

# 40 YEARS OF PROVIDING INSURANCE SOLUTIONS

ANNUAL REPORT 2012



*CBLinsurance*



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# CORPORATE DIRECTORY

**DATE OF INCORPORATION – 19 APRIL 1973**

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 8, Tower One, Shortland Centre, 51 Shortland Street, Auckland 1010, New Zealand

DIRECTOR	ROLE	APPOINTED	RESIGNED
Sir John Wells <small>KNZM</small>	Independent Chairman	27-Sep-12	
Alistair Hutchison *	Deputy Chairman, Director	24-Dec-08	
Tony Hannon	Independent Director	25-Aug-11	
Ian Marsh	Independent Director	19-Dec-12	
Peter Harris	Executive Director	13-Dec-06	
Adam Massingham *	Executive Director	24-Dec-08	27-Sep-12

\* On 27 September 2012 Adam Massingham resigned from the Board and Alistair Hutchison stood down as Chairman to become Deputy Chairman as part of an exercise in achieving an independent-majority board of directors. Adam Massingham remains a director of CBL's subsidiary EISL.

SHAREHOLDERS	NUMBER OF SHARES
Federal Pacific Group Limited	8,000,000
Oceanic Securities Inc	6,710,000
Eurasia Investment Limited	5,000,000
Stichting Lygon Pension Fund	2,500,000
Sunshine Nominees	1,500,000
CCEJ Holdings Limited	1,150,000
Alan Clarke	1,076,400
Michel Cornet	1,076,400
Harvey Wetherill	1,076,400
Alain Couard	910,800
VCP International Limited	700,000
Todd Campbell	150,000
JMAC Holdings Limited	100,000
Alliance Investments Limited	50,000
<b>Total</b>	<b>30,000,000</b>

	BANKERS	SOLICITORS	AUDITORS
<b>NEW ZEALAND</b>	Bank of New Zealand ANZ	Fortune Manning	WHK
<b>UNITED KINGDOM</b>	Clydesdale Bank	CMS Cameron McKenna	Creaseys
<b>AUSTRALIA</b>	National Australia Bank	Rigby Cooke	
<b>FRANCE</b>		Clifford Chance Europe LLP	

All figures in this report unless otherwise stated are expressed in New Zealand dollars (NZD).

**CBL INSURANCE LIMITED (CBL)  
IS THE LARGEST AND OLDEST PROVIDER  
OF CREDIT SURETY AND FINANCIAL RISK  
INSURANCE IN NEW ZEALAND**



**40**

**YEARS OF PROVIDING  
INSURANCE SOLUTIONS**





## THE CBL STORY

In 2013 CBL will celebrate its 40th anniversary. The pioneering work of our founders has allowed CBL to develop an excellent reputation, which has supported and underpinned the visions of people and local and international companies during this time.

Established in 1973, CBL continues to build on the impeccable business underwriting reputation that our founders originally established.

This has been further enhanced by the strong relationships that CBL has developed with international 'A' rated reinsurers, coupled with our underlying security indemnities and focus on core business, sound underwriting and operational management.

CBL offers a wide range of credit insurance and financial surety related products through an international distribution network developed over a number of years. With clients in New Zealand and around the world, CBL takes pride in its ability to tailor products to individual clients, taking into account the regulatory environments in which they operate, and writing risk as insurance or reinsurance.

Our years of experience have given us the ability to apply tried and tested financial risk assessment and analysis in an innovative manner and a belief in

approaching problems with a 'can do' philosophy. As a result CBL has a wide portfolio of clients with only one thing in common – they all need to obtain the financial assurance the company can offer.

In 1996 the company was purchased by its present owners and was given added focus and impetus, allowing us to introduce new products to the market and launch an international platform for writing business.

During the last 16 years CBL has been building an international distribution network of committed, long term clients, producers and business partners who share a common goal of focused, niche, good quality and profitable risk.

In 2011, to complement our existing business, CBL acquired a highly successful underwriting agency, European Insurance Services Limited (EISL), based in Tunbridge Wells in the United Kingdom. As a result of this acquisition, and CBL's outstanding organic growth in the last five years, CBL Group's annualised revenue now exceeds \$150 million, and is derived from more than 30 countries supported by eight offices in four continents. CBL's head office is based in Auckland, New Zealand and all underwriting and claims processing are carried out from here.

# FORWARD TO THE FUTURE



# CHAIRMAN'S STATEMENT ON BEHALF OF DIRECTORS

For the year ended 31 December 2012

The directors are pleased to present their report for the year ended 31 December 2012, to the members of CBL Insurance Limited (CBL).

It was with great pleasure that I accepted the invitation to become Chairman of CBL in October 2012, a company that I believe has a dynamic future building on its foundations, market position and highly capable management team.

CBL is the largest and oldest provider of credit surety and financial risk in New Zealand and it is celebrating its 40th year in 2013. It is a unique insurer in New Zealand in that it has taken its products and services to the world market, and now derives over 95% of its annual revenue from outside New Zealand, making CBL a significant exporter and generator of foreign income.

The Board is pleased to report that CBL has had another strong year in terms of both underwriting revenues and profits. Group underwriting revenue increased 46.7% to \$151.2 million from \$103.1 million, while the Group insurance operating profit increased 51.4% to \$21.8 million from \$14.4 million. Excellent results continue to be achieved in an environment where a large number of traditional insurers are still struggling with the events of the last few years and world markets are recovering slower than most expected.

Total Group equity increased to \$45.1 million from \$30.8 million, an increase of \$14.3 million. The movement was largely the result of increased profits retained within the Group, with a further \$2.5 million of contributed equity generated through a cash issue of shares to key management.

During the year internal governance and compliance levels were increased, including the establishment of an independent majority board. The company has worked closely with the Reserve Bank of New Zealand (RBNZ) to ensure full compliance with new solvency regulations and the Board is satisfied that the company exceeds those requirements. As the insurance industry in New Zealand and worldwide heads into a more regulated and compliant environment, the Board is confident that the company is well structured to meet whatever challenges arise.

CBL recently acquired the Deposit Power business from Vero Insurance, the market leader of property deposit bonds in Australia. CBL has been able to continue the key banking and other financial institutional relationships established by Vero, and leverage off the solid reputation built up by the brand, ensuring strong sales opportunities in the years ahead.

The Board congratulates the CBL management and staff on another very good year. The commitment of the team reinforces the reputation we have built up over 40 years with our clients and business partners.

Personally I wish to thank my colleagues on the Board, who continue to ensure that best practice governance is sustained and that all our stakeholders' interests continue to be foremost in our key decisions.

With the foundation that has been laid over the last 40 years, and built on in recent years by our key executives and management, supported by our network of international offices and key producer relationships, CBL looks forward to the future as we head into another significant era in the company's history.



Sir John Wells KNZM  
Chairman

# REGIONAL REVENUE ANALYSIS

CBL Insurance Limited's (CBL) worldwide operations derive revenue from its strategic alliances and key producers throughout five key regions. These regions are identified in the map above.

The main areas of percentage growth were in the Australasia, MEMSA and UK/Europe regions. Revenue in Australia grew through increased business with our national IATA programme supplemented by additional new business starting in December through the

acquisition of the systems, IP, and distribution networks of Deposit Power from Vero Insurance Australia. The growth in MEMSA is a result of the travel agent bonding business, which was established in late 2011 and has performed strongly in the 2012 financial year. CBL increased its market share in UK/Europe through organic growth of existing lines of business as well as securing new business through existing relationships supplemented by a small number of new clients in the area.



LATIN AMERICA  
\$7.6m

2012 ▼ 5.3%

2011 – \$8.0m





UK & EUROPE  
\$131.9m

2012 ▲ 55.5%  
2011 – \$84.9m

MEMSA  
\$3.5m

2012 ▲ 25.3%  
2011 – \$2.8m

SOUTHEAST ASIA  
\$2.9m

2012 ▼ 4.2%  
2011 – \$3.0m

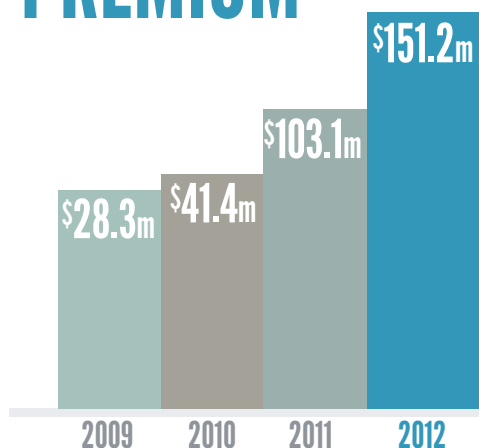
AUSTRALASIA  
\$5.3m

2012 ▲ 21.0%  
2011 – \$4.4m

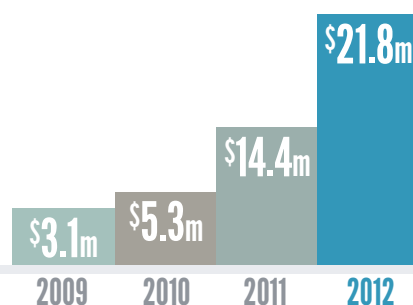
2011  
\$103.1m

TOTAL  
\$151.2m  
2012 ▲ 46.7%

## GROSS WRITTEN PREMIUM



## CBL OPERATING PROFIT



CBL has had an outstanding year, and continued to grow revenue and profits in accordance with its business plans and objectives. Group underwriting revenue increased 46.7% to \$151.2 million from \$103.1 million in 2011. Even more pleasing was that the operating profit grew by 51.4% to \$21.8 million from \$14.4 million. This was achieved by continuing to focus on strict underwriting criteria, continuing close relationships with its international network of trusted producers, and a high quality operating management team.

The economic uncertainty that has been present in many of the regions in the world for the last few years is still lingering and this continues to drag international business confidence down. This lack of confidence in the more traditional markets continues to push up the value of the New Zealand dollar (NZD) in the markets in which we operate. Over 95% of our revenue is earned in foreign currencies, and the strong NZD continues to be an area that affects our operating results, as we report our results in NZD. Since 2009 the Euro/NZD cross rate has decreased by around 53% and the USD/NZD rate by around 45%, and despite the material drag on our numbers this cross rate has caused, CBL continues to grow its business and profits. The major components of CBL's costs in earning this revenue, being commissions, future claims and reinsurance, are all incurred in the same currency as revenue, which provides us with a unique ability to control FX risk at zero cost, something that other New Zealand

exporters are less able to achieve. CBL will be a direct beneficiary of any weakening of the NZD in the future.

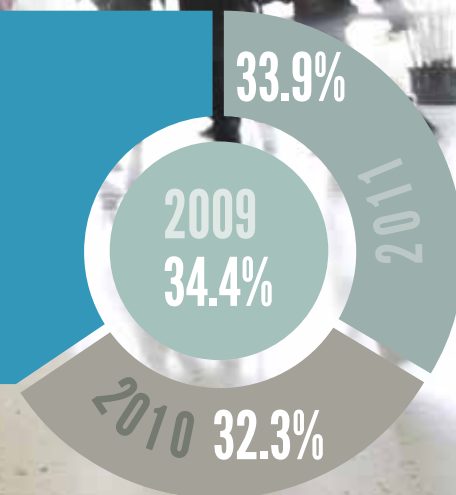
The difficult market conditions we are operating in, which we forecast would continue through 2012, and our plans for dealing with this, continue to serve us well. We continue to focus on building and nurturing close relationships with our proven worldwide producers as well as ensuring that our underwriting criteria remain tight. Our conservative underwriting approach to business and adopted within our risk management model means that we turn down a lot of insurance business opportunities, but our model has produced strong results for the business and we continue to use this approach to underpin our future plans.

### REVENUE

Group underwriting revenue was \$151.2 million (51.4% up on \$103.1 million in 2011). This is another record result for CBL coming off the back of last year's record revenue achievement. The continued demand for our products in the global market, as well as the reputation that CBL has in these markets for understanding the needs of our clients and delivering solutions to them on a timely basis, are driving the favourable results we are seeing. Most of the growth comes from existing clients who continue to grow their businesses, and our increased share of that business.



# 2012 LOSS RATIO 30.5%



2013 will see some opportunities on which we have been working for a number of months start to close, and these will strengthen the company further in terms of market growth, in line with our underwriting criteria, and strengthening our asset base. We expect to see good managed growth in top line revenue and bottom line profit in 2013 and 2014, although not at the levels we have experienced in the last five years.

The acquisition of European Insurance Services Limited (EISL) into the CBL Group in 2011 resulted in only seven months' post-acquisition earnings being recognised in 2011. In 2012 however, we are able to include a full 12 months results, and it is pleasing to see how well they have met Group expectations. Todd Campbell (previous CBL Regional Director of Latin America) was appointed CEO of EISL based in Tunbridge Wells, and shifted there with his family in August 2012. EISL is poised to produce increasing results in this part of the Group in 2013 and beyond within its strong broker network throughout France. CBL focuses on growth from the existing relationships that make up our international network, and we continue to strengthen the distribution networks and the opportunities those networks provide for appropriate product launches. CBL continues to look for new opportunities, especially in the emerging Asian markets, and longer term plans are to work with our established clients in these areas to build on and grow our markets.

## CLAIMS

The low loss ratios illustrated above, over an extended period of years, are an excellent achievement by CBL and continue to underline the strength of our management team and conservative underwriting processes. They also reflect the quality of the business offered to CBL by its long term trusted partners, a good understanding of the risks taken, and a robust claims management approach. CBL's underwriting model and the results achieved should be considered in light of the unpredictable world environment in which we work.

Our focus on conservative underwriting, high levels of underwriting profits and the avoidance of writing for top line revenue continues to serve CBL well. Our business model of carrying out this business with highly competent and trusted insurance partners, supported by regular external audits of producers and processes, means that oversight and governance are optimised for CBL.

CBL invested heavily in a more robust claims management and reporting regime in 2012, and the centralisation and alignment of our claims management, claim recoveries and reporting worldwide ensure that we continue to meet and exceed internationally accepted best practices around claims and exposures, especially in UK/Europe, our biggest market.



## FOREIGN CURRENCY ADJUSTMENT

CBL has cash reserves that continue to be kept in foreign currencies to avoid any exchange losses between earning the premium and paying claims. At balance date these foreign currency reserves need to be calculated in NZD so that CBL can express its annual financial statements in NZD. The calculation is not an actual conversion of currencies, and any upwards or downwards adjustment is not an actual realised profit or loss.

## PROFIT

The increase in Group underwriting revenue and profit, and the continued tight management of overheads, resulted in an operating profit of \$21.8 million (2011: \$14.4 million), an increase of \$7.4 million (51.3%). Net profit before tax was \$18.0 million, up from \$8.7 million in 2011. CBL is currently carrying an unearned premium liability of \$46.6 million, which will flow into future year profits as the business is earned.

## REGULATION

CBL has moved into a far more regulated environment in the past 12 months as the Reserve Bank of New Zealand (RBNZ) takes over the prudential supervision and monitoring of all New Zealand domiciled insurance companies. This new RBNZ prudential regulatory regime is being implemented over time, and our new provisional licence was granted in 2012. CBL already had robust systems in place and this transition was smooth and done within the timeframes, with focused and dedicated staff ensuring that we met or exceeded regulatory expectations. As we enter the final phases, with final licences to be issued by RBNZ by September 2013, CBL expects to meet or exceed all requirements and expects its final licence to be issued prior to this date.

## INTERNATIONAL FINANCIAL RATING

In September 2012 AM Best rating agency reconfirmed CBL's investment grade financial strength rating as B+(Good), and upgraded its rating outlook from 'Stable' to 'Positive'. CBL has decided to reduce its rating service relationship to the one rating service provider in the foreseeable future, although this is an area that will remain under consideration for the directors in the future. CBL is currently one of the few insurers in the world with an international financial strength rating that carries with it a positive outlook. CBL is hopeful that its successful results of the past several years, and the outlook for its planned growth and increased equity, will mean a further upgrade in its rating in the near future.

## ORGANISATION STRUCTURE

CBL's head office staff and management remained constant at 18 throughout the year and staff turnover was nil. The existing team is considered capable of supporting the planned growth in CBL through 2013 and beyond. The current worldwide headcount for the Group is 73, split 18 at CBL and a further 55 within EISL.

## BOARD OF DIRECTORS

We were delighted that Sir John Wells KNZM accepted our invitation to become independent Chairman of CBL in October 2012. Sir John is one of New Zealand's most respected and sought out corporate directors, and was knighted for his services to business and sport. He is Chairman of Bancorp Merchant Bankers and is a local and central government appointee on several boards, including the Chairmanship of Auckland Council Property Limited.

