18,279	-	18,279
Net claims expense	(19,472)	-	-	(19,472)
Net acquisition costs	(2,728)	(8,731)	-	(11,459)
Operating expenses	(10,832)	(7,580)	-	(18,412)
Profit / (loss)	545	1,968	-	2,513
Investment income on assets backing insurance liabilities	2,312	-	-	2,312
Depreciation and amortisation expense	-	-	(2,171)	(2,171)
Share of net profit of joint ventures	-	-	93	93
Investment income on shareholders' funds	-	-	21	21
Other revenue	-	-	5	5
Administration and other expenses	-	-	(762)	(762)
Profit / (loss) before income tax	2,857	1,968	(2,814)	2,011
Reportable segment assets [2]	278,722	11,409	31,226	321,357
Equity accounted investees	-	-	446	446
Reportable segment liabilities [2]	(220,148)	(184)	(4,423)	(224,755)

(1) Agency GWP is not earned by the Group and is exclusive of any Fire Services Levy.
(2) Corporate segment assets and liabilities include gross intercompany elimination balances.

NOTE 8. EARNINGS PER SHARE

	30 June 2014 Cents	30 June 2013 Cents
8.1 REPORTING PERIOD VALUES		
Basic earnings per ordinary share	**1.24**	0.89
Diluted earnings per ordinary share	**1.22**	0.89

	30 June 2014 $'000	30 June 2013 $'000
8.2 RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE		
Profit / (loss) for the year	**2,759**	2,011
Profit / (loss) attributable to equity holders of the Parent which is used in calculating basic and diluted earnings per share	**2,759**	2,011

	30 June 2014 Number	30 June 2013 Number
8.3 RECONCILIATION WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED IN CALCULATING EARNINGS PER SHARE		
Ordinary shares on issue	**226,683,914**	226,683,914
Treasury shares held in trust	**(3,977,697)**	(5,407)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**222,706,217**	226,678,507
Unvested share-based remuneration rights supported by treasury shares held in trust	**3,977,697**	5,407
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**226,683,914**	226,683,914

NOTE 9. INVESTMENTS

9.1. Fair value of financial assets

Term deposits held by the Group have been recognised at their initial investment amount. The expected interest income to be paid upon maturity has been recognised in the Income Statement as an accrued receivable, as it is earned. The fair value of term deposits reflect the initial amount invested with the relevant financial institution.

Equity securities held by the Group require the measurement of fair value. Initial fair value is determined as the purchase cost of the asset as at trade date. Realised and unrealised gains or losses arising from a subsequent change in the fair value are recognised in the Income Statement in the period in which they arise. The fair value of equity securities reflects the quoted bid price as at the Balance Sheet date.

For financial assets measured at fair value, the Group uses the following to categorise the method used:

Level 1 – the fair value is calculated using quoted prices in active markets.

	30 June 2014 $'000	31 Dec 2013 $'000
Fixed term deposits	**60,593**	65,592
Equity securities	**1,000**	-
Provision for unrealised gain / (loss) - equity	**(11)**	-
Total equity securities	**989**	-
Total investments	**61,582**	65,592

	Quoted market price (Level 1) $'000
As at 30 June 2014	
Financial Assets	
- Fixed term deposits	**60,593**
- Equity securities - designated at fair value	**989**
Total financial assets	**61,582**
As at 31 December 2013	
Financial Assets	
- Fixed term deposits	65,592
- Equity securities - designated at fair value	-
Total financial assets	65,592

NOTE 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

10.1. INVESTMENT IN JOINT VENTURES

Investments in joint ventures are accounted for in the consolidated financial result using the equity method of accounting.

	Ownership interest		Carrying amount of investment in joint ventures	
	30 June 2014	31 Dec 2013	**30 June 2014**	31 Dec 2013
Joint ventures	**%**	%	**$'000**	$'000
Arena Underwriting Pty Ltd	**-**	50.0	**-**	187
QUS Pty Ltd	**47.5**	47.5	**444**	668
Famous Insurance Agency Pty Ltd	**50.0**	-	**-**	-
Investment in joint ventures			**444**	855

During the half year, the ownership interest in Arena Underwriting Pty Ltd reduced from 50% to 0%, following the sale of the Company's interest to the Arena Underwriting Pty Ltd joint venture partner.

