2011 annual review

CBL*insurance*

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directory

Date of incorporation
19 April 1973

Business address
Level 8, Tower 1
Shortland Centre
51-53 Shortland Street
Auckland 1010

Registered office
Level 8, Tower 1
Shortland Centre
51-53 Shortland Street
Auckland 1010

Directors
Alistair Hutchison
Peter Harris
Adam Massingham
Tony Hannon

Bankers
National Bank of New Zealand
Bank of New Zealand
Clydesdale Bank (United Kingdom)
National Australia Bank (Australia)
HSBC (United Kingdom)

Solicitors
Fortune Manning (Auckland)
CMS Cameron McKenna (United Kingdom)
Rigby Cooke (Australia)

Auditors
WHK (Auckland)
Creaseys (United Kingdom)

Shareholders

Federal Pacific Group Limited	8,000,000
Oceanic Securities Inc	6,650,000
Eurasia Investments Limited	5,000,000
Stichting Lygon Pension Fund	2,500,000
Sunshine Nominees Limited	1,500,000
Alan Clarke	1,040,000
Harvey Wetherill	1,040,000
Michel Cornet	1,040,000
CCEJ Holdings Limited	900,000
Alain Couard	880,000
VCP International Limited	350,000
Alliance Investments Limited	50,000
JMAC Holdings Limited	50,000
	29,000,000

introduction

CBL Insurance Limited (CBL) is the largest and oldest provider of credit surety and financial risk insurance in New Zealand.

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 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 in 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.

The pioneering work of our founders has meant that our company has developed an excellent reputation, which has supported and underpinned the visions of people and local companies for nearly 40 years.

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 past 15 years CBL has been building an international distribution network of committed, long-term clients, producers and business partners who share common goals of focused, niche, good-quality and profitable risk.

In 2011, to compliment 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 its outstanding organic growth in the past 5 years, CBL's annualised Group revenue now exceeds $150m, and is derived from more than 30 countries supported by 8 offices in 4 continents.

CBL's Head Office is based in Auckland, New Zealand, and all underwriting and claim processing is carried out from here.

directors' report

The Directors are pleased to present their report for the year ended 31 December 2011, to the members of CBL Insurance Limited (CBL).

All figures quoted in this report are in New Zealand dollars (NZD) unless stated otherwise. This annual review is prepared in line with section 211 (3) of the Companies Act 1993.

CBL GROUP

GROSS WRITTEN PREMIUM
(NZD)

2011	2010	2009
104.6[1] MILLION	41.4 MILLION	28.3 MILLION

PRINCIPAL ACTIVITY

CBL is a licensed Non Life Insurer supervised and regulated by the Reserve Bank of New Zealand, specialising in writing niche building and construction-related credit and financial surety insurance, bonding and reinsurance.

REVENUE

CBL Group's gross revenue for the year was $104.6m[1], which included only 7 months' post-acquisition revenue earned by EISL.

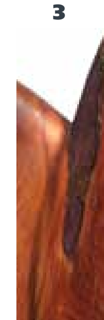
As the period of economic uncertainty continues globally, especially in Europe, key international relationships and the strong underwriting criteria on which the company continues to focus have allowed continued growth in revenue and operating profit. The uncertainty that exists worldwide is expected to continue into 2012 and CBL's focus will continue to be on ensuring that we are close to our producers and that our underwriting criteria remain tight and our controls robust.

CBL's Gross Written Premium was $77.6m (87.4% up on $41.4m in 2010). That result is a record for CBL, off the back of last year's record revenue achievement. This year's result further demonstrates the strength of and demand for our products on a global scale, as well as the reputation CBL has in the global market for understanding the needs of our clients and delivering solutions to them on a timely basis.

On a Group basis revenues were $104.6m and operating profits $10.8m.

CBL made no key appointments in 2011, with the focus being the successful acquisition of EISL in June of 2011. The key appointments made in 2010 delivered strong growth to CBL's business revenues, especially through Latin America and Europe.

CBL's international distribution network has continued to grow and existing relationships have strengthened in the past 12 months. CBL continues to find opportunities in the international market that are profitable and fit within our criteria for doing business. 2011 was a year of consolidating and growing our existing business in Europe and looking to open new markets in Latin America. CBL obtained a number of new licences in the Latin American market where CBL's strong business history, expertise and rating have been received favourably. CBL expects to see growth in this market in 2012 from the hard work done during the 2011 financial year.



[1] Prior to 2011 there was no income derived from any other Group entities. The CBL Gross Written Premium for 2011 is $77.6m.

CBL REGIONAL SPLIT
(NZD 000)

2011 8,082
2010 4,285
Latin America

2011 4,377
2010 4,761
Australasia

2011 2,770
2010 3,761
MEMSA

2011 2,987
2010 3,638
Southeast Asia

2011 59,345
2010 24,974
UK/Europe

REGIONAL SPREAD

CBL's worldwide operations derive revenue from its strategic alliances and key producers throughout 5 key regions: Australasia, Southeast Asia, the UK/ Europe, Latin America and MEMSA (Middle East, Mediterranean and South Asia).

The strong relationships that CBL has built up in the past 5 years continue to strengthen the top-line revenue. The main areas of growth were in the European and Latin American markets. CBL increased its market share in Europe through the organic growth of existing lines of business as well as securing new business through new and existing relationships. The growth in Latin America is a direct result of having a focused resource in the region and the development of new relationships in a market where CBL has had a presence for a number of years.

LOSS RATIO	33.9%	32.3%	34.4%
	2011	2010	2009

CLAIMS

Loss ratios in 2011 remained at an impressive 33.9%. This is a continued excellent achievement by CBL and continues to underline the strength of our underwriting model, the conservative underwriting processes and standards and an understanding of the risks taken on. This result is further put into perspective when one appreciates the world environment in which we have been working and the poor results that many traditional insurers have reported for the same period. One of the key drivers for this is that as CBL continues to grow, the company never changes its model of being based on underwriting profits instead of being focused on top-line revenue. CBL's underwriting model and its ability to say no to writing business mean it remains confident that this ratio will remain under its internal benchmark of 35%.

CBL GROUP OPERATING PROFIT
(NZD)

10.8
MILLION
2011

PROFIT

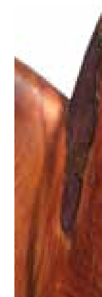
The increase in Gross Written Premium and continued tight management of overheads resulted in a CBL Group Operating Profit of $10.8m, which included only 7 months of EISL's post-acquisition earnings, and after expensing $821k of financing costs, most were one-off expenses associated with the acquisition cost of EISL (2010: $5.3m), an increase of $5.5m (103.8% on 2010).

CBL produced an Operating Profit of $8.9m (2010: $5.3m), an increase of $3.6m (67.9% on 2010). Net Profit Before Tax was $6.7m, up from $3.4m in 2010, an increase of 97.1%. This is after taking into account a negative technical adjustment of $1.4m arising from the translation into NZD of the value of CBL's foreign currency cash/cash equivalents at balance date.

CBL's record revenues in Q4 2011 of $32.4m resulted in seasonally high trade receivables of $22.0m and a record unearned premium reserve at year end of $32.5m, which will flow into profits in subsequent years.

FOREIGN CURRENCY ADJUSTMENT

The CBL Group has cash reserves of $32.5m, most of which continues to be kept in foreign currencies to avoid any exchange losses between earning premiums and paying claims. At balance date these foreign currency reserves need to be calculated into NZD for reporting purposes. The calculation is not an actual conversion of currencies, and any upwards or downwards adjustment is not an actual realised profit or loss. Any resulting movement in the current value of the cash reserves will never be realised because the claims will be paid in the same currencies in which the premium cash reserves are held. For reporting purposes CBL's foreign cash reserves must be converted to NZD so that CBL can express its annual financial statements in NZD in accordance with NZIFRS and its accounting policies (see Note 5 in the financial statements for full details). The negative adjustment of $1.4m was primarily as a result of the movement in the value of the USD and Euro, and compares with a negative adjustment in 2010 of $1.2m.



CBL OPERATING PROFIT
(NZD)

8.8 MILLION **2011**

5.3 MILLION **2010**

3.1 MILLION **2008**

ORGANISATION STRUCTURE

CBL added 3 staff members to its team in 2011. These are staff who will provide finance and back-office support to the company as we continue to grow and consolidate our business in 2012 and the years ahead. The team in place now continues to result in CBL being able to achieve its future growth plans.

Current worldwide headcount for the Group is 73; split 18 at CBL and a further 55 within the EISL group.

As part of the company's increased governance and developing profile, CBL welcomed Tony Hannon to the Board of Directors in August 2011. Tony is a well known merchant banker with Bancorp, one of New Zealand's leading merchant banking firms.

INTERNATIONAL FINANCIAL RATING

CBL was awarded an investment-grade international financial rating of B+ (Good) from AM Best in 2011 with a long-term debt rating of bbb. This adds to its BB+ rating by Standard & Poor's.

STATUTORY INFORMATION

Proper accounting records have been kept so as to ascertain with reasonable accuracy the determination of the financial position of the company and facilitate the compliance of the financial statements in accordance with the Financial Reporting Act 1993.

DIVIDENDS

Dividends totalling $1.078m were paid during the year (2010: $700k).

FINANCIAL INSTRUMENTS

The company does not utilise any financial instruments and does not generally hedge foreign currencies. Premium reserves considered sufficient to pay losses are left in the currencies in which they are earned as a natural hedge, at no cost. At all times during the year the company had liquid resources to meet its commitments on a timely basis as they fell due.

AUDIT

The company intends to invite WHK Auckland to continue in its auditing role for the company for the 2012 financial year.

