ANNUAL REPORT 2014

CBL*corporation*

Contents

CBL Corporation Limited (CBL) is the ultimate parent company of CBL Insurance Limited (CBL Insurance), European Insurance Services Limited (EISL), and CBL Insurance Europe (CBLIE), providing specialist insurance and reinsurance focused on credit and financial risk. CBL writes business in eight offices spread across 25 countries and has 96 employees. Our international platform and wide product mix create revenue opportunities and diversify risk.

CBL's decentralised model ensures we have the agility to react to opportunities, with strategic oversight by a strong and experienced Board. A strong focus on corporate governance has always been a key part of our business, meeting high regulatory prudential requirements in all of our main jurisdictions.

Key business strengths

Long track record of performance

- CBL consists of CBL Insurance, New Zealand's oldest and largest credit surety and financial risk insurer, EISL and CBLIE
- CBL was established in 2012
- CBL gross written premium (GWP) has grown from $212.5 million to $241.8 million, an increase of 13.8% year on year
- CBL's operating profit has grown from $25.8 million to $35.7 million, an increase of 38.4% year on year
- CBL has a successful track record of acquisition and value enhancement, with EISL, Deposit Power (DP) and, more recently, CBLIE all profitable from acquisition
- CBL Insurance has an investment grade rating from A.M. Best Ratings Agency of B+ ("Strong") with an outlook of Positive

Strong focus on profitable niche areas

- CBL is a credit and financial risk specialist insurer targeting niche markets with a focus on profitable underwriting that is reflected in low loss and combined loss ratios
- CBL is focused on credit risk products, sureties, guarantees and financial bonds, and other non-traditional speciality insurance products, with virtually no exposure to natural catastrophe risk

CBL*corporation*

Successful global expansion strategy

- Since 2000 CBL has pursued an international strategy of strong organic and acquisition growth while maintaining underwriting performance and increasing profitability
- CBL writes business in 25 countries, and has eight offices spread over four continents

Strong growth outlook

- CBL can grow further through organic means and by judicious acquisition
- CBL delivers consistent profits with reliable future income streams based on longstanding relationships and renewing business

Experienced proven management and governance

- CBL Insurance was founded in 1973, with existing majority owners operating since 1996
- Management has successfully executed on its strategic plan
- CBL focuses on long term and conservative underwriting management
- Long term key executives are invested in CBL with succession plans in place
- CBL has a record of strong governance, meeting high regulatory prudential supervision requirements

Chairman's report

The directors are pleased to present their report for the year ended 31 December 2014.

CBL has had another successful year, resulting in gross written premium (including both insurer premiums and as underwriting broker) of $241.8 million (2013: $212.5 million) up 13.8%, and an operating profit of $35.7 million (2013: $25.8 million), an increase of 38.4% on 2013. These results reflect the Company's disciplined pursuit of a consistent strategy. We continue to focus on profitable growth, achieved by providing niche insurance products to local and international markets, designed to produce strong near term results as well as reinforcing the foundations for future success.

CBL is proudly a New Zealand business and is a significant exporter of financial services. As a key business partner for clients all around the world, we generate over $238.8 million in income from overseas markets annually.

The Board is pleased to report growth across all business operations in 2014.

As we move into 2015, we are continuing to drive the Company forward. We are currently taking advice from our advisors Bancorp and UBS to assess capital options for CBL and its long term future. Access to additional capital at the Parent level will strengthen the Group's existing operations and provide funds, should they be required, at the operating level. Any resulting increased financial rating at CBL Insurance would also open up many new business opportunities, particularly in Australia and Asia.

Strong governance has always been a key part of the business, meeting high regulatory prudential requirements in all of our main jurisdictions.

We have a strong Board, including a majority of independent and non-executive directors who have a broad range of experience and expertise that includes working across international markets.

The Directors are committed to ensuring that best practice governance is achieved at all times. The CBL Board Charter and board sub-committees provide rigour and clear oversight of the business.

We operate subsidiaries on a regional basis, with their own executive teams and boards, including independent directors where required. We believe this approach combines strong governance with local market knowledge, along with clear messaging, high quality reporting and a strategic alignment with the CBL Group.

A strong track record

1973
CBL INSURANCE ESTABLISHED

1996
Current majority OWNERSHIP established

1997
New STRATEGIC DIRECTION adopted focusing on niche markets

2000
INTERNATIONAL expansion commences

2002
ACQUISITION OF right to offer Travel Agents' Bonds and Cargo Agents' Bonds

The Board would like to thank the management team for successfully executing on its strategic plan for another year. We have an experienced, proven team who have been part of the business for many years. CBL's success is testament to their commitment to the business and its key clients, establishing strong long term relationships to secure the Company's future growth.

On behalf of the Board I would also like to thank the wider CBL team, our business partners and highly professional advisers for their loyalty, dedication and contribution to delivering these excellent results, and I look forward to celebrating our continuing accomplishments and successes. Thank you for your commitment and drive, making CBL the success it is.

Sir John Wells, Chairman

2006

ACQUISITION
OF
Danish business Accent

2010

ACHIEVE
investment grade international financial rating from A.M. Best

2011

ACQUISITION
OF
European Insurance Services Group

2012

PARENT
company CBL Corporation Limited (CBL) established

ACQUISITION
OF
Deposit Power in Australia

2013

ACQUISITION
OF
Achmea Insurance Ireland

2014

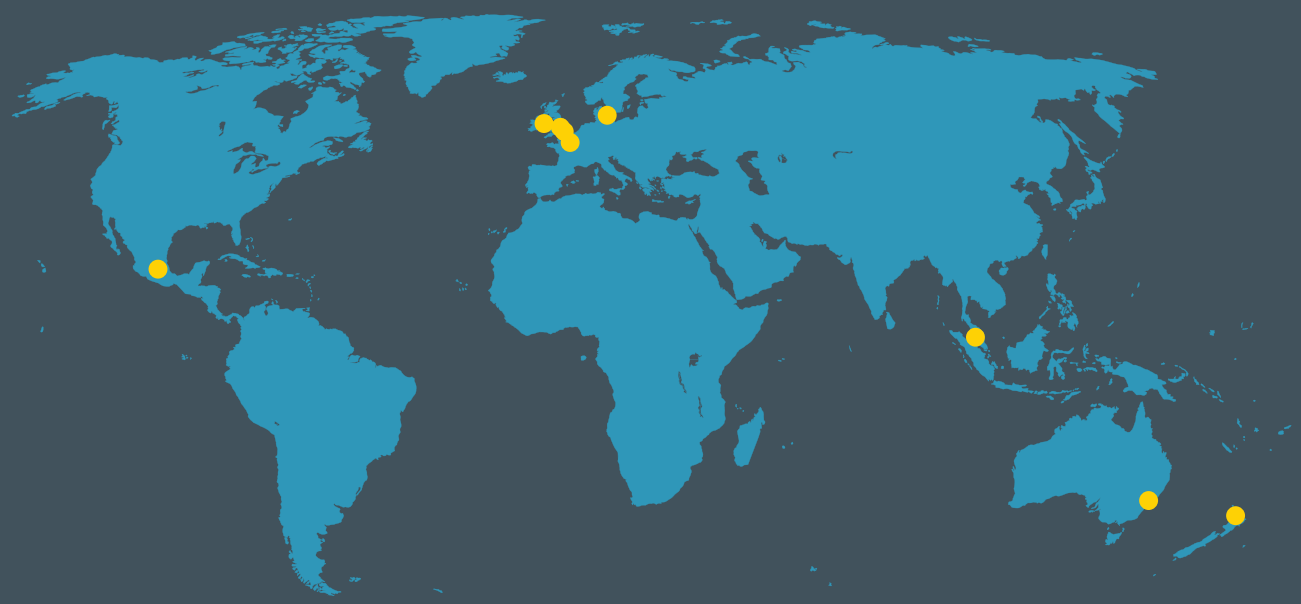
ENTERED
into a conditional agreement to acquire a material shareholding in Afianzadora Fiducia SA Mexico

Company overview

CBL is the ultimate parent company of CBL Insurance, EISL and CBLIE. CBL companies write business in 25 countries, and it employs 96 staff in eight offices spread over four continents, supported by its Auckland headquarters.

CBL's international platform and wide product mix create strong revenue opportunities while also diversifying product and geographical risk.

Where we are



CBL*insurance*

Auckland, New Zealand
London, United Kingdom
Kuala Lumpur, Malaysia
Mexico City, México
Copenhagen, Denmark

CBL*insurance Europe*

Dublin, Ireland

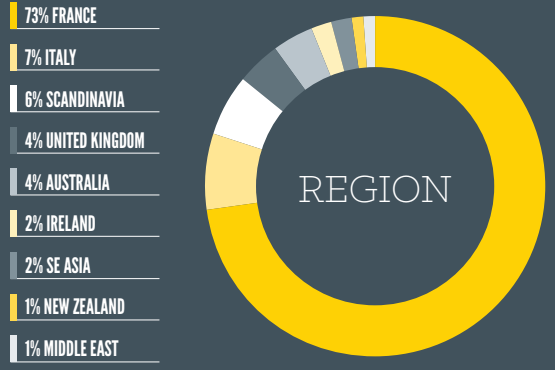
EISL
EUROPEAN INSURANCE SERVICES LTD

Tunbridge Wells, United Kingdom
Paris, France

DEPOSIT POWER
The Power to Purchase

Sydney, Australia

Gross written premium



What we offer

CONTRACTOR BONDS

We provide a wide range of Contractor Bonds including bid bonds, contract performance bonds, maintenance bonds, bonds in lieu of retentions, and building completion guarantees.

BUILDERS' WARRANTIES

We offer Builders' Warranties, which indemnify homeowners against non-completion by builders, and once completed provides protection against the costs of any defect repairs (if these defects are not remedied by the builders) for an agreed policy period. Builders' Warranty risks are derived from New Zealand, Australia, France and Mexico (in Mexico this equates to more than 4.5 million homes under warranty).

BUILDERS' LIABILITY RISKS

We offer several classes of building and construction related risk against defective workmanship in several countries. By adopting sensible and expert underwriting criteria, we have been able to avoid totally systemic risks such as leaky homes in New Zealand.

PROPERTY DEPOSIT BONDS

We provide Property Deposit Bonds, which are accepted by property vendors instead of purchasers paying cash deposits when purchasing property.

RENTAL GUARANTEE BONDS

We issue commercial and industrial landlords with Rental Guarantee Bonds. Should tenants default financially, these bonds pay the ongoing lease rentals on specified properties to the landlords. They cover replacement tenant costs, loss of rental, outgoings, loss of investment value and legal costs.

TRAVEL AND CARGO AGENTS

CBL provides underwriting support, bonding and insurance support to the travel, cargo and airline industries, in the form of individual bonds put up on behalf of travel agents as part of their accreditation, or in the form of industry covers to protect domestic and international airlines from insolvent travel agents not paying the airlines their ticketing or cargo monies.

INCOME PROTECTION

We provide income protection insurance for those prevented from earning an income due to serious illness, disability or unemployment. This cover can apply to a variety of employees and categories, and ranges from white collar employees to small business owners.

REINSURANCE SUPPORT

We have reinsurance in place with internationally recognised and financially rated reinsurers for various classes of underwriting risk. We also take part in some specialist inwards reinsurance programmes, sharing this risk with specialist insurers operating in similar specialist risk areas internationally.

BROKER OPPORTUNITIES

We also have a number of other specialist financial surety, single situation insolvency, and general underwriting risk programmes and products. Often these involve structuring solutions that mitigate risk for CBL, give clients the protection they need and conform with local insurance regulatory requirements.

RECOVERY OF LOSS

Through a careful and conservative underwriting approach, we maximise the possibility of recovery of our claim payments, in many cases through recourse to counter-indemnities, securities and statutory recourse to liability insurers.

Managing Director's report

It has been another successful year for CBL, with growth across all business operations and regions.

The total premium income was $241.8 million, an increase of 13.8% on the previous year. Operating profit also increased by 38.4% to $35.7 million, despite a strengthening of reserves, a strong New Zealand dollar and a weakening Euro.

Our specialist focus and prudent underwriting and risk management are reflected in low loss ratios. These results also reflect the quality of the business offered by our long term, trusted partners.

We have applied a consistent strategy in the past 15 years that has delivered exponential growth. In 2000 we had one employee and premium income of approximately $2 million; today we have a team of 96 based in eight offices across four continents and premium income of $241.8 million, of which 98.8% is now derived from overseas markets.