As part of the new RBNZ rules on board independence, Alistair Hutchison stepped aside from the Chairman's role to become Deputy Chairman, and Adam Massingham, Regional Director UK/Europe, stepped down from the CBL Board during the year but remains a director of EISL. During 2012 the Board instituted an Audit & Financial Risk Committee, and adopted a Board Charter.

In December 2012, Ian Marsh was appointed as an additional independent director on the CBL parent Board. Ian has had a long banking and financial services career, including being Managing Director of American Express East Asia and Japan for a number of years. Ian is based in Hong Kong and France, and his experience in the Asian and European markets will be invaluable in helping CBL grow these markets. After becoming approved by the UK Financial Services Authority (FSA), Ian was also appointed Chairman of the Board of EISL in February 2013.

## HIGHLIGHTS

- In 2011 we exceeded \$100 million in annual revenue for the first time, and in May 2012 the achievement was marked by a staff celebration in Auckland, the highlight of which was the attendance of Prime Minister John Key to congratulate us all. Given that over 95% of CBL's business is now international, CBL is now a significant exporter of financial services and foreign exchange earner.
- CBL continued to expand its IATA default insurance protection business, protecting airlines and travellers against the payment default of travel and cargo agents, and opened a new national programme in Kuwait.
- In August 2012 Todd Campbell was appointed CEO of EISL, and immediately started the alignment of EISL into the CBL Group, building on the excellent foundations established by EISL and its principals in the previous seven years. EISL has excellent potential to drive products and services down its 1,100 strong broker network throughout France.
- In October 2012 CBL achieved a fully independent-majority board of directors with the appointment of Sir John Wells KNZM as Independent Chairman of the Board, reinforced by the appointment of Ian Marsh in December.
- In November 2012 as a result of Todd Campbell's appointment to the UK, Enrique Martinez replaced Todd as Regional Director of Latin America and opened an office in Mexico City to service and support business in this region.
- In December 2012 CBL acquired from Vero Insurance Australia the business, brands, intellectual property and distribution networks of Deposit Power, the acknowledged market leader in Australia for home deposit bonds. As a result of the purchase CBL has been able to extend its existing business from this product by taking over the long term distribution contracts that are in place with the leading commercial banks and mortgage finance providers in Australia.
- CBL celebrates its 40th anniversary in 2013, and we head into these celebrations with another successful year behind us. This is a significant milestone for CBL, and several events are planned to mark the occasion in New Zealand and Europe.

## BUSINESS OUTLOOK

CBL sees strong demand for its products and services, and businesses around the world still require what we offer: the financial assurance and ability to approach problems and provide solutions to them.

The international market continues to be a difficult one: however, with continued focus on what we do well, we see positives emerging in 2013 and beyond.

CBL, like all insurers in our industry, will have a continually increasing level of prudential monitoring and regulatory compliance. However, we see this as a positive for the industry and CBL is well placed to ensure that we meet and exceed all requirements. We continue to watch the European markets, and with the high level of support in the regions and long term trusted relationships already in existence, we are cautiously optimistic about this region.

CBL will continue to ensure that risks are fully understood and mitigated where possible, and will retain its niche and nimble competitive advantage over other insurers in its market, which remain focused on generic volume driven, commodity type property and casualty risk. Our conservative approach stands us in good stead across all of CBL's business lines.

CBL is highly liquid and will continue to consider further acquisition or synergy opportunities in the year ahead that meet its objectives and fit within CBL's business objectives. The right opportunities will further strengthen the Group and take advantage of fair priced assets that may become available.

The directors would like to thank CBL's key business producers, professional advisers, and in particular its loyal and highly capable staff for the outstanding support given to the Group throughout the year.



Peter Harris  
Managing Director

The directors present their report, together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 31 December 2012.

## PRINCIPAL ACTIVITIES

The principal activities during the financial year of entities within the Group were:

(a) Underwriting of general insurance through CBL Insurance Limited (CBL). CBL is a licensed non-life insurer, regulated by the Reserve Bank of New Zealand (RBNZ), specialising in writing niche building and construction related credit and financial surety insurance, bonding and reinsurance.

(b) Provision of insurance services as an agent through European Insurance Services Limited (EISL). EISL is a licensed underwriting agent, regulated by the Financial Services Authority (FSA), specialising in arranging builders warranty, liability insurance and related products.

## SIGNIFICANT CHANGES

The total equity increased to \$45.1 million from \$30.8 million, an increase of \$14.3 million. The movement was largely the result of increased profits. A further \$2.5 million of contributed equity was received from the ultimate parent entity CBL through an issue of ordinary shares. Refer to note 22 for further information on movements in equity.

The Group recently acquired the Deposit Power business from Vero Insurance Australia. This will allow the Group to gain control of a significant portfolio of bond business in Australia, thus ensuring future strong sales opportunities for the Group.

## DIRECTORS' INTERESTS IN TRANSACTIONS

There were no directors' interests in transactions during the financial year, or directors' interests as at the date of this report and at 31 December 2012.

## DONATIONS

Donations made during the year ended 31 December 2012 by the company totalled \$11,000 (2011: \$1,000) and the Group totalled \$28,000 (2011: \$1,000).

## EVENTS SUBSEQUENT TO THE REPORTING DATE

Details of matters subsequent to the end of the financial year are set out in note 33; these include the CBL Board declaring to pay a final dividend.

## REMUNERATION OF DIRECTORS

The following table discloses the remuneration of the directors of the company:

	2012 \$'000	2011 \$'000
Sir John Wells <small>KNZM</small>	23	-
Tony Hannon	45	15
Peter Harris	-	-
Alistair Hutchison	-	-
Ian Marsh	-	-
Adam Massingham	-	-
<b>Total</b>	<b>68</b>	<b>15</b>

## EMPLOYEE REMUNERATION

Set out in the following table are the number of employees or former employees of the Group, not being directors or former directors, who received remuneration and other benefits valued at or exceeding \$100,000 in the year ended 31 December 2012.

	GROUP	COMPANY
140,001 - 150,000	1	-
160,001 - 170,000	1	1
190,001 - 200,000	1	1
270,001 - 280,000	1	-
310,001 - 320,000	1	-
340,001 - 350,000	1	1
360,001 - 370,000	1	-
390,001 - 400,000	1	1
420,001 - 430,000	1	-

## INDEMNITY AND INSURANCE

In accordance with section 162 of the Companies Act 1993 the company has provided insurance for directors and employees of the Group for losses from actions undertaken in the course of their duties.

## DIVIDENDS

The directors have declared a total dividend payout for the year of \$1,083,943 (fully imputed) or 3.69 cents per share. Details of dividends paid or declared to be paid by the company are set out in note 25.



The directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice of the financial statements which give a true and fair view of the financial position of CBL Insurance Limited (the 'Parent') and its consolidated subsidiary entities (the 'Group') as at 31 December 2012 and the results of their financial operations and cash flows for the year ended 31 December 2012.

The directors consider that the financial statements of the Parent and Group have been prepared using accounting policies appropriate to the Parent's and Group's circumstances, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable New Zealand equivalents to International Financial Reporting Standards have been followed.

The directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Parent and Group and enable them to ensure that the financial statements comply with the Financial Reporting Act 1993.

The directors have responsibility for the maintenance of a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Parent and Group and to prevent and detect fraud and other irregularities.

The directors are pleased to present the Parent and Group financial statements for the year ended 31 December 2012.

This annual report is dated 21 March 2013 and is signed in accordance with a resolution of the directors made pursuant to section 211(1)(k) of the Companies Act 1993.

The annual report is signed on behalf of the Board by



Sir John Wells KNZM  
Chairman



Peter Harris  
Managing Director



To the Shareholders of CBL Insurance Limited

## **Report on the Financial Statements**

We have audited the financial statements of CBL Insurance Limited and group on pages 19 to 69 which comprise the consolidated and separate statements of financial position as at 31 December 2012, the consolidated and separate statements of comprehensive income, and statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Directors' Responsibility for the Financial Statements*

The directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate; this includes the design, implementation and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

An entity associated with our firm provides taxation services to the company and group; we have no other relationship with, or interests in, the company or its subsidiaries.

### *Opinion*

In our opinion, the financial statements on pages 19 to 69:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of CBL Insurance Limited and group as at 31 December 2012 and the results of their operations and cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993 require us to comment on whether we have obtained all the information and explanations that we have required from CBL Insurance Limited, and whether we consider that appropriate accounting records have been kept.

- We have obtained all the information and explanations that we have required.
- In our opinion proper accounting records have been kept by the company as far as appears from our examination of those records.



WHK New Zealand Audit Partnership  
CHARTERED ACCOUNTANT

21 March 2013







		CONSOLIDATED		PARENT	
	Note	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Gross written premium	3	151,225	103,081	107,683	76,029
Movement in gross unearned premium	3	(18,673)	(15,723)	(18,673)	(15,723)
Gross premiums		132,552	87,358	89,010	60,306
Premiums ceded	3	(49,227)	(33,288)	(16,799)	(12,836)
<b>Net premiums</b>		<b>83,325</b>	<b>54,070</b>	<b>72,211</b>	<b>47,470</b>
Other revenue	3	5,669	3,581	3,546	2,603
<b>Total revenue</b>		<b>88,994</b>	<b>57,651</b>	<b>75,757</b>	<b>50,073</b>
Claims expense	4	(37,738)	(30,724)	(37,738)	(30,724)
Reinsurance and other recoveries	4	15,684	14,628	15,684	14,628
<b>Net claims expense</b>		<b>(22,054)</b>	<b>(16,096)</b>	<b>(22,054)</b>	<b>(16,096)</b>
Acquisition costs	5	(25,629)	(16,125)	(25,565)	(16,070)
Other operating expenses	5	(19,534)	(11,022)	(9,548)	(6,140)
<b>Total claims and operating expenses</b>		<b>(67,217)</b>	<b>(43,243)</b>	<b>(57,167)</b>	<b>(38,306)</b>
<b>Operating profit</b>		<b>21,777</b>	<b>14,408</b>	<b>18,590</b>	<b>11,767</b>
Finance costs	5	(1,076)	(846)	(117)	(310)
Other expenses	5	(2,442)	(3,528)	(2,069)	(2,712)
Share of profit from associate		190	-	143	-
Subvention payment	5	(466)	(1,355)	(466)	(1,355)
<b>Profit before tax</b>		<b>17,983</b>	<b>8,679</b>	<b>16,081</b>	<b>7,390</b>
Income tax expense	7	(5,105)	(2,617)	(4,636)	(2,008)
<b>Profit for the period</b>		<b>12,878</b>	<b>6,062</b>	<b>11,445</b>	<b>5,382</b>
<b>Other comprehensive income:</b>					
Currency translation differences		(13)	(21)	-	-
<b>Other comprehensive income net of tax</b>		<b>(13)</b>	<b>(21)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>12,865</b>	<b>6,041</b>	<b>11,445</b>	<b>5,382</b>
<b>Profit attributable to:</b>					
Shareholders		12,878	6,062	11,445	5,382
Minority interest		-	-	-	-
<b>Total comprehensive income attributable to:</b>					
Shareholders		12,865	6,041	11,445	5,382
Minority interest		-	-	-	-

		CONSOLIDATED		PARENT	
	Note	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>ASSETS</b>					
Cash and cash equivalents	8	65,034	32,523	58,797	24,196
Other financial assets	9	12	12	12	12
Insurance receivables	10	24,315	17,996	23,419	17,996
Trade and other receivables	10	15,115	12,231	16,561	11,698
Loans	10	2,334	265	6,089	19,884
Recoveries on outstanding claims	11	24,050	12,905	24,050	12,905
Deferred reinsurance expense	12	7,121	4,445	7,121	4,445
Deferred acquisition costs	12	13,441	7,842	13,441	7,842
Deferred tax assets	7	3,861	69	3,861	69
Property, plant and equipment	13	1,271	1,383	1,006	1,004
Investment in associate	14	447	265	224	80
Intangible assets	16	3,990	3,173	948	-
Goodwill	17	30,371	31,681	-	-
<b>TOTAL ASSETS</b>		<b>191,362</b>	<b>124,790</b>	<b>155,529</b>	<b>100,131</b>
<b>LIABILITIES</b>					
Trade and other payables	18	7,460	7,364	6,048	6,347
Insurance payables	18	9,619	6,273	4,654	690
Current tax liabilities		4,439	1,672	3,724	1,082
Unearned premium liability	19	46,615	27,943	46,615	27,943
Employee benefits provision	20	317	200	197	135
Contingent consideration	18	5,094	7,785	-	-
Deferred tax liabilities	7	3,767	585	3,764	585
Outstanding claims liability	4	47,435	24,358	47,435	24,358
Borrowings	21	21,512	17,787	-	8,760
<b>TOTAL LIABILITIES</b>		<b>146,258</b>	<b>93,967</b>	<b>112,437</b>	<b>69,900</b>
<b>NET ASSETS</b>		<b>45,104</b>	<b>30,823</b>	<b>43,092</b>	<b>30,231</b>
<b>EQUITY</b>					
Share capital	22	26,700	24,200	26,700	24,200
Reserves	22	(34)	(21)	-	-
Retained earnings	22	18,438	6,644	16,392	6,031
<b>Total equity attributed to shareholders</b>		<b>45,104</b>	<b>30,823</b>	<b>43,092</b>	<b>30,231</b>
Minority interest		-	-	-	-
<b>TOTAL EQUITY</b>		<b>45,104</b>	<b>30,823</b>	<b>43,092</b>	<b>30,231</b>

The financial statements were approved for issue by the Board on 21 March 2013.



Sir John Wells KNZM  
Chairman



Peter Harris  
Managing Director



## 2012

## CONSOLIDATED

	Note	Share capital \$'000	Retained earnings \$'000	Reserves \$'000	Minority interests \$'000	Total equity \$'000
<b>BALANCE AT 1 JANUARY 2012</b>		<b>24,200</b>	<b>6,644</b>	<b>(21)</b>	<b>-</b>	<b>30,823</b>
<b>Comprehensive income</b>						
Profit for the year		-	12,878	-	-	12,878
<b>Other comprehensive income</b>						
Currency translation difference		-	-	(13)	-	(13)
<b>Total comprehensive income</b>		<b>-</b>	<b>12,878</b>	<b>(13)</b>	<b>-</b>	<b>12,865</b>
<b>Transactions with shareholders</b>						
Issue of shares	22	2,500	-	-	-	2,500
Dividends provided for or paid	25	-	(1,084)	-	-	(1,084)
<b>Total transactions with shareholders</b>		<b>2,500</b>	<b>11,794</b>	<b>(13)</b>	<b>-</b>	<b>14,281</b>
<b>Balance at 31 December 2012</b>		<b>26,700</b>	<b>18,438</b>	<b>(34)</b>	<b>-</b>	<b>45,104</b>

## 2011

## CONSOLIDATED

	Note	Share capital \$'000	Retained earnings \$'000	Reserves \$'000	Minority interests \$'000	Total equity \$'000
<b>BALANCE AT 1 JANUARY 2011</b>		<b>15,500</b>	<b>1,727</b>	<b>-</b>	<b>-</b>	<b>17,227</b>
<b>Comprehensive income</b>						
Profit for the year		-	6,062	-	-	6,062
<b>Other comprehensive income</b>						
Currency translation differences		-	-	(21)	-	(21)
<b>Total comprehensive income</b>		<b>-</b>	<b>6,062</b>	<b>(21)</b>	<b>-</b>	<b>6,041</b>
<b>Transactions with shareholders</b>						
Issue of shares	22	8,700	-	-	-	8,700
Dividends provided for or paid		-	(1,078)	-	-	(1,078)
Reserves obtained at acquisition		-	(67)	-	-	(67)
<b>Total transactions with shareholders</b>		<b>8,700</b>	<b>4,917</b>	<b>(21)</b>	<b>-</b>	<b>13,596</b>
<b>Balance at 31 December 2011</b>		<b>24,200</b>	<b>6,644</b>	<b>(21)</b>	<b>-</b>	<b>30,823</b>

## 2012

## PARENT

	Note	Share capital \$'000	Retained earnings \$'000	Reserves \$'000	Minority interests \$'000	Total equity \$'000
<b>BALANCE AT 1 JANUARY 2012</b>		<b>24,200</b>	<b>6,031</b>	-	-	<b>30,231</b>
<b>Comprehensive income</b>						
Profit for the year		-	11,445	-	-	11,445
<b>Total comprehensive income</b>		-	11,445	-	-	11,445
<b>Transactions with shareholders</b>						
Issue of shares	22	2,500	-	-	-	2,500
Dividends provided for or paid	25	-	(1,084)	-	-	(1,084)
<b>Total transactions with shareholders</b>		<b>2,500</b>	<b>10,361</b>	-	-	<b>12,861</b>
<b>Balance at 31 December 2012</b>		<b>26,700</b>	<b>16,392</b>	-	-	<b>43,092</b>