OTHER 2011 SUCCESSES

In September 2011 the company changed its name from Contractors Bonding Limited to CBL Insurance Limited to reflect more accurately its international insurance and reinsurance activities.

CBL successfully acquired 100% of EISL in June of 2011. EISL is a well run underwriting agency with which CBL has had a business relationship since 2006. CBL was attracted to the company on a number of levels, with the key factors being the experienced principals and staff, quality of the business they place into the market and their strong network of brokers in mainland France. The 2 businesses have been successfully integrated and EISL continues to perform as expected.

CBL successfully raised capital of $9.0m and bank debt funding of $20.0m to assist in the purchase.

CBL proudly supported and commissioned local artist, Natalie Stamilla, to cast and display the iconic bronze sculpture of one of New Zealand's greatest rugby players, Michael "the Iceman" Jones scoring the first try in the first game in the inaugural Rugby World Cup in 1987. In August 2011, and just prior to the Rugby World Cup, the sculpture was placed on permanent loan at the home of New Zealand rugby, Eden Park, where this moment in sport happened. This venture was received positively from around the world and we are proud to have been associated with it.

BUSINESS OUTLOOK

CBL came through the worldwide recession of 2008/2009 strongly and has seen the results of the hard work carried out during this period flow through to the results of the company. The uncertainty, however, that still exists, especially in Europe, requires us to remain vigilant in our markets and remain focused on the strong underwriting criteria we have put in place to ensure that we continue to write business for profit and not premium volume.

CBL sees an increasing demand for the products it offers. CBL will continue to ensure that risks continue to be fully understood and mitigated where possible, and will retain its "niche and nimble" competitive advantage over other insurers in its market, who remain focused on generic volume driven commodity type risk.

CBL will continue to look at acquisition or synergy opportunities in the year ahead as ways to strengthen the Group and take advantage of fair-priced assets in the market.

CBL's strong relationships and focus on remaining niche allow us to take advantage of the opportunities that continue to present themselves. Our ability to provide flexible solutions and timely responses allows CBL to remain competitive, and the key staff in our major business regions will continue to enable the company to capitalise on this approach.

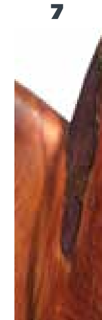
CBL's business model continues to be robust and delivers the expected results of stakeholders.

The Directors would like to thank its key business producers, and in particular its loyal and highly capable staff, for the outstanding support given to the company, business partners and professional advisers throughout the year.

Signed

Director

Director



2011 financial review

independent auditors' report

To the Shareholders of CBL Insurance Limited

WHK

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of CBL Insurance Limited and Group on pages 12 to 39 which comprise the consolidated and separate statements of financial position as at 31 December 2011, the consolidated and separate statements of comprehensive income, and statements of changes in equity 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 auditors' 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 auditors' consider 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; we have no other relationship with, or interests in, the company or its subsidiaries.

Opinion

In our opinion, the financial statements on pages 12 to 39:

- 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 2011 and the results of their operations for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

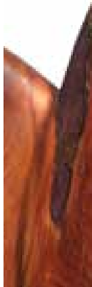
Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993 require us to comment on whether we have obtained all the information and explanations that we have required from CBL Insurance Limited, and whether we consider that appropriate accounting records have been kept.

- 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 Auckland

Auckland, New Zealand
CHARTERED ACCOUNTANTS

19 March 2012



CBL Insurance Limited and its subsidiary company

STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

		Group		Parent	
	Note	**2011** **$000**	2010 $000	**2011** **$000**	2010 $000
ASSETS					
Non-current assets					
Property, plant and equipment	7	**1,383**	441	**1,004**	441
Investment in associates	9	**265**	-	**80**	-
Other investments	9	**12**	12	**12**	12
Deferred acquisition costs	8	**3,331**	758	**3,331**	758
Long-term receivables	12	**8,450**	9,598	**28,069**	9,598
Total non-current assets		**13,441**	10,809	**32,496**	10,809
Current assets					
Cash and cash equivalents	10	**32,523**	16,203	**24,196**	16,203
Financing costs on acquisition	18	**808**	-	**808**	-
Trade and other receivables	11	**22,048**	11,932	**21,509**	11,932
Deferred acquisition costs	8	**7,109**	2,999	**7,109**	2,999
Intangible assets	19	**3,173**	-	**-**	-
Goodwill	18	**31,681**	-	**-**	-
Total current assets		**97,342**	31,134	**53,622**	31,134
Total assets		**110,783**	41,943	**86,118**	41,943
EQUITY					
Issued capital		**24,200**	15,500	**24,200**	15,500
Retained earnings and reserves		**4,490**	1,253	**3,886**	1,253
Total equity	13	**28,690**	16,753	**28,086**	16,753
LIABILITIES					
Non-current liabilities					
Trade and other payables	16	**1,853**	1,046	**1,853**	1,046
Contingent consideration on acquisition	18	**7,785**	-	**-**	-
Bank loans	21	**14,042**	-	**7,021**	-
Total non-current liabilities		**23,680**	1,046	**8,874**	1,046
Current liabilities					
Trade and other payables	16	**11,784**	7,329	**5,187**	7,329
Bank loans	21	**4,553**	-	**2,547**	-
Taxation payable	6	**1,671**	85	**1,084**	85
Employee benefits	15	**200**	98	**135**	98
Total current liabilities		**18,208**	7,512	**8,953**	7,512
Insurance liabilities					
Premium provisions – current	14	**21,899**	9,296	**21,899**	9,296
Premium provisions – non-current	14	**10,615**	4,076	**10,615**	4,076
Claims provisions – current	14	**7,691**	3,260	**7,691**	3,260
Total insurance liabilities	14	**40,205**	16,632	**40,205**	16,632
Total liabilities		**82,093**	25,190	**58,032**	25,190
Total equity liabilities and reserves		**110,783**	41,943	**86,118**	41,943

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

On behalf of the Board

Director

Director

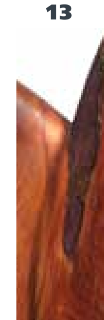
Date: 16 March 2012

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

		Group		Parent	
		2011	2010	**2011**	2010
	Note	$000	$000	$000	$000
Insurance underwriting result					
Premium revenue	1	**104,613**	41,419	**77,561**	41,419
Outwards reinsurance premium expense		**(29,847)**	(6,189)	**(10,961)**	(6,189)
Unearned premium		**(24,015)**	(5,281)	**(24,015)**	(5,281)
Net earned revenue		**50,751**	29,949	**42,585**	29,949
Claims expense current period		**19,427**	16,397	**19,427**	16,397
Claims expense prior period		2,456	2,842	**2,456**	2,842
Reinsurance and other recoveries		**(7,437)**	(9,568)	**(7,437)**	(9,568)
Net claims incurred		**14,446**	9,671	**14,446**	9,671
Acquisition costs		**13,450**	10,326	**13,395**	10,326
Net underwriting expenses		**13,450**	10,326	**13,395**	10,326
Underwriting result		**22,855**	9,952	**14,744**	9,952
Other income	2	**159**	7	**157**	7
Total income		**23,014**	9,959	**14,901**	9,959
Operating expenses	3,4	**10,913**	4,807	**6,049**	4,807
Profit before finance expenses		**12,101**	5,152	**8,852**	5,152
Finance income	5	**(324)**	(466)	**(913)**	(466)
Finance expenses	5	**1,599**	309	**906**	309
Net finance (income) costs		**1,275**	(157)	**(7)**	(157)
Operating profit before income tax		**10,826**	5,309	**8,859**	5,309
Non-recurring expenses	3	**1,528**	752	**856**	752
Unrealised currency revaluation of foreign-held assets and liabilities	5	**1,353**	1,202	**1,353**	1,202
Profit before tax		**7,945**	3,355	**6,650**	3,355
Income tax expense	6	**2,192**	247	**1,584**	247
Subvention tax payments		**1,355**	2,605	**1,355**	2,605
Profit for the period		**4,398**	503	**3,711**	503
Other comprehensive income for the period, net of income tax					
Net change in foreign currency translation reserve		**(20)**	-	**-**	-
Total comprehensive income for the period		**4,378**	503	**3,711**	503

The accompanying notes form part of, and should be read in conjunction with, these financial statements.



CBL Insurance Limited and its subsidiary company

STATEMENT OF EQUITY

for the year ended 31 December 2011

	Share capital	Retained earnings	Translation reserves & reserves	Total equity
	$000	$000	$000	$000
GROUP 2010				
Balance at 1 January 2010	15,500	1,450	-	16,950
Total comprehensive income for the period				
Profit for the period	-	503	-	503
Total comprehensive income for the period	-	503	-	503
Transactions with owners, recorded directly in equity				
Dividends to shareholders	-	(700)	-	(700)
Balance at 31 December 2010	**15,500**	**1,253**	**-**	**16,753**
GROUP 2011				
Balance at 1 January 2011	15,500	1,253	-	16,753
Reserves obtained at acquisition	-	(63)	-	(63)
Total comprehensive income for the period				
Profit for the period	-	4,398	-	4,398
Total other comprehensive income	-	-	(20)	(20)
Total comprehensive income for the period	-	4,398	(20)	4,378
Transactions with owners, recorded directly in equity				
Issue of shares	8,700	-	-	8,700
Dividends to shareholders	-	(1,078)	-	(1,078)
Balance at 31 December 2011	**24,200**	**4,510**	**(20)**	**28,690**
PARENT 2010				
Balance at 1 January 2010	15,500	1,450	-	16,950
Total comprehensive income for the period				
Profit for the period	-	503	-	503
Total comprehensive income for the period	-	503	-	503
Transactions with owners, recorded directly in equity				
Dividends to shareholders	-	(700)	-	(700)
Balance at 31 December 2010	**15,500**	**1,253**	**-**	**16,753**
PARENT 2011				
Balance at 1 January 2011	15,500	1,253	-	16,753
Total comprehensive income for the period				
Profit for the period	-	3,711	-	3,711
Total comprehensive income for the period	-	3,711	-	3,711
Transactions with owners, recorded directly in equity				
Issue of shares	8,700	-	-	8,700
Dividends to shareholders	-	(1,078)	-	(1,078)
Balance at 31 December 2011	**24,200**	**3,886**	**-**	**28,086**

GENERAL INFORMATION

The financial statements presented here are for the reporting entity CBL Insurance Limited (CBL), ultimate parent, and the consolidated financial statements of the Group comprising CBL and its subsidiary companies Intercede 2408 Limited, European Insurance Services Limited (EISL) and its subsidiaries ACJN and EISL Iberia (EISLI). CBL is incorporated in New Zealand, Intercede 2408 Limited and EISL in the United Kingdom and EISLI in Spain. CBL owns 100% of Intercede 2408 Limited, which in turn owns 100% of EISL, which in turn owns 100% of ACJN and 80% of EISLI. EISL was acquired by CBL on 1 June 2011.