10.2. SHARE OF JOINT VENTURE ASSETS AND LIABILITIES

	Consolidated	
	30 June 2014 $'000	31 Dec 2013 $'000
Cash and cash equivalents	**466**	883
Other current assets	**754**	897
Non-current assets	**55**	74
Total assets	**1,275**	1,854
Current liabilities	**772**	954
Non-current liabilities	**25**	0
Total liabilities	**797**	954
Net assets	**478**	900

10.3. SHARE OF JOINT VENTURE INCOME AND EXPENSES

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Income	**1,751**	1,573
Investment income	**25**	19
Expenses	**(1,356)**	(1,389)
Depreciation and amortisation	**(23)**	(27)
Income tax	**(119)**	(83)
Share of joint ventures' profit after tax	**278**	93

NOTE 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

10.4. RECONCILIATION OF SHARE OF JOINT VENTURE RESULT TO CARRYING AMOUNT OF INVESTMENT IN JOINT VENTURES

	Initial Investment $'000	Dividends Received $'000	Prior Years' Share of Profit $'000	Current Period Share of Profit $'000	Disposal of Investment $'000	Carrying Amount of Investment $'000
As at 30 June 2014						
Arena Underwriting Pty Ltd	**60**	**(30)**	**157**	**27**	**(214)**	**-**
QUS Pty Ltd	**100**	**(825)**	**918**	**251**	**-**	**444**
Famous Insurance Agency Pty Ltd	**-**	**-**	**-**	**-**	**-**	**-**
Investment in joint ventures	**160**	**(855)**	**1,075**	**278**	**(214)**	**444**
As at 31 December 2013						
Arena Underwriting Pty Ltd	60	(30)	127	30	-	187
QUS Pty Ltd	100	(350)	446	472	-	668
Famous Insurance Agency Pty Ltd	-	-	-	-	-	-
Investment in joint ventures	160	(380)	573	502	-	855

10.5. DIVIDENDS RECEIVED, JOINT VENTURE PROVISIONS AND UNRECOGNISED COMMITMENTS

The dividends received from joint ventures from the start date of initial investment are detailed below. The dividends are recognised against the investment of the joint venture in the financial year that the dividend is paid.

The impairment of loans provided to joint ventures is detailed below. The provision for loan impairments is recognised in the Income Statement in the financial year it is assessed that there is minimal probability of recoverability of the loan.

Future funding commitments that the Company has made to joint ventures are detailed below. These future commitments are not recognised in the Balance Sheet or Income Statement as at the reported balance date.

NOTE 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

	Dividends Received $'000	Provision for Loan Impairment $'000	Unrecognised Funding Commitments $'000
As at 30 June 2014			
Arena Underwriting Pty Ltd	**-**	**-**	**-**
QUS Pty Ltd	**825**	**-**	**-**
Famous Insurance Agency Pty Ltd	**-**	**(50)**	**(200)**
Total	**825**	**(50)**	**(200)**
As at 31 December 2013			
Arena Underwriting Pty Ltd	30	-	-
QUS Pty Ltd	350	-	-
Famous Insurance Agency Pty Ltd	-	-	-
Total	380	-	-

The Company will continue to assess the recoverability of loans provided to joint ventures, and will recognise an impairment charge in the Income Statement as required. As at balance date, there are no other significant restrictions on the ability of joint ventures to pay the Company a dividend.

10.6. NATURE OF RELATIONSHIP WITH JOINT VENTURES

The joint ventures that the Company has invested in operate in specific insurance niche markets. The structure of the joint ventures allows the Company to access markets and capital providers, whilst minimising exposure and capital requirements.

The Company considers investment in joint ventures as part of its strategic operating plans, with joint ventures contributing to the Group's result by providing a stable return on investment after the start-up phase and by building capital value. The Company will continue to invest and develop joint venture arrangements, either retaining them for income share and dividend streams, or selling them to realise their capital value.

NOTE 11. GOODWILL

11.1. IMPAIRMENT TESTING FOR GOODWILL

For each category, an impairment trigger review was conducted and where necessary the recoverable amount of particular assets determined.