## 2011

## PARENT

	Note	Share capital \$'000	Retained earnings \$'000	Reserves \$'000	Minority interests \$'000	Total equity \$'000
<b>BALANCE AT 1 JANUARY 2011</b>		<b>15,500</b>	<b>1,727</b>	-	-	<b>17,227</b>
<b>Comprehensive income</b>						
Profit for the year		-	5,382	-	-	5,382
<b>Total comprehensive income</b>		-	5,382	-	-	5,382
<b>Transactions with shareholders</b>						
Issue of shares	22	8,700	-	-	-	8,700
Dividends provided for or paid		-	(1,078)	-	-	(1,078)
<b>Total transactions with shareholders</b>		<b>8,700</b>	<b>4,304</b>	-	-	<b>13,004</b>
<b>Balance at 31 December 2011</b>		<b>24,200</b>	<b>6,031</b>	-	-	<b>30,231</b>

		CONSOLIDATED		PARENT	
	Note	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Premium received		143,769	90,732	101,123	63,680
Reinsurance and other recoveries received		5,676	11,459	5,676	11,459
Claims costs paid		(14,606)	(18,112)	(14,606)	(18,112)
Premium ceded payments		(51,488)	(36,286)	(19,060)	(15,834)
Interest received		1,466	491	1,387	499
Finance costs		(1,115)	(625)	(156)	(310)
Movements in security deposits held		2,183	163	2,183	163
Income tax paid		(2,953)	(601)	(2,607)	(587)
Other operating receipts		5,141	3,255	2,146	1,690
Commission paid		(31,228)	(20,262)	(31,164)	(20,206)
Other operating payments		(17,733)	(11,058)	(8,958)	(11,239)
Net cash flows from operating activities	8	39,112	19,156	35,964	11,203
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Net cash flows on acquisition of subsidiaries		(2,692)	(27,070)	-	-
Payments for property, plant and equipment		(239)	(1,155)	(3)	(675)
Payments for intangible assets		(1,064)	-	(1,064)	-
Movements in loans with non-related parties		(5,020)	500	(5,020)	500
Movements in loans with related parties		(2,051)	234	13,813	(18,806)
Net cash flows from investing activities		(11,066)	(27,491)	7,726	(18,981)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Net receipts/(repayments) for borrowings		2,954	18,595	(9,530)	9,568
Borrowing transaction costs		-	(915)	-	(915)
Dividends paid to equity holders		(1,084)	(1,078)	(1,084)	(1,078)
Proceeds from issue of shares		2,500	8,700	2,500	8,700
Net cash flows from financing activities		4,370	25,302	(8,114)	16,275
Net movement in cash held		32,416	16,967	35,576	8,497
Effects of exchange rates on balances of cash held in foreign currencies		95	(647)	(975)	(504)
Cash and cash equivalents at start of year	8	32,523	16,203	24,196	16,203
Cash and cash equivalents at end of year	8	65,034	32,523	58,797	24,196

# NOTES TO THE FINANCIAL STATEMENTS





# 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## (A) GENERAL INFORMATION

CBL Insurance Limited (CBL, Parent or Company) is a company limited by shares, incorporated and domiciled in New Zealand. Its registered office is 51 Shortland Street, Auckland 1010, New Zealand. This financial report is for the reporting period ended 31 December 2012 and includes separate financial statements for the Company as an individual entity and consolidated financial statements for the Company and its subsidiaries (referred to as Consolidated entity and Group).

This general purpose financial report was authorised by the Board of Directors for issue on 19 March 2013.

## (B) STATEMENT OF COMPLIANCE

This general purpose financial report has been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The financial report complies with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards (FRS), as appropriate for profit oriented entities. The Company is a profit oriented entity. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and the Companies Act 1993, and its financial statements comply with these Acts.

International Financial Reporting Standards (IFRS) refer to the overall framework of standards and pronouncements approved by the International Accounting Standards Board (IASB). IFRS forms the basis of the NZ IFRS, being the New Zealand accounting standards adopted by the Financial Reporting Standards Board (FRSB). The financial report of the Parent and the Consolidated entity complies with NZ IFRS and NZ GAAP.

## (C) BASIS OF PREPARATION OF THE FINANCIAL REPORT

The significant accounting policies adopted in the preparation of this financial report are set out below. The accounting policies adopted in the preparation of this financial report have been applied consistently by all entities in the Group and are the same as those applied for the previous reporting period unless otherwise noted. The financial statements have been prepared on the basis of historical cost principles, as modified by certain exceptions noted in the financial report, with the principal exceptions being the measurement of the outstanding claims liability and related reinsurance and other recoveries at present value.

The presentation currency used for the preparation of this financial report is New Zealand dollars.

All values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

The Statement of Financial Position is prepared using the liquidity format in which the assets and liabilities are presented broadly in order of liquidity.

The assets and liabilities comprise both current amounts (expected to be recovered or settled within 12 months after the reporting date) and non-current amounts (expected to be recovered or settled more than 12 months after the reporting date). For those assets and liabilities that comprise both current and non-current amounts, information regarding the amount of the item that is expected to be outstanding longer than 12 months is included within the relevant note to the financial statements.

## (D) PRINCIPLES OF CONSOLIDATION

### (i) Subsidiaries

Consolidation is the inclusion of the assets and liabilities of the Parent and all subsidiaries as at the reporting date and the results of the Parent and all subsidiaries for the period then ended as if they had operated as a single entity. The balances and effects of intragroup transactions are eliminated from the consolidation. Subsidiaries are those entities controlled by the Parent. Control exists when one company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when more than half of the voting power of an entity is owned either directly or indirectly. In assessing control, potential voting rights that are exercisable or convertible are taken into account. Where an entity either began or ceased to be controlled during a financial reporting period, the results are included only from the date control commenced or up to the date control ceased.

The financial statements of all subsidiaries are prepared for consolidation for the same reporting period as the Parent, using consistent accounting policies. The financial statements of entities operating outside New Zealand that maintain accounting records in accordance with overseas accounting principles are adjusted where necessary to comply with the significant accounting policies of the Consolidated entity.

Where a subsidiary is less than wholly owned, the equity interests held by external parties are presented separately as non-controlling interests in the consolidated Statement of Financial Position.

In the Company's financial statements investments in subsidiaries and associated companies are recognised at cost, unless there has been an impairment.

### (ii) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a

shareholding of between 20% and 50% of the voting rights.

The equity method of accounting is applied to the results of associated companies.

### **SIGNIFICANT ACCOUNTING POLICIES RELATED TO GENERAL INSURANCE CONTRACTS**

All of the general insurance products and reinsurance products on offer, or utilised, meet the definition of an insurance contract (a contract under which one party, the insurer, accepts significant insurance risk from another party, the policyholder, by agreeing to compensate the policyholder if a specified uncertain future event, the insured event, adversely affects the policyholder) and none of the contracts contains embedded derivatives or is required to be unbundled. Insurance contracts that meet the definition of a financial guarantee contract are accounted for as insurance contracts. This means that all of the general insurance products are accounted for in the same manner.

#### **(E) PREMIUM REVENUE**

Premium revenue comprises amounts charged to policyholders (direct premium) or other insurers (inwards reinsurance premium) for insurance contracts. Premium is recognised as earned from the date of attachment of risk over the period of the related insurance contracts in accordance with the pattern of the incidence of risk expected under the contracts. The pattern of the risks underwritten is generally matched by the passing of time. Premium for unclosed business (business written close to the reporting date where the attachment of risk is prior to the reporting date and there is insufficient information to accurately identify the business) is brought to account based on previous experience with due allowance for any changes in the pattern of new business and renewals.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. The unearned portion of premium is recognised as an unearned premium liability on the Statement of Financial Position.

Premium receivable is recognised as the amount due at the point CBL becomes on risk, and is normally settled between 30 days and 4 months. The recoverability of premium receivable is assessed and provision is made for impairment based on objective evidence and having regard to past default experience. Premium receivable is presented in the Statement of Financial Position net of any provision for impairment.

#### **(F) OUTWARD REINSURANCE**

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received.

Accordingly, a portion of outwards reinsurance premium expense is treated as a prepayment and presented as a deferred outwards reinsurance expense in the Statement of Financial Position at the reporting date.

#### **(G) CLAIMS**

The outstanding claims liability is measured as the central estimate of the present value of expected future payments relating to claims incurred at the reporting date with an additional risk margin to allow for the inherent uncertainty in the central estimate.

The expected future payments include those in relation to claims reported but not yet paid or not yet paid in full, claims incurred but not reported (IBNR) and the anticipated direct and indirect claims handling costs. The liability is discounted to present value using a risk free rate.

The estimation of the outstanding claims liability involves a number of assumptions; it is likely that the final outcome will be different from the original liability established. Changes in claims estimates are recognised in the Statement of Comprehensive Income in the reporting period in which the estimates are changed.

The claims expense represents claim payments adjusted for the movement in the outstanding claims liability.

#### **(H) REINSURANCE AND OTHER RECOVERIES**

Reinsurance and other recoveries received or receivable on paid claims and on outstanding claims are recognised as income. Reinsurance recoveries on paid claims are presented as part of trade and other receivables net of any provision for impairment based on objective evidence for individual receivables. Reinsurance and other recoveries on outstanding claims are measured as the present value of the expected future receipts calculated on the same basis as the outstanding claims liability. Reinsurance does not relieve the originating insurer of its liabilities to policyholders and is presented separately in the Statement of Financial Position.

#### **(I) ACQUISITION COSTS**

Costs associated with obtaining and recording general insurance contracts are referred to as acquisition costs. These costs include advertising expenses, commissions or brokerage paid to agents or brokers, premium collection costs, risk assessment costs and other administrative costs. Such costs are capitalised where they relate to the acquisition of new business or the renewal of existing business. These capitalised costs are presented as deferred acquisition costs, and are amortised on the same basis as the earning pattern of the premium over the period of the related insurance contracts. The balance of the deferred acquisition costs at the reporting date represents the capitalised acquisition costs relating to unearned premium.

**(J) LIABILITY ADEQUACY TEST**

The liability adequacy test is an assessment of the carrying amount of the unearned premium liability and is conducted at each reporting date. If current estimates of the present value of the expected future cash flows relating to future claims arising from the rights and obligations under current general insurance contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate, exceed the unearned premium liability (net of reinsurance) less related deferred acquisition costs, then the unearned premium liability is deemed to be deficient. The test is performed at the level of a portfolio of contracts that are subject to broadly similar risks and that are managed together as a single portfolio. Any deficiency arising from the test is recognised in the Statement of Comprehensive Income with the corresponding impact on the Statement of Financial Position recognised first through the write-down of deferred acquisition costs for the relevant portfolio of contracts, with any remaining balance being recognised in the Statement of Financial Position as an unexpired risk liability.

**(K) ASSETS BACKING INSURANCE BUSINESS**

All assets within the Company are held to back general insurance liabilities, with the exception of property, plant and equipment and long term receivables. Initial recognition is at cost in the Statement of Financial Position and subsequent measurement is at fair value, with any resultant fair value gains and losses recognised through the Statement of Comprehensive Income.

**SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO OTHER ACTIVITIES****(L) FEE AND OTHER INCOME**

Fee based revenue is accounted for on an accruals basis and is recognised as revenue on a straight line basis in accordance with the passage of time as the services are provided. Other income is recognised on an accruals basis.

**(M) LEASES**

The leases entered into are operating leases, where the lessor retains substantially all the risks and benefits of ownership of the leased items. The lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight line basis over the term of the lease. Operating lease incentives received are initially recognised as a liability, are presented as trade and other payables, and are subsequently reduced through recognition in the Statement of Comprehensive Income as an integral part of the total lease expense (lease payments are allocated between rental expense and reduction of the liability) on a straight line basis over the period of the lease.

**(N) INCOME TAX***(i) Income tax*

Income tax on the result for a reporting period comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates for each jurisdiction, and any adjustment to tax payable in respect of previous financial periods. Deferred tax expense is the change in deferred tax assets and liabilities between the reporting periods.

Deferred tax assets and liabilities are recognised using the Statement of Financial Position method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except in the following circumstances when no deferred tax asset or liability is recognised:

- Temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.
- Temporary differences between the carrying amount and tax bases of investments in subsidiaries where it is probable that the differences will not reverse in the foreseeable future.
- Temporary differences relating to the initial recognition of goodwill.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at reporting date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

*(ii) Goods and services tax*

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis.

#### **(O) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value.

#### **(P) INVESTMENTS**

Investments are held to maturity type financial assets. They are initially recorded at fair value (being the cost of acquisition excluding transaction costs) and are subsequently remeasured at amortised cost.

Purchases and sales of investments are recognised on a trade date basis, being the date on which a commitment is made to purchase or sell the asset. Transaction costs for purchases of investments are expensed as incurred and presented in the Statement of Comprehensive Income. Investments are no longer recognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and substantially all the risks and rewards of ownership have transferred.

Investment revenue, comprising interest, is brought to account on an accruals basis.

#### **(Q) INVESTMENTS IN SUBSIDIARIES**

Investment in subsidiaries is initially recognised at cost (fair value of consideration provided plus directly attributable costs) and is subsequently carried at the lower of cost and recoverable amount by the Parent entity. Costs incurred in investigating and evaluating an acquisition up to the point of formal commitment to an acquisition are expensed as incurred. Where the carrying value exceeds the recoverable amount, an impairment charge is recognised in the Statement of Comprehensive Income which can subsequently be reversed in certain conditions.

Where an additional interest is purchased in an existing subsidiary, the acquisition is treated as a transaction between owners and has no impact on the Statement of Comprehensive Income.

Dividend income from these investments is brought to account on an accruals basis. Dividend revenue is accrued on the date the dividends are declared.

#### **(R) INVESTMENT IN ASSOCIATES**

The Parent's and Group's investment in associates is accounted for using the equity method of accounting in the financial statements.

Associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems it has significant influence if it has over 20% of the voting rights.

Under the equity method, investments in associates are carried in the consolidated Statement of Financial Position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Group's share of an associate's profits or losses is recognised in the Statement of Comprehensive Income. The cumulative movements are adjusted against the carrying amount of the investment.

#### **(S) TRADE AND OTHER RECEIVABLES**

Trade and other receivables are stated at the amounts to be received in the future, less any impairment losses.

The recoverability of debts is assessed on an ongoing basis and an allowance for impairment is established where there is objective evidence the Parent and Group will not be able to collect all amounts due according to the original terms of the receivable. The impairment charge is recognised in the Statement of Comprehensive Income. Debts which are known to be uncollectable are written off.

Receivables with a short duration are not discounted.

#### **(T) PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are initially recorded at cost which is the fair value of consideration provided plus incidental costs directly attributable to the acquisition. All items of property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment charges.

For the Parent, property, plant and equipment are depreciated using the diminishing value method and applying the rates prescribed by the Income Tax Act 2007. Depreciation is calculated on a diminishing value basis for the following classes of assets:

- Furniture, Fixtures and Fittings 12.0% to 30.0%.
- Computer Equipment 39.6% to 80.4%.

Artwork is not depreciated due to its estimated unlimited useful life.

For the subsidiaries, all property, plant and equipment are depreciated on a straight line basis over four years.

The carrying amount of property, plant and equipment is reviewed each reporting date by determining whether there is an indication for impairment. If any such indication exists, the item is tested for impairment by comparing the recoverable amount of the asset to the carrying value. An impairment charge is recognised whenever the carrying value exceeds the recoverable amount. Impairment charges are recognised in the Statement of Comprehensive Income.

The net gain or loss on disposal of items of property, plant and equipment is recognised in the Statement of Comprehensive Income and is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal, including transaction costs and other expenses associated with the disposal.

Depreciation methods, rates and useful lives are reviewed annually.

### **(U) INTANGIBLES**

Acquired intangible assets are initially recorded at their cost at the date of acquisition, being the fair value of the consideration provided and, for assets acquired separately, incidental costs directly attributable to the acquisition.

Intangible assets with finite useful lives are amortised on a straight line basis (unless the pattern of usage of the benefits is significantly different) over the estimated useful lives of the assets, being the period in which the related benefits are expected to be realised (shorter of legal duration and expected economic life). Amortisation rates and residual values are reviewed annually and any changes are accounted for prospectively.