The company is a general niche credit and financial risk insurer. Contractors Bonding Limited changed its name to CBL Insurance Limited during the year.

The financial statements of the company are for the year ended 31 December 2011. The financial statements were authorised by the company's Board of Directors on the date as specified on page 12. The year-end date for the subsidiary companies is 30 June; this date is the historical reporting date and the Directors see no need to change it currently.

The company is a Limited Liability Company incorporated and domiciled in New Zealand and registered under the Companies Act 1993. The registered office is 51-53 Shortland Street, Auckland 1010, New Zealand.

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZIFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities that qualify for and apply differential reporting.

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.

The company qualifies for Differential Reporting exemptions as it has no public accountability and there is no separation between the owners and the governing body. All available reporting exemptions allowed under the Framework for Differential Reporting have been adopted.

The financial statements are presented in New Zealand dollars (NZD). The financial statements are prepared on the historical cost basis.

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Adoption of new and revised Standards and Interpretations

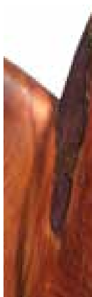
The accounting policies adopted are consistent with those of the previous financial year except as follows:

Standards and Interpretations effective in the current period.

The Group has adopted the following new and amended New Zealand Equivalents to International Financial Reporting Standards and interpretations as of 1 January 2011.

Standard/Interpretation	Description	Effective Date
NZIAS 24	Related party disclosures (revised 2009)	1 January 2011
Amends the definition of a related party.		
NZIFRS 3	Business combinations	1 July 2010 Applied retrospectively
Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised NZIFRS. Clarifies that the amendments to NZIFRS 7 – Financial Instruments: Disclosures, NZIAS 32 – Financial Instruments: Presentation and NIAS 39 – Financial Instruments: Recognition and measurement, which eliminate the exemption for contingent consideration, do not apply to contingent considerations that arose from business combinations whose acquisition dates precede the application of NZIFRS 3 (as revised in 2008).		
NZIFRS 7	Financial instruments	1 January 2011 Applied retrospectively
Emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.		
NZIAS 1	Presentation of financial statements	1 January 2011 Applied retrospectively
Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the Statement of Changes in Equity or in the notes to the financial statements.		
NZIAS 27	Consolidated and separate financial statements	1 July 2010 Applied retrospectively
Clarifies that the consequential amendments from NZIAS 27 made to NZIAS 21 – The effect of changes in foreign exchange rates, NZIAS 28 – Investments in associates and NZIAS 31 – Interests in joint ventures, apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when NZIAS 27 is applied earlier.		

These changes do not have a material disclosure or financial reporting impact.



PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the company as at 31 December 2011 and the results for the year then ended. Subsidiaries are all those entities over which the consolidated entity has control, being the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity. The results of any subsidiaries acquired during the year are consolidated from the date on which control is transferred to the consolidated entity and the results of any subsidiaries disposed of during the year are consolidated up to the date control ceases. The acquisition of controlled entities is accounted for using the purchase method of accounting. The share of net assets of controlled entities attributable to minority interests is disclosed separately in the balance sheet, income statement and Statement of Comprehensive Income. Intercompany transactions and balances between Group entities are eliminated on consolidation.

INVESTMENTS IN ASSOCIATES

The Group's investments in associates are not equity accounted for as the balance is immaterial. If the balance becomes material, the Group policy will be to account for the associate using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

PROPERTY, PLANT AND EQUIPMENT

Owned assets

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes the original purchase price plus any subsequent costs where it is probable that future economic benefits will accrue. All repair and maintenance costs are charged to the Statement of Comprehensive Income.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation

Depreciation is charged at the same rates as are allowed by the Income Tax Act 1994. Depreciation is charged to the Statement of Comprehensive Income. The following rates have been used:

Office equipment and furniture	10.0% to 25.0% DV
Computer equipment	19.2% to 80.4% DV

Any works of art owned by the company are not depreciated as management believe these will retain their value.

Depreciation methods, residual values of assets and their useful lives are reassessed annually.

NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers a financial asset to another party without retaining control or substantially all the risks and rewards of the asset.

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 3 months or less.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are measured at cost reduced by appropriate allowances for estimated recoverable amounts, and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

INTEREST-BEARING RECEIVABLES/BORROWINGS

Interest-bearing receivables and borrowings are recognised initially at fair value plus attributable transaction costs. Subsequent to initial recognition, interest-bearing receivables and borrowings are stated at amortised cost using the effective interest rate method, which allocates the costs through the expected lives of the receivables and borrowings.

TRADE AND OTHER PAYABLES

Trade and other payables are measured at cost reduced by appropriate allowances for estimated recoverable amounts, and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

INSURANCE ACTIVITIES

Insurance premium revenue

Premium revenue comprises the earned portion of premiums received and receivable from policyholders, including unclosed business. Premiums on unclosed business are brought to account using estimates based on the previous year's actual unclosed business, with due allowance made for any changes in the pattern of new business and renewals. Interest revenue from premium-funding activities is recognised using the effective interest rate method.

Outstanding insurance claims

The estimate of outstanding claim liabilities is based largely on the assumption that past developments are an appropriate predictor of the future, and involves a variety of actuarial techniques that analyse experience, trends and other relevant factors. The process commences with the actuarial projection of the future claim payments and claim handling costs incurred to the reporting date. The following are considered in projecting future claim payments:

- Historical trends in the development and incidence of the number of claims reported, number of claims finalised, claim payments and reported incurred costs;
- Exposure details, including policy counts, sums insured, earned premiums and policy limits;
- Claim frequencies and average claim sizes;
- The legislative framework, legal and court environments and social and economic factors that may impact upon the business;
- Reinsurance recoveries available under contracts entered into by the insurer;
- Historical and likely future trends of recoveries from sources such as subrogation and third party actions;
- Insurer-specific, relevant industry data and more general economic data for the estimation process.

The liability for outstanding claims is measured as the central estimate of the present value of expected future claim payments plus a risk margin. The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not reported and estimated claim handling costs.

The expected future payments are discounted to present value using a risk-free rate.

A risk margin is applied to the central estimate, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate. This risk margin increases the probability that the net liability is adequate to a minimum of 85%.

Unearned premium

Unearned premium is calculated based on the term of the risk that closely approximates the pattern of risks underwritten.

At each reporting date, the adequacy of the unearned premium liability is assessed on a net-of-reinsurance basis against the present value of the expected future cash flows relating to potential future claims in respect of the relevant insurance contracts, plus an additional risk margin to reflect the inherent uncertainty of the central estimate. The assessment is carried out on a portfolio of contracts that are broadly similar and managed together as a single portfolio. If the unearned premium liability, less related intangible assets and deferred acquisition costs, is deficient, the resulting deficiency is recognised in the Statement of Comprehensive Income of the company.

Deferred acquisition costs

A portion of acquisition costs relating to unearned premium is deferred in recognition that it represents a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount. Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate.

Commission expense

Commissions paid in respect of general insurance activities are capitalised as deferred acquisition costs and are amortised systematically in accordance with the expected pattern of the incidence of risk under the insurance contracts to which they relate.

Outwards reinsurances

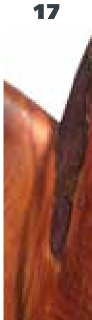
Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated as a receivable at reporting date.

Insurance investments

With the exception of plant and equipment and long-term receivables, the company has determined that all assets are held to back general insurance liabilities. Initial recognition is at cost in the Statement of Financial Position and subsequent measurement is at fair value, with any resultant fair value gains or losses recognised in the Statement of Comprehensive Income.

Reinsurance and other recoveries receivable

Reinsurance and other recoveries received or receivable on paid claims and on outstanding claims (notified and not yet notified) are recognised as income. Reinsurance and other recoveries receivable include the net GST receivable on outstanding claims and recoveries. 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. All recoveries receivable on outstanding claims are measured as the present value of the expected future receipts calculated on the same basis as the outstanding claims liability, which are presented as part of the claims provision balance. Reinsurance does not relieve the originating insurer of its liabilities to the policyholder and is presented separately in the Statement of Financial Position.



IMPAIRMENT

The carrying amounts of the company assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Statement of Comprehensive Income.

The estimated recoverable amount of investments and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at their original effective interest rates. Receivables with short durations are not discounted.

The estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of an asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Previously recognised impairment losses on assets (other than goodwill) may be reversed if there is a positive change in the estimate of the recoverable amount, but only to the extent of the prior cumulative impairment losses.

INTANGIBLES

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the entity acquired, at the date of acquisition. Following initial recognition, goodwill on acquisition of a business combination is not amortised but is tested for impairment biannually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Any impairment is recognised immediately in the income statement.

On disposal of an entity, the carrying value of any associated goodwill is included in the calculation of the gain or loss on sale.

ACQUISITION OF ASSETS

Identifiable assets acquired and liabilities assumed in business combination are measured at fair value at acquisition date, with any excess of cost over the fair value of the net assets acquired recognised as goodwill in the Statement of Financial Position.

If there is negative goodwill, this is recognised directly in the Statement of Comprehensive Income.

SHARE CAPITAL

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

EMPLOYEE BENEFITS

Annual and long-service leave

A liability for annual leave and long-service leave is recognised at each reporting date. The liability falling due more than 12 months after the reporting date is discounted to present value.

PROVISIONS

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the future cash flows. Where discounting is used, the increase in the provision for the passage of time is recognised as a finance cost.

EXPENSES

Operating lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the terms of the leases. Lease incentives received are recognised in the Statement of Comprehensive Income over the lease terms as an integral part of the total lease expenses.

Finance expenses

Finance expenses comprise interest expense on borrowings, foreign currency losses and impairment losses recognised on financial assets (except for trade receivables). All borrowing costs are recognised in profit or loss using the effective interest method.

FOREIGN CURRENCY TRANSACTIONS

The Group's consolidated financial statements are presented in NZD, which is also the parent company's functional currency. 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.

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 income statement. Non-monetary items that are measured in terms of historical cost in foreign currencies 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 foreign currencies are translated using the exchange rates at the date when the fair value was determined.

Group companies

The assets and liabilities of foreign operations are translated into NZD at the rates of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translations are recognised in other comprehensive income and are accumulated as a separate component of equity in the Group's foreign currency reserve. Such differences are reclassified from equity to profit and loss as a reclassification adjustment in the period in which a foreign operation is disposed of. 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.

INCOME TAX

The income tax expense recognised in the Statement of Comprehensive Income is the estimated income tax payable in the current year, adjusted for any differences between the estimated and actual income tax payable in prior periods.

GOODS AND SERVICES TAX

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

FINANCIAL ASSETS

Exposure to credit, liquidity, foreign currency, and interest rate risks arises in the normal course of the Group's business.

Credit risk

Management has a credit policy in place under which each new risk is analysed for creditworthiness. Where available, the Group reviews external ratings.

The Group's exposure to credit risk is mainly influenced by its customer base. As such it is concentrated on the default risk of its industry, however geographically there is no credit risk concentration.

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls. 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 consolidated entity. Liquidity facilitates the ability to meet expected and unexpected requirements for cash. The liquidity position is derived from operating cash flows, investments and reinsurance arrangements. The liquidity management roles, principles and processes are detailed in the Group Liquidity Risk Management Policy document, which is approved by the CBL Board. The policy outlines the framework and procedures in place to ensure an adequate and appropriate level of monitoring and management of liquidity and requires each business division to adopt a liquidity risk management framework.

Underwriting insurance contracts expose 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 bank cash deposits but may also consist of government securities (the most liquid of securities) and other very-high-quality securities that can generally be readily sold or exchanged for cash. The assets are managed so as to broadly match the maturity profiles of the assets with the expected pattern of claim payments.

A significant source of liquidity risk for the Group relates to interest-bearing liabilities. This risk is predominantly bank loans relating to the acquisition of EISL. Management of this risk includes the setting of the interest rate charge in the denominated currency of the debt and for maturities that allow the ability to hedge if the market becomes more volatile.

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the Group's functional currency, NZD ($), which is the presentation currency of the Group.

Interest rate risk

If the Group has external borrowings, apart from finance leases, they are disclosed at fair value. The Group has a policy of ensuring that between 40% and 60% of its exposure to changes in interest rates on borrowings is fixed for at least 6 months.

The Group is further exposed to interest rate risk owing to the fact that it earns interest on bank balances and the fixed interest security it carries in its Statement of Financial Position.

INVESTMENTS

The company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classifications depend on the purposes for which the investments were acquired. Management determines the classifications of its investments at the initial recognition and re-evaluates these designations at every reporting date.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through the Statement of Comprehensive Income.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

This category has 2 sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in the held-for-trading category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges; CBL does not trade any derivatives currently. Assets in this category would be classified as current assets if they were either held for trading or expected to be realised within 12 months of the reporting date.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date that are classified as non-current assets.

The company's loans and receivables comprise receivables and cash and cash equivalents. Interest income is recognised by applying the effective interest rate.

HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. At balance date CBL had no investments in this class.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivative, principally equity securities that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Purchases and sales of investments are recognised on trade data – the dates on which the company commits to purchase or sell the assets. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Income.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

OTHER

Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

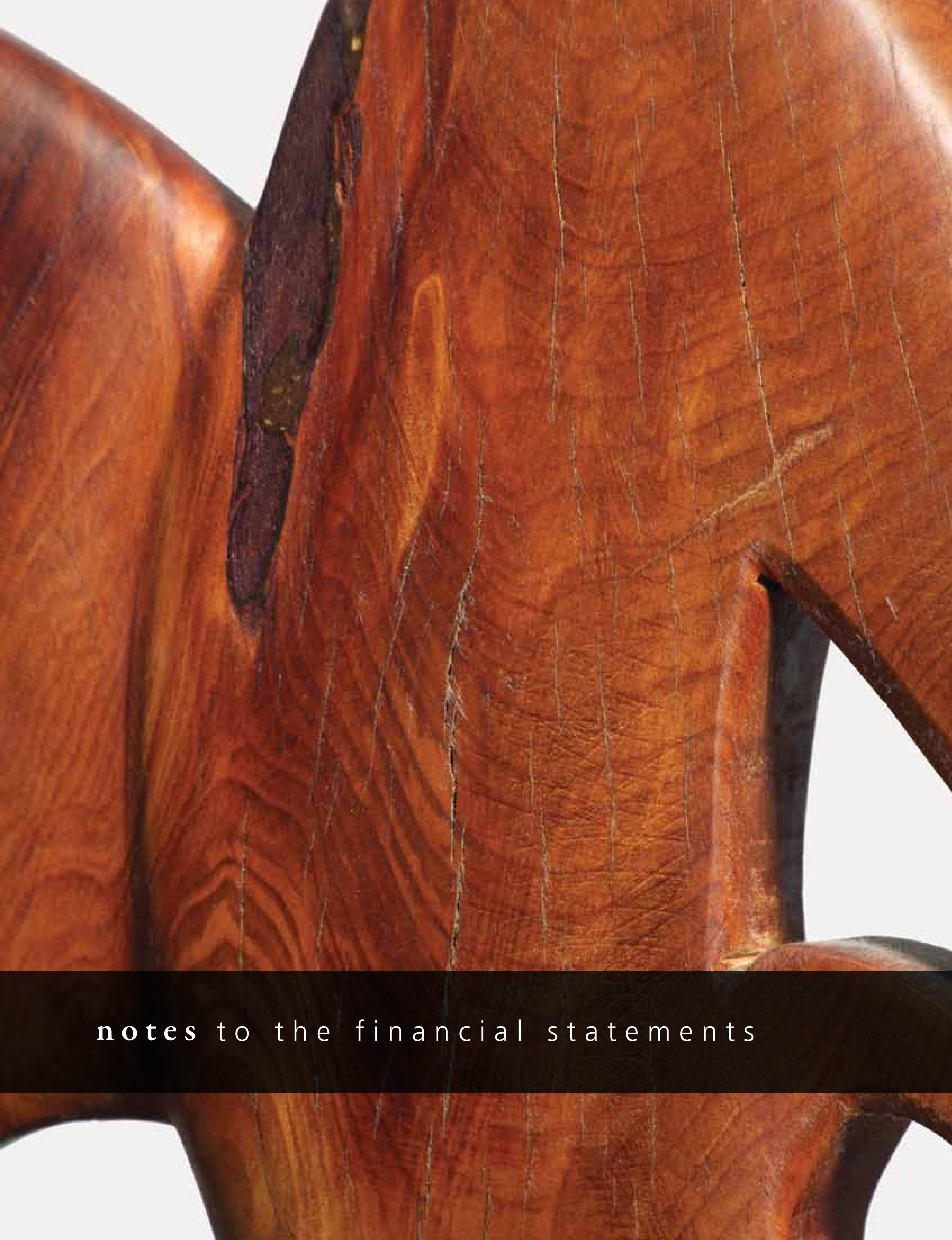
FINANCIAL ASSET MEASUREMENT

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the profit or loss in the period in which they arise.

The company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the securities are impaired. When securities classified as available for sale are sold or impaired, the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is classified from equity to profit or loss (as a reclassification adjustment).