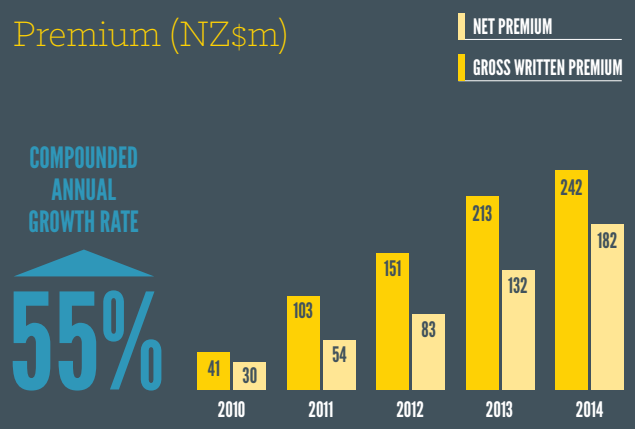
Central to this strategy is a focus on identifying non-traditional insurance lines that are highly profitable. Our focus is on profit over revenue growth. We do not generally write generic "commodity" type property and casualty lines of insurance and avoid the typical insurance model of writing high volumes of broker driven traditional insurance revenue at low margin rates in order to produce cash flow for investment returns.

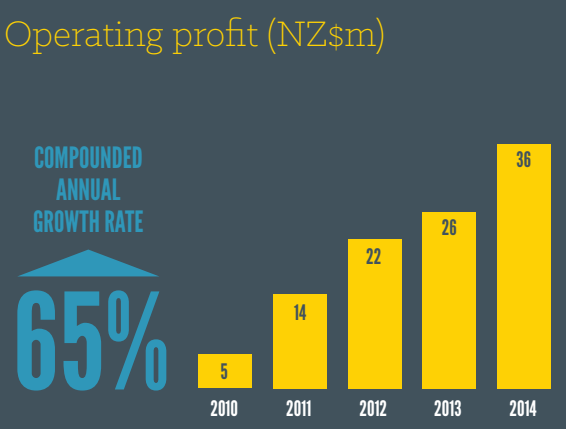
We continue to focus on building and nurturing close relationships with proven worldwide partners, as well as ensuring that our underwriting criteria remain tight. Working with local partners, we not only share the risk but also gain a deep understanding of local markets. We attribute our success to a powerful combination of underwriting experience and our partners' local knowledge.

OPERATING PROFIT TO NET PROFIT BEFORE TAX RECONCILIATION

	CONSOLIDATED	
	2014 $'000	2013 $'000
Operating profit	**35,683**	25,832
Finance costs	**(4,642)**	(1,195)
Other expenses	**(4)**	(64)
Currency translation differences	**(6,192)**	-
Share of profit from associate	**384**	323
Gain/(loss) on property revaluation	**1,150**	-
Profit/(loss) before tax	**26,379**	24,896

Focusing on profitable growth





We take the time to get to know our clients and to understand their markets and how we can help them to grow their businesses. This approach provides reliable future income streams based on strong, long term relationships. We pride ourselves on developing personal relationships with clients and value their loyalty.

CBL INSURANCE

CBL Insuance is New Zealand's largest and oldest credit surety and financial risk provider, supervised and regulated by the Reserve Bank of New Zealand (RBNZ). The business is focused on financial risk products, builders' risks, sureties, guarantees and contractor bonds worldwide - in particular in Europe and Scandinavia. CBL Insurance carries out most of its business as a reinsurer whereby risks are written by local insurer partners, which retain a share of the premium and risk, with the rest ceded to CBL Insurance as reinsurance. The business operates in 25 countries in five regions, and all continue to perform well.

In Mexico we are the market leader in builders' warranties. It is one of the business's most successful programmes, and the lowest-cost operation. The Mexican Government is currently considering making building warranties compulsory, and we are involved with it through our partner Seguros GMX on a pilot project for Government housing. While we appreciate that firm movement in this area may take time, it is an exciting prospect for the business. To further strengthen our position in this highly profitable market, late in 2014 CBL entered into a conditional agreement, subject to regulatory approval only, to acquire a 35.0% shareholding in Afianzadora Fiducia, a specialist surety and bonding insurer in Mexico City, offering bonding and fiduciary services to the Mexican commercial sector.

EUROPEAN INSURANCE SERVICES LIMITED

EISL is a licensed insurance broker based in the United Kingdom and regulated by the UK Financial Conduct Authority (UKFCA). EISL distributes construction-sector insurance products throughout France via a network of 800 high performing brokers, and demand for our products continues to grow.

We continue to introduce new products to the EISL portfolio, whilst avoiding conflict with existing distribution channels.

CBL INSURANCE EUROPE

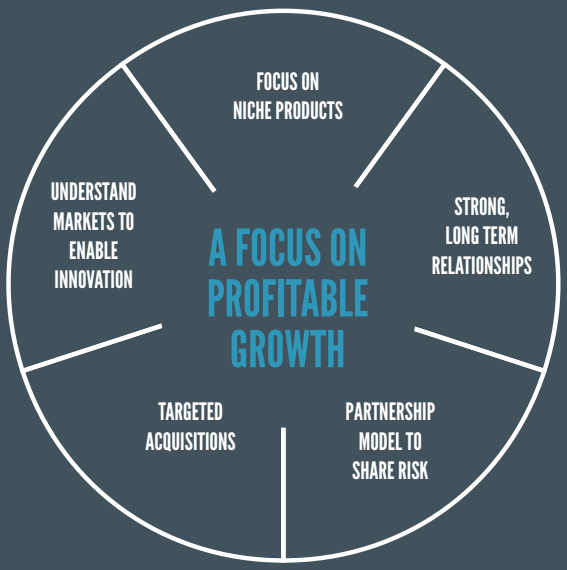
CBLIE is a licensed European insurer with an office in Dublin and is regulated by the Central Bank of Ireland. We acquired the business from Rabobank Group in 2013. CBLIE provides the Group with the ability to write business through the European Union.

Under our ownership and with oversight from the Board, the business is performing well. After its first full year of operations CBLIE is in profit and is demonstrating solid growth and paying dividends for the first time in many years. These results after such a short space of the time reflect the hard work of the team developing new business, from new relationships as well as from companies already working with CBL.

A proven business model

CBL has a proven business model focused on profit over top line revenue.

We focus on identifying specialty non-traditional niche insurance lines that are highly profitable. By leveraging close relationships with partners, we can understand our key markets and develop innovative products that are mutually beneficial, delivering consistent profits with reliable future income streams. We strive to get to know our clients, and by helping them to grow their businesses we can also grow ours. This approach is supported with judicious strategic acquisitions that will contribute long term value to the business.



ACQUISITIONS

CBL operates a decentralised "regional" corporate structure with strategic oversight by an experienced Board of Directors. This flat organisational structure allows us to react quickly to opportunities. We continue to look for high quality acquisitions that will enable controlled, profitable growth, without increasing the risk to the Group. We operate these companies under their own identities, but ensure that the culture and systems are aligned with those of the Group. This ensures that we are able to focus on the objectives of adding value, generating reciprocal business to the Group, and retaining the ability to divest some operations if appropriate or required.

Whilst we have made a low number of judicious acquisitions in the past ten years, all have been strategic with good management and have been consistently profitable from the outset. CBL's compounded annual growth rates (CAGR) are mostly from underlying organic growth – and not from acquisition growth. We have entered into an agreement to acquire a regulated insurance entity in Australia that will provide a significantly increased footprint in Australia. This acquisition is currently subject to regulatory approval, and we will provide further updated information on this as soon as we are able to.

IT INTEGRATION

2014 also saw CBL begin a major Group-wide IT integration project. Quality information is a fundamental strength of the business, and this project will ensure that we continue to have immaculate information and processes. All businesses and areas of the Group will be aligned on the same platform.

Technology developments, in particular around smart phones and tablets, continue to drive change in the retail insurance sector. We are actively monitoring these developments to see if they can help us to run the business more efficiently or to aid our clients.

OUR PEOPLE AND RELATIONSHIPS

Our Company is built on relationships. The success of the business relies on us understanding clients and building mutual trust and respect. We do business with people we know and with whom we share the same values. Our senior team travel considerably, and where possible we enjoy hosting our key clients in New Zealand. This personal interaction is a fundamental strength of the business and makes us stand out in the industry.

We strive to make CBL a great place to work, where the team feel valued and rewarded. We have a very stable workforce with low staff turnover. We recognise long service, and have a CBL training academy to identify and nurture future executive talent. This includes utilising our global network and providing employee transfers to encourage learning and personal growth. This approach has been rewarded this year, with EISL being presented with the Employer of the Year Award at the Kent Excellence in Business Awards in the United Kingdom. In addition, one of our employees, Aurélie Arnaud, Chief Underwriting Officer for EISL, won Young Insurance Industry Executive of the Year in 2014, and David Bone, EISL Financial Controller, won the Chartered Insurance Institute Young Achiever of the Year in 2015.

THE YEAR AHEAD

The international market continues to improve, and we are well placed to take advantage of developments. Our focus is on controlled growth in all key markets. We will continue to take a conservative underwriting approach, and apply stringent risk management processes. An increased financial rating will aid us in developing new business, primarily in the banking sector and across Asia. This, plus the intended acquisition in Australia, will help us in balancing out the current Eurocentric focus of the business, which we see continuing to grow profitably in 2015.

Across all operations we have continually increasing levels of prudential monitoring and regulatory compliance. We see this as a positive for the industry, and strive to ensure that we continue to meet and exceed all requirements.

The insurance entities continue to see strong demand for their products and services. Businesses around the world still require what we can offer – financial assurance and the ability to approach problems and provide solutions that work for them. We have a proven strategy that will continue to drive the business forward.

I would like to thank our loyal, hard working and high performing team of management and staff in helping to bring about an outstanding 2014. Thank you for your commitment and drive, and for making CBL the success it is and a great environment to work in.

Finally I would like to thank our Group and subsidiary Boards of Directors for their guidance and wise counsel, and for the way they challenge us, with their positive and stimulating thinking and manage the business with robust processes.

Peter Harris
Managing Director

Understanding risk

Our insurance entities are credit and financial risk specialist insurers with no net exposure to natural catastrophe. We work hard to understand our clients' businesses. By growing their businesses we also grow our own. We add considerable value to the transactions, and as a result we are rewarded for both the intelligence capital and the risk capital that we apply to our business.

Some of the more creative transactions and facts about the business are outlined below:

- We have provided pre-event financing underwrites for household names such as David Copperfield, Elton John, Gwen Stefani and Robbie Williams
- Commuters and other vehicle drivers crossing the Mexican border can take out our minimum United States Department of Motor Vehicles insurance cover for while they are on United States soil. Once they cross back over the border into Mexico, the coverage and risk cease
- In Mexico we have more than 4.5 million homes under warranty

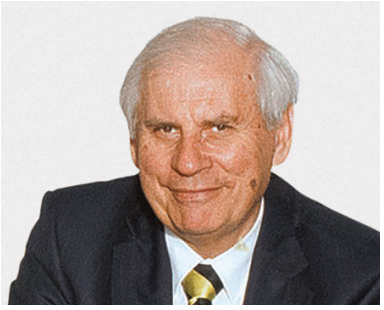
- We helped two Government-owned thermal power plants in Ecuador to be developed. The equipment manufacturer in Korea wanted an insurance guarantee for payment instead of a Government guarantee. We provided the payment guarantees to Hyundai and took bank and Government guarantees in return to secure our position
- El Toro gold mine in Huamachuco, Peru has become a very successful medium sized gold-mine since we secured and underwrote its start-up financing

- In New Zealand we have just over 14,000 homes under the Builtin home warranty scheme offered by Certified Builders – and have never had a leaky home claim
- Deposit Power assists an average of 13,000 property purchases each year in Australia

Board of Directors

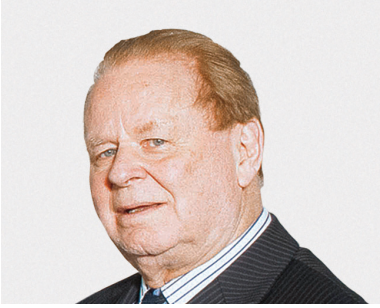
Sir John Wells KNZM
Chairman

Sir John is one of New Zealand's most respected company directors, and was knighted for his services to business and sport. He sits on several boards as a government appointee, and is Chairman of Fisher Funds Management Limited and Auckland Council Property Limited.



Alistair Hutchison
Deputy Chairman

Alistair is a financial services specialist in insurance, international currency services and micro banking. He was previously a Governor of the World Bank, International Monetary Fund and Asian Development Bank, and was Financial Secretary of the Samoan Government. Alistair holds a number of equity participatory positions in Pacific Rim countries.



Peter Harris
Managing Director

Peter is a financial risk and structured credit underwriting insurance specialist, and is responsible for developing CBL's international business. Peter has been Managing Director since 2006. Peter is a foundation member of the Spirit of New Zealand Foundation.

Executive team

Carden Mulholland
Group Chief Financial Officer

Carden is a banking and financial risk specialist with international experience with Macquarie Bank, Bank of New York (London) and Barclays Life (London). Carden was chosen for and successfully completed the world-renowned residential Advanced Management Program at Harvard Business School in 2013.

Adam Massingham
Director UK Europe

Adam is a London-based insurance specialist in banking insurance, trade credit, international political risk and property latent default risk. Previous insurance sector companies for which he has worked have included Tyser and Swire Group.