Internally generated intangible assets are recorded at cost, which includes all the directly attributable costs necessary to create, produce and prepare the assets so that they are capable of operating in the manner intended by management. Amortisation of internally generated intangible assets begins when the asset is available for use.

The carrying amount of intangible assets with finite useful lives is reviewed each reporting date by determining whether there is an indication that the carrying value may be impaired. If any such indication exists, the item is tested for impairment by comparing the recoverable amount of the asset or its cash generating unit to the carrying value. Where the recoverable amount is determined by the value in use, the projected net cash flows are discounted using a pre-tax discount rate. For assets with indefinite useful lives, the recoverability of the carrying value of the assets is reviewed for impairment at each reporting date, or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment charge is recognised when the carrying value exceeds the calculated recoverable amount. Impairment charges are recognised in the Statement of Comprehensive Income and may be reversed where there has been a change in the estimates used to determine the recoverable amount.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the purchase consideration over the fair value of the net identifiable assets and contingent liabilities acquired, and is subsequently presented net of any impairment charges.

Goodwill is allocated to cash generating units of a business combination for the purpose of impairment testing. The recoverability of the carrying value of the goodwill allocated to each cash generating unit is tested for impairment at each reporting date, or more frequently if events or changes in circumstances indicate that it might be impaired, by determining the present value of projected net cash flows. Where the carrying value exceeds the recoverable amount, an impairment charge is recognised in the Statement of Comprehensive Income and cannot subsequently be reversed.

At the date of disposal of a business, attributed goodwill is included in the share of net assets used in the calculation of the gain or loss on disposal.

### **(V) TRADE AND OTHER PAYABLES**

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received. The amounts are discounted where the effect of the time value of money is material.

### **(W) EMPLOYEE BENEFITS**

Employee benefits that the Parent and Group expect to be settled within 12 months of balance date are measured at nominal value based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and non-accumulating sick leave.

The Parent and Group recognise a liability for sick leave. The amount is calculated based on the unused sick leave entitlements that can be carried forward at balance date, to the extent that the Parent and Group anticipate that it will be used by staff to cover those future absences.

The Parent and Group recognise a liability and expense for bonuses where they are contractually obliged or where there is a past practice that has created a constructive obligation.

### **(X) INTEREST BEARING LIABILITIES AND FINANCE COSTS**

Interest bearing liabilities are initially recognised at fair value less transaction costs that are directly attributable to the transaction.

After initial recognition the liabilities are carried at amortised cost using the effective interest rate method.

Finance costs include interest, which is accrued at the contracted rate and included in payables, amortisation of transaction costs which are capitalised, presented together with the borrowings, and amortised over the life of the borrowings or a shorter period if appropriate, and



amortisation of discounts or premiums (the difference between the original proceeds, net of transaction costs, and the settlement or redemption value of borrowings) over the term of the liabilities.

## **(Y) PROVISIONS**

### *(i) General*

A provision is recognised for a liability when the settlement amount or timing is uncertain; there is a present legal or constructive obligation as a result of a past event; it is probable that expenditures will be required to settle the obligation; and a reliable estimate of the potential settlement can be made.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are discounted to their present values, where the time value of money is material. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### *(ii) Onerous contracts*

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligation under the contract. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

## **(Z) EQUITY INSTRUMENTS**

The Group has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised as a deduction from equity.

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's Board of Directors, and ratified by the shareholders.

## **(AA) FINANCIAL INSTRUMENTS**

Financial instruments comprise trade debtors and other receivables, cash and cash equivalents, other financial assets, trade creditors and other payables, borrowings, and other financial liabilities.

### *Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of

the instrument. For financial assets, this is the equivalent to the date that the Company commits itself to either the purchase or the sale of the asset.

### *Measurement used: fair value*

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to the Statement of Comprehensive Income immediately.

### *Classification and subsequent measurement*

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- The amount at which the financial asset or financial liability is measured at initial recognition.
- Less principal repayments.
- Plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method.
- Less any reduction for impairment.

The effective interest rate method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the Statement of Comprehensive Income.

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period for held to maturity assets.

### *(i) Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management

personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

#### *(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

#### *(iii) Held to maturity investments*

Held to maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Held to maturity investments are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which will be classified as current assets. If during the period the Group sold or reclassified more than an insignificant amount of the held to maturity investments before maturity, the entire held to maturity investments category would be tainted and reclassified as available for sale.

#### *(iv) Available for sale financial assets*

Available for sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Available for sale financial assets are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period.

#### *(v) Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of loan facilities are recognised as transaction costs of the loans. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the reporting date.

#### *Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, by reference to similar instruments and option pricing models.

#### *Impairment*

Objective evidence that a financial asset is impaired includes default by a debtor, evidence that the debtor is likely to enter bankruptcy or adverse economic conditions in the stock exchange. At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event. In the case of available for sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to indicate that an impairment has arisen.

Where a subsequent event causes the amount of the impairment loss to decrease (e.g. payment received), the reduction in the allowance account (provision for impairment of receivables) is taken through the Statement of Comprehensive Income.

However, any reversal in the value of an impaired available for sale asset is taken through other comprehensive income rather than profit and loss.

Impairment losses are recognised through an allowance account for loans and receivables in the Statement of Comprehensive Income.

#### *Derecognition*

A financial asset is no longer recognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are no longer recognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Comprehensive Income. When available for sale investments are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the Statement of Comprehensive Income.

### **(AB) FOREIGN CURRENCY TRANSACTIONS AND BALANCES**

#### *(i) Functional and presentation currency*

The financial statements are presented in New Zealand dollars, which is the presentation currency of the Group. Each company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### *(ii) Transactions and balances*

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

### (iii) Group companies

The results and financial position of all the Group entities that have functional currencies different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position.
- Income and expenses for each income statement are translated at exchange rates prevailing at the dates of the transactions.
- All resulting exchange differences are recognised as a separate component of equity.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### (AC) ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The accounting policies adopted are consistent with those of the previous financial year except for standards and interpretations effective in the current period.

The Group has adopted the following new and amended NZ IFRS and interpretations as of 1 January 2012.

- NZ IFRS 7 Financial Instruments (effective from 1 July 2011 and applied retrospectively). The amendments to NZ IFRS 7 enhance the transparency of disclosure requirements for the transfer of financial assets. For transferred financial assets that are derecognised in their entirety but where the entity has a continuing involvement in them, the amendments require disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. For transferred financial assets that are not derecognised in their entirety, the amendments require disclosure of information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities.
- FRS 44, New Zealand Additional Disclosures (effective from 1 July 2011). This amends multiple standards to harmonise NZ IFRS with IFRS and Australian Accounting Standards (AAS). The amendments have not had a material impact on the financial statements.

### (AD) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1 January 2013 or later periods, and accordingly the Group has not yet adopted them. The Group expects to adopt the following new standards on 1 January after the effective date.

- NZ IFRS 9 Financial Instruments (effective from 1 January 2015). The standard partly replaces NZ IAS 39 and introduces requirements for classifying and measuring financial assets and liabilities. The standard is not expected to have a material impact on the financial statements.
- NZ IFRS 10 Consolidated Financial Statements (effective from 1 January 2013). The standard requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in NZ IAS 27 Consolidated and Separate Financial Statements. The standard is not expected to have a material impact on the financial statements.
- NZ IFRS 12 Disclosure of Interests in Other Entities (effective from 1 January 2013). The standard requires extensive disclosure of information that enables users of the financial statements to evaluate the nature of, and risks associated with, interests in other entities. The standard is not expected to have a material impact on the financial statements.
- NZ IFRS 13 Fair Value Measurement (effective from 1 January 2013). The standard replaces the guidance on fair value measurement in existing IFRS literature with a single standard. The standard is not expected to have a material impact on the financial statements.
- NZ IAS 28 Investments in Associates and Joint Ventures (effective from 1 January 2013). The standard has been amended to ensure consistency with the new requirements of NZ IFRS 10 Consolidated Financial Statements and NZ IFRS 11 Joint Arrangements. The standard sets out how the equity method of accounting is to be applied, and defines significant influence, and how impairment is to be tested for investments in associates and joint ventures. Some joint ventures which were previously accounted for under the proportionate consolidation method must now be accounted for as associates. The standard is not expected to have a material impact on the financial statements.

- ED 2012 1 Framework Tier 1 and Tier 2 For Profit Entities (NZ IFRS) (effective from 1 July 2013). This exposure draft creates a second tier of general purpose financial statements with reduced disclosure requirements for those entities which do not have public accountability. CBL will fall under Tier 1 which does not qualify for this reduced disclosure.

#### **(AE) BUSINESS COMBINATIONS**

Business combinations are accounted for using the acquisition method. Business combinations occur when control is obtained over an entity or business.

The accounting for an acquisition involves the cost of the business combination being allocated to the individual assets acquired (tangible and intangible) and the individual liabilities assumed (including contingent liabilities) based on their separate fair values determined at the acquisition date. Goodwill represents the excess of the purchase consideration over the fair value of the net identifiable assets and contingent liabilities acquired. If the cost of acquisition is less than the fair value of the net identifiable assets and contingent liabilities acquired, the difference is recognised immediately in profit.

Where the settlement of any part of a cash consideration is deferred, the amounts payable in the future are discounted to their present value at the date of exchange. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where the settlement of any part of a cash consideration is contingent upon some future event or circumstance, the estimated amounts payable in the future are discounted to their present value at the date of exchange. When the contingent consideration is classified as a liability, the impact on any subsequent changes in fair value is recognised as profit or loss in the Statement of Comprehensive Income.

Where the initial accounting for a business combination is determined only provisionally by the first reporting date after the acquisition date, the business combination is accounted for using those provisional values. Any subsequent adjustments to those provisional values are recognised within 12 months of the acquisition date and are applied effective from the acquisition date.

## 2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors.

The estimates and related assumptions are considered to be reasonable. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimates are revised, and future periods if relevant.

The areas where the estimates and assumptions involve a high degree of judgement or complexity and are considered significant to the financial statements are noted below:

### *(i) The ultimate liability arising from claims made under insurance contracts*

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the amounts that the Group will ultimately pay to settle such claims.

Significant areas requiring estimation and judgement include:

- Estimates of the amount of any liability in respect of claims notified but not settled and incurred but not reported claims provisions (IBNR) included within provisions for insurance and reinsurance contracts.
- The corresponding estimate of the amount of reinsurance recoveries which will become due as a result of these estimated claims.
- The recoverability of amounts due from reinsurers.
- The assessment of the adequacy of provisions for unearned premium.

The assumptions used and the manner in which these estimates and judgements are made are set out below:

- Past claims development experience is used to project future claims development and hence ultimate claims.
- The projections are discussed with experienced underwriting and claims personnel and claims provision recommendations are made to an internal reserving committee consisting of underwriting and claims staff.
- Large claims are usually separately addressed by being reserved at the face value of the loss adjuster estimates;
- Claims provisions are subject to independent external actuarial review at least annually.

- Some classes of business have characteristics which do not necessarily lend themselves easily to statistical estimation techniques. These classes would include financial risk and builders warranty. In these cases reviews are carried out on a policy by policy basis to support the estimates.

Overall the objectives of the estimates and judgements applied to claims provisions seek to report these provisions on a best estimate and undiscounted basis.

In addition to claims provisions, the reserve for future loss adjustment expenses is also subject to estimation. In arriving at this estimate, regard is had to the levels of internal and third party loss adjusting expenses incurred annually.

Further judgements are made as to the recoverability of amounts due from reinsurers. Provisions for bad debts are made specifically, based on the solvency of reinsurers, payment experience with them and any disputes of which the Group is aware.

The carrying value at the date of the Statement of Financial Position of gross claims reported and loss adjustment expenses and claims incurred but not reported is \$47.4 million (2011: \$24.4 million) as set out in note 4 to the accounts.

The amount of reinsurance recoveries estimated at that date is \$24.1 million (2011: \$12.9 million).

### *(ii) Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating unit to which goodwill is allocated. Details of the key assumptions used in the estimation of the recoverable amounts are contained in note 17.

The carrying value at the reporting date of goodwill is \$30.4 million (2011: \$31.7 million).

### *(iii) Income taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provisions for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain.

Given the wide range of international business relationships, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.



### 3 ANALYSIS OF INCOME

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>(a) Gross premiums</b>				
Gross written premium				
Policyholders	53,517	32,438	9,975	5,386
Reinsurers	97,708	70,643	97,708	70,643
<b>Gross written premium</b>	<b>151,225</b>	<b>103,081</b>	<b>107,683</b>	<b>76,029</b>
Movement in gross unearned premium provision	(18,673)	(15,723)	(18,673)	(15,723)
<b>Total gross premium earned</b>	<b>132,552</b>	<b>87,358</b>	<b>89,010</b>	<b>60,306</b>
<b>(b) Total earned premium ceded</b>				
Premium ceded	(51,903)	(36,286)	(19,475)	(15,834)
Movement in unearned ceded premium provision	2,676	2,998	2,676	2,998
<b>Total earned premium ceded</b>	<b>(49,227)</b>	<b>(33,288)</b>	<b>(16,799)</b>	<b>(12,836)</b>
<b>Total net earned premium</b>	<b>83,325</b>	<b>54,070</b>	<b>72,211</b>	<b>47,470</b>
<b>(c) Other revenue</b>				
Fees and commission income	2,115	1,532	2,115	1,532
Investment income	717	324	1,209	913
Gain on exchange differences	187	-	187	-
Other operating revenue	2,650	1,725	35	158
<b>Other revenue</b>	<b>5,669</b>	<b>3,581</b>	<b>3,546</b>	<b>2,603</b>
<b>Total revenue</b>	<b>88,994</b>	<b>57,651</b>	<b>75,757</b>	<b>50,073</b>

## 4 CLAIMS

### (a) Net claims expense in the Statement of Comprehensive Income

Current year claims relate to claim events that occurred in the current financial year. Prior year claims relate to a reassessment of the claim events that occurred in all previous periods.

#### CONSOLIDATED

	Current year \$'000	Prior years \$'000	2012 Total \$'000	Current year \$'000	Prior years \$'000	2011 Total \$'000
Gross claims	31,724	6,014	37,738	28,269	2,455	30,724
Reinsurance and other recoveries	(12,860)	(2,824)	(15,684)	(12,076)	(2,552)	(14,628)
<b>Net claims expense</b>	<b>18,864</b>	<b>3,190</b>	<b>22,054</b>	<b>16,193</b>	<b>(97)</b>	<b>16,096</b>

### (b) Outstanding claims liability recognised in the Statement of Financial Position

#### (i) Composition of gross outstanding claims liability

#### CONSOLIDATED

	2012 \$'000	2011 \$'000
Gross central estimate - undiscounted	45,869	23,036
Claims handling costs	559	319
Risk margin	7,380	3,974
	<b>53,808</b>	<b>27,329</b>
Discount to present value	(6,373)	(2,971)
<b>Gross outstanding claims liability - discounted</b>	<b>47,435</b>	<b>24,358</b>

The outstanding claims liability includes \$32.7 million (2011: \$15.9 million) which is expected to be settled more than 12 months from the reporting date arising from claims (including future claims) expected to be reported over the future life of the insurance contracts (IBNR).

#### (ii) Reconciliation of movements in discounted outstanding claims liability

#### CONSOLIDATED

	Gross \$'000	Recoveries \$'000	2012 Net \$'000	Gross \$'000	Recoveries \$'000	2011 Net \$'000
Balance at the beginning of the financial year	24,358	(12,906)	11,452	11,241	(5,871)	5,370
Change in prior year claims reserve	6,014	(2,824)	3,190	2,455	(2,552)	(97)
Current year claims incurred	31,724	(12,860)	18,864	28,269	(12,076)	16,193
Claims paid during the year	(14,428)	4,462	(9,966)	(18,537)	7,901	(10,636)
Foreign exchange adjustment	(233)	78	(155)	930	(307)	623
<b>Balance at the end of the financial year</b>	<b>47,435</b>	<b>(24,050)</b>	<b>23,385</b>	<b>24,358</b>	<b>(12,905)</b>	<b>11,453</b>

#### (iii) Central estimate and risk margin

#### CONSOLIDATED

	2012 %	2011 %
Risk margin percentage applied to the net outstanding claims liability	16.7	18.6
The probability of adequacy of the risk margin	75.0	75.0

## 4 CLAIMS (CONTINUED)

### *(iv) Process*

The outstanding claims liability is determined based on three building blocks, being:

- A central estimate of the future cash flows.
- Discounting for the effect of the time value of money.
- A risk margin for uncertainty.

### *Future cash flows*

The estimation of the outstanding claims liability is based on a variety of actuarial techniques that analyse experience, trends and other relevant factors. The expected future payments include those in relation to claims reported but not yet paid or not yet paid in full, IBNR and the anticipated direct and indirect claims handling costs.