The fair value of an available-for-sale monetary asset denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The change in fair value attributable to translation differences that result from a change in the amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.



notes to the financial statements

CBL Insurance Limited and its subsidiary company

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

1. ANALYSIS OF INCOME

	Group		Parent	
	2011 $000	2010 $000	**2011** $000	2010 $000
Direct premium	32,438	5,240	5,386	5,240
Reinsurance premium	70,643	35,641	70,643	35,641
Commissions	1,532	538	1,532	538
	104,613	**41,419**	**77,561**	**41,419**

2. OTHER INCOME

	Group		Parent	
	2011 $000	2010 $000	**2011** $000	2010 $000
Sundry	159	7	157	7
	159	**7**	**157**	**7**

3. OPERATING EXPENSES

	Group		Parent	
	2011 $000	2010 $000	**2011** $000	2010 $000
Auditors' remuneration				
Fees paid to company's auditors				
Audit of financial statements	85	70	85	70
Tax-related services	28	15	28	15
Fees paid to subsidiary's auditors				
Audit of financial statements	86	-	-	-
Directors' fees	15	-	15	-
Depreciation (Note 7)	213	118	113	118
Doubtful debts	(1)	5	(1)	5
Legal fees	271	177	269	177
Management fees	970	720	970	720
Operating leases – rental expenses	403	238	245	238
Other	8,843	3,464	4,325	3,464
	10,913	**4,807**	**6,049**	**4,807**
Non-recurring expenses				
Exporters'/Warranty Direct Limited amortisation (Note 24)	579	752	579	752
Acquisition costs (Note 18)	842	-	170	-
Amortisation of finance costs	107	-	107	-
	1,528	**752**	**856**	**752**

4. EMPLOYEE BENEFITS EXPENSE

	Group		Parent	
	2011 $000	2010 $000	**2011** $000	2010 $000
Wages and salaries	4,599	1,450	1,274	1,450
	4,599	**1,450**	**1,274**	**1,450**

This expenditure is included in operating expenses – disclosed in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

5. NET FINANCE COSTS

	Group		Parent	
	2011 $000	2010 $000	**2011** $000	2010 $000
Interest income	324	466	913	466
	324	**466**	**913**	**466**
Interest expense	625	76	310	76
Discount applied to deferred consideration of acquisition	221	-	-	-
Finance expense	105	110	93	110
Foreign exchange losses	648	123	503	123
	1,599	309	906	309
	(1,275)	**157**	**7**	**157**
Unrealised currency revaluation of foreign-held assets and liabilities				
Foreign exchange unrealised (gains)/losses on foreign assets	**1,353**	**1,202**	**1,353**	**1,202**

This is a requirement under NZIFRS. There is no physical loss or any cash movement to or from CBL's bank accounts.

This revaluation is the conversion of foreign-held assets and liabilities, such as cash, at the spot rate at year end compared with the spot rate at the prior year end.

6. TAXATION

	Group		Parent	
	2011 $000	2010 $000	**2011** $000	2010 $000
Reconciliation of effective tax rate				
Profit before tax	**7,945**	**3,355**	**6,650**	**3,355**
Income tax using the company tax rate	2,250	1,007	1,862	1,007
Tax effect of subvention payments	(379)	(782)	(379)	(782)
Over/(under) provision last year	(4)	-	33	-
Non-deductible expenses	325	22	68	22
Income tax expense	**2,192**	**247**	**1,584**	**247**
Current tax				
Opening balance	85	(31)	85	(31)
Over/(under) provision last year	(57)	(4)	(36)	(4)
Current period expense	2,192	247	1,584	247
Net use-of-money interest	(2)	(3)	(2)	(3)
Provisional tax paid	(547)	(122)	(547)	(122)
Overseas tax credits	-	(2)	-	(2)
Closing balance	**1,671**	**85**	**1,084**	**85**
Imputation credit account				
Opening balance			554	751
Credits for tax paid and tax deducted from income received			588	133
Less debits for imputation credits on dividends paid			(503)	(322)
Less debits for tax refunded			-	(8)
Closing balance			**639**	**554**

The tax rate for the Company was 28% in 2011 (2010: 30%).

CBL Insurance Limited and its subsidiary company

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

7. PROPERTY, PLANT AND EQUIPMENT

GROUP 2011	Office equipment & furniture	Computer equipment	Total
Cost			
At 1 January 2011	528	282	810
Additions	630	46	676
Additions from acquisition	473	283	756
Disposals	-	(1)	(1)
At 31 December 2011	**1,631**	**610**	**2,241**
Accumulated depreciation			
At 1 January 2011	174	195	369
Depreciation charge	115	98	213
Depreciation from acquisition	124	153	277
Disposals	-	(1)	(1)
At 31 December 2011	**413**	**445**	**858**
At cost	1,631	610	2,241
Accumulated depreciation	413	445	858
At 31 December 2011	**1,218**	**165**	**1,383**

GROUP 2010	Office equipment & furniture	Computer equipment	Total
Cost			
At 1 January 2010	524	236	760
Additions	4	50	54
Disposals	-	(4)	(4)
At 31 December 2010	**528**	**282**	**810**
Accumulated depreciation			
At 1 January 2011	123	131	254
Depreciation charge	51	67	118
Disposals	-	(3)	(3)
At 31 December 2010	**174**	**195**	**369**
At cost	528	282	810
Accumulated depreciation	174	195	369
At 31 December 2010	**354**	**87**	**441**

PARENT 2011	Office equipment & furniture	Computer equipment	Total
Cost			
At 1 January 2011	528	282	810
Additions	630	46	676
Disposals	-	(1)	(1)
At 31 December 2011	**1,158**	**327**	**1,485**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

7. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

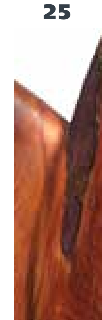
	Office equipment & furniture	Computer equipment	Total
Accumulated depreciation			
At 1 January 2011	174	195	369
Depreciation charge	50	63	113
Disposals	-	(1)	(1)
At 31 December 2011	**224**	**257**	**481**
At cost	1,158	327	1,485
Accumulated depreciation	224	257	481
At 31 December 2011	**934**	**70**	**1,004**

PARENT 2010	Office equipment & furniture	Computer equipment	Total
Cost			
At 1 January 2010	524	236	760
Additions	4	50	54
Disposals	-	(4)	(4)
At 31 December 2010	**528**	**282**	**810**
Accumulated depreciation			
At 1 January 2011	123	131	254
Depreciation charge	51	67	118
Disposals	-	(3)	(3)
At 31 December 2010	**174**	**195**	**369**
At cost	528	282	810
Accumulated depreciation	174	195	369
At 31 December 2010	**354**	**87**	**441**

Included in office equipment and furniture are artworks with a value of $490k (2010: $0). These are not depreciated in the company accounts.

8. DEFERRED ACQUISITION COSTS

	Group		Parent	
	2011 $000	2010 $000	**2011** $000	2010 $000
Opening balance	3,757	2,796	3,757	2,796
Costs charged to profit and loss	13,366	1,922	13,366	1,922
Amortisation charged to profit	(6,811)	(1,208)	(6,811)	(1,208)
Other movements	128	247	128	247
Closing balance	**10,440**	**3,757**	**10,440**	**3,757**
Analysed as:				
Current	7,109	2,999	7,109	2,999
Non-current	3,331	758	3,331	758
	10,440	**3,757**	**10,440**	**3,757**



CBL Insurance Limited and its subsidiary company

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

9. OTHER INVESTMENTS

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	$000	$000
Investments in associates				
Shares in European Speciality Risk Limited (46%/23%)	265	-	80	-
	265	**-**	**80**	**-**
Non-current investments				
Kiwi Bonds	12	12	12	12
	12	**12**	**12**	**12**

10. CASH AND CASH EQUIVALENTS

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	$000	$000
Bank balances	32,523	16,203	24,196	16,203
	32,523	**16,203**	**24,196**	**16,203**

The company has arranged a legal right of set-off between its bank trading accounts, call deposit accounts and bank overdraft. Accordingly these balances have been netted in the Statement of Financial Position.

Bank balances include funds held by insurers on CBL's behalf, for the purpose of settling potential future claims if required. 2011: $20.6m (2010: $14.6m).

Bank balances include security deposits held by CBL on behalf of agents. 2011: $1.5m (2010: $1.0m).

11. TRADE AND OTHER RECEIVABLES

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	$000	$000
Other trade receivables	1,146	1	765	1
Insurance premium receivables – direct	172	397	172	397
Insurance premium receivables – indirect	16,963	3,969	16,963	3,969
Reinsurance claims receivables	861	977	861	977
Current portion long-term receivables (Note 12)	700	500	700	500
Prepayments and other receivables	569	671	411	671
Related party receivables (Note 25)	1,637	5,417	1,637	5,417
	22,048	**11,932**	**21,509**	**11,932**

Trade receivables are shown net of impairment losses amounting to $0 (2010: $0) recognised in the current year and arising from doubtful debts. Carrying value is equal to the fair value.

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	$000	$000
Movement in reinsurance receivables				
Opening balance	977	846	977	846
Incurred reinsurance recoveries recognised in Statement of Comprehensive Income	6,889	9,073	6,889	9,073
Reinsurance recoveries received	(7,005)	(8,942)	(7,005)	(8,942)
Closing balance	**861**	**977**	**861**	**977**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

12. LONG-TERM RECEIVABLES

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	$000	$000
Non-current debtors	-	448	-	448
Intercompany term loan (Note 25)	-	-	19,619	-
Fixed interest securities – term[1]	8,450	9,150	8,450	9,150
	8,450	**9,598**	**28,069**	**9,598**

[1] Repayable $700,000 2012, then $1m per annum after; current portion is shown in Note 11. The balance attracts interest at 3%.

This asset is subject to an annual independent impairment test, with any deviation in value taken to the Statement of Comprehensive Income. CBL and Risk Management SEA Pte Limited (RMSEA) entered into a new agreement in 2011 whereby RMSEA will receive a discount for payments over and above the required repayment terms. The discount offered is 20% in years 1-3, 10% in years 3-6 and nothing after this time.

13. EQUITY

Share capital

All issued shares are fully paid and have no par value. CBL has 29,000,000 ordinary fully paid (2010: 25,000,000) shares on issue. Each of the ordinary shares confers on the holder the right to vote at any meeting of the company (Note 30).