Todd Campbell
Chief Executive (EISL)

Todd has a US insurance regulatory background, with general and life insurance experience at senior executive levels in the US, Latin America and the UK. Todd heads up CBL's operating subsidiary, EISL, writing Builders Risk insurance in France.

Anthony Hannon

Non-Executive Independent Director

Anthony has more than 20 years' investment banking experience covering mergers, acquisitions, dispositions, capital raising, private equity, venture capital and mezzanine finance, with transactions including cross border and across sector transactions. His other directorships include Chairman of Snow Sports New Zealand, TBD Holdings Group and a director of Radius Residential Care.

Ian Marsh

Non-Executive Independent Director

Ian has extensive business executive experience with companies such as the Gilman Group and Western Union. Ian has also held many directorship roles and chaired a number of boards. He is currently Chairman of the Compensation Committee at PreCash, and is a Non-Executive Director and Chairman of the Compliance Committee at Fexco Holdings.

Dean Finlay

Director International Business

Dean is a financial services specialist with previous senior executive roles in international insurance services with Tower Insurance and ISOS. Dean manages CBL's international sales and servicing operations.

Jenny Macfarlane

Underwriter

Jenny has been with CBL since 2000. In addition to being CBL's Underwriter, she is responsible for operations, compliance, systems and processes. Jenny has completed the Australian Graduate School of Management's Women in Leadership programme.

Directors' report

The directors present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

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

(b) Provision of insurance services as an agent through EISL. EISL is a licensed underwriting agent, regulated by the UKFCA, specialising in arranging builders' warranty, liability insurance and other related products.

(c) Underwriting of general insurance through CBLIE. CBLIE is a Dublin based insurance company, regulated by the Central Bank of Ireland. From 2011 to 2013 CBLIE did not underwrite any insurance contracts and was in run-off. During 2014 CBLIE commenced underwriting property, construction related credit and financial surety insurance.

SIGNIFICANT CHANGES

The total equity increased to $67.5 million from $51.5 million, an increase of $16.0 million. The movement was largely the result of retained profits. Refer note 23 for further information on movements in equity.

DIRECTORS' INTERESTS IN TRANSACTIONS

There were no directors' interests in transactions during the financial year, or directors' interests as at the date of this report and at 31 December 2014.

DONATIONS

Donations made during the year ended 31 December 2014 by CBL Group totalled $28,000 (2013: $28,000).

EVENTS SUBSEQUENT TO THE REPORTING DATE

Detail of matters subsequent to the end of the financial year is set out in note 35.

REMUNERATION OF DIRECTORS

	2014 $'000	2013 $'000
Sir John Wells[1]	**147**	100
Anthony Hannon[1]	**72**	49
Ian Marsh[1]	**202**	180
Peter Harris[2]	**1,594**	1,375
Alistair Hutchison[3]	**190**	19
Todd Campbell[4]	**1,163**	1,131
Michelle Cornet[5]	**42**	346
Alain Couard[4]	**410**	176
Harvey Wetherrill[5]	**-**	31
Tom Barry[6]	**28**	2
Kevin O'Brien[6]	**40**	2
Paul Donaldson[6]	**12**	-
Brendan Malley[7]	**56**	-
Total	**3,956**	3,411

[1] Directors of CBL and CBL Insurance; the remuneration related wholly to directors' fees.

[2] Director of CBL and CBL Insurance; the remuneration related wholly to executive remuneration.

[3] Director of CBL and CBL Insurance; the remuneration related to directors' fees and management fees.

[4] Directors of EISL; the remuneration related wholly to executive remuneration.

[5] Directors of EISL; the remuneration related wholly to directors' fees.

[6] Directors of CBLIE; the remuneration related wholly to directors' fees.

[7] Director of CBLIE, the remuneration related wholly to executive remuneration.

EMPLOYEE REMUNERATION

Set out in the following table are the number of employees or former employees of the Group, not being directors or former directors, who received remuneration and other benefits valued at or exceeding $100,000 in the year ended 31 December 2014.

	GROUP	COMPANY
100,000 to 109,999	5	-
110,000 to 119,999	1	-
120,000 to 129,999	2	-
130,000 to 139,999	1	-
140,000 to 149,999	2	-
150,000 to 159,999	1	-
190,000 to 199,999	1	-
220,000 to 229,999	2	-
270,000 to 279,999	1	-
320,000 to 329,999	1	-
350,000 to 359,999	1	-
550,000 to 559,999	1	-
730,000 to 739,999	1	-

INDEMNITY AND INSURANCE

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

DIVIDENDS

The directors have declared a total dividend payout for the year of $2,923,595 (fully imputed) or 11.24 cents per share. Details of dividends paid or declared to be paid by the Company are set out in note 26.

Directors' declaration

The directors are responsible for the preparation, in accordance with New Zealand law and Generally Accepted Accounting Practice (GAAP) of financial statements that give a true and fair view of the financial position of CBL (the "Parent") and its consolidated subsidiary entities (the "Group") as at 31 December 2014 and the results of their financial operations and cash flows for the year ended 31 December 2014.

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

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

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

The directors are pleased to present the Parent and Group financial statements for the year ended 31 December 2014.

This annual report is dated 27 March 2015 and is signed in accordance with a resolution of the directors made pursuant to section 211(1)(k) of the Companies Act 1993.

The annual report is signed on behalf of the Board by

Sir John Wells KZNZ
Chairman

Peter Harris
Director

Financial statements

For the year ended 31 December 2014

Independent auditor's report

Crowe Horwath™

To the Shareholders of CBL Corporation Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of CBL Corporation Limited and group on pages 20 to 74 which comprise the consolidated and separate statements of financial position as at 31 December 2014, the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate 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.

Our firm provides taxation services to the company and group. We have no other relationship with, or interests in, the company or any of its subsidiaries.

OPINION

In our opinion, the financial statements on pages 20 to 74:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of CBL Corporation Limited and group as at 31 December 2014 and their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of sections 16(1)d and 16(1)e of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required.
- in our opinion proper accounting records have been kept by CBL Corporation Limited as far as appears from our examination of those records.

Crowe Horwath

Crowe Horwath New Zealand Audit Partnership
CHARTERED ACCOUNTANTS
30 March 2015

Crowe Horwath New Zealand Audit Partnership Member Crowe Horwath International, Audit and Assurance Services
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Statement of comprehensive income

For the year ended 31 December 2014

		CONSOLIDATED		PARENT	
	NOTE	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000
Gross written premium	3	**241,769**	212,507	**-**	-
Movement in gross unearned premium	3	**(15,332)**	(27,308)	**-**	-
Gross premium		**226,437**	185,199	**-**	-
Premium ceded	3	**(44,943)**	(53,362)	**-**	-
Net premiums		**181,494**	131,837	**-**	-
Other revenue	3	**7,007**	9,062	**3,576**	-
Total revenue		**188,501**	140,899	**3,576**	-
Claims expense – current year	4	**(72,382)**	(45,174)	**-**	-
Reinsurance and other recoveries – current year	4	**13,674**	7,064	**-**	-
Net change in prior years' claims reserves	4	**(9,347)**	(7,665)	**-**	-
Net claims expense		**(68,055)**	(45,775)	**-**	-
Acquisition costs	5	**(57,825)**	(43,085)	**-**	-
Other operating expenses	5	**(26,938)**	(26,207)	**(423)**	-
Total claims and operating expenses		**(152,818)**	(115,067)	**(423)**	-
Operating profit before income tax		**35,683**	25,832	**3,153**	-
Finance costs	5	**(4,642)**	(1,195)	**(3,910)**	-
Other expenses	5	**(4)**	(64)	**-**	-
Currency translation differences	5	**(6,192)**	-	**(940)**	-
Share of profit from associate	15	**384**	323	**-**	-
Gain/(loss) on property revaluation	14	**1,150**	-	**-**	-
Profit/(loss) before tax		**26,379**	24,896	**(1,697)**	-
Income tax expense	7	**(6,986)**	(6,933)	**-**	-
Profit/(loss) for the year		**19,393**	17,963	**(1,697)**	-
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss					
Net movement in foreign currency translation reserve		**(531)**	121	**-**	-
Other comprehensive income net of tax		**(531)**	121	**-**	-
Total comprehensive income for the year		**18,862**	18,084	**(1,697)**	-

The above statement should be read in conjunction with the accompanying notes to the financial statements.

Statement of financial position

As at 31 December 2014

		CONSOLIDATED		PARENT	
	NOTE	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000
ASSETS					
Cash and cash equivalents	8	**166,294**	97,837	**7,263**	-
Other financial assets	9	**19,323**	12	**-**	-
Insurance receivables	10	**62,821**	66,905	**-**	-
Trade and other receivables	10	**11,694**	10,095	**1,115**	-
Loans	10	**1,310**	1,852	**39,373**	-
Current tax receivable		**2,329**	1,182	**146**	-
Reinsurance and other recoveries on outstanding claims	11	**59,165**	26,708	**-**	-
Deferred reinsurance expense	12	**1,747**	2,002	**-**	-
Deferred acquisition costs	12	**35,718**	34,314	**-**	-
Property, plant and equipment	13	**1,156**	1,110	**-**	-
Investment property	14	**10,500**	-	**-**	-
Investments in subsidiaries	16	**-**	-	**58,319**	52,914
Investments in associates	15	**992**	738	**-**	-
Intangible assets	17	**2,992**	3,747	**-**	-
Goodwill	18	**29,297**	31,745	**-**	-
TOTAL ASSETS		**405,338**	278,247	**106,216**	52,914
LIABILITIES					
Trade and other payables	19	**8,000**	12,468	**40**	-
Insurance payables	19	**12,893**	13,216	**-**	-
Current tax liabilities		**679**	957	**-**	-
Unearned premium liability	20	**89,226**	73,923	**-**	-
Employee benefits provision	21	**345**	383	**-**	-
Contingent consideration	19	**-**	2,726	**-**	-
Deferred tax liabilities	7	**2,338**	2,878	**-**	-
Outstanding claims liability	4	**158,761**	93,087	**-**	-
Borrowings	22	**65,637**	27,088	**57,884**	-
TOTAL LIABILITIES		**337,879**	226,726	**57,924**	-
NET ASSETS		**67,459**	51,521	**48,292**	52,914
EQUITY					
Share capital	23	**18,000**	18,000	**52,914**	52,914
Reserves	23	**(444)**	87	**-**	-
Retained earnings	23	**49,903**	33,434	**(4,622)**	-
TOTAL EQUITY		**67,459**	51,521	**48,292**	52,914

The financial statements were approved for issue by the Board on 27 March 2015

Sir John Wells KNZM, Chairman

Peter Harris, Director

The above statement should be read in conjunction with the accompanying notes to the financial statements.

Statement of changes in equity

For the year ended 31 December 2014

2014		PARENT			
	NOTE	SHARE CAPITAL $'000	RETAINED EARNINGS $'000	RESERVES $'000	TOTAL EQUITY $'000
Balance at 1 January 2014		**52,914**	**-**	**-**	**52,914**
Comprehensive income					
Profit/(loss) for the year		**-**	**(1,697)**	**-**	**(1,697)**
Other comprehensive income					
Total comprehensive income		**-**	**(1,697)**	**-**	**(1,697)**
Transactions with shareholders					
Dividends provided for or paid	26	**-**	**(2,924)**	**-**	**(2,924)**
Total transactions with shareholders		**-**	**(4,622)**	**-**	**(4,622)**
Balance at 31 December 2014		**52,914**	**(4,622)**	**-**	**48,292**

2013		PARENT			
	NOTE	SHARE CAPITAL $'000	RETAINED EARNINGS $'000	RESERVES $'000	TOTAL EQUITY $'000
Balance at 1 January 2013		-	-	-	-
Comprehensive income					
Profit/(loss) for the year		-	-	-	-
Total comprehensive income		-	-	-	-
Transactions with shareholders					
Issue of shares	23	52,914	-	-	52,914
Total transactions with shareholders		52,914	-	-	52,914
Balance at 31 December 2013		52,914	-	-	52,914

The above statement should be read in conjunction with the accompanying notes to the financial statements.

Statement of changes in equity

For the year ended 31 December 2014

2014		CONSOLIDATED			
	NOTE	SHARE CAPITAL $'000	RETAINED EARNINGS $'000	RESERVES $'000	TOTAL EQUITY $'000
Balance at 1 January 2014		**18,000**	**33,434**	**87**	**51,521**
Comprehensive income					
Profit/(loss) for the year		**-**	**19,393**	**-**	**19,393**
Other comprehensive income					
Currency translation differences		**-**	**-**	**(531)**	**(531)**
Total comprehensive income		**-**	**19,393**	**(531)**	**18,862**
Transactions with shareholders					
Dividends provided for or paid	26	**-**	**(2,924)**	**-**	**(2,924)**
Total transactions with shareholders		**-**	**16,469**	**(531)**	**15,938**
Balance at 31 December 2014		**18,000**	**49,903**	**(444)**	**67,459**

2013		CONSOLIDATED			
	NOTE	SHARE CAPITAL $'000	RETAINED EARNINGS $'000	RESERVES $'000	TOTAL EQUITY $'000
Balance at 1 January 2013		26,700	18,438	(34)	45,104
Comprehensive income					
Profit/(loss) for the year		-	17,963	-	17,963
Other comprehensive income					
Currency translation differences		-	-	121	121
Total comprehensive income		-	17,963	121	18,084
Transactions with shareholders					
Redemption of shares	23	(8,700)	(1,040)	-	(9,740)
Dividends provided for or paid	26	-	(1,929)	-	(1,929)
Other		-	2	-	2
Total transactions with shareholders		(8,700)	14,996	121	6,417
Balance at 31 December 2013		18,000	33,434	87	51,521

The above statement should be read in conjunction with the accompanying notes to the financial statements.