The estimation process involves using the Consolidated entity's specific data, relevant industry data and more general economic data.

### *Discounting*

Projected future claims payments, both gross and net of reinsurance and other recoveries, and associated claims handling costs are discounted to a present value using appropriate risk free discount rates.

### *Risk margin*

The central estimate of the outstanding claims liability is intended to contain no deliberate or conscious over or under estimation and is commonly described as providing the mean of the distribution of future cash flows. It is considered appropriate to add a risk margin to the central estimate in order for the claims liability to have an increased probability of sufficiency.

The risk margin refers to the amount by which the liability recognised in the financial statements is greater than the central estimate of the liability.

As at 31 December 2012, the outstanding claims liability was evaluated by Peter Davies (Fellow of the New Zealand Society of Actuaries). The actuary was satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability.

Uncertainties surrounding the outstanding claims liability estimation process include those relating to the data, actuarial models and assumptions, the statistical uncertainty associated with a general insurance claims runoff process, and risks external to CBL, for example the impact of future legislative reform. Uncertainty from these sources is examined for each class of business and expressed as a volatility measure relative to the net central estimate.

The determination of the overall risk margin takes into account the volatility of each class of business. The current risk margin, which has been determined after assessing the inherent uncertainty in the central estimate and the prevailing market environment, results in an overall probability of adequacy for the outstanding claims liability of 75%.

### **(c) Actuarial assumptions**

ASSUMPTION	2012	2011
Average term to settlement *	<b>Within 6 months</b>	Within 6 months
Inflation rate	<b>2.5% - 3.5%</b>	2.5% - 4.0%
Discount rate	<b>3.50%</b>	3.75%
Claims handling expense ratio	<b>2.6%</b>	2.0%

\* The average term to settlement relates to the payment period of claims that have been notified. IBNR has a period of up to ten years for claims to be notified, this has been incorporated into the calculation of the outstanding claims liability.

## 4 CLAIMS (CONTINUED)

### (c) Actuarial assumptions (continued)

#### *Process used to determine assumptions:*

##### *(i) Discounted average term to settlement*

The discounted average term to settlement relates to the expected payment pattern for claims (inflated and discounted). It is calculated by class of business and is generally based on historic settlement patterns. The discounted average term to settlement, while not itself an assumption, provides a summary indication of the future cash flow pattern.

##### *(ii) Economic and superimposed inflation*

Insurance costs are subject to inflationary pressures. Economic inflation assumptions are set by reference to current economic indicators. Superimposed inflation reflects the past tendency for some costs, such as court awards, to increase at levels in excess of economic inflation.

##### *(iii) Discount rate*

The discount rate is derived from market yields on government securities.

##### *(iv) Claims handling costs ratio*

The future claims handling costs ratio is calculated with reference to the historical experience of claims handling costs as a percentage of past payments.

#### *The effect of changes in assumptions:*

##### *(i) Discounted average term to settlement*

A decrease in the discounted average term to settlement would reflect claims being paid sooner than anticipated and so increase the claims expense. Note that this sensitivity test only extends or shortens the term of the payments assumed in the valuation, without changing the total nominal amount of the payments.

##### *(ii) Inflation and superimposed inflation rates*

Expected future payments are inflated to take account of inflationary increases. An increase or decrease in the assumed levels of either economic or superimposed inflation will have a corresponding decrease or increase in profit.

##### *(iii) Discount rate*

The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have a corresponding increase or decrease in profit.

##### *(iv) Claims handling costs ratio*

An increase in the ratio reflects an increase in the estimate for the internal costs of administering claims. An increase or decrease in the ratio assumption will have a corresponding decrease or increase in profit.



## 5 ANALYSIS OF EXPENSES

	Note	CONSOLIDATED		PARENT	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>(a) Acquisition costs</b>					
Acquisition costs		25,629	16,125	25,565	16,070
<b>(b) Other operating expenses</b>					
Employee benefits expense		8,373	4,567	2,026	1,242
Directors' fees		68	15	68	15
Management fees		1,140	970	1,140	970
Depreciation		350	213	103	114
Amortisation		116	-	116	-
Operating lease payments		769	334	321	175
Auditors' remuneration	6	207	199	154	113
Doubtful debts	28	651	20	651	20
Consulting fees		1,707	1,068	1,539	995
Other expenses		6,153	3,636	3,430	2,496
<b>Total other operating expenses</b>		<b>19,534</b>	<b>11,022</b>	<b>9,548</b>	<b>6,140</b>
<b>(c) Other expenses</b>					
Warranty Direct Limited charges	24	285	581	285	581
Amortisation of borrowing costs		808	107	808	107
Realised exchange differences		1,172	647	976	503
Unrealised exchange differences		174	1,353	-	1,353
Loss on disposal of assets		3	-	-	-
Business acquisition costs		-	840	-	168
<b>Total other expenses</b>		<b>2,442</b>	<b>3,528</b>	<b>2,069</b>	<b>2,712</b>
<b>(d) Finance costs</b>		<b>1,076</b>	<b>846</b>	<b>117</b>	<b>310</b>
<b>(e) Subvention payment</b>		<b>466</b>	<b>1,355</b>	<b>466</b>	<b>1,355</b>
<b>Total expenses</b>		<b>49,147</b>	<b>32,876</b>	<b>37,765</b>	<b>26,587</b>

Finance costs include interest on the bank loan, contingent consideration and the Alpha Insurance A/S loan. The bank loan interest for the Group is \$765,000 (2011: \$625,000) and for the Parent is \$117,000 (2011: \$310,000). The interest on contingent consideration for the Group is \$298,000 (2011: \$221,000). The interest on the Alpha Insurance A/S loan for the Group is \$13,000 (2011: Nil).

## 6 REMUNERATION OF AUDITORS

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Remuneration of the auditor of the parent entity, WHK, for:</b>				
- auditing or reviewing the financial report	132	85	132	85
- taxation services	22	28	22	28
<b>Remuneration of other auditors of subsidiaries for:</b>				
- auditing or reviewing the financial statements of subsidiaries	53	86	-	-

Other services include the audit of statutory returns in accordance with regulatory requirements.

## 7 INCOME TAX

### (a) Income tax expense

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current	5,060	2,110	4,561	1,551
Movement in deferred tax asset	(3,792)	(3)	(3,792)	(3)
Movement in deferred tax liability	3,147	427	3,179	427
Under/(Over) provision in prior periods	690	83	688	33
<b>Income tax expense</b>	<b>5,105</b>	<b>2,617</b>	<b>4,636</b>	<b>2,008</b>

The majority of the prior period under provision, reported in 2012, relates to the restatement due to a change in accounting policy as disclosed in note 34.

### (b) Income tax reconciliation

The income tax for the financial year differs from the amount calculated in the Statement of Comprehensive Income before income tax; the differences are reconciled as follows:

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Profit for the year before income tax	17,983	8,679	16,081	7,390
Income tax at the current rate of 28% (2011: 28%)	5,035	2,430	4,503	2,069
Amounts which are not deductible/(taxable) in calculating taxable income:				
- non-assessable income	(40)	(1,266)	(40)	-
- non-deductible expenses	262	1,565	154	65
- foreign tax adjustment	(80)	(14)	-	-
- other	(17)	(130)	74	(158)
Income tax expense applicable to current year	5,160	2,585	4,691	1,976
Adjustment relating to prior year	(55)	32	(55)	32
<b>Income tax expense</b>	<b>5,105</b>	<b>2,617</b>	<b>4,636</b>	<b>2,008</b>

In May 2010 legislation was passed to reduce the company tax rate from 30% to 28%. This was effective for the Group from 1 January 2011.

## 7 INCOME TAX (CONTINUED)

### (c) Deferred tax assets

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Composition</b>				
Insurance provisions	3,698	-	3,698	-
Employee benefits	143	34	143	34
Other	20	35	20	35
<b>Total deferred tax assets</b>	<b>3,861</b>	<b>69</b>	<b>3,861</b>	<b>69</b>

### (d) Deferred tax liabilities

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Composition</b>				
Insurance provisions	3,764	-	3,764	-
Other	3	585	-	585
<b>Total deferred tax liabilities</b>	<b>3,767</b>	<b>585</b>	<b>3,764</b>	<b>585</b>

### (e) Imputation credits

	PARENT	
	2012 \$'000	2011 \$'000
Imputation credits at the beginning of the year	639	554
New Zealand tax payments	2,627	588
Imputation credits attached to dividends paid	(450)	(503)
<b>Imputation credits available for use in subsequent reporting periods</b>	<b>2,816</b>	<b>639</b>

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

- Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date.
- Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

## 8 CASH FLOW INFORMATION

### (a) Composition of cash

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash at bank and in hand	29,641	12,194	23,404	3,867
Short term bank deposits	4,118	1,935	4,118	1,935
Other cash and cash equivalents	31,275	18,394	31,275	18,394
<b>Total cash and cash equivalents</b>	<b>65,034</b>	<b>32,523</b>	<b>58,797</b>	<b>24,196</b>

Other cash and cash equivalents include bank balances held by insurers on CBL's behalf, for the purpose of settling potential future claims. These funds earn interest for the Group.

Short term bank deposits consist of security deposits held by CBL on the agents behalf. The majority of these funds are maintained in bank accounts separate from the normal trading accounts. Interest earned on these security deposits is payable to the agents, along with the principal, when the policy is off risk.

### (b) Cash flow reconciliation

Reconciliation of net income to net cash provided by operating activities:

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Profit for the period	12,878	6,062	11,445	5,382
<b>Non-cash flows in profit:</b>				
- amortisation of borrowing costs	808	107	808	107
- depreciation	350	213	103	113
- amortisation	116	-	116	-
<b>Movement in operating assets and liabilities:</b>				
- (increase)/decrease in receivables	(22,477)	(24,044)	(25,599)	(23,884)
- increase/(decrease) in payables	45,285	34,802	47,067	28,064
- increase/(decrease) in taxation	2,152	2,016	2,024	1,421
<b>Cash flow from operations</b>	<b>39,112</b>	<b>19,156</b>	<b>35,964</b>	<b>11,203</b>

## 9 INVESTMENTS

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Government and fixed interest securities	12	12	12	12

All investments are categorised as held to maturity financial assets.



## 10 LOANS AND RECEIVABLES

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>(a) Insurance receivables</b>				
Revenue due from direct insurance business	1,699	172	803	172
Revenue due from reinsurance business	22,136	16,963	22,136	16,963
Reinsurance recoveries	475	928	475	928
Other recoveries	5	-	5	-
Provision for impairment	-	(67)	-	(67)
<b>Total insurance receivables</b>	<b>24,315</b>	<b>17,996</b>	<b>23,419</b>	<b>17,996</b>
<b>(b) Trade and other receivables</b>				
Fixed interest securities	14,170	9,150	14,170	9,150
Prepayments	155	233	101	76
Related party receivables	434	1,372	2,053	1,372
Other debtors	356	1,476	237	1,100
<b>Total trade and other receivables</b>	<b>15,115</b>	<b>12,231</b>	<b>16,561</b>	<b>11,698</b>
<b>(c) Loans</b>				
Intergroup loans	-	-	3,755	19,619
Related party loans	2,334	265	2,334	265
<b>Total loans</b>	<b>2,334</b>	<b>265</b>	<b>6,089</b>	<b>19,884</b>
<b>Total loans and receivables</b>	<b>41,764</b>	<b>30,492</b>	<b>46,069</b>	<b>49,578</b>
Analysed as:				
Current	29,717	22,042	29,130	21,509
Non-current	12,047	8,450	16,939	28,069

Reinsurance recoveries are comprised of reinsurance recoveries on paid claims.

The estimated fair values of loans and receivables are the discounted amount of the estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. The carrying value of the loans and receivables approximates to the fair value.

Included within the heading fixed interest securities are two assets, one with Risk Management SEA Pte Limited (RMSEA) and the other with Alpha Holdings A/S.

- The RMSEA fixed interest security attracts interest at 3% per annum. CBL and RMSEA entered into a new agreement in 2012, the amendment removed the early repayment discounts. From 2013 the scheduled repayments are \$500,000 each half year on 30 June and 31 December until fully repaid.
- The Alpha Holdings A/S fixed interest security attracts interest at 6% per annum. CBL and Alpha Holdings A/S entered into an arrangement on 22 December 2012 and the loan receivable is repayable in five years.

## 11 RECOVERIES ON OUTSTANDING CLAIMS

### (a) Reinsurance and other recoveries receivable on outstanding claims

#### CONSOLIDATED

	2012 \$'000	2011 \$'000
Recoveries - undiscounted	28,077	14,897
Discount to present value	(4,027)	(1,992)
<b>Recoveries - discounted</b>	<b>24,050</b>	<b>12,905</b>

The carrying value of reinsurance recoveries and other recoveries includes \$19.4 million (2011: \$9.5 million) which is expected to be settled more than 12 months from the reporting date.

### (b) Actuarial assumptions

The measurement of reinsurance and other recoveries on outstanding claims is an inherently uncertain process involving estimates. The amounts are generally calculated using assumptions and methods similar to those used for the outstanding claims liability as disclosed in note 4. Where possible, the valuation of reinsurance recoveries is linked directly to the valuation of the gross outstanding claims liability. Accordingly, the valuation of outstanding reinsurance recoveries is subject to similar risks and uncertainties as the valuation of the outstanding claims liability. Significant individual losses are analysed on a case by case basis for reinsurance purposes.

### (c) The effect of changes in assumptions

The effect of changes in assumptions on the net outstanding claims liability, which incorporates the reinsurance recoveries on outstanding claims and other recoveries receivable, is disclosed in note 4.

## 12 DEFERRED INSURANCE ASSETS

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>(a) Deferred acquisition costs (DAC)</b>				
DAC at the beginning of the financial year	7,842	3,706	7,842	3,706
Costs deferred during the year	31,164	20,206	31,164	20,206
Amortisation charged to profit for the year	(25,565)	(16,070)	(25,565)	(16,070)
<b>DAC at the end of the financial year</b>	<b>13,441</b>	<b>7,842</b>	<b>13,441</b>	<b>7,842</b>
Analysed as:				
Current	12,721	7,495	12,721	7,495
Non-current	720	347	720	347
<b>(b) Deferred reinsurance expense (DRE)</b>				
DRE at the beginning of the financial year	4,445	1,447	4,445	1,447
Costs deferred during the year	19,475	15,834	19,475	15,834
Amortisation charged to profit for the year	(16,799)	(12,836)	(16,799)	(12,836)
<b>DRE at the end of the financial year</b>	<b>7,121</b>	<b>4,445</b>	<b>7,121</b>	<b>4,445</b>
Analysed as:				
Current	6,915	4,239	6,915	4,239
Non-current	206	206	206	206

## 13 PROPERTY, PLANT AND EQUIPMENT

## CONSOLIDATED

Year ended 31 December 2012	Furniture, fixtures and fittings \$'000	Computer equipment \$'000	Artwork \$'000	Total \$'000
Balance at the beginning of year	728	165	490	1,383
Additions	23	256	4	283
Disposals - written-down value	(24)	-	(21)	(45)
Depreciation expense	(213)	(137)	-	(350)
<b>Balance at 31 December 2012</b>	<b>514</b>	<b>284</b>	<b>473</b>	<b>1,271</b>
Year ended 31 December 2011				
Balance at the beginning of year	353	89	-	442
Additions	141	45	490	676
Additions through acquisition of entity	349	130	-	479
Disposals - written-down value	-	(1)	-	(1)
Depreciation expense	(115)	(98)	-	(213)
<b>Balance at 31 December 2011</b>	<b>728</b>	<b>165</b>	<b>490</b>	<b>1,383</b>

## PARENT

Year ended 31 December 2012	Furniture, fixtures and fittings \$'000	Computer equipment \$'000	Artwork \$'000	Total \$'000
Balance at the beginning of year	444	70	490	1,004
Additions	12	112	4	128
Disposals - written-down value	(2)	-	(21)	(23)
Depreciation expense	(53)	(50)	-	(103)
<b>Balance at 31 December 2012</b>	<b>401</b>	<b>132</b>	<b>473</b>	<b>1,006</b>
Year ended 31 December 2011				
Balance at the beginning of year	353	89	-	442
Additions	141	45	490	676
Depreciation expense	(50)	(64)	-	(114)
<b>Balance at 31 December 2011</b>	<b>444</b>	<b>70</b>	<b>490</b>	<b>1,004</b>

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Furniture, fixtures and fittings</b>				
At cost	1,129	1,141	672	668
Accumulated depreciation	(615)	(413)	(271)	(224)
Total furniture, fixtures and fittings	514	728	401	444
<b>Computer equipment</b>				
At cost	861	610	438	327
Accumulated depreciation	(577)	(445)	(306)	(257)
Total computer equipment	284	165	132	70
<b>Artwork</b>				
At cost	473	490	473	490
<b>Total property, plant and equipment</b>	<b>1,271</b>	<b>1,383</b>	<b>1,006</b>	<b>1,004</b>

## 14 INVESTMENT IN ASSOCIATE

Name of company	Principal activity	GROUP OWNERSHIP INTEREST		PARENT OWNERSHIP INTEREST		Balance date
		2012 %	2011 %	2012 %	2011 %	
European Specialty Risks Limited (ESR)	Broker	46.1	46.1	23.1	23.1	30 June

ESR is an independent, London based insurance and reinsurance broker and a Lloyd's coverholder. It is a private entity that is not listed on any public exchange and there are no published price quotations for the fair value of this investment.