Retained earnings

The Directors have reviewed the level of retained parent equity of $28.1m and consider it 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 and especially as the company continues to grow.

Translation reserve

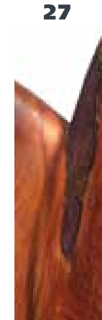
The translation reserve represents the net difference that arises when foreign monetary assets and liabilities are translated at the closing rate.

Minority interests

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.

14. INSURANCE LIABILITIES

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	$000	$000
Unearned insurance premiums				
Opening balance	13,372	9,734	13,372	9,734
Gross unearned premium liability	24,015	4,521	24,015	4,521
Reinsurance recoveries receivable arising from unearned premium liability	(4,873)	(883)	(4,873)	(883)
Closing balance	**32,514**	**13,372**	**32,514**	**13,372**
Analysed as:				
Current	21,899	9,296	21,899	9,296
Non-current	10,615	4,076	10,615	4,076
	32,514	**13,372**	**32,514**	**13,372**



CBL Insurance Limited and its subsidiary company

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

14. INSURANCE LIABILITIES – CONTINUED

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	$000	$000
Outstanding insurance claims				
Opening balance	3,260	4,388	3,260	4,388
Gross direct claims liability	(242)	606	(242)	606
Gross reinsurance claims liability	4,517	1,031	4,517	1,031
Reinsurance recoveries receivable	156	(2,765)	156	(2,765)
Closing balance	7,691	3,260	7,691	3,260
Total insurance liabilities	**40,205**	**16,632**	**40,205**	**16,632**

The company has no risks where claims would ordinarily take longer than 6 months to be reported. The risks written by the company are mostly triggered by an act of insolvency or financial default by the insured party, which results in a claim being reported soon after the loss.

15. EMPLOYEE BENEFITS

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	$000	$000
Liability for sick leave	29	20	29	20
Liability for annual leave	171	78	106	78
	200	98	135	98
Current portion	**200**	**98**	**135**	**98**

16. TRADE AND OTHER PAYABLES

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	$000	$000
Other payables	109	124	109	124
Insurance payables	5,675	323	92	323
Reinsurance payables	598	945	598	945
Non-trade payables and accrued expenses	3,175	2,143	2,161	2,143
Related party payables (Note 25)	2,227	3,794	2,227	3,794
	11,784	**7,329**	**5,187**	**7,329**
Long-term payables				
Long-term trade payables	1,853	1,046	1,853	1,046
	1,853	**1,046**	**1,853**	**1,046**

The carrying value is equal to the fair value.

17. OPERATING LEASE COMMITMENTS

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	$000	$000
Non-cancellable operating lease rentals are payable as follows:				
Less than 1 year	340	200	206	200
Payable later than 1 year, not later than 5 years	955	587	552	587
Payable later than 5 years	213	103	-	103
	1,508	**890**	**758**	**890**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

17. OPERATING LEASE COMMITMENTS – CONTINUED

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	$000	$000
Represented by				
Office leases	1,466	831	716	831
Office equipment leases	42	59	42	59
	1,508	**890**	**758**	**890**

During the year ended 31 December 2011, $245k was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases for the parent (2010: $238k). $403k was recognised for the Group (2010: $0) (Note 3).

18. BUSINESS ACQUIRED

During the year the Group incorporated a new subsidiary – Intercede 2408 Limited, with capital of £1. CBL owns 100% of Intercede 2408 Limited. On 1 June 2011 Intercede 2408 Limited acquired 100% of EISL an underwriting agent based in the United Kingdom. The acquisition had the following effect on the assets and liabilities of the Group as at that date.

	$000
Fair value of consideration	
Cash and shares (Note 30)	28,419
Deferred settlement	7,571
Total consideration	**35,990**
Fair value of net assets of business acquired	
Cash	4,797
Plant and equipment	433
Debtors	555
Liabilities	(4,649)
Intangible assets arising on acquisition	3,173
Total fair value of net assets of business acquired	**4,309**
Goodwill on acquisition	**31,681**
Deferred settlement valuation	
Deferred settlement at acquisition date	7,571
Change in fair value of contingent consideration	221
Foreign exchange translation	(7)
Contingent consideration on acquisition	**7,785**

The residual goodwill of $31.7m represents future synergies expected to arise in the combined operations, the value of new business from distribution channels and customers going forward, and the value of the workforce and management and other future business not included in the intangibles.

The contingent consideration is payable in 3 equal annual instalments, with the first payment being due 20 days after the signing-off of the annual audited accounts of EISL. EISL's year end is 30 June. The determination for the final amount payable is a calculation based on meeting specific EISL revenue targets for the years ended 2012-2014.

Acquisition costs of $842k are recognised in the income statement through the non-recurring cost line (Note 3). These costs were specifically legal and consulting fees related to the acquisition. The balance as at 31 December 2011 after amortisation was $808k and is recorded under current assets.

CBL capitalised $915k of costs that were identified as financing costs related to the acquisition. These costs are being amortised over the same terms as the bank loans (Note 21).

From the date of acquisition, EISL has contributed $27m of revenue and $1.3m of net profit before tax to the Group.

CBL Insurance Limited and its subsidiary company

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

19. INTANGIBLE ASSETS

	Group 2011 $000	Group 2010 $000	Parent 2011 $000	Parent 2010 $000
Deferred profit commission				
Valuation at acquisition	3,173	-	-	-
Less:				
Amortisation	-	-	-	-
Accumulated impairment charges	-	-	-	-
Balance of deferred profit commission at 31 December 2011	**3,173**	**-**	**-**	**-**

This 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.

20. INVESTMENTS IN SUBSIDIARIES

The table below lists CBL's subsidiary companies and their balance dates. Where there are different reporting dates from that of the parent company it is because at acquisition these were the existing reporting dates.

Name of company	Holdings 2011	Holdings 2010	Principal activity
Incorporated in New Zealand			
TWL Trading Limited Reporting date: 31 December	100%	100%	Ceased shell company
Incorporated in the United Kingdom			
Intercede 2408 Limited Reporting date: 30 June	100%	0%	Holding company
European Insurance Services Limited Reporting date: 30 June	100%	0%	Underwriting agency
EISL Iberia Limited Reporting date: 30 June	80%	0%	Underwriting agency
ACJN Limited Reporting date: 30 June	100%	0%	Underwriting agency
Incorporated in Australia			
Contractors Bonding Pty Limited Reporting date: 31 December	100%	100%	Non-trading
Investments in associated entities carried at cost			
European Specialty Risk Limited Reporting date: 30 June	23%	0%	Broker

EISL has a further 23% investment in European Speciality Risk Limited, making the Group holding 46%.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

21. BANK LOAN AND SECURITY

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	$000	$000
Bank loan	18,595	-	9,568	-
Represented by:				
Current	4,553	-	2,547	-
Non-current	14,042	-	7,021	-
	18,595	**-**	**9,568**	**-**

The bank loans are for a period of 5 years commencing 1 June 2011. The loan is referenced to EURIBOR, which resulted in an average interest rate of 5.48%. Rates can be fixed for up to 12 months, as determined by the appropriate credit committees.

The following restrictions on the Group's assets apply in respect of the loans CBL received for the acquisition of EISL.

Security

- First ranking and only composite general security deed.
- Share mortgage granted by the parent in respect of issued shares in Intercede 2408 Limted.
- Debenture granted by Intercede 2408 Limted.
- Composite debenture granted by, inter alia, the United Kingdom target company EISL.

Share charge

- Fixed charge.
- General security provisions.

Guarantees

- Guarantees from the Group companies.

22. CONCENTRATIONS OF INSURANCE RISK

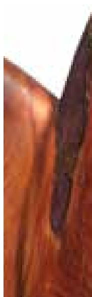
The exposure to concentrations of insurance risk is mitigated by a portfolio diversified into many classes of business across different regions and by the utilisation of reinsurance.

Concentration risk is particularly relevant in the case of catastrophes, which generally result in a concentration of affected bond holders over and above the norm and 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 or a global market meltdown. The company is also exposed to certain human-made catastrophic events, such as faulty workmanship and contract failures. 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.

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

Even though a large portion of CBL's business is done in UK/Europe, the spread of countries and products in this area mitigates the concentration risk that may occur.

	Group				Parent			
	2011		2010		**2011**		2010	
	$000		$000		$000		$000	
Regional concentration split								
Australasia	4,377	4%	4,761	11%	4,377	6%	4,761	11%
Latin America	8,082	8%	4,285	10%	8,082	10%	4,285	10%
MEMSA	2,770	3%	3,761	10%	2,770	3%	3,761	10%
Southeast Asia	2,987	2%	3,638	9%	2,987	4%	3,638	9%
UK/Europe	86,397	83%	24,974	60%	59,345	77%	24,974	60%
	104,613		**41,419**		**77,561**		**41,419**	



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

23. FINANCIAL RISK MANAGEMENT – INSURANCE CONTRACTS

The company has an objective to control insurance risk, thus reducing the volatility of operating profits.

In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, profits from insurance businesses are affected by market factors, particularly competition and movements in asset values. Short-term variability is, to some extent, a feature of the insurance business. The company is not required under New Zealand legislation to have a credit rating for the business in which it engages.

The company has implemented a risk management strategy that identifies the policies, procedures, processes and controls required to mitigate all material risks, both financial and non-financial, likely to be faced by the company. These include:

Internal

- Credit Committee for approval of cover;
- Staff policies including delegated authorities;
- Business plans and budgets;
- Staff reviews;
- Monthly financial reporting to the Board;
- Reinsurance policies.