A summary of the goodwill allocation to its Cash-Generating Unit ("CGU") is presented below:

Cash-Generating Units	30 June 2014 $'000	31 Dec 2013 $'000
Underwriting	**8,593**	8,593
Agency	**25,778**	25,778
Total goodwill	**34,371**	34,371

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections covering a five year period. Cash flows beyond the five year period are extrapolated using a terminal growth rate of 2.5%. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

11.2. KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS

The following describes the key assumptions on which Management has based its cash flow projections to undertake impairment testing of goodwill:

- Cash flow forecast: forecast profits for the first five years are used to derive a medium-term cash flow proxy;
- Discount rate: a discount rate of 12.0% per annum ("p.a."), calculated based on weighted average cost of capital, was applied in 2014 (31 December 2013: 12.0%);
- Terminal growth rate at year 2019 of 2.5% (31 December 2013: 2.5%) and beyond is based on management's expectation for future performance in both the Underwriting CGU and the Agency CGU;
- Average investment return from assets backing insurance liabilities is expected to be 5.5% p.a. over the cycle; and
- The Group will increase the proportion of revenue derived from Agency operations with a corresponding decline in the proportion of revenue derived from Underwriting over the 2014 financial year.

These assumptions have been used for the analysis of each CGU as applicable within the business segment.

NOTE 11. GOODWILL (continued)

11.3. IMPACT OF POSSIBLE CHANGES IN KEY ASSUMPTIONS

The carrying value of identified intangible assets, as well as net tangible assets are deducted from the values generated from the cash flow projections to arrive at a recoverable value for goodwill which is then compared with the carrying value of goodwill.

The recoverable amount of the goodwill of the Underwriting CGU is estimated to be $22.8m (31 December 2013: $24.1m). This exceeds the carrying amount of the Underwriting CGU's goodwill by $14.2m (31 December 2013: $15.5m).

If the discount rate applied to the cash flow projections of the Underwriting CGU was 14.4% p.a. instead of 12.0% p.a., the recoverable amount of the Underwriting CGU's goodwill would approximately equal its carrying amount. Management does not consider reasonable changes in any of the key assumptions would cause impairment.

The recoverable amount of the goodwill of the Agency CGU is estimated to be $37.4m (31 December 2013: $41.3m). This exceeds the carrying amount of the CGU's goodwill by $11.6m (31 December 2013: $15.5m).

If the discount rate applied to the cash flow projections of the Agency CGU was 13.9% p.a. instead of 12.0% p.a., the recoverable amount of the Agency CGU's goodwill would approximately equal its carrying amount. Management does not consider reasonable changes in any of the key assumptions would cause impairment.

11.4. IMPAIRMENT CHARGE

There is no impairment charge as no impairment was indicated.

NOTE 12. SUBSEQUENT EVENTS

On 27 August 2014, the Directors declared a fully franked dividend of 1.0 cents per share. The record date for the dividend is 16 September 2014, with a payment date of 30 September 2014. This dividend has not been provided for and will be recognised in subsequent financial reports.

On 27 August 2014, the Group entered into a Scheme Implementation Deed (“the Scheme”) with Steadfast Group (“Steadfast”) under which Steadfast would acquire 100% of the capital of the Group. Under a separate agreement, it is proposed that Steadfast would immediately on-sell the Group’s general insurance underwriting operations and Business Package and Middle Market portfolios to Munich Holdings of Australasia Pty Limited (“MHA”), a subsidiary of Munich Re.

The unanimous recommendation of the Board of Directors is that shareholders vote in favour of the Scheme in the absence of a superior proposal and following an Independent Expert’s conclusion that the Scheme is fair and reasonable, and in the best interests of shareholders.

The Scheme is subject to the approval by shareholders and the Federal Court of Australia in order to become effective.

As at the date of this report, there were no other material or unusual events or transactions occurring after the reporting date that the Directors are aware of.

calliden group

DIRECTORS' DECLARATION

In the opinion of the directors of Calliden Group Limited (the "Group"):

1. the condensed consolidated financial report and notes set out on pages 18 to 31, are in accordance with the *Corporations Act 2001* including:

   (a) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the six month period ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

RJ Hill

Chairman

Dated at Sydney this 27th day of August 2014

Independent auditor's review report to the members of Calliden Group Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Calliden Group Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2014, condensed consolidated statement of comprehensive income, condensed consolidated income statement and condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half year's end or from time to time during the half year.

Directors' responsibility for the half year financial report

The directors of the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2014 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.* As auditor of Calliden Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Calliden Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the half year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Madeleine Mattera

Partner

Sydney

27 August 2014