ESR does not have a 31 December financial year end and CBL accounts for this associate using ESR financial information for the reporting period to 31 December which includes, at least in part, unaudited management results.

The investment in ESR is as follows:

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Share of associate's financial position</b>				
Assets	530	447	265	224
Liabilities	(83)	(55)	(41)	(27)
Net assets	447	392	224	197
<b>Share of associate's revenue and profit</b>				
Revenue	989	878	494	439
Profit/(Loss)	64	279	32	139
<b>Carrying value of investment in associate</b>	<b>447</b>	<b>265</b>	<b>224</b>	<b>80</b>

Management considers the investment in ESR to be non-current.

There are no capital or other commitments or contingent liabilities arising from the associate that are significant to the Group.



## 15 INVESTMENT IN SUBSIDIARIES

The cost of investment in subsidiaries totals NZ\$100. CBL's subsidiaries are listed below:

				OWNERSHIP INTEREST	
Name of company	Balance date	Country of incorporation	Principal activity	2012 %	2011 %
Contractors Bonding Pty Limited	31 December	Australia	Non-operating	100	100
TWL Trading Limited	31 December	New Zealand	Non-operating	100	100
South British Funding Limited	31 December	New Zealand	Holding company	100	100
Intercede 2408 Limited	31 December *	United Kingdom	Holding company	100	100
European Insurance Services Limited	31 December *	United Kingdom	Underwriting agent	100	100
EISL Iberia Limited	31 December *	United Kingdom	Underwriting agent	80	80
ACJN Limited	31 December	France	Underwriting agent	100	100

\* During the financial year these companies changed their balance date from 30 June to 31 December to come in to line with the Group's balance date. The previous reporting dates were 30 June and were inherited at acquisition.

TWL Trading Limited was deregistered on 17 May 2012.

Euro is the functional currency for the above subsidiaries except for Contractors Bonding Pty Limited which is in Australian dollars and TWL Trading Limited which is in New Zealand dollars.

## 16 INTANGIBLE ASSETS

### (a) Composition

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Brand name</b>				
Cost	99	-	99	-
Accumulated amortisation and impairment	-	-	-	-
<b>Net carrying value</b>	<b>99</b>	<b>-</b>	<b>99</b>	<b>-</b>
<b>Computer software</b>				
Cost	965	-	965	-
Accumulated amortisation and impairment	(116)	-	(116)	-
<b>Net carrying value</b>	<b>849</b>	<b>-</b>	<b>849</b>	<b>-</b>
<b>Deferred profit commission</b>				
Cost	3,042	3,173	-	-
Accumulated amortisation and impairment	-	-	-	-
<b>Net carrying value</b>	<b>3,042</b>	<b>3,173</b>	<b>-</b>	<b>-</b>
<b>Total intangibles net carrying value</b>	<b>3,990</b>	<b>3,173</b>	<b>948</b>	<b>-</b>

## 16 INTANGIBLE ASSETS (CONTINUED)

### (b) Reconciliation of movements

#### PARENT

Year ended 31 December 2012	Brand name \$'000	Computer software \$'000	Total \$'000
Balance at the beginning of year	-	-	-
Additions	99	965	1,064
Amortisation	-	(116)	(116)
<b>Closing value at 31 December 2012</b>	<b>99</b>	<b>849</b>	<b>948</b>

#### CONSOLIDATED

Year ended 31 December 2012	Brand name \$'000	Computer software \$'000	Deferred profit commission \$'000	Total \$'000
Balance at the beginning of year	-	-	3,173	3,173
Additions	99	965	-	1,064
Amortisation	-	(116)	-	(116)
Foreign exchange movements	-	-	(131)	(131)
<b>Closing value at 31 December 2012</b>	<b>99</b>	<b>849</b>	<b>3,042</b>	<b>3,990</b>
Year ended 31 December 2011				
Balance at the beginning of year	-	-	-	-
Additions through business combinations	-	-	3,303	3,303
Foreign exchange movements	-	-	(130)	(130)
<b>Closing value at 31 December 2011</b>	<b>-</b>	<b>-</b>	<b>3,173</b>	<b>3,173</b>

### (c) Explanatory notes for intangible assets

As at 31 December 2012, these assets were tested for impairment, and management has determined no impairment is required in respect of these intangible assets.

The net foreign exchange movements arise as a result of the translation of the foreign denominated asset into the presentation currency of the Group.

#### (i) Deferred profit commission

The deferred profit commission becomes payable in 2016. Until this time the asset is not amortised. The asset will be amortised at the time the profit share becomes payable by the insurers to EISL, at which time CBL will amortise the intangible asset to match these cash flows. The profit commission remains payable into the future, but it is being accrued until received. The profit commission value represents the cost allocated to that asset being part of the purchase price of EISL in July 2011.

#### (ii) Brand name

This represents the revenue generating value of the acquired brand and is determined using the relief from royalty method. The Deposit Power brand is recognised as having an indefinite useful life as there is no foreseeable limit to the period over which the brand is expected to generate net cash flows. This asset is not subject to amortisation but is subject to impairment testing annually or more frequently when indicators of impairment are identified.

#### (iii) Computer software

The software development expenditure asset comprises both internally generated assets and acquired assets. The asset is amortised by applying a 50% reducing balance rate.

## 17 GOODWILL

## CONSOLIDATED

	2012 \$'000	2011 \$'000
<b>(a) Composition</b>		
Cost	32,977	32,977
Foreign exchange movements	(2,606)	(1,296)
<b>Net carrying value</b>	<b>30,371</b>	<b>31,681</b>
<b>(b) Reconciliation of movements</b>		
Net carrying value at the start of the year	31,681	-
Additional through business combinations	-	32,977
Net foreign exchange movements	(1,310)	(1,296)
<b>Net carrying value at the end of the year</b>	<b>30,371</b>	<b>31,681</b>

Goodwill has been allocated to one cash generating unit, which is the subsidiary EISL.

**(c) Impairment assessment:**

When testing for impairment, the recoverable amount of a cash generating unit (CGU) has been determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by senior management covering a five year period. Projected cash flows beyond the five years have been extrapolated using a steady average growth rate of 3.5% (2011: 3.5%). The growth rate does not exceed the long term average past growth rate of the business in which the cash generating unit operates. A pre-tax Group specific risk adjusted discount rate of 12.5% (2011: 12.5%) is used. Management determined budgeted profit based on past performance and its expectations for market development.

The key assumptions used for the value in use impairment calculation are:

- Premiums, commissions and margins: Premium and commission income is based on average values achieved in the three years preceding the start of the budget period. Gross margins are based on average percentages for the last three years while taking into account anticipated efficiency improvements, known expected expenditures and inflation.
- Expenses: Estimates are obtained from published indices of inflation. The financial budget plans assume that expenses will broadly increase in line with inflation.
- Investment market conditions: Investment market conditions are based on market research and published statistics. Management plans assume modest investment growth of 4%.

With regard to the assessment of value in use for the cash generating unit, management does not believe a reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to exceed the recoverable amount.

No impairment loss has been recognised in 2012 and 2011, as a result of the impairment reviews of the cash generating unit.

## 18 TRADE AND OTHER PAYABLES

		CONSOLIDATED		PARENT	
	Note	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>(a) Insurance payables</b>					
Payable on direct insurance business		5,006	5,675	41	92
Payable on reinsurance business		4,613	598	4,613	598
<b>Total insurance payables</b>		<b>9,619</b>	<b>6,273</b>	<b>4,654</b>	<b>690</b>
<b>(b) Trade and other payables</b>					
Related party balances		2	2,227	-	2,227
Deposits		4,118	1,935	4,118	1,935
Accrued expenses		2,460	2,952	1,086	1,933
Other payables		880	250	844	252
<b>Total trade and other payables</b>		<b>7,460</b>	<b>7,364</b>	<b>6,048</b>	<b>6,347</b>
<b>(c) Contingent consideration</b>					
Contingent consideration	26	5,094	7,785	-	-
<b>Total contingent consideration</b>		<b>5,094</b>	<b>7,785</b>	<b>-</b>	<b>-</b>
<b>Total trade and other payables</b>		<b>22,173</b>	<b>21,422</b>	<b>10,702</b>	<b>7,037</b>
Analysed as:					
Current		16,289	14,569	7,262	5,184
Non-current		5,884	6,852	3,441	1,853

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

## 19 UNEARNED PREMIUM LIABILITY

### (a) Reconciliation of movements in the unearned premium liability (UPL)

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
UPL at the start of the financial year	27,943	12,220	27,943	12,220
Premium written	107,683	76,029	107,683	76,029
Premium earned	(89,011)	(60,306)	(89,011)	(60,306)
<b>UPL at the end of the financial year</b>	<b>46,615</b>	<b>27,943</b>	<b>46,615</b>	<b>27,943</b>
Analysed as:				
Current	43,724	26,880	43,724	26,880
Non-current	2,891	1,063	2,891	1,063

### (b) Liability adequacy test

The liability adequacy test has been conducted using the central estimate of the premium liabilities together with an appropriate margin for uncertainty. The test is based on prospective information and therefore is heavily dependent on assumptions and judgements. The risk margin used in testing individual portfolios is based on an assessment of the recent historical experience in relation to the volatility of the insurance margin. The liability adequacy test as at 31 December 2012 and 31 December 2011 identified a surplus.

## 20 EMPLOYEE BENEFITS

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Annual leave	267	171	147	106
Sick leave	50	29	50	29
<b>Total employee benefits</b>	<b>317</b>	<b>200</b>	<b>197</b>	<b>135</b>

The employee benefit provision is expected to be settled within 12 months from the reporting date.

## 21 BORROWINGS

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Bank loans	13,462	18,595	-	9,568
Fixed interest security	8,050	-	-	-
Unamortised capitalised costs	-	(808)	-	(808)
<b>Total borrowings</b>	<b>21,512</b>	<b>17,787</b>	<b>-</b>	<b>8,760</b>
Represented by:				
Current	3,846	4,373	-	2,364
Non-current	17,666	13,414	-	6,396

The borrowings are initially measured at fair value, net of transaction costs, but are subsequently measured at amortised cost. It is assumed that the carrying value approximates to fair value for these loans.

### (i) Bank loans

The bank loans are for a period of five years commencing 1 June 2011 and are referenced to EUROBOR plus 3.75%.

- BNZ loan: On 31 March 2012 CBL repaid its loan and a new equivalent loan was raised with South British Funding Limited. During the year the interest rate ranged between 4.3% to 5.3% (2011: 4.9% to 5.5%). The carrying value of the loan at 31 December 2012 is €4.2 million.
- Clydesdale loan: Intercede 2408 Limited services this loan. During the year the interest rate ranged between 4.0% to 5.1% (2011: 5.3%). The carrying value of the loan at 31 December 2012 is €4.2 million.

### (ii) Security

- There are no general security agreements over CBL's assets.
- CBL has guaranteed to cover the bank loan obligations of South British Funding Limited.
- BNZ has a charge over the shares and a debenture in Intercede 2408 Limited.

### (iii) Bank covenants

The Group has complied with all the loan covenants in place throughout the reporting period. These loan covenants, in respect of bank debt funding for the acquisition of EISL, are with the Bank of New Zealand and Clydesdale Bank.

### (iv) Fixed interest security

Included within the heading fixed interest security is a borrowing with Alpha Insurance A/S. On 21 December 2012 Alpha Insurance A/S lent 37.5 million Danish Krone to Intercede 2408 Limited. The loan is subject to a fixed interest rate of 6.0%. The loan is unsecured and is scheduled to be redeemed on 21 December 2017.



## 22 NOTES TO THE STATEMENT IN CHANGES IN EQUITY

### (a) Share capital

	CONSOLIDATED		PARENT	
	2012 Number of shares in '000	2011 Number of shares in '000	2012 \$'000	2011 \$'000
<b>Ordinary shares</b>				
Balance at the start of the financial year	29,000	25,000	24,200	15,500
Shares issued during the year	1,000	4,000	2,500	8,700
<b>Balance at the end of the financial year</b>	<b>30,000</b>	<b>29,000</b>	<b>26,700</b>	<b>24,200</b>

All ordinary shares on issue are fully paid. Ordinary shares entitle the holder to a vote at a general meeting of the Company and to share in the dividends in proportion to number of shares held. Dividends, if declared, are subject to there being distributable profits available, not breaching RBNZ capital adequacy requirements and satisfying the solvency test as defined in the Companies Act 1993.

CBL issued 4,000,000 ordinary shares in 2011 for a total consideration of \$8.7 million. This related to a purchase of new capital by the four principals of EISL and took place as part of the acquisition transaction as disclosed in note 26.

CBL issued 1,000,000 ordinary shares in 2012 for a total consideration of \$2.5 million, to key executives payable in cash.

### (b) Retained earnings

The directors have reviewed the total equity of the Parent and consider \$43.1 million to be more than adequate for the purpose of financial soundness. The directors review this in line with the Company's internal policies around financial soundness and liquidity levels. These policies are reviewed on a half-yearly basis to ensure that adequate equity levels are maintained at all times.

### (c) Reserve

This reserve relates to the foreign currency translation reserve; it records the foreign currency differences arising from the translation of the financial position and performance of subsidiaries that have functional currencies other than New Zealand dollars.

### (d) Minority interest

Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

## 23 COMMITMENTS

### (a) Capital commitments

The Parent and Group have no capital commitments at the reporting date.

### (b) Operating lease commitments

The Parent and Group have entered into commercial office and equipment leases under non-cancellable lease arrangements. These leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Due within one year	533	340	321	206
Due between one and five years	1,654	955	1,123	552
Due after five years	612	213	612	-
<b>Total</b>	<b>2,799</b>	<b>1,508</b>	<b>2,056</b>	<b>758</b>

## 24 CONTINGENT LIABILITIES

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed in this note where the possibility of settlement is less than probable but more than remote. If settlement becomes probable, a provision is recognised. The best estimate of the settlement is used in measuring a contingent liability for disclosure.

### (a) Guarantees

At 31 December 2012 CBL has a contingent liability to guarantee settlement of the future claims incurred by Warranty Direct Limited. During the next financial year 2013 all the remaining risks will have expired. The estimate to settle future claims on these risks will be approximately \$25,000 which will be recorded as an expense in the Statement of Comprehensive Income. For charges incurred by CBL refer to note 5.

### (b) Ongoing transactions

The Group anticipates that Inland Revenue audits may occur in the future. The Group is similarly subject to routine tax audits in certain overseas jurisdictions. The ultimate outcome of any future tax audits cannot be determined with an acceptable degree of reliability at this time. Nevertheless the Group, with assistance from tax experts, believes that it is making adequate provision for its taxation liabilities (including amounts shown as deferred and current tax liabilities). However, there may be an impact on the Group if any future revenue authority investigations result in an adjustment that increases the Group's taxation liabilities.

The Group has offshore operations in the United Kingdom. There are intragroup transactions, which include the Company and its UK based subsidiaries Intercede 2408 Limited (I2408) and EISL. These transactions are on an arm's length basis and are conducted on normal commercial terms. There are no investigations currently in progress. Such transactions are not subject to any statutory limit in New Zealand.

## 25 DIVIDENDS

Period	Cents per share	Total amount \$'000	Payment date	Tax rate for imputations	Percentage imputed
Q1 2012 Dividend	1.04	303	3 April 2012	30%	100%
Q2 2012 Dividend	1.31	379	3 July 2012	30%	100%
Q3 2012 Dividend *	1.34	402	30 October 2012	30% & 28%	100%
<b>Total</b>		<b>1,084</b>			

\* Of the total \$402,000 third quarter dividend, \$27,000 utilised the remaining imputation tax credits at 30%, with the remaining \$375,000 attracting a rate of 28%.