External

- Audit by an independent third-party Chartered Accounting firm.

Terms and conditions of insurance business

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the company. There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements.

Exchange risk

The company carries on business as a provider of niche insurance products and credit default assurance surety guarantees. The other entities in the Group provide underwriting agency services.

The company conducts business in New Zealand only, but through overseas brokers its products are sold overseas, and the company is exposed to risk in foreign countries. CBL also takes inwards reinsurance premium from foreign countries, further exposing it to risk. The other entities in the Group conduct business in UK/Europe.

Because the business is derived from risks in different countries, CBL maintains currency balances in the denominations of the risks. This provides the company with a natural hedge.

Sensitivity analysis

A significant amount of the business the company writes is annually renewed, with payment being made in advance of the acceptance of risk. The business is specialised, lacks competition and is generally not rate sensitive. The company currently sees no material risk to future cash flows and believes historical profitability and growth will continue.

24. CONTINGENCIES

At 31 December 2011 CBL had a contingent liability that related to the underwrite of Warranty Direct Limited (WDL) (Note 3) future claims. An estimate of the financial effect has not been disclosed as it is immaterial and not practicable to do so, but the Directors believe this would be around $300k for 2012. CBL has agreed to cover these as WDL completes its runoff.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

25. RELATED PARTIES

Identities of related parties

The immediate parent of the Group is CBL Insurance Limited.

The following transactions were carried out with related parties. Transactions with related parties are priced on an arm's-length basis.

The company has related party account balances with the following:

Related party balances and transactions for the parent

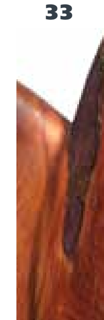
Related party	Relationship	Terms	2011 $	2010 $
Receivables				
Adam Massingham[1]	Director/Indirect Shareholder	Fixed interest 5.0%	148,201	184,644
Carden Mulholland[1]	Indirect Shareholder	Fixed interest 5.0%	1,639	142,950
Carden Mulholland	Indirect Shareholder	Debtor balance	-	322
Dean Finlay[1]	Indirect Shareholder	Fixed interest 5.0%	90,156	144,040
Federal Pacific Group Limited	Common Director/Shareholder	Debtor balance	10,892	12,540
G&T Brokers Limited	Common Director	Repayable on demand	581,513	35,1202
G&T Brokers Limited	Common Director	Debtor balance	779,943	-
Jennifer Macfarlane[1]	Indirect Shareholder	Fixed interest 5.0%	25,133	27,008
Peter Harris[1]	Director/Indirect Shareholder	Debtor balance	-	617
Risk Management SEA Pte Limited[2]	Common Director	Claim recovery balance	-	4,553,332
These receivables are included in trade and other receivables (Note 11)			**1,637,477**	**5,416,655**

[1] These related party balances are unsecured and current except where indicated otherwise

Related party	Relationship	Terms	2011 $	2010 $
Long-term receivables				
Intercede 2408 Limited	Common Director/Shareholder	Loan balance interest 5.48%	19,618,750	-
			19,618,750	**-**

These long-term receivables are included in long-term receivables (Note 12).

Related party	Relationship	Terms	2011 $	2010 $
Payables				
Altares Limited	Common Director	Accounts payable	287,500	310,500
G&T Brokers Limited	Common Director	Accounts payable	119,654	847
Risk Management SEA Pte Limited[2]	Common Director	Accounts payable	-	2,152,276
			407,154	**2,463,623**



CBL Insurance Limited and its subsidiary company

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

25. RELATED PARTIES – CONTINUED

Related party	Relationship	Terms	2011 $	2010 $
Payables				
Alistair Hutchison	Director/Indirect Shareholder	Accruals	95,500	532,000
Alan Clarke	Shareholder	Accruals	10,400	-
Dominion 114 Limited	Common Director	Accruals	1,551,883	256,523
Alain Couard	Shareholder	Accruals	8,800	-
Harvey Wetherill	Shareholder	Accruals	10,400	-
Peter Harris	Director/Indirect Shareholder	Accruals	132,500	541,800
Michel Cornet	Shareholder	Accruals	10,400	-
			1,819,883	**1,330,323**
Total payables and accruals as shown in Note 16			**2,227,037**	**3,793,946**

Related party transactions

Related party	Relationship	Terms	Income to CBL 2011 $	Expenses to CBL 2011 $	Income to CBL 2010 $	Expenses to CBL 2010 $
Payables						
Alan Clarke	Shareholder	Dividends	-	24,440	-	-
Alain Couard	Shareholder	Dividends	-	20,689	-	-
Michel Cornet	Shareholder	Dividends	-	24,440	-	-
Harvey Wetherill	Shareholder	Dividends	-	24,440	-	-
Intercede 2408 Limited	Common Director	Loan interest	-	608,970	-	-
		Acquisition cost recharge	685,138	-	-	-
Adam Massingham	Director/Indirect Shareholder	Interest	8,603	-	9,372	-
		Dividends	-	33,750	-	25,200
Alistair Hutchison	Director/Indirect Shareholder	Dividends	-	369,500	-	313,250
Altares Limited	Common Director	Fees	-	1,000,000	-	900,000
Brutus Management Limited	Common Director	Fees	-	348,752	-	322,388
Carden Mulholland	Indirect Shareholder	Interest	832	-	8,824	-
		Dividends	-	33,750	-	25,200
		Expenses	-	-	-	13,250
Dean Finlay	Indirect Shareholder	Interest	4,781	-	-	-
		Dividends	-	11,375	-	3,500
Dominion 114 Limited	Common Director	Guarantee and fees	-	649,764	-	548,638
		Advance	-	60,000	-	-
		Subvention payment	-	1,355,360	-	2,604,523
Federal Pacific Group Limited	Common Director/Shareholder	Claim recoveries	-	-	-	1,177
		Reinsurance premiums	-	8,935	-	-
		Premiums	29,790	-	-	11,363
		Committee fees	-	100,000	-	89,185
G&T Brokers Limited	Common Director	Premium	771,489	-	-	-
		Advance brokerage	-	124,972	-	100,478
		Advances	-	230,311	-	351,202
Jennifer Macfarlane	Indirect Shareholder	Interest	1,274	-	-	-
		Dividends	-	1,875	-	350
Peter Harris	Director/Indirect Shareholder	Dividends	-	487,250	-	332,850
Risk Management SEA Pte Limited[2]	Common Director	Claims	-	-	4,028,681	-
Risk Management SEA Pte Limited[2]	Reinsurance premium	-	-	-	3,398,897	
	Commissions and fees	-	-	548,252	-	
			1,501,907	**5,518,564**	**4,595,129**	**9,041,451**

[2] Risk Management SEA Pte Limited ceased to be a related party, effective 20 November 2010.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

25. RELATED PARTIES – CONTINUED

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	$000	$000
Remuneration				
Total remuneration to senior management				
Senior management	3,171	1,663	2,453	1,663
	3,171	**1,663**	**2,453**	**1,663**

Related party balances and transactions for the Group

The related party balances and transactions for the Group remain the same as the parent balances and transactions as above, with the following exceptions.

All balances and transactions with Intercede 2408 Limited were removed, as these eliminate on consolidation.

Add the following balances and transactions.

These receivables are included in trade and other receivables (Note 11)

Related party	Relationship	Terms	2011	2010
			$	$
Payables				
Madopu Consultores	Common Shareholder	Accounts payable	3,773	-

Transactions during the year to Madopu Consultores

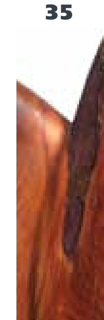
Related party	Relationship	Terms	Income to Group 2011	Expenses to Group 2011	Income to Group 2010	Expenses to Group 2010
			$	$	$	$
Payables						
Madopu Consultores	Common Shareholder	Fees & expenses	-	161,877	-	-

26. SUBSEQUENT EVENTS

There are no subsequent events (2010: $0).

27. CAPITAL COMMITMENTS

There were no capital commitments (2010: $0).



CBL Insurance Limited and its subsidiary company

NOTES TO THE FINANCIAL STATEMENTS
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28. FINANCIAL INSTRUMENT CLASSIFICATION

GROUP 2011	At fair value through Statement of Comprehensive Income $000	Loans & receivables $000	Available for sale $000	Held to maturity $000	2011 total carrying amount $000
Assets					
Cash and cash equivalents	-	32,523	-	-	32,523
Trade and other receivables	-	19,842	-	-	19,842
Due from related parties	-	1,637	-	-	1,637
Total current assets	-	54,002	-	-	54,002
Other investments (Kiwi Bonds)	-	-	-	12	12
Investments	-	-	265	-	265
Trade and other receivables	-	8,450	-	-	8,450
Total non-current assets	-	8,450	265	12	8,727
Total assets	**-**	**62,452**	**265**	**12**	**62,729**

	At fair value through Statement of Comprehensive Income $000	At amortised cost $000	2011 total carrying amount $000
Liabilities			
Claim provisions	-	7,691	7,691
Trade and other payables	-	6,382	6,382
Interest-bearing loans and borrowings	-	4,553	4,553
Due to related parties	-	2,227	2,227
Total current liabilities	-	20,853	20,853
Trade and other payables	-	1,853	1,853
Interest-bearing loans and borrowings	-	14,042	14,042
Contingent consideration on acquisition	-	7,785	7,785
Total non-current liabilities	-	23,680	23,680
Total liabilities	**-**	**44,533**	**44,533**