Statement of cash flows

For the year ended 31 December 2014

	NOTE	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
CASH FLOWS FROM/(TO) OPERATING ACTIVITIES:					
Premium received		**245,681**	172,361	**-**	-
Reinsurance and other recoveries received		**3,249**	3,641	**-**	-
Claims costs paid		**(33,630)**	(15,481)	**-**	-
Premium ceded payments		**(44,110)**	(48,506)	**-**	-
Dividends received		**-**	-	**2,924**	-
Interest received		**2,111**	2,071	**652**	-
Finance costs		**(7,062)**	(1,196)	**(5,707)**	-
Movements in security deposits held		**(1,256)**	383	**-**	-
Income tax paid		**(8,799)**	(8,621)	**-**	-
Other operating receipts		**5,054**	3,556	**-**	-
Commission paid		**(60,594)**	(45,100)	**-**	-
Other operating payments		**(29,628)**	(28,876)	**(675)**	-
Net cash flows from operating activities	8	**71,016**	34,232	**(2,806)**	-
CASH FLOWS FROM/(TO) INVESTING ACTIVITIES:					
Net cash flows on acquisition of subsidiaries		**(2,813)**	707	**(5,405)**	-
Outlays for property and equipment		**(9,592)**	(168)	**-**	-
Payments for intangible assets		**(79)**	(69)	**-**	-
Net (payments)/receipts for financial assets		**(20,346)**	-	**(1,035)**	-
Movements in loans with non-related parties		**-**	2,245	**-**	-
Movements in loans with related parties		**295**	590	**(39,373)**	-
Net cash flows from investing activities		**(32,535)**	3,305	**(45,813)**	-
CASH FLOWS FROM/(TO) FINANCING ACTIVITIES:					
Proceeds/(repayments) from borrowings		**40,468**	5,576	**59,747**	-
Dividends paid to equity holders		**(2,924)**	(1,929)	**(2,924)**	-
Issue/(repurchase) of shares		**-**	(9,740)	**-**	-
Net cash flows from financing activities		**37,544**	(6,093)	**56,823**	-
Net movement in cash held		**76,025**	31,444	**8,204**	-
Effects of exchange rates on balances of cash held in foreign currencies		**(7,568)**	1,359	**(941)**	-
Cash and cash equivalents at start of year	8	**97,837**	65,034	**-**	-
Cash and cash equivalents at end of year	8	**166,294**	97,837	**7,263**	-

The above statement should be read in conjunction with the accompanying notes to the financial statements.

Notes to the financial statements

For the year ended 31 December 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General information

CBL Corporation Limited (CBL, Parent, Group or Company) is a company limited by shares, incorporated and domiciled in New Zealand. Its registered office is 51 Shortland Street, Auckland 1010, New Zealand. This financial report is for the reporting period ended 31 December 2014 and includes separate financial statements for the Company as an individual entity and consolidated financial statements for the Company and its subsidiaries (referred to as Consolidated entity and Group).

This general purpose financial report was authorised by the Board of Directors for issue on 27 March 2015.

(b) Statement of compliance

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

The financial statements also comply, where relevant, with the Insurance (Prudential Supervision) Act 2010 and associated regulations.

(c) Basis of preparation of the financial report

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

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

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

CBL was incorporated on 18 June 2012 and there were no balances as at 31 December 2012, therefore no Parent comparatives disclosed. The three subsidiary holding companies under CBL were incorporated on 12 November 2013, refer to note 15. LBC Holdings Europe Limited acquired Achmea Insurance Ireland Limited (renamed to CBL Insurance Europe Limited) on 25 November 2013, refer to note 27.

CBL acquired CBL Insurance on 25 November 2013. This was an acquisition under common control that falls outside the scope of IFRS 3 Business Combinations. The acquisition has been treated as a continuation of the previous CBL Insurance consolidated financial statements.

In the Statement of Comprehensive Income and the associated notes the current-year amounts include the full-year amounts for CBL Insurance, plus for all other companies in the Group their amounts are from their dates of acquisition or incorporation.

The consolidated share capital in the Statement of Financial Position reports $18.0 million rather than the Parent company's $52.9 million. This presentational difference is as a result of reporting the amounts in the Statement of Comprehensive Income as a full year rather than from the date of acquisition and control of CBL Insurance. Owing to this presentation, NZ IFRS requires that within equity the consolidated share capital mirror the amount in CBL Insurance of $18.0 million. The overall impact does not affect the total equity, it is an allocation between share capital and retained earnings.

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

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

(d) Principles of consolidation

(i) Subsidiaries

Consolidation is the inclusion of the assets and liabilities of the Parent and all subsidiaries as at the reporting date and the results of the Parent and all subsidiaries for the period then ended as if they had operated as a single entity. The balances and effects of intragroup transactions are eliminated from the consolidation. Subsidiaries are those entities controlled by the Parent.

Where the Group has control over an investee, it is classified as a subsidiary. The Group controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

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

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

(ii) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20.0% and 50.0% of the voting rights.

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

SIGNIFICANT ACCOUNTING POLICIES RELATED TO GENERAL INSURANCE CONTRACTS

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

(e) Premium revenue

Premium revenue comprises amounts charged to policyholders (direct premium) or other insurers (inwards reinsurance premium) for insurance contracts. Premium is recognised as earned from the date of the attachment of risk over the period of the related insurance contracts in accordance with the pattern of the incidence of risk expected under the contracts. For practical purposes a proxy date for the date of the attachment of risk is, in some circumstances, the written date. The pattern of the risks underwritten is generally matched by the passing of time.

Premium for unclosed business (business written close to the reporting date where the attachment of risk is prior to the reporting date and there is insufficient information to identify the business accurately) is brought to account based on previous experience with due allowance for any changes in the pattern of new business and renewals.

As reported in note 3, consolidated premium revenue also includes amounts charged to policyholders in the capacity as underwriting broker for an insurer where as the agent the entity has taken on the risk and reward for the transaction, but not the underlying insurance risk.

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

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

(f) Outward reinsurance and premium ceded

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium expense is treated as a prepayment and presented as deferred outwards reinsurance expense in the Statement of Financial Position at the reporting date.

Premium ceded also include premium revenue charged to policyholders in the capacity as underwriting broker for an insurer (in accordance with note 1(e)), net of commissions.

(g) Claims

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

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

The estimation of the outstanding claims liability involves a number of assumptions, and it is likely that the final outcome will be different from the original liability established.

Changes in claims estimates are recognised in the Statement of Comprehensive Income in the reporting period in which the estimates are changed.

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

(h) Reinsurance and other recoveries

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

(i) Acquisition costs

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

(j) Liability adequacy test

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

(k) Assets backing insurance business

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

(l) Claims deposits

Claims deposits are held by European regulated insurers on behalf of CBL as a fund for paying claims.

These funds are held in bank accounts in the name of CBL and the European regulated insurers manage these funds under strict criteria and conditions set by CBL.

SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO OTHER ACTIVITIES

(m) Fee and other income

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

(n) Leases

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

(o) Income tax

(i) Income tax

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

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

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

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

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

(ii) Goods and services tax

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

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

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

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

(p) Cash and cash equivalents

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

Cash and cash equivalents include bank balances held by insurers on CBL's behalf for the purpose of settling potential future claims.

(q) Investments

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

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

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

(r) Investments in subsidiaries

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

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

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

(s) Investment in associates

The Group's investment in associates is accounted for using the equity method of accounting in the financial statements. Associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, investments in associates are carried in the consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of the net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised.

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associate. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

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

(t) Trade and other receivables

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

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

Receivables with short durations are not discounted.

(u) Property, plant and equipment

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

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

- Furniture, fixtures and fittings 7.0% to 30.0%; and
- Computer equipment 40.0% to 80.0%.

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

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

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

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

Depreciation methods, rates and useful lives are reviewed annually.

(v) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in the Statement of Comprehensive Income in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income in the period in which the property is derecognised.

The fair value hierarchy:

- Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs: Unobservable inputs for the asset or liability.

(w) Intangibles

Acquired intangible assets are initially recorded at their cost at the date of acquisition, being the fair value of the consideration provided and, for assets acquired separately, incidental costs directly attributable to the acquisition. Intangible assets with finite useful lives are amortised on a straight line basis (unless the pattern of usage of the benefits is significantly different) over the estimated useful lives of the assets, being the periods in which the related benefits are expected to be realised (shorter of legal duration and expected economic life). Amortisation rates and residual values are reviewed annually and any changes are accounted for prospectively.

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

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

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

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

(x) Trade and other payables

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

(y) Employee benefits

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

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

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

(z) Interest bearing liabilities and finance costs

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

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

Finance costs include interest, which is accrued at the contracted rate and included in payables, the amortisation of transaction costs, which are capitalised, presented together with the borrowings, and amortised over the life of the borrowings or a shorter period if appropriate, and the amortisation of discounts or premiums (the difference between the original proceeds, net of transaction costs, and the settlement or redemption value of borrowings) over the term of the liabilities.

(aa) Provisions

(i) General

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

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

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

(ab) Equity instruments

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

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

(ac) Financial instruments

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

Initial recognition and measurement

A financial asset or financial liability is recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or the sale of an asset.

Measurement used: Fair value

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

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

(i) Loans and receivables

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

(ii) Held to maturity investments

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

(iii) Available for sale financial assets

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

(iv) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities are classified at "fair value through profit or loss" when they are held for trading for the purpose of short term profit taking, or derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets and liabilities are subsequently measured at fair value, with changes in carrying value being included in profit or loss.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of the loan facilities are initially capitalised and are amortised to the Statement of Comprehensive Income over the period of the loan. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of a liability for at least 12 months after the reporting date.

Fair value

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

Impairment

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

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

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

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously.

Derecognition

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

(ad) Foreign currency transactions and balances

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

- Assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- Income and expenses for each Statement of Comprehensive Income are translated at an average of exchange rates over the period, as an approximation for the prevailing spot rates at the dates of the transactions; and
- All resulting exchange differences are recognised as a separate component of equity.

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

(ae) Adoption of new and revised accounting standards

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

The Group has adopted the following new and amended NZ IFRS and interpretations as of 1 January 2014.

Amendment to IAS 32 "Financial Instruments: Presentation" (effective from 1 January 2014). Amendments to IAS 32 added application guidance in applying the criteria for offsetting financial assets and financial liabilities. The amendment did not have a material impact on the financial statements.

(af) New accounting standards for application in future periods

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1 January 2015 or later periods, and accordingly the Group has not yet adopted them. The Group expects to adopt the following new standards on 1 January after the effective date.

- NZ IFRS 9 "Financial Instruments" (effective from 1 January 2018). The standard partly replaces NZ IAS 39 that relates to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires the financial assets to be classified into two measurement categories i.e. those measured as at fair value and those measured at amortised cost. The determination is made when the instruments are initially recognised. The method of classification is dependent on the entity's business model and how it manages its financial instruments. For financial liabilities, the standard maintains most of the requirements set out in NZ IAS 39. NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets. Management has yet to perform a full assessment of the impact of this standard; however, it is not expected to have a material impact on the financial statements other than requiring additional disclosures.
- NZ IFRS 15 "Revenue from Contracts with Customers" is effective for balance dates beginning on or after 1 January 2017, which will affect CBL for the year ending 31 December 2017. The standard will provide requirements for accounting for all contracts with customers, with some exceptions. Specific exemptions include lease contracts, insurance contracts and financial instruments. The standard will replace all current accounting pronouncements on revenue. Management has yet to perform a full assessment of the impact of this standard; however, it is not expected to have a material impact on the financial statements.

(ag) Business combinations

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

(a) The ultimate liability arising from claims made under insurance contracts

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

Significant areas requiring estimation and judgement include:

- Estimates of the amount of any liability in respect of claims notified but not settled and included within provisions for insurance and reinsurance contracts;
- Estimates of the amount of claims not yet notified in respect of risks already exposed, known as Incurred But Not Report ("IBNR") included within provisions for insurance and reinsurance contracts;
- The corresponding estimate of the amount of reinsurance and other recoveries that will become due as a result of these estimated claims;
- The recoverability of amounts due from reinsurers; and
- The assessment of adequacy of provisions for unearned premium.