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

The holders of ordinary shares receive dividends in the percentage of their holdings. The Company only has ordinary shares on issue.

After the reporting date, a dividend of \$403,000 was declared at the Board meeting held on 8 January 2013. This amount has not been recognised as a liability as at 31 December 2012 but will be brought to account during the 2013 financial year.

## 26 BUSINESS COMBINATIONS

### (a) Acquisitions

On 1 June 2011 the Group incorporated a new subsidiary, Intercede 2408 Limited, with capital of £1. CBL owns 100% of I2408.

On 1 June 2011 I2408 acquired 100% of EISL, an underwriting agent based in the UK. The Group acquired this company as an important step for the Group to expand and secure its presence in the European insurance market.

There were no acquisitions in the year ended 31 December 2012.

### (b) Contingent consideration

Under the terms of the acquisition agreement, the Group must pay the former owners of EISL additional cash payments. The undiscounted amount of all future payments is €3.33 million.

The remaining contingent consideration is payable 50% in July 2013 and 50% in July 2014.

The table below is a reconciliation of the amount of contingent consideration at the acquisition date to the year end date.

	2012 \$'000	2011 \$'000
Contingent consideration on acquisition	7,571	7,571
Changes in fair value	519	221
Settlements	(2,740)	-
Net foreign exchange movements	(256)	(7)
<b>Total contingent consideration</b>	<b>5,094</b>	<b>7,785</b>

## 27 INSURANCE RISK MANAGEMENT

A key risk from operating in the general insurance industry is the exposure to insurance risk arising from underwriting general insurance contracts. The insurance contracts transfer risk to the insurer by indemnifying the policyholders against adverse effects arising from the occurrence of specified uncertain future events. There is a risk that the actual amount of claims to be paid in relation to contracts will be different to the amount estimated at the time a product was designed and priced. This is influenced by the frequency of claims, severity of claims, and subsequent development of long term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group is exposed to this risk because the price for a contract must be set before the losses relating to the product are known. Hence the insurance business involves inherent uncertainty. The Group also faces other risks relating to the conduct of the general insurance business including financial risks, refer to note 28, and capital risks, refer to note 29.

The Group principally issues the following types of general insurance contracts: Builders Risk products, Contractors and Construction Bonds, Travel Bonding, Lifestyle Protection, Lender Protection and Rental Guarantee Bonds. The risks under the Builders Risk insurance products usually cover a duration of between one and ten years and the other insurance policies typically cover up to 12 months.

A central part of the Group's overall risk management strategy is the effective management of the risks that affect the amount, timing and certainty of cash flows arising from insurance contracts.

### (a) Mitigating insurance risk

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts, industry sectors and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Group purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota share reinsurance which is taken out to reduce the overall exposure of the Group to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Group's net exposure to large losses.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements, refer to note 29.

Initial claims determination is managed by the claims department with the assistance, where appropriate, of a loss adjustor or other parties with specialist knowledge. It is the Group's policy to respond to and settle all genuine claims in a timely manner and to pay claims fairly, based on policyholders' full entitlements. Claims provisions are established using valuation models and include a risk margin for uncertainty, refer to note 4.

To further reduce the risk exposure of the Group there are strict claim review policies in place to assess all new and ongoing claims and to regularly review claims handling procedures. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

### (b) Concentrations of insurance risk

The exposure to concentrations of insurance risk is mitigated by a portfolio diversified into many classes of business across different regions and by the utilisation of reinsurance.

Concentration risk is particularly relevant in the case of catastrophes which generally result in a concentration of affected policyholders over and above the norm and which constitute the largest individual potential financial loss. Catastrophe losses are an inherent risk of the general insurance industry that have contributed, and will continue to contribute, to potentially material year to year fluctuations in the results of operations and financial position. Catastrophes that affect the nature of business that CBL underwrites include financial crises and global market stresses. The nature and level of catastrophes in any period cannot be predicted accurately. CBL minimises this risk through its strong underwriting criteria, reinsurance and partnering with local experts. CBL has a history of low claims ratios, even when exposed to the catastrophes as listed above.

## 27 INSURANCE RISK MANAGEMENT (CONTINUED)

Each year, the Group sets its tolerance for concentration risk and purchases reinsurance in excess of these tolerances.

Even though a large portion of the Group's business is derived from the UK/Europe, the spread of countries and products in this area mitigates the concentration risk that may occur, as does the concentration of CBL on niche low risk, highly profitable business.

	CONSOLIDATED				PARENT			
	\$'000	2012 %	\$'000	2011 %	\$'000	2012 %	\$'000	2011 %
<b>Analysis by region</b>								
Australasia	5,298	3.5%	4,377	4.2%	5,298	4.9%	4,377	5.8%
Latin America	7,655	5.1%	8,082	7.8%	7,655	7.1%	8,082	10.6%
MEMSA	3,472	2.3%	2,770	2.7%	3,472	3.2%	2,770	3.6%
Southeast Asia	2,863	1.9%	2,987	2.9%	2,863	2.7%	2,987	3.9%
UK/Europe	131,937	87.2%	84,865	82.4%	88,395	82.1%	57,813	76.1%
<b>Total</b>	<b>151,225</b>		<b>103,081</b>		<b>107,683</b>		<b>76,029</b>	

### (c) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes. Business risks such as changes in environment, technology and industry are monitored through the Group's strategic planning and budgeting process.

The Group is subject to regulatory supervision in the jurisdictions in which it operates. The regulatory frameworks continue to evolve in a number of jurisdictions and at a minimum include requirements in relation to reserving capital and the payment of dividends.

Throughout the current reporting period the Group has conformed to the requirements of its debt agreements, including all financial and non-financial covenants.

### (d) Acquisition risk

Acquisition risks are principally managed by governance controls over the due diligence and subsequent integration process of significant acquisitions. This includes performing appropriate due diligence for each target and after acquisition using a team of relevant and appropriate experts to manage the integration process.



## 28 FINANCIAL RISK MANAGEMENT

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

Key aspects of the processes established to mitigate financial risks include:

- The Board convenes on a bi-monthly basis, and the meetings include a review of the monthly accounts, management reports and the financial risks. The Board comprises key executives and independents with relevant oversight responsibilities. The Board reviews and agrees policies for managing all the financial risks noted below.
- Primary responsibility for the identification and control of financial risks rests with the Audit and Financial Risk Committee under authority of the Board. Periodic meetings are held to oversee financial reporting, accounting policies, financial management, internal control systems, risk management systems, systems for protecting assets and compliance. The Committee keeps under review the scope and results of audit work, the cost effectiveness and performance of the audit work, and the independence and objectivity of the auditors.
- Regular Credit Committee meetings review the framework and procedures in place to ensure there is an adequate and appropriate level of monitoring and management of credit quality throughout the Group.

The components of financial risk are market risk, credit risk and liquidity risk. These risks are explained in the notes below.

### (a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (equity price risk).

#### (i) Currency risk

##### *Nature of the risk and how it is managed:*

Currency risk is the risk of loss arising from an unfavourable movement in market exchange rates. The Group operates internationally and so is exposed to currency risk from various activities conducted in the normal course of business.

The financial impact from exposure to currency risk is reflected in the financial report through three mechanisms:

- Translation of foreign currency transactions: These financial impacts relate primarily to cash, investments and receivables. The revaluation gains and losses are directly recognised in the Statement of Comprehensive Income.
- Translation of the financial performance of foreign operations: These financial impacts are directly recognised in the Statement of Comprehensive Income.
- Translation of the financial position of foreign operations: These financial impacts are recognised directly in equity in the foreign currency translation reserve and so have no impact on profit.

The Group's financial assets are primarily denominated in the same currencies as its insurance liabilities. This mitigates the foreign currency exchange rate risk for the overseas operations. Thus, the main foreign exchange risk arises from assets and liabilities denominated in currencies other than those in which liabilities are expected to be settled. The currency risk is managed by the regular review of the foreign currency financial positions by the Chief Financial Officer and the Audit and Financial Risk Committee.

##### *Exposure:*

The following tables provide information regarding the exposure of the Group to foreign currency risk. The sensitivity analysis provided in the following table demonstrates the effect of a change in one key assumption while other assumptions remain unchanged.

The impact on the measurement of various financial instruments held at reporting date of an instantaneous 10% depreciation of the New Zealand dollar at reporting date compared with selected currencies, on profit before tax and equity is provided in the table below. An appreciation of the New Zealand dollar would have predominantly the opposite impact. All movements noted below would be unrealised.

## 28 FINANCIAL RISK MANAGEMENT (CONTINUED)

			2012		2011
	Changes in variables	Impact on profit after tax \$'000	Impact on equity \$'000	Impact on profit after tax \$'000	Impact on equity \$'000
<b>Currency</b>					
Euro	+10%	2,025	2,025	1,365	1,365
US dollar	+10%	402	402	(237)	(237)
Euro	- 10%	(2,475)	(2,475)	(1,669)	(1,669)
US dollar	- 10%	(492)	(492)	290	290

The method used for deriving sensitivity information and significant variables has not changed from the previous period.

### (ii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed interest rate instruments expose the Group to fair value interest rate risk.

Interest rate risk arises primarily from interest payable on bank loans and interest receivable on cash and cash equivalents. The interest rate risk on bank loans is mitigated by the Group fixing the interest rate reset dates to between three and six months in duration.

		2012		2011
	Impact on profit after tax \$'000	Impact on equity \$'000	Impact on profit after tax \$'000	Impact on equity \$'000
<b>Change in variables</b>				
+50 basis points	186	186	50	50
-50 basis points	(186)	(186)	(50)	(50)

The method used for deriving sensitivity information and significant variables has not changed from the previous period.

The impact of changes in market interest rates presented here excludes insurance contract liabilities, which are also affected by the changes in market interest rates that determine the discount rates applicable to these contracts.

### (iii) Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded on the market.

The Group has no exposure to equity price risk.

## (b) Credit risk

### Nature of the risk and how it is managed:

Credit risk is the risk of loss from a counterparty failing to meet its financial obligations. The Group credit risk arises predominantly from reinsurance activities and dealings with intermediaries.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- A Group credit risk policy sets out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's risk committee. The policy is regularly reviewed for relevance and for changes in the risk environment.
- The Group further restricts its credit risk exposure by entering into master netting arrangements with counterparties with which it enters into significant volumes of transactions. However, such arrangements do not generally result in offsetting the Statement of Financial Position assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with such balances is reduced in the event of a default, when such balances are settled on a net basis.

## 28 FINANCIAL RISK MANAGEMENT (CONTINUED)

- Guidelines determine when to obtain collateral and guarantees e.g. security deposits, refer to note 8.
- Reinsurance is placed with counterparties that have a good credit history and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the senior management and are subject to regular reviews. At each reporting date, management performs an assessment of the creditworthiness of reinsurers.

The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to an annual or more frequent review.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

Concentrations of credit risk exist where a number of counterparties have similar economic characteristics. At the reporting date, there are material concentrations of credit risk to the major banks in New Zealand and the United Kingdom, and to reinsurers in relation to the reinsurance recoverables. The level of reinsurance cover entered into with individual reinsurers is diversified so as to avoid a concentration charge in the regulatory capital calculation, refer to note 29.

### **Exposure:**

#### **(i) Premium and reinsurance recoveries on paid claims receivable**

The maximum exposure to credit risk as at reporting date is the carrying amount of the receivables in the Statement of Financial Position.

An ageing analysis for certain receivables balances is provided below. The other receivables balances not included below have either no overdue amounts or an immaterial portion of overdue amounts. The amounts are aged according to their original due dates.

<b>31 December 2012</b>	<b>Not overdue \$'000</b>	<b>&lt; 30 days \$'000</b>	<b>30-120 days \$'000</b>	<b>Overdue &gt;120 days \$'000</b>	<b>Total \$'000</b>
Premium receivable	19,560	1,611	1,379	389	22,939
Recoveries on paid claims	189	6	125	160	480
<b>Total</b>	<b>19,749</b>	<b>1,617</b>	<b>1,504</b>	<b>549</b>	<b>23,419</b>

The late payment of amounts due under such arrangements allows for the cancellation of the related insurance contracts, eliminating both the credit risk and the insurance risk for the unpaid amounts. Upon cancellation of a policy the outstanding premium receivable and revenue are reversed.

A comparative table has not been included as the data was not captured in the prescribed reporting format as at 31 December 2011.

The total provision for impairment at reporting date for receivables balances totals \$Nil (2011: \$67,000).

During 2012 receivables determined as non-recoverable amounting to \$651,000 were written off.

#### **(ii) Reinsurance recoveries receivable on outstanding claims**

Reinsurance arrangements mitigate insurance risk but expose the Group to credit risk. Reinsurance is placed with companies based on an evaluation of the financial strength of the reinsurers, terms of coverage, and price. The Group monitors the financial condition of its reinsurers on an ongoing basis and periodically reviews the reinsurers' ability to fulfil their obligations to the Group under respective existing and future reinsurance contracts.

Having reinsurance protection with solid reinsurers also benefits the Parent entity in its regulatory capital calculations. The risk charges vary with the grade of the reinsurers such that higher credit quality reinsurance counterparties incur lower regulatory capital charges.

## 28 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (iii) Cash and cash equivalents

The Group is exposed to credit risk from investments in third parties and cash held by third parties.

The credit risk relating to cash and investments is monitored and assessed, and maximum exposures are limited. The maximum exposure to credit risk loss as at the reporting date is the carrying amount of the cash and investments in the Statement of Financial Position as they are measured at fair value.

The investments are restricted to investment grade securities.

### (iv) Total assets bearing credit risk

The Group's assets are analysed in the table below using Standard & Poor's (S&P) rating, or equivalent when not available from S&P. The concentration of credit risk is substantially unchanged compared to the prior year.

31 December 2012 Amounts in \$'000	AAA	AA	A	BBB	Below BBB	Not rated	Total
Debt securities	-	12	-	-	-	-	12
Loans and receivables	-	-	13,824	-	-	27,878	41,702
Reinsurance contracts	-	-	-	-	-	62	62
Cash and cash equivalents	-	64,887	147	-	-	-	65,034
<b>Total</b>	-	64,899	13,971	-	-	27,940	106,810

31 December 2011 Amounts in \$'000	AAA	AA	A	BBB	Below BBB	Not rated	Total
Debt securities	-	12	-	-	-	-	12
Loans and receivables	-	-	10,600	-	-	19,193	29,793
Reinsurance contracts	-	-	-	-	-	699	699
Cash and cash equivalents	-	32,074	-	448	-	-	32,522
<b>Total</b>	-	32,086	10,600	448	-	19,892	63,026

### (c) Liquidity risk

#### *Nature of the risk and how it is managed:*

Liquidity risk is concerned with the risk of there being insufficient cash resources to meet payment obligations without affecting the daily operations or the financial condition of the Group. Liquidity facilitates the ability to meet expected and unexpected requirements for cash. The liquidity position is derived from operating cash flows, investment portfolios and reinsurance arrangements.

Liquidity risk is concerned with the risk that sufficient cash resources will not be available to meet payment obligations as they become due, without incurring significant additional costs.

Underwriting insurance contracts exposes the Group to liquidity risk through the obligation to make payments of unknown amounts on unknown dates. The assets backing insurance liabilities consist predominantly of cash and cash equivalents held at major banks.

An additional source of liquidity risk for the Group relates to interest bearing liabilities, specifically the bank loans.

The management of this risk, as determined by the Credit Committee, allows interest rates to be fixed for up to 12 months.

## 28 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- A Group liquidity risk policy sets out the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group risk committee. The policy is regularly reviewed for appropriateness and for changes in the risk environment.
- Guidelines are set for asset allocations and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance obligations.
- Contingency funding plans are in place to meet emergency payments.

### Exposure:

The table below summarises the maturity profile of the financial liabilities of the Group based on remaining undiscounted contractual obligations.