GROUP 2010	At fair value through Statement of Comprehensive Income $000	Loans & receivables $000	Available for sale $000	Held to maturity $000	2010 total carrying amount $000
Assets					
Cash and cash equivalents	-	16,203	-	-	16,203
Trade and other receivables	-	5,845	-	-	5,845
Due from related parties	-	5,417	-	-	5,417
Total current assets	-	27,465	-	-	27,465
Other investments (Kiwi Bonds)	-	-	-	12	12
Trade and other receivables	-	448	-	-	448
Due from related parties	-	9,150	-	-	9,150
Total non-current assets	-	9,598	-	12	9,610
Total assets	**-**	**37,063**	**-**	**12**	**37,075**

NOTES TO THE FINANCIAL STATEMENTS

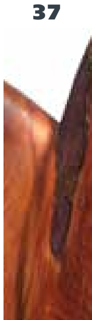
for the year ended 31 December 2011

28. FINANCIAL INSTRUMENT CLASSIFICATION – CONTINUED

GROUP 2010 – Continued	At fair value through Statement of Comprehensive Income $000	At amortised cost $000	2010 total carrying amount $000
Liabilities			
Claim provisions	-	3,260	3,260
Trade and other payables	-	1,392	1,392
Due to related parties	-	3,794	3,794
Total current liabilities	-	8,446	8,446
Trade and other payables	-	1,046	1,046
Total non-current liabilities	-	1,046	1,046
Total liabilities	**-**	**9,492**	**9,492**

PARENT 2011	At fair value through Statement of Comprehensive Income $000	Loans & receivables $000	Available for sale $000	Held to maturity $000	2011 total carrying amount $000
Assets					
Cash and cash equivalents	-	24,196	-	-	24,196
Trade and other receivables	-	19,461	-	-	19,461
Due from related parties	-	1,637	-	-	1,637
Total current assets	-	45,294	-	-	45,294
Other investments (Kiwi Bonds)	-	-	-	12	12
Intercompany loan receivables	-	19,619	-	-	19,619
Investments	-	-	80	-	80
Trade and other receivables	-	8,450	-	-	8,450
Total non-current assets	-	28,069	80	12	28,161
Total assets	**-**	**73,363**	**80**	**12**	**73,455**

	At fair value through Statement of Comprehensive Income $000	At amortised cost $000	2011 total carrying amount $000
Liabilities			
Claim provisions	-	7,691	7,691
Trade and other payables	-	799	799
Interest-bearing loans and payables	-	2,547	2,547
Due to related parties	-	2,227	2,227
Total current liabilities	-	13,264	13,264
Interest-bearing loans and payables	-	7,021	7,021
Trade and other payables	-	1,853	1,853
Total non-current liabilities	-	8,874	8,874
Total liabilities	**-**	**22,138**	**22,138**



NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

28. FINANCIAL INSTRUMENT CLASSIFICATION – CONTINUED

PARENT 2010	At fair value through Statement of Comprehensive Income $000	Loans & receivables $000	Available for sale $000	Held to maturity $000	2010 total carrying amount $000
Assets					
Cash and cash equivalents	-	16,203	-	-	16,203
Trade and other receivables	-	5,845	-	-	5,845
Due from related parties	-	5,417	-	-	5,417
Total current assets	-	27,465	-	-	27,465
Other investments (Kiwi Bonds)	-	-	-	12	12
Trade and other receivables	-	448	-	-	448
Due from related parties	-	9,150	-	-	9,150
Total non-current assets	-	9,598	-	12	9,610
Total assets	**-**	**37,063**	**-**	**12**	**37,075**

	At fair value through Statement of Comprehensive Income $000	At amortised cost $000	2010 total carrying amount $000
Liabilities			
Claim provisions	-	3,260	3,260
Trade and other payables	-	1,392	1,392
Due to related parties	-	3,794	3,794
Total current liabilities	-	8,446	8,446
Trade and other payables	-	1,046	1,046
Total non-current liabilities	-	1,046	1,046
Total liabilities	**-**	**9,492**	**9,492**

29. RATING

CBL has an investment-grade rating of B+ (Good) from AM Best and a Standard & Poor's financial rating of BB+ (stable).

30. SHARES ON ISSUE AND DIVIDENDS

CBL issued 4,000,000 ordinary shares in 2011 for a total consideration of $8.7m (refer Note 18). This related to a purchase of new capital by the 4 principals of EISL and took place as part of the acquisition transaction.

	2011	2010
Ordinary shares on issue	29,000,000	25,000,000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

30. SHARES ON ISSUE AND DIVIDENDS – CONTINUED

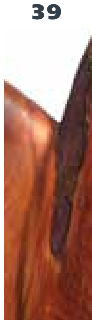
Dividends	**Cents per share**	**Total dividend paid**	**Payment date**	**Tax rate for imputations**	**Percentage imputed**
Q1 dividend	0.0073	182,500	10.6.2011	30%	100%
Q2 dividend	0.0073	182,500	19.7.2011	30%	100%
Q2 special dividend	0.0037	107,300	19.7.2011	30%	100%
Q3 dividend	0.0105	303,050	15.10.2011	30%	100%
Q4 dividend	0.0105	303,050	24.1.2011	30%	100%
Total		**1,078,400**			

In accordance with the relevant accounting policy a dividend is not accrued for until it is determined to pay. The holders of ordinary shares receive dividends in the % of their holding. The company only has Ordinary shares on issue.

31. BANK COVENANTS

CBL has complied with all the loan covenants in place throughout the reporting period.

These loan covenants are in respect of bank debt funding for the acquisition of EISL and are between the company and the Bank of New Zealand and Clydesdale Bank.



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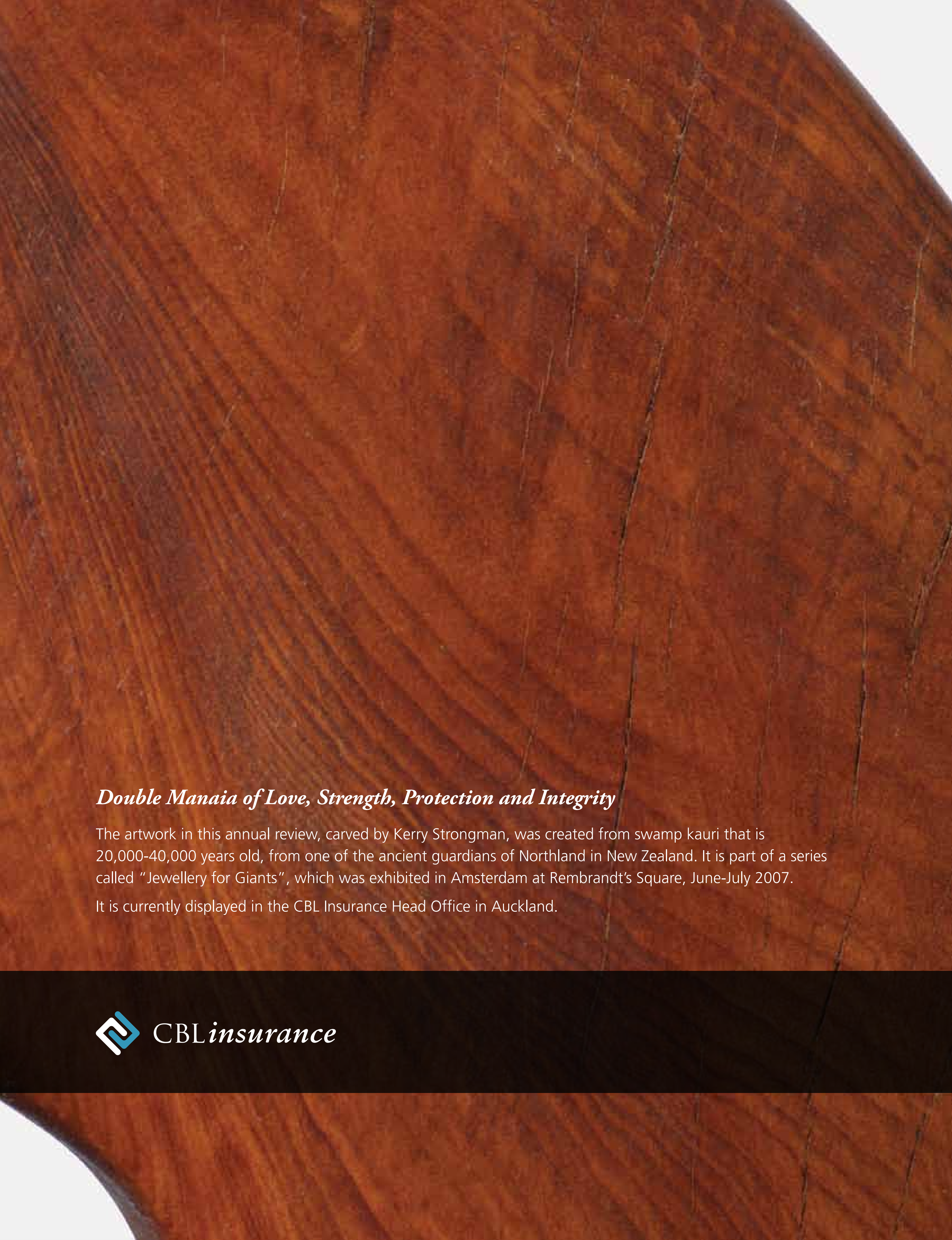

Double Manaia of Love, Strength, Protection and Integrity

The artwork in this annual review, carved by Kerry Strongman, was created from swamp kauri that is 20,000-40,000 years old, from one of the ancient guardians of Northland in New Zealand. It is part of a series called "Jewellery for Giants", which was exhibited in Amsterdam at Rembrandt's Square, June-July 2007.

It is currently displayed in the CBL Insurance Head Office in Auckland.

CBL*insurance*