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

- Past claims development experience is used to project future claims development and hence ultimate claims;
- The projections are discussed with experienced underwriting and claims personnel and claims provision recommendations made to an internal reserving committee consisting of underwriting and claims staff;
- Large claims are usually separately addressed by being reserved at the face value of the loss adjusters' estimates;
- Claims provisions are subject to independent external actuarial review at least annually; and
- Some classes of business have characteristics that do not necessarily lend themselves easily to statistical estimation techniques. In these cases reviews are carried out on a policy by policy basis to support the estimates.

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

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

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

The carrying value at the date of the Statement of Financial Position of gross claims reported and loss adjustment expenses and IBNR claims was $158.8 million (2013: $93.1 million) as set out in note 4 to the accounts. The amount of recoveries estimated at that date is $59.2 million (2013: $26.7 million).

(b) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which goodwill is allocated. Details of the key assumptions used in the estimation of the recoverable amounts are contained in note 18.

The carrying value of goodwill at the reporting date is $29.3 million (2013: $31.7 million).

(c) Income taxes

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

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

3 ANALYSIS OF INCOME

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
(a) Gross premium				
Policyholders – as insurer	**14,151**	12,579	**-**	-
Policyholders – as underwriting broker	**53,985**	47,223	**-**	-
Reinsurers	**173,633**	152,705	**-**	-
Gross written premium	**241,769**	212,507	**-**	-
Movement in gross unearned premium provision	**(15,332)**	(27,308)	**-**	-
Total gross premium earned	**226,437**	185,199	**-**	-
(b) Total earned premium ceded				
Premium ceded – as insurer	**3,143**	11,983	**-**	-
Premium ceded – as underwriting broker	**41,549**	36,261	**-**	-
Premium ceded	**44,692**	48,244	**-**	-
Movement in unearned ceded premium provision	**251**	5,118	**-**	-
Total earned premium ceded	**44,943**	53,362	**-**	-
Total net earned premium	**181,494**	131,837	**-**	-
(c) Other revenue				
Fees and commission income	**157**	746	**-**	-
Investment income	**1,947**	901	**3,576**	-
Gain on exchange differences	**-**	3,204	**-**	-
Other operating revenue	**4,903**	4,211	**-**	-
Other revenue	**7,007**	9,062	**3,576**	-
Total revenue	**188,501**	140,899	**3,576**	-

The consolidated gross written premium, policyholders – as underwriting broker, includes an amount of $24.9 million (2013: $22.8 million) in the subsidiary EISL in its capacity as underwriting broker for certain non-related insurers and then reinsured to CBL Insurance.

4 CLAIMS

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

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

	CONSOLIDATED					
	CURRENT YEAR $'000	**PRIOR YEARS $'000**	**2014 TOTAL $'000**	CURRENT YEAR $'000	PRIOR YEARS $'000	2013 TOTAL $'000
Gross claims	**72,382**	**36,433**	**108,815**	45,174	8,820	53,994
Reinsurance and other recoveries	**(13,674)**	**(27,086)**	**(40,760)**	(7,064)	(1,155)	(8,219)
Net claims expense	**58,708**	**9,347**	**68,055**	38,110	7,665	45,775

The prior year movements are due to a combination of strengthening to and releases from prior year claims reserves. This is as a result of the actuarial reassessment of these reserves based upon further claims development information.

The gross claims total of $108.8 million consists of $103.4 million (2013: $42.7 million) for business reinsured to CBL Insurance and the remaining balance relates to direct business.

The reinsurance and other recoveries total of $40.8 million consists of $39.7 million (2013: $7.5 million) for business reinsured to CBL Insurance and the remaining balance relates to direct business.

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

	CONSOLIDATED	
	2014 $'000	2013 $'000
(i) Composition of gross outstanding claims liability		
Gross central estimate - undiscounted	**143,986**	85,501
Claims handling costs	**10,519**	2,061
Risk margin	**15,675**	13,042
	170,180	100,604
Discount to present value	**(11,419)**	(7,517)
Gross outstanding claims liability - discounted	**158,761**	93,087

The outstanding claims liability includes $127.6 million (2013: $47.9 million) that is expected to be settled more than 12 months from the reporting date arising from claims (including future claims) expected to be reported over the future life of the insurance contracts (IBNR claims).

(ii) Reconciliation of movements in discounted outstanding claims liability

	CONSOLIDATED					
			2014			2013
	GROSS	**RECOVERIES**	**NET**	GROSS	RECOVERIES	NET
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Balance at the beginning of the financial year	**93,087**	**(26,708)**	**66,379**	47,435	(24,050)	23,385
Change in prior year claims reserve	**35,820**	**(26,881)**	**8,939**	8,820	(1,155)	7,665
Current year claims incurred	**72,995**	**(13,880)**	**59,115**	46,852	(7,112)	39,740
Claims paid during the year	**(33,862)**	**3,748**	**(30,114)**	(17,860)	10,544	(7,316)
Foreign exchange adjustment	**(9,279)**	**4,556**	**(4,723)**	(5)	-	(5)
Reserves on acquisition*	**-**	**-**	**-**	7,845	(4,935)	2,910
Balance at the end of the financial year	**158,761**	**(59,165)**	**99,596**	93,087	(26,708)	66,379

During the year the foreign currency held claims and recovery reserves were translated into New Zealand dollars, the presentation currency, with foreign exchange gains and losses going to the Statement of Comprehensive Income. Reserves are held in their original currencies for future settlement in foreign currencies.

* Reserves on acquisition relate to the acquisition of Achmea Insurance Ireland Limited, refer to note 27.

(iii) Central estimate and risk margin

	CONSOLIDATED	
	2014	2013
CBL INSURANCE	**%**	%
Risk margin percentage applied to the net outstanding claims liability	**18.4**	18.2
The probability of adequacy of the risk margin	**75.0**	75.0

	CONSOLIDATED	
	2014	2013
CBLIE	**%**	%
Risk margin percentage applied to the net outstanding claims liability	**8.4**	-
The probability of adequacy of the risk margin	**65.0**	-

(iv) Process

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

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

(i) Future cash flows

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

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

4 CLAIMS (CONTINUED)

(ii) Discounting

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

(iii) Risk margin

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

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

As at 31 December 2014, the outstanding claims liability was evaluated by Grant Mackay of PricewaterhouseCoopers (Fellow of the New Zealand Society of Actuaries). The actuary was satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability.

As at 31 December 2014, the CBLIE outstanding claims liability was evaluated by Dermot Marron (Fellow of the Society of Actuaries in Ireland). The actuary was satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability.

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

The determination of the overall risk margin takes into account the volatility of each class of business. The current risk margin, which has been determined after assessing the inherent uncertainty in the central estimate and the prevailing market environment, results in an overall probability of adequacy for the outstanding claims liability of 75.0% for CBL Insurance and 65.0% for CBLIE.

(c) Actuarial assumptions

The following ranges of key actuarial assumptions were used in the measurement of outstanding claims and recoveries at the reporting date.

CBL INSURANCE : ASSUMPTIONS	**2014 %**	2013 %
Average term to settlement*	**Within 6 months**	Within 6 months
Inflation rate	**2.5-3.5**	2.5%-3.5
Discount rate	**1.75**	3.5
Claims handling costs ratio	**6.7**	2.5

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

CBLIE : ASSUMPTIONS	**2014 %**	2013 %
Average term to settlement	**Within 12 months**	Within 12 months
Inflation rate	**0**	0
Discount rate	**0**	0
Claims handling costs ratio	**9.3**	9.3

The inflation rate is not explicitly derived and claims reserves are not discounted.

Process used to determine assumptions:

(i) Discounted average term to settlement

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

(ii) Economic and superimposed inflation rates

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

(iii) Discount rate

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

(iv) Claims handling costs ratio

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

The effects of changes in assumptions:

(i) Discounted average term to settlement

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

(ii) Inflation and superimposed inflation rates

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

(iii) Discount rate

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

(iv) Claims handling costs ratio

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

(v) Changes in assumptions sensitivity analysis

The actuarial valuation process is complex and not only involves the modelling of notified claims liabilities but also requires a significant number of assumptions to estimate the amount and timing of claims to be notified and paid. For some blocks of business this requires a great deal of judgement and estimation. It therefore follows that any assessment of future claims could have a range of possible outcomes. When relying on assessments of claims provisions, it is vitally important to also consider their possible variance.

The portfolio for CBL Insurance covers a variety of products over many jurisdictions around the world. However, in respect of uncertainty of provisioning, it can be said the valuation results are most sensitive to the following two key sets of assumptions:

- The gross ultimate loss ratios for the modelled products (particularly for the Décennale Liability and Dommages Ouvrage products). This is because claims are typically long tailed i.e. notification can be several years after the risk exposure; and
- The recovery rates for the Dommages Ouvrage products.

The actual average loss ratio, net of recoveries, across the whole CBL Insurance portfolio is 41.3% (2013: 37.9%).

Increasing the gross ultimate loss ratios by 5.0% will increase the outstanding claims provision by $8.6 million to $162.2 million. The profit impact (assuming no impact on recoveries) is a decrease of $8.6 million.

Decreasing the recovery rates by 5.0% will decrease the outstanding claims recoveries asset by $3.2 million to $54 million. The profit impact is a decrease of $3.2 million.

5 ANALYSIS OF EXPENSES

		CONSOLIDATED		PARENT	
	NOTE	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000
(a) Acquisition costs					
Acquisition costs		**57,825**	43,085	**-**	-
(b) Other operating expenses					
Employee benefits expense		**10,419**	9,590	**-**	-
Directors' fees		**499**	232	**-**	-
Management fees		**1,834**	1,362	**-**	-
Depreciation		**210**	239	**-**	-
Amortisation and impairment	13	**589**	450	**-**	-
Operating lease payments		**816**	888	**-**	-
Auditors' remuneration	6	**597**	395	**-**	-
Doubtful debts		**-**	173	**-**	-
Consulting fees		**1,940**	1,215	371	-
Other expenses		**10,034**	11,663	52	-
Total other operating expenses		**26,938**	26,207	423	-
(c) Other expenses					
Warranty Direct Limited charges		**-**	58	**-**	-
Loss on disposal of assets		**4**	6	**-**	-
Total other expenses		**4**	64	**-**	-
(d) Finance costs		**4,642**	1,195	**3,910**	-
(e) Currency translation differences		**6,192**	-	**940**	-
Total expenses		**95,601**	70,551	**5,273**	-

Finance costs include:

- Interest on the fixed interest note for the Parent and Group of $3.9 million (2013: nil);
- Bank loan interest for the Group of nil (2013: $0.5 million);
- Alpha Insurance A/S loan interest for the Group of $0.5 million (2013: $0.5 million); and
- Interest on contingent consideration for the Group of $0.1 million (2013: $0.2 million).

6 REMUNERATION OF AUDITORS

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Remuneration of the auditor of the parent entity, Crowe Horwath, for:				
– auditing or reviewing the financial statements	**147**	149	**-**	-
– taxation services	**213**	75	**-**	-
– other services	**20**	-	**-**	-
Remuneration of other auditors of subsidiaries, Creaseys and PricewaterhouseCoopers, for:				
– auditing or reviewing the financial statements*	**168**	100	**-**	-
– taxation and accounting services	**22**	50	**-**	-
– other services	**27**	21	**-**	-

* Includes the audit of statutory returns in accordance with regulatory requirements.

7 INCOME TAX

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
(a) Income tax expense				
Current	**7,332**	3,961	**-**	-
Movement in deferred tax asset	**-**	3,861	**-**	-
Movement in deferred tax liability	**(380)**	(889)	**-**	-
Under/(over) provision in prior periods	**34**	-	**-**	-
Income tax expense	**6,986**	6,933	**-**	-

EISL Iberia Limited has estimated losses of $0.3 million available to carry forward against future trading profits (2013: $0.3 million).

(b) Income tax reconciliation

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

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Profit/(loss) for the year before income tax	**26,379**	24,896	**(1,697)**	-
Income tax at the current rate of 28.0% (2013: 28.0%)	**7,387**	6,971	**(475)**	-
Amounts that are not deductible/(taxable) in calculating taxable income:				
– non-assessable income	**(480)**	(294)	**(819)**	-
– non-deductible expenses	**98**	422	**-**	-
– foreign tax adjustment	**(39)**	(123)	**-**	-
– other	**-**	(43)	**-**	-
Income tax expense applicable to current year	**6,966**	6,933	**(1,294)**	-
Adjustment relating to prior year	**20**	-	**-**	-
– tax losses offset to Group companies	**-**	-	**1,294**	-
Income tax expense	**6,986**	6,933	**-**	-

(c) Deferred tax liabilities

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Composition				
Deferred acquisition costs	**9,937**	9,767	-	-
Insurance provisions	**(7,280)**	(6,521)	-	-
Employee benefits	**(288)**	(336)	-	-
Other	**(31)**	(32)	-	-
Total deferred tax liabilities	**2,338**	2,878	-	-

(d) Imputation credits

	PARENT	
	2014 $'000	2013 $'000
New Zealand tax payments/(refunds)	**128**	-
Imputation credits attached to dividends received	**1,137**	-
Imputation credits attached to dividends paid	**(1,137)**	-
Imputation credits available for use in subsequent reporting periods	**128**	-

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

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

The imputation credits available for the Group amount to $16.1 million (2013: $8.9 million).

8 CASH FLOW INFORMATION

(a) Composition of cash

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Cash at bank and in hand	**122,544**	59,058	**7,263**	-
Short term bank deposits	**3,437**	4,625	**-**	-
Cash held in trust by insurers	**40,313**	34,154	**-**	-
Total cash and cash equivalents	**166,294**	97,837	**7,263**	-

Cash held in trust by insurers comprises bank deposits held in trust by insurers on CBL Insurance's behalf, for the restricted purpose of settling ongoing and potential future claims obligations that CBL Insurance may have under quota reinsurance arrangements with those insurers. These funds earn interest for the Group.

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

(b) Cash flow reconciliation

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

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Profit/(loss) for the year	**19,393**	17,963	**(1,697)**	-
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit:				
– depreciation of property, plant and equipment	**208**	232	**-**	-
– amortisation and impairment of intangibles	**589**	450	**-**	-
– movements in deferred tax	**(540)**	2,972	**-**	-
– other	**(254)**	(852)	**-**	-
Movement in operating assets and liabilities:				
– (increase)/decrease in receivables	**(33,927)**	(53,157)	**(80)**	-
– increase/(decrease) in payables	**80,179**	72,648	**(1,823)**	-
– increase/(decrease) in taxation	**(1,430)**	(4,665)	**(146)**	-
– foreign exchange movement in non-operating cash balances	**6,798**	(1,359)	**940**	-
Cash flow from operations	**71,016**	34,232	**(2,806)**	-

9 OTHER FINANCIAL ASSETS

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Government and fixed interest securities	**-**	12	**-**	-
Term deposit investments	**19,323**	-	**-**	-
Total	**19,323**	12	**-**	-

Term deposit investments include a term deposit of $19.3 million that carries interest at 6.0% per annum with an expiry date of 21 October 2019. The term deposit is categorised as a held to maturity financial asset.

All government and fixed interest securities are categorised as held to maturity financial assets.

10 LOANS AND RECEIVABLES

		CONSOLIDATED		PARENT	
	NOTE	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000
(a) Insurance receivables					
Revenue due from direct insurance business		**1,520**	1,218	**-**	-
Revenue due from reinsurance business		**60,942**	64,586	**-**	-
Reinsurance recoveries		**359**	1,101	**-**	-
Total insurance receivables		**62,821**	66,905	**-**	-
(b) Trade and other receivables					
Fixed interest loan		**8,407**	8,407	**-**	-
Prepayments		**288**	269	**-**	-
Related party receivables	33	**9**	326	**-**	-
Other debtors		**2,990**	1,093	**1,115**	-
Total trade and other receivables		**11,694**	10,095	**1,115**	-
(c) Loans					
Intergroup loans	33	**-**	-	**38,063**	-
Related party loans	33	**1,310**	1,852	**1,310**	-
Total loans		**1,310**	1,852	**39,373**	-
Total loans and receivables		**75,825**	78,852	**40,488**	-
Analysed as:					
Current		**66,107**	70,445	**1,115**	-
Non-current		**9,717**	8,408	**39,373**	-

10 LOANS AND RECEIVABLES (CONTINUED)

Reinsurance recoveries comprise reinsurance recoveries on paid claims.

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

Included within "Other debtors" is an amount of $1.0 million (2013: nil) which relates to conditional deposits made on potential acquisitions, of which $0.5 million is pending regulatory approval and with approval will trigger a further payment of US$2.1 million to acquire a 35.0% share in an insurance entity.

Included within the heading fixed interest loan is a loan with Alpha Holdings A/S. The loan attracts interest at 6.0% per annum. CBL Insurance and Alpha Holdings A/S entered into the arrangement on 22 December 2012 and the receivable is repayable in five years.

11 RECOVERIES ON OUTSTANDING CLAIMS

(a) Reinsurance and other recoveries receivable on outstanding claims

	CONSOLIDATED	
	2014 $'000	2013 $'000
Recoveries – undiscounted	**64,216**	29,085
Discount to present value	**(5,051)**	(2,377)
Recoveries – discounted	**59,165**	26,708

The carrying value of reinsurance recoveries and other recoveries includes $52.8 million (2013: $16.4 million), which is expected to be settled more than 12 months from the reporting date. The total recovery balance includes other recoveries of $57.0 million (2013: $22.6 million), which relates to estimated recoveries from third party insurers, refer to note 4c. The remaining balance relates to reinsurance recoveries.

(b) Actuarial assumptions

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

(c) The effect of changes in assumptions

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

12 DEFERRED INSURANCE ASSETS

(a) Deferred acquisition costs (DAC)

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
DAC at the beginning of the financial year	**34,314**	13,441	**-**	-
Costs deferred during the year	**59,019**	63,731	**-**	-
Amortisation charged to profit for the year	**(58,025)**	(42,291)	**-**	-
Movement in unexpired risk provision*	**410**	(567)	**-**	-
DAC at the end of the financial year	**35,718**	34,314	**-**	-

* For details regarding the unexpired risk provision refer to note 20(b).

Analysed as:				
Current	**32,169**	25,847	**-**	-
Non-current	**3,549**	8,467	**-**	-

On 30 June 2013 Risk Management South East Asia Pte Limited (RMSEA) and CBL Insurance entered into an agreement to cancel their reinsurance contract. The agreement resulted in a DAC of $15.5 million on 30 June 2013, which is amortised straight line over 36 months. Included within the line "Amortisation charged to profit for the year" is $5.2 million (2013: $2.6 million) relating to the amortisation of this DAC.

(b) Deferred reinsurance expense (DRE)

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
DRE at the beginning of the financial year	**2,002**	7,120	**-**	-
Costs deferred during the year	**2,795**	11,983	**-**	-
Amortisation charged to profit for the year	**(3,193)**	(17,101)	**-**	-
Other movements	**143**	-	**-**	-
DRE at the end of the financial year	**1,747**	2,002	**-**	-
Analysed as:				
Current	**1,491**	1,969	**-**	-
Non-current	**256**	33	**-**	-

13 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in carrying amounts

CONSOLIDATED	FURNITURE, FIXTURES AND FITTINGS $'000	COMPUTER EQUIPMENT $'000	ARTWORK $'000	TOTAL $'000
Year ended 31 December 2014				
Balance at the beginning of year	**418**	**219**	**473**	**1,110**
Additions	**133**	**121**	**-**	**254**
Disposals – written down value	**(6)**	**-**	**(7)**	**(13)**
Depreciation expense	**(109)**	**(100)**	**-**	**(209)**
Foreign exchange movements	**21**	**(7)**	**-**	**14**
Balance at 31 December 2014	**457**	**233**	**466**	**1,156**
Year ended 31 December 2014				
Balance at the beginning of year	514	284	473	1,271
Additions	81	101	-	182
Disposals – written down value	(7)	-	-	(7)
Depreciation expense	(133)	(106)	-	(239)
Foreign exchange movements	(37)	(60)	-	(97)
Balance at 31 December 2013	418	219	473	1,110

(b) Cost and accumulated depreciation

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Furniture, fixtures and fittings				
At cost	**1,183**	1,196	**-**	-
Accumulated depreciation	**(726)**	(779)	**-**	-
Total furniture, fixture and fittings	**457**	417	**-**	-
Computer equipment				
At cost	**1,004**	918	**-**	-
Accumulated depreciation	**(771)**	(698)	**-**	-
Total computer equipment	**233**	220	**-**	-
Artwork				
At cost	**466**	473	**-**	-
Total property, plant and equipment	**1,156**	1,110	**-**	-

14 INVESTMENT PROPERTY

(a) Reconciliation of carrying amount/fair value

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Balance at the beginning of the year	**-**	-	**-**	-
Additions	**9,350**	-	**-**	-
Gain/(loss) on property revaluation	**1,150**	-	**-**	-
Balance at the end of the year	**10,500**	-	**-**	-

The Group's investment properties consist of one commercial property in CBL Corporate Services Limited that is leased to a third party.

As at 31 December 2014 the lease contains an initial non-cancellable period of ten years, with annual rents indexed to consumer prices. Changes in fair values are recognised as gains in profit or loss and included in gain/(loss) on property revaluation. All gains are unrealised.

As at 31 December 2014 a property valuation was performed by Seagar & Partners, an accredited external and independent valuer. Seagar & Partners is a specialist in valuing this type of investment property and has appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value valuation was determined based on the income capitalisation method, where the market rental of the lettable property is assessed by reference to the rental achieved in the lettable property as well as other lettings of similar properties in the locality. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties.

In estimating the fair value of the property, the highest and best use of the property is its current use.

The fair value measurement of the investment property has been categorised as a Level 3 fair value based upon the inputs to the valuation technique used, in accordance with the accounting policy 1(v).

For the investment property categorised into Level 3 of the fair value hierarchy, the following information is relevant based upon the income capitalisation approach used in the valuation:

SIGNIFICANT UNOBSERVABLE INPUT(S)	SENSITIVITY
Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 7.5%.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
Monthly market rent, taking into account the differences in location and individual factors such as size between the comparables and the property, at an average of $120 per square metre per annum.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.

(b) Income and expenses

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Direct operating expenses (including repairs and maintenance) generating rental income (included in cost of sales)	**3**	-	**-**	-

15 INVESTMENT IN ASSOCIATES

		GROUP OWNERSHIP INTEREST		PARENT OWNERSHIP INTEREST		
NAME OF COMPANY	PRINCIPAL ACTIVITY	**2014 %**	2013 %	**2014 %**	2013 %	BALANCE DATE
European Specialty Risks Limited (ESR)	Broker	**46.1**	46.1	**23.1**	23.1	30 June

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

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

The investment in ESR is as follows:

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Share of associate's financial position				
Assets	**1,659**	1,183	**-**	-
Liabilities	**(667)**	(445)	**-**	-
Net assets	**992**	738	**-**	-
Share of associate's revenue and profit				
Revenue	**2,115**	1,573	**-**	-
Profit/(loss)	**356**	267	**-**	-
Dividends received by CBL during the year	**(91)**	-	**-**	-
Carrying value of investment in associate	**992**	738	**-**	-

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

Management considers the investment in ESR to be an associate as it has significant influence, and not control, by virtue of having a presence on the board and a 46.1% shareholding. CBL Insurance does not have board voting control and is not involved in day to day operational decisions.

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

16 INVESTMENT IN SUBSIDIARIES

	PARENT	
	2014 $'000	2013 $'000
Investments in subsidiaries carried at cost	**58,319**	52,914

The table below lists subsidiaries of CBL.

				OWNERSHIP INTEREST	
NAME OF COMPANY	BALANCE DATE	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	**2014 %**	2013 %
LBC Holdings Europe Limited	31 December	New Zealand	Holding company	**100**	100
LBC Holdings New Zealand Limited	31 December	New Zealand	Holding company	**100**	100
LBC Holdings UK Limited	31 December	New Zealand	Holding company	**100**	100
CBL Insurance Europe Limited	31 December	Ireland	General insurance	**100**	100
CBL Insurance Limited	31 December	New Zealand	General insurance	**100**	100
CBL Insurance Pty Limited*	31 December	Australia	Non-operating	**100**	100
CBL Corporate Services Limited*	31 December	New Zealand	Corporate operations	**100**	100
Intercede 2408 Limited	31 December	United Kingdom	Holding company	**100**	100
European Insurance Services Limited	31 December	United Kingdom	Underwriting agent	**100**	100
EISL Iberia Limited	31 December	United Kingdom	Underwriting agent	**100**	100
ACJN Limited	31 December	France	Underwriting agent	**100**	100

During the 2013 financial year the Group acquired:

- CBLIE (refer to note 27); and
- The 20.0% minority interest in EISL Iberia Limited for net zero value consideration.

The Euro is the functional currency for the above subsidiaries except for:

- Contractors Bonding Pty Limited, which is in Australian dollars; and
- CBL Insurance, CBL Corporate Services Limited and LBC Holdings New Zealand Limited, which are in New Zealand dollars.

* During the 2014 financial year these companies changed their names:

- CBL Insurance Pty Limited, previously known as Contractors Bonding Limited, changed its name on 15 May 2014;
- CBL Corporate Services Limited, previously known as South British Funding Limited, changed its name on 30 October 2014. This subsidiary was transferred from CBL Insurance Limited to LBC Holdings New Zealand Limited effective 1 January 2014 for nil value; and
- During the 2014 financial Year, an additional $5.4 million of share capital was issued, by both LBC Holdings New Zealand Limited and CBL insurance, resulting in a corresponding increase in the investments in subsidiaries.

17 INTANGIBLE ASSETS

(a) Composition

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Brand name				
Cost	**99**	99	**-**	-
Accumulated amortisation and impairment	**-**	-	**-**	-
Net carrying value	**99**	99	**-**	-
Computer software				
Cost	**1,113**	1,034	**-**	-
Accumulated amortisation and impairment	**(800)**	(566)	**-**	-
Net carrying value	**313**	468	**-**	-
Deferred profit commission				
Cost	**2,935**	3,180	**-**	-
Accumulated amortisation and impairment	**(355)**	-	**-**	-
Net carrying value	**2,580**	3,180	**-**	-
Total intangibles net carrying value	**2,992**	3,747	-	-

(b) Reconciliation of movements

	CONSOLIDATED			
	BRAND NAMES $'000	COMPUTER SOFTWARE $'000	DEFERRED PROFIT COMMISSION $'000	TOTAL $'000
Year ended 31 December 2014				
Balance at the beginning of the year	**99**	**468**	**3,180**	**3,747**
Additions	**-**	**79**	**-**	**79**
Amortisation	**-**	**(234)**	**-**	**(234)**
Impairment loss in income	**-**	**-**	**(355)**	**(355)**
Foreign exchange movements	**-**	**-**	**(245)**	**(245)**
Closing value at 31 December 2014	**99**	**313**	**2,580**	**2,992**
Year ended 31 December 2013				
Balance at the beginning of the year	99	849	3,042	3,990
Additions	-	69	-	69
Amortisation	-	(450)	-	(450)
Foreign exchange movements	-	-	138	138
Closing value at 31 December 2013	99	468	3,180	3,747

(c) Explanatory notes for intangible assets

As at 31 December 2014 these assets were tested for impairment, and management has determined that no impairment is required in respect of the brand name and computer software intangible assets. For the deferred profit commission intangible an impairment has been calculated and the value of the asset has reduced.

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

Brand name:

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

Computer software:

The software development expenditure asset comprises both internally generated assets and acquired assets. The asset is amortised by applying a 50.0% diminishing value approach.

Deferred profit commission:

The deferred profit commission becomes receivable 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 the Group will amortise the intangible asset to match these cash flows. The profit commission value represents the cost allocated to that asset.

When testing for impairment, the recoverable amount of the deferred profit commission intangible has been determined based on a discounted cash flow calculation. This calculation uses cash flow projections based on expected future settlements of profit commissions taking into account the latest actuarially assessed loss ratios. A discount rate of 5.7% (2013: 6.6%) is used; the reduction is mainly as a result of a decrease in interest rates.

The impairment was triggered due to an increase in the loss ratio, which is one of the profit commission calculation parameters. The impairment amount of $355,000 (2013: nil) is included within the line “amortisation and impairment” as per note 5.

18 GOODWILL

(a) Composition

	CONSOLIDATED	
	2014 $'000	2013 $'000
Cost	**32,977**	32,977
Accumulated impairment losses	**-**	-
Foreign exchange movements	**(3,680)**	(1,232)
Net carrying value	**29,297**	31,745

(b) Reconciliation of movements

	CONSOLIDATED	
	2014 $'000	2013 $'000
Net carrying value at the start of the year	**31,745**	30,371
Additional through business combinations	**-**	-
Net foreign exchange movements	**(2,448)**	1,374
Net carrying value at the end of the year	**29,297**	31,745

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

(c) Impairment assessment

When testing for impairment, the recoverable amount of a cash generating unit has been determined based on a value in use calculation. This calculation uses cash flow projections based on financial budgets approved by senior management covering a ten-year period, which incorporates a 5.0% growth rate that includes 2.5% for inflation. A ten-year period has been used by management to account for expected cash flows within this period relating to deferred profit commission, refer to note 17. Projected cash flows beyond the ten years have been extrapolated using a steady average growth rate of 3.0% (2013: 3.0%). The growth rate does not exceed the long term average past growth rate of the business in which the cash generating unit operates. Management determines budgeted profit based on past performance and its expectations for market development. A post-tax, Group specific, risk adjusted discount rate of 8.7% (2013: 11.5%) is used. This reduction is due to a combination of a decrease in the risk free rate and a decrease in additional risk margins.

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

- Premiums, commissions and margins: Premium and commission income is based on average values achieved in the three years preceding the start of the budget period. Gross margins are based on average percentages for the previous three years as well as known expected expenditure and inflation of 2.5%;
- Expenses: Estimates are obtained from published indices of inflation. The financial budget plans assume that expenses will broadly increase in line with inflation of 2.5%; and
- Investment market conditions: Investment market conditions are based on market research and published statistics. Management plans assume investment growth of 5.0%.

With regard to the assessment of value in use for the cash generating unit, management does not believe it is probable that a realistic adverse change in any of the above key assumptions would cause the carrying value of the unit to exceed the recoverable amount.

No impairment loss has been recognised in 2014 or 2013 as a result of the impairment reviews of the cash generating unit.

19 TRADE AND OTHER PAYABLES

	Note	CONSOLIDATED		PARENT	
		2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
(a) Insurance payables					
Payable on direct insurance business		**5,907**	6,199	**-**	-
Payable on reinsurance business		**6,986**	7,017	**-**	-
Total insurance payables		**12,893**	13,216	**-**	-
(b) Trade and other payables					
Related party balances	33	**62**	63	**-**	-
Deposits		**3,245**	4,501	**-**	-
Accrued expenses		**2,593**	3,201	**-**	-
Other payables		**2,100**	4,703	**40**	-
Total trade and other payables		**8,000**	12,468	**40**	-
(c) Contingent consideration					
Contingent consideration	27	**-**	2,726	**-**	-
Total contingent consideration		**-**	2,726	**-**	-
Total trade and other payables		**20,893**	28,410	**40**	-
Analysed as:					
Current		**16,577**	24,050	**40**	-
Non-current		**4,315**	4,360	**-**	-

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

Included within "Other payables" is an amount of $0.9 million (2013: $4.3 million) payable to RMSEA, which relates to the cancellation of a reinsurance contract on 30 June 2013 between CBL Insurance and RMSEA.

20 UNEARNED PREMIUM LIABILITY

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

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
UPL at the start of the financial year	**73,923**	46,615	**-**	-
Premium written	**187,784**	165,284	**-**	-
Premium earned	**(172,452)**	(137,976)	**-**	-
Other movements	**(29)**	-	**-**	-
UPL at the end of the financial year	**89,226**	73,923	**-**	-
Analysed as:				
Current	**85,658**	71,348	**-**	-
Non-current	**3,568**	2,575	**-**	-

(b) Liability adequacy test

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

The liability adequacy test as at 31 December 2014 identified a deficit of $0.2 million (2013: $0.6 million). The underlying components for the individual portfolios that have deficiencies are as follows:

- The unearned premium liability is $1.3 million (2013: $7.0 million);
- Deferred acquisition costs are $0.5 million (2013: $2.7 million); and
- The present value of expected future cash flows for future claims is $1.0 million (2013: $4.9 million).

Accordingly, deferred acquisition costs have been written down by the movement in the deficit, refer to note 12(a).

21 EMPLOYEE BENEFITS

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Annual leave	**262**	325	**-**	-
Sick leave	**83**	58	**-**	-
	345	383	**-**	-

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

22 BORROWINGS

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Bank loans	**-**	18,667	**-**	-
Fixed interest loan	**7,753**	8,421	**-**	-
Fixed interest note	**57,884**	-	**57,884**	-
Total	**65,637**	**27,088**	**57,884**	**-**
Analysed as:				
Current	**1,319**	4,128	**1,319**	-
Non-current	**64,318**	22,960	**56,565**	-

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

Bank loans:

In November 2013 all of the bank loans were repaid; previously the bank loans were for a period of five years commencing 1 June 2011 and were referenced to EUROBOR plus 3.75%.

- Bank of New Zealand (BNZ) loan: South British Funding Limited serviced this loan. During the year the interest rate ranged between 3.9% and 4.3% (2013: 4.3% and 5.3%). The carrying value of the loan at 31 December 2014 is nil (2013: $6.7 million); and
- Clydesdale Bank loan: Intercede 2408 Limited serviced this loan. During the year the interest rate ranged between 3.9% and 4.0% (2013: 4.0% and 5.1%). The carrying value of the loan at 31 December 2014 is nil (2013: $6.7 million).

At the same time that the above bank loans were repaid, the following new bank loans were arranged:

- BNZ loan with LBC Holdings UK Limited: The term of the loan is five years and it is repayable in quarterly instalments of €330,000. During the 2013 year the interest rate was initially set at 3.67%. The carrying value of the loan at 31 December 2014 is nil (2013: $11.1 million); and
- BNZ loan with LBC Holdings Europe Limited: The term of the loan is five years and it is repayable in quarterly instalments of €275,000. During the 2013 year the interest rate was initially set at 3.67%. The carrying value of the loan at 31 December 2014 is nil (2013: $7.6 million).

Bank loan security

Loans prior to 22 November 2013

- As at 31 December 2014 there are no general security agreements over CBL Insurance's assets or guarantees given by CBL Insurance.
- As at 31 December 2013 CBL Insurance had a guarantee in place to cover the bank loan obligations of South British Funding Limited, and BNZ had a charge over the shares and a debenture in Intercede 2408 Limited.
- As at 31 December 2013 CBL, the ultimate parent entity of the Group, included bank loans of $8.7 million. These loans were secured by the following: i) a first ranking and only composite specific security deed in favour of BNZ from LBC Holdings UK Limited, LBC Holdings Europe Limited, LBC Holdings New Zealand Limited, CBL and CBL Corporate Services Limited (previously South British Funding Limited); and ii) a share of a mortgage granted by Intercede 2408 Limited in respect of the issued shares in EISL in favour of BNZ. These bank loans were fully repaid in the 2014 financial year. There are no securities in place.

22 BORROWINGS (CONTINUED)

Loans after 22 November 2013

- As at 31 December 2013 the two bank loans were secured by the following: i) a first ranking and only composite specific security deed in favour of BNZ from LBC Holdings UK Limited, LBC Holdings Europe Limited, LBC Holdings New Zealand Limited, CBL and South British Funding Limited; and ii) a share of a mortgage granted by Intercede 2408 Limited in respect of the issued shares in EISL in favour of BNZ.

Fixed interest loan:

- Included within the heading fixed interest loan is a borrowing with Alpha Insurance A/S. The balance as at 31 December 2014 is $7.8 million (2013: $8.4 million). On 21 December 2012 Alpha Insurance A/S lent 37.5 million Danish Krone to Intercede 2408 Limited. The loan is subject to a fixed interest rate of 6.0%. The loan is unsecured and is scheduled to be redeemed on 21 December 2017.

Fixed interest note:

- On 17 April 2014 CBL launched an initial bond offer through FIIG Securities Limited (FIIG), and raised A$55.0 million from wholesale investors. The bond pays a fixed rate of 8.25% per annum and has a final maturity of five years but can be repaid by CBL after three or four years at 103.0% and 101.5% of the A$55.0 million respectively.
- Initially transaction costs of A$2.75 million were capitalised and are amortised over the five year term of the fixed interest note.
- The closing balance of A$57.9 million includes A$1.3 million of accrued interest. Interest is payable six monthly on 17 April and 17 October.
- These loan notes are guaranteed by the following companies: LBC Holdings UK Limited, LBC Holdings Europe Limited, LBC Holdings New Zealand Limited, Intercede 2408 Limited and EISL.

Covenants:

- The Group has complied with all the loan covenants in place throughout the reporting period.
- For the CBL issued fixed rate notes there are covenants with regards to Group dividends payable and quarterly reporting requirements.
- For the bank loans prior to 22 November 2013, these loan covenants, in respect of bank debt funding for the acquisition of EISL, were with BNZ and Clydesdale Bank. For loans after 22 November 2013, these loan covenants, in respect of bank debt funding for the acquisition of Achmea Insurance Ireland Limited (renamed CBLIE) and repayment of the previous bank loans, were with BNZ.

23 NOTES TO THE STATEMENT IN CHANGES IN EQUITY

(a) Share capital

	CONSOLIDATED			
ORDINARY SHARES	**2014 NUMBER OF SHARES IN '000**	2013 NUMBER OF SHARES IN '000	**2014 $'000**	2013 $'000
Balance at the start of the financial year	**26,000**	30,000	**18,000**	26,700
Shares issued/(purchased) during the year	**-**	(4,000)	**-**	(8,700)
Balance at the end of the financial year	**26,000**	26,000	**18,000**	18,000

All ordinary shares on issue are fully paid. Ordinary shares entitle the holder to a vote at a general meeting of the Company and to share in the dividends in proportion to the number of the shares held. Dividends, if declared, are subject to there being distributable profits available and satisfying the solvency test as defined in the Companies Act 1993.

CBL Insurance purchased back 4,000,000 ordinary shares in 2013 for a total consideration of $9.7 million. The original issued cost of $8.7 million has been deducted from share capital and the residual balance of $1.0 million has been deducted from retained earnings.

CBL issued 26,000,000 ordinary shares in 2013 for a total consideration of $52.9 million.

The consolidated share capital in the Statement of Financial Position reports $18.0 million rather than the above $52.9 million. This presentational difference is as a result of reporting the amounts in the Statement of Comprehensive Income as a full year rather than from the date of acquisition and control of CBL Insurance. Owing to this presentation, NZ IFRS requires that within equity the consolidated share capital mirror the amount in CBL Insurance of $18.0 million. The overall impact does not affect the total equity, it is an allocation between share capital and retained earnings.

(b) Retained earnings

The directors have reviewed the total equity of the Parent and consider $48.3 million adequate for the purpose of financial soundness. The directors review this in line with the Company's internal policies around financial soundness and liquidity levels. These policies are reviewed on a half-yearly basis to ensure that adequate equity levels are maintained at all times.

(c) Reserve

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

24 COMMITMENTS

(a) Capital commitments

The Parent has no capital commitments at the reporting date.

Group capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows - the Group has entered into a contract amounting to $0.2 million for the specification stage for enhancing the current insurance system.

(b) Operating lease commitments

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

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

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Due within one year	**496**	653	**-**	-
Due between one and five years	**1,245**	1,330	**-**	-
Due after five years	**185**	408	**-**	-
	1,926	2,391	**-**	-

25 CONTINGENT LIABILITIES

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

26 DIVIDENDS

PERIOD	CENTS PER SHARE	TOTAL AMOUNT $'000	PAYMENT DATE	TAX RATE FOR IMPUTATIONS %	PERCENTAGE IMPUTED %
Q4 2013 dividend	2.7	698	4 March 2014	28	100
Q1 2014 dividend	2.7	698	6 May 2014	28	100
Q2 2014 dividend	2.7	698	26 August 2014	28	100
Q3 2014 dividend	3.2	830	3 December 2014	28	100
		2,924			

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

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

27 BUSINESS COMBINATIONS

(a) Acquisitions

On 25 November 2013 LBC Holdings Europe Limited acquired 100% of Achmea Insurance Ireland Limited (Achmea), and on acquisition Achmea was renamed to CBLIE. Achmea was an underwriting insurance company based in Ireland. The Group acquired this company, which is regulated by the UKFCA, as an important step for the Group to enable it to underwrite directly in the European insurance market.

The following table shows the assets acquired, the liabilities assumed and the purchase consideration at the acquisition date.

	ACQUIREE'S CARRYING AMOUNT $'000	FAIR VALUE $'000
Purchase consideration:		
– Cash	8,315	8,315
Total purchase consideration	**8,315**	**8,315**
Assets or liabilities acquired:		
Cash	11,548	11,548
Insurance and other receivables	115	115
Recoveries on outstanding claims	4,935	4,935
Outstanding claims liability	(7,845)	(7,845)
Total net identifiable assets	**8,753**	**8,753**
Purchase consideration		8,315
Less: Identifiable net assets acquired		(8,753)
Negative goodwill		**(438)**

The negative goodwill of $438,000 represents a gain on purchase. This resulting gain, in accordance with IFRS, has been recognised in the Statement of Comprehensive Income at the acquisition date.

There were no acquisitions in the year ended 31 December 2014.

(b) Contingent consideration

Under the terms of the acquisition agreement dated 1 June 2011, the Group has paid the former owners of EISL conditional consideration upon meeting defined revenue targets. As at 31 December 2014 there is no remaining contingent consideration payable as final settlement was agreed during the year.

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

CONTINGENT CONSIDERATION	**2014 $'000**	2013 $'000
Contingent consideration on acquisition	**7,571**	7,571
Changes in fair value	**759**	707
Settlements	**(7,617)**	(5,534)
Net foreign exchange movements	**(217)**	(18)
Forfeited earn out	**(496)**	-
Total contingent consideration	**-**	**2,726**

(c) Other information

Acquisition costs of $0.6 million were recognised in the Statement of Comprehensive Income. These costs were legal and consulting fees related to the acquisition.

From the date of acquisition, during the Group's 2013 financial year, CBLIE contributed nil revenue and $0.2 million of the net loss before tax of the Group. CBLIE is regulated by the Central Bank of Ireland.

28 GENERAL INSURANCE BUSINESS

Analysis of general insurance operating result

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Premium revenue	**172,452**	137,976	**-**	-
Outwards reinsurance expense	**(3,394)**	(17,101)	**-**	-
Net premium income	**169,058**	120,875	**-**	-
Claims expense	**(108,815)**	(53,994)	**-**	-
Reinsurance recoveries	**40,760**	8,219	**-**	-
Net claims incurred	**(68,055)**	(45,775)	**-**	-
Acquisition costs	**(57,825)**	(42,855)	**-**	-
Other operating expenses	**(15,070)**	(15,482)	**-**	-
Underwriting result	**28,108**	16,763	**-**	-
Investment and other income	**2,616**	4,791	**-**	-
Operating profit before taxation	**30,724**	21,554	**-**	-
Profit before taxation from general insurance	**30,724**	21,554	**-**	**-**

29 INSURANCE RISK MANAGEMENT

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

The Group is exposed to this risk because the price for a contract must be set before the losses relating to the product are known. Hence the insurance business involves inherent uncertainty. The Group also faces other risks relating to the conduct of the general insurance business including financial risks, refer to note 30 and capital risks, refer to note 31.

The Group principally issues the following types of general insurance contract: Builders' Risk products, Contractor and Construction Bonds, Travel Bonding, Lifestyle Protection, Lender Protection, Solicitors' Professional Indemnity, Motor and Rental Guarantee Bonds. The risks under these products are short term and usually less than 12 months. The Builders Risk insurance products usually have a notification period of between one and ten years after the risk period and the other insurance policies are typically notified within 12 months.

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

(a) Mitigating insurance risk

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

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

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements; refer to note 30.

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

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

(b) Concentrations of insurance risk

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

Concentration risk is particularly relevant in the case of catastrophes, which generally result in a concentration of affected policyholders over and above the norm and that 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.

29 INSURANCE RISK MANAGEMENT (CONTINUED)

Catastrophes that could affect the nature of business that CBL Insurance underwrites include financial crises and global market stresses. The nature and level of catastrophes in any period cannot be predicted accurately. CBL Insurance minimises this risk through its strong underwriting criteria, reinsurance and partnering with local experts. CBL Insurance has a history of low claims ratios, even when exposed to the catastrophes as listed above.

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

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

	CONSOLIDATED			
	2014			2013
	$'000	**%**	$'000	%
Analysis by region				
Australasia	**12,359**	**5.1**	12,809	6.0
Latin America	**(74)**	**-**	1,146	0.5
Middle East	**3,149**	**1.3**	4,818	2.3
Southeast Asia	**4,542**	**1.9**	3,751	1.8
Europe	**221,793**	**91.7**	189,983	89.4
Total	**241,769**		212,507	

(c) Operational risk

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

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

The Group operates a number of governance committees including an Investment & Treasury Committee, an Underwriting Credit Committee, an Audit and Financial Risk Committee and a Remuneration Committee.

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

(d) Acquisition risk

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

30 FINANCIAL RISK MANAGEMENT

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

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

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

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

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

(a) Market risk

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

(i) Currency risk

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

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

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

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

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

The impacts on the measurement of various financial instruments held by the Group at the reporting date of an instantaneous 10.0% depreciation of the New Zealand dollar at the reporting date compared with selected currencies, on profit before tax and equity are provided in the table below. An appreciation of the New Zealand dollar would have predominantly the opposite impacts. All movements noted below would be unrealised.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

		2014		2013	
CURRENCY	CHANGES IN VARIABLES	**IMPACT ON PROFIT BEFORE TAX $'000**	**IMPACT ON EQUITY $'000**	IMPACT ON PROFIT BEFORE TAX $'000	IMPACT ON EQUITY $'000
Euro	+10%	**6,819**	**6,819**	5,951	5,951
US Dollar	+10%	**615**	**615**	253	253
Danish Krone	+10%	**107**	**107**	-	-
Australian Dollar	+10%	**(3,531)**	**(3,531)**	-	-
Euro	-10%	**(8,335)**	**(8,335)**	(7,273)	(7,273)
US Dollar	-10%	**(752)**	**(752)**	(309)	(309)
Danish Krone	-10%	**(130)**	**(130)**	-	-
Australian Dollar	-10%	**3,923**	**3,923**	-	-

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

(ii) Interest rate risk

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

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

	2014		2013	
CHANGE IN VARIABLES	**IMPACT ON PROFIT BEFORE TAX $'000**	**IMPACT ON EQUITY $'000**	IMPACT ON PROFIT BEFORE TAX $'000	IMPACT ON EQUITY $'000
+50 basis points	**831**	**831**	312	312
-50 basis points	**(831)**	**(831)**	(312)	(312)

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

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

(iii) Equity price risk

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

The Group has no exposure to equity price risk.

(b) Credit risk

Nature of the risk and how managed:

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

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

- The Group has a credit risk policy that sets out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's Audit and Risk Committee. The policy is regularly reviewed for relevance and for changes in the risk environment;
- The Group further restricts its credit risk exposure by entering into master netting arrangements with counterparties with which it enters into significant volumes of transactions. However, such arrangements do not generally result in offsetting the Statement of Financial Position assets and liabilities, as transactions are usually settled on a gross basis. The credit risk, however, associated with such balances is reduced in the event of a default, when such balances are settled on a net basis;
- Guidelines determine when to obtain collateral and guarantees e.g. security deposits, refer to note 8; and
- Reinsurance is placed with counterparties that have a good credit history, and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by senior management and are subject to regular reviews. At each reporting date management performs an assessment of the creditworthiness of reinsurers.

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

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

Concentrations of credit risk exist where a number of counterparties have similar economic characteristics. At the reporting date, there are material concentrations of credit risk to the major banks in New Zealand and to reinsurers in relation to the reinsurance recoverable. The level of reinsurance cover entered into with individual reinsurers is diversified so as to avoid a concentration charge in the regulatory capital calculation, refer to note 31.

Exposure:

(i) Premium and reinsurance recoveries on paid claims receivable

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

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

	NOT OVERDUE $'000	< 30 DAYS $'000	30 TO 120 DAYS $'000	OVERDUE >120 DAYS $'000	TOTAL $'000
31 December 2014					
Premium receivable	**58,398**	**2,515**	**1,266**	**283**	**62,462**
Recoveries on paid claims	**34**	**147**	**70**	**108**	**359**
Net balance	**58,432**	**2,662**	**1,336**	**391**	**62,821**
31 December 2013					
Premium receivable	62,314	679	1,147	1,663	65,803
Recoveries on paid claims	1,033	-	37	32	1,102
Net balance	63,347	679	1,184	1,695	66,905

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

The total provision for impairment at the reporting date for receivables balances totals nil (2013: nil).

During 2014 receivables determined as non-recoverable amounting to nil were written off (2013: $173,000).

(ii) Reinsurance recoveries receivable on outstanding claims

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

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

(iii) Cash and cash equivalents

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

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

(iv) Total assets bearing credit risk

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

AMOUNTS IN $'000	AAA	AA	A	BBB	BELOW BBB	NOT RATED	TOTAL
31 December 2014							
Long term deposit	**-**	**-**	**-**	**-**	**-**	**19,323**	**19,323**
Loans and receivables	**-**	**-**	**-**	**-**	**-**	**75,466**	**75,466**
Reinsurance contracts	**-**	**-**	**-**	**-**	**-**	**359**	**359**
Cash and cash equivalents	**-**	**121,054**	**35,508**	**7,617**	**1,878**	**236**	**166,293**
Total	**-**	**121,054**	**35,508**	**7,617**	**1,878**	**95,384**	**261,441**
31 December 2013							
Debt securities	-	12	-	-	-	-	12
Loans and receivables	-	-	-	-	-	77,751	77,751
Reinsurance contracts	-	695	-	-	-	406	1,101
Cash and cash equivalents	-	89,624	6,361	173	1,679	-	97,837
Total	-	90,331	6,361	173	1,679	78,157	176,701

(c) Liquidity risk

Nature of the risk and how it is managed:

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

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

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

An additional source of liquidity risk for the Group relates to interest bearing liabilities, specifically the bank and other external loans. The management of this risk, as determined by the Underwriting Credit Committee, allows interest rates to be fixed.

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

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

Exposure:

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

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

		PAYMENTS DUE BY PERIOD AS OF 31 DECEMBER 2014				
31 DECEMBER 2014 AMOUNTS IN $'000	**CARRYING AMOUNT**	**0-1 YR**	**1-3 YRS**	**3-5 YRS**	**>5 YRS**	**TOTAL**
Insurance liabilities	**12,893**	**8,577**	**4,316**	**-**	**-**	**12,893**
Borrowings	**65,637**	**1,319**	**7,753**	**56,565**	**-**	**65,637**
Other liabilities and payables	**8,000**	**8,000**	**-**	**-**	**-**	**8,000**
Total contractual obligations	**86,530**	**17,896**	**12,069**	**56,565**	**-**	**86,530**

		PAYMENTS DUE BY PERIOD AS OF 31 DECEMBER