For insurance contracts liabilities, net of the related reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

		Payments due by period as of 31 December 2012				
<b>31 December 2012</b>	<b>Carrying</b>	<b>0-1 yrs</b>	<b>1-3 yrs</b>	<b>3-5 yrs</b>	<b>&gt;5 yrs</b>	<b>Total</b>
<b>Amounts in \$'000</b>	<b>amount</b>					
Insurance liabilities	9,619	9,619	-	-	-	<b>9,619</b>
Contingent consideration	5,094	2,671	2,671	-	-	<b>5,342</b>
Borrowings	21,512	3,846	7,692	1,924	8,050	<b>21,512</b>
Other liabilities and payables	7,460	7,460	-	-	-	<b>7,460</b>
<b>Total contractual obligations</b>	<b>43,685</b>	<b>23,596</b>	<b>10,363</b>	<b>1,924</b>	<b>8,050</b>	<b>43,933</b>

		Payments due by period as of 31 December 2011				
<b>31 December 2011</b>	<b>Carrying</b>	<b>0-1 yrs</b>	<b>1-3 yrs</b>	<b>3-5 yrs</b>	<b>&gt;5 yrs</b>	<b>Total</b>
<b>Amounts in \$'000</b>	<b>amount</b>					
Insurance liabilities	6,273	6,273	-	-	-	6,273
Contingent consideration	7,785	2,786	5,572	-	-	8,358
Borrowings	17,787	4,012	8,024	5,751	-	17,787
Other liabilities and payables	7,363	7,363	-	-	-	7,363
<b>Total contractual obligations</b>	<b>39,208</b>	<b>20,434</b>	<b>13,596</b>	<b>5,751</b>	<b>-</b>	<b>39,781</b>



## 29 CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base to protect policyholders' and creditors' interests and meet regulatory requirements whilst still creating shareholder value.

The primary source of capital used by the Group is equity shareholders' funds and borrowings.

The operations of the Group are also subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe the approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the companies to meet unforeseen liabilities as these arise. The Group and regulated entities within it have met all of these requirements throughout the financial year.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in light of changes in economic conditions and risk characteristics.

An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

The Company manages its capital by considering both regulatory and economic capital. The primary source of capital used by the Company is the total equity attributable to owners.

CBL: From 14 February 2012 the Company was required to comply with the Solvency Standard for Non-life Insurance Business 'the solvency standard' issued by RBNZ. During the year ended 31 December 2012 the Company complied with all externally imposed capital requirements.

EISL: In the UK, the company EISL is required to maintain a level of capital in excess of 2% of regulatory income for its underwriting agency insurance business; this complies with the rules issued by the FSA. During the year ended 31 December 2012 EISL complied with all externally imposed capital requirements.

## 30 INSURER FINANCIAL STRENGTH RATING

As at the date of this report CBL has an insurer financial strength rating of B+ by A.M. Best, with a positive outlook.

Currently, CBL has a secondary insurer financial strength rating of BB- by S&P.

## 31 RELATED PARTY DISCLOSURES

The ultimate parent entity in the Consolidated entity is CBL which is incorporated in New Zealand.

The Consolidated entity consists of CBL and its subsidiaries. Information in relation to ownership interests is provided in note 15.

All intragroup transactions are charged to the relevant entities on arm's length, normal commercial terms and conditions, and on a direct and actual cost recovery basis or time allocation basis. Certain entities are economically dependent on other entities in the Group. There are also loans between entities in the Group. All transactions that have occurred among the subsidiaries within the Group have been eliminated for consolidation purposes.

### (a) Related party balances

Related party receivable and payable balances at the end of the reporting periods were as follows:

			CONSOLIDATED		PARENT	
Nature of relationship	Related party	Type of transaction	Closing balance		Closing balance	
			2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Subsidiary						
	Intercede 2408 Limited	Loan <sup>1</sup>	-	-	4,892	19,619
	Intercede 2408 Limited	Other debtors	-	-	482	-
Key management personnel						
	Senior management	Loan <sup>2</sup>	1,924	265	1,924	265
	Senior management	Dividends payable	-	(268)	-	(268)
Other related parties						
Common director and shareholder	Federal Pacific Group Limited	Net insurance debtor	13	11	13	11
Common director	G&T Brokers Limited	Premium debtor	188	780	188	780
Common director	G&T Brokers Limited	Other debtor	234	582	234	582
Common director	G&T Brokers Limited	Commission payable	-	(120)	-	(120)
Common director	Dominion 114 Limited	Payable	-	(1,552)	-	(1,552)
Common director	Altares Limited	Fees payable	-	(288)	-	(288)
Common shareholder	Madopu Consultores	Payable	(2)	(4)	-	-
Common shareholder	Oceanic Securities Inc	Loan	410	-	410	-
Total			2,767	(594)	8,143	19,029

<sup>1</sup> Interest rate is aligned to the interest rate charged on the BNZ bank loan. During the year the interest rate ranged between 4.6% to 5.3% (2011: 4.9% to 5.5%).

<sup>2</sup> Interest rates on the senior management loans range between 5.0% and 5.9% (2011: 5.0%). The terms of the loans range between two to five years (2011: two to five years). These loans were taken out by senior management to acquire shares in CBL.

All related party balances are unsecured and current except where indicated otherwise.

## 31 RELATED PARTY DISCLOSURES (CONTINUED)

### (b) Related party transactions

The impact of transactions with related parties on the financial statements was as follows:

			CONSOLIDATED		PARENT	
Nature of relationship	Related party	Type of transaction	Closing balance		Closing balance	
			2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Subsidiary						
	Intercede 2408 Limited	Loan interest	-	-	571	609
	Intercede 2408 Limited	Recharge of acquisition costs	-	-	-	685
Key management personnel						
	Senior management	Loan interest	63	15	63	15
	Senior management	Dividends	(1,028)	(1,032)	(1,028)	(1,032)
Other related parties						
Common director and shareholder	Federal Pacific Group Limited	Premium and recoveries	20	21	20	21
Common director and shareholder	Federal Pacific Group Limited	Committee fees	(100)	(100)	(100)	(100)
Common director	G&T Brokers Limited	Premium	433	771	433	771
Common director	G&T Brokers Limited	Commission	(133)	(125)	(133)	(125)
Common director	Dominion 114 Limited	Subvention	(466)	(1,355)	(466)	(1,355)
Common director	Dominion 114 Limited	Guarantee and fees	-	(650)	-	(650)
Common director	Altares Limited	Fees	(1,190)	(1,000)	(1,190)	(1,000)
Common director	Brutus Mgt Limited	Fees	(334)	(349)	(334)	(349)
Common shareholder	Madopu Consultores	Fees and expenses	(340)	(162)	-	-
Common shareholder	Oceanic Securities Inc	Loan interest	12	-	12	-

### (c) Compensation of key management personnel

Key management personnel of the Group include all directors, executives and non-executives, and senior management.

The totals of remuneration paid to key management personnel are as follows:

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Short term employment benefits	4,528	3,171	3,006	2,453

## 32 FINANCIAL INSTRUMENTS

The analysis of financial assets and liabilities into their categories and classes is set out below in the following tables.

### CONSOLIDATED

31 December 2012 Amounts in \$'000	Available for sale	Loans and receivables	Held to maturity	Financial liabilities at amortised cost	Total
Cash and cash equivalents	-	65,034	-	-	65,034
Other financial assets	-	-	12	-	12
Insurance receivables	-	24,315	-	-	24,315
Trade and other receivables	-	14,960	-	-	14,960
Loans	-	2,334	-	-	2,334
Investment in associate	447	-	-	-	447
Trade and other payables	-	-	-	(5,000)	(5,000)
Insurance payables	-	-	-	(9,619)	(9,619)
Borrowings	-	-	-	(21,512)	(21,512)
<b>Total</b>	<b>447</b>	<b>106,643</b>	<b>12</b>	<b>(36,131)</b>	<b>70,971</b>

### CONSOLIDATED

31 December 2011 Amounts in \$'000	Available for sale	Loans and receivables	Held to maturity	Financial liabilities at amortised cost	Total
Cash and cash equivalents	-	32,522	-	-	32,522
Other financial assets	-	-	12	-	12
Insurance receivables	-	17,996	-	-	17,996
Trade and other receivables	-	11,998	-	-	11,998
Loans	-	265	-	-	265
Investment in associate	265	-	-	-	265
Trade and other payables	-	-	-	(4,412)	(4,412)
Insurance payables	-	-	-	(6,273)	(6,273)
Borrowings	-	-	-	(17,787)	(17,787)
<b>Total</b>	<b>265</b>	<b>62,781</b>	<b>12</b>	<b>(28,472)</b>	<b>34,586</b>

## 32 FINANCIAL INSTRUMENTS (CONTINUED)

### PARENT

31 December 2012 Amounts in \$'000	Available for sale	Loans and receivables	Held to maturity	Financial liabilities at amortised cost	Total
Cash and cash equivalents	-	58,798	-	-	58,798
Other financial assets	-	-	12	-	12
Insurance receivables	-	23,419	-	-	23,419
Trade and other receivables	-	16,460	-	-	16,460
Loans	-	6,089	-	-	6,089
Investment in associate	224	-	-	-	224
Trade and other payables	-	-	-	(4,962)	(4,962)
Insurance payables	-	-	-	(4,654)	(4,654)
<b>Total</b>	<b>224</b>	<b>104,766</b>	<b>12</b>	<b>(9,616)</b>	<b>95,386</b>

### PARENT

31 December 2011 Amounts in \$'000	Available for sale	Loans and receivables	Held to maturity	Financial liabilities at amortised cost	Total
Cash and cash equivalents	-	24,196	-	-	24,196
Other financial assets	-	-	12	-	12
Insurance receivables	-	17,996	-	-	17,996
Trade and other receivables	-	11,622	-	-	11,622
Loans	-	19,884	-	-	19,884
Investment in associate	80	-	-	-	80
Trade and other payables	-	-	-	(4,414)	(4,414)
Insurance payables	-	-	-	(690)	(690)
Borrowings	-	-	-	(8,760)	(8,760)
<b>Total</b>	<b>80</b>	<b>73,698</b>	<b>12</b>	<b>(13,864)</b>	<b>59,926</b>

## 33 EVENTS AFTER THE END OF THE REPORTING PERIOD

As the following transactions occurred after the reporting date and did not relate to conditions existing at the reporting date, no account has been taken of them in the financial statements for the current reporting period ended 31 December 2012.

### Final dividend:

On 8 January 2013, the CBL Board declared a final dividend for the 2012 financial year of 1.34 cents per share which is 100% imputed. The total dividend payable was \$403,000 and was paid on 15 January 2013, refer to note 25.



## 34 PRIOR PERIOD RESTATEMENT

Due to new RBNZ requirements, the increased size of CBL, the wider spread of shareholders and the fully independent Board, CBL no longer qualifies for reporting on a Differential Reporting basis. Accordingly, these financial statements, for the year ended 31 December 2012, are the first the Group has prepared in accordance with full IFRS.

The Group has prepared financial statements which fully comply with IFRS (i.e. without any Differential Reporting concessions) for the period ending 31 December 2012 and by way of this note sets out the restated comparative period data for the year ended 31 December 2011 which were prepared under NZ GAAP. This explains the adjustments made by the Group in restating its NZ GAAP Statement of Financial Position and Statement of Comprehensive Income.

	CONSOLIDATED			PARENT		
31 December 2011	Differential reporting \$'000	Restatement effect \$'000	Full reporting \$'000	Differential reporting \$'000	Restatement effect \$'000	Full reporting \$'000
<b>Statement of Comprehensive Income</b>						
Gross written premiums	103,081	-	<b>103,081</b>	76,029	-	<b>76,029</b>
Movement in unearned gross premium	(24,015)	8,292	<b>(15,723)</b>	(24,015)	8,292	<b>(15,723)</b>
Gross premiums	<b>79,066</b>	<b>8,292</b>	<b>87,358</b>	<b>52,014</b>	<b>8,292</b>	<b>60,306</b>
Premiums ceded	(31,413)	(1,875)	<b>(33,288)</b>	(10,961)	(1,875)	<b>(12,836)</b>
Net premiums	47,653	6,417	<b>54,070</b>	41,053	6,417	<b>47,470</b>
Other revenue	3,581	-	<b>3,581</b>	2,603	-	<b>2,603</b>
<b>Total revenue</b>	<b>51,234</b>	<b>6,417</b>	<b>57,651</b>	<b>43,656</b>	<b>6,417</b>	<b>50,073</b>
Claims expense	(21,880)	(8,844)	<b>(30,724)</b>	(21,880)	(8,844)	<b>(30,724)</b>
Reinsurance and other recoveries	7,435	7,193	<b>14,628</b>	7,435	7,193	<b>14,628</b>
Net claims expense	<b>(14,445)</b>	<b>(1,651)</b>	<b>(16,096)</b>	<b>(14,445)</b>	<b>(1,651)</b>	<b>(16,096)</b>
Acquisition costs	(13,450)	(2,675)	<b>(16,125)</b>	(13,395)	(2,675)	<b>(16,070)</b>
Other operating expenses	(11,022)	-	<b>(11,022)</b>	(6,140)	-	<b>(6,140)</b>
Total claims and operating expenses	<b>(38,917)</b>	<b>(4,326)</b>	<b>(43,243)</b>	<b>(33,980)</b>	<b>(4,326)</b>	<b>(38,306)</b>
<b>Operating profit before tax</b>	<b>12,317</b>	<b>2,091</b>	<b>14,408</b>	<b>9,676</b>	<b>2,091</b>	<b>11,767</b>
Finance costs	(846)	-	<b>(846)</b>	(310)	-	<b>(310)</b>
Other expenses	(3,528)	-	<b>(3,528)</b>	(2,712)	-	<b>(2,712)</b>
Subvention payment	(1,355)	-	<b>(1,355)</b>	(1,355)	-	<b>(1,355)</b>
<b>Profit before tax</b>	<b>6,588</b>	<b>2,091</b>	<b>8,679</b>	<b>5,299</b>	<b>2,091</b>	<b>7,390</b>
Income tax expense	(2,192)	(425)	<b>(2,617)</b>	(1,583)	(425)	<b>(2,008)</b>
<b>Profit for period</b>	<b>4,396</b>	<b>1,666</b>	<b>6,062</b>	<b>3,716</b>	<b>1,666</b>	<b>5,382</b>

## 34 PRIOR PERIOD RESTATEMENT (CONTINUED)

	CONSOLIDATED			PARENT		
31 December 2011	Differential reporting \$'000	Restatement effect \$'000	Full reporting \$'000	Differential reporting \$'000	Restatement effect \$'000	Full reporting \$'000
<b>Statement of Financial Position</b>						
<b>ASSETS</b>						
Cash and cash equivalents	32,522	-	32,522	24,196	-	24,196
Other financial assets	12	-	12	12	-	12
Insurance receivables	17,996	-	17,996	17,996	-	17,996
Trade and other receivables	12,231	-	12,231	11,698	-	11,698
Loans	265	-	265	19,884	-	19,884
Recoveries on outstanding claims	2,609	10,296	12,905	2,609	10,296	12,905
Deferred reinsurance expense	5,757	(1,312)	4,445	5,757	(1,312)	4,445
Deferred acquisition costs	10,441	(2,599)	7,842	10,441	(2,599)	7,842
Deferred tax asset	-	69	69	-	69	69
Property, plant and equipment	1,383	-	1,383	1,004	-	1,004
Investments in associates	265	-	265	80	-	80
Intangible assets	3,173	-	3,173	-	-	-
Goodwill	31,681	-	31,681	-	-	-
<b>TOTAL ASSETS</b>	<b>118,335</b>	<b>6,454</b>	<b>124,789</b>	<b>93,677</b>	<b>6,454</b>	<b>100,131</b>
<b>LIABILITIES</b>						
Trade and other payables	7,363	-	7,363	6,347	-	6,347
Insurance payables	6,273	-	6,273	690	-	690
Current tax liabilities	1,672	-	1,672	1,082	-	1,082
Unearned premium liability	38,270	(10,327)	27,943	38,270	(10,327)	27,943
Employee benefits provision	200	-	200	135	-	135
Contingent consideration	7,785	-	7,785	-	-	-
Deferred tax liability	-	585	585	-	585	585
Outstanding claims liability	10,300	14,058	24,358	10,300	14,058	24,358
Borrowings	17,787	-	17,787	8,760	-	8,760
<b>TOTAL LIABILITIES</b>	<b>89,650</b>	<b>4,316</b>	<b>93,966</b>	<b>65,584</b>	<b>4,316</b>	<b>69,900</b>
<b>NET ASSETS</b>	<b>28,685</b>	<b>2,138</b>	<b>30,823</b>	<b>28,093</b>	<b>2,138</b>	<b>30,231</b>
<b>EQUITY</b>						
Share capital	24,200	-	24,200	24,200	-	24,200
Reserves	(21)	-	(21)	-	-	-
Retained earnings brought forward	1,255	472	1,727	1,255	472	1,727
Profit for year	4,396	1,666	6,062	3,716	1,666	5,382
Dividends and other reserves	(1,145)	-	(1,145)	(1,078)	-	(1,078)
<b>TOTAL EQUITY</b>	<b>28,685</b>	<b>2,138</b>	<b>30,823</b>	<b>28,093</b>	<b>2,138</b>	<b>30,231</b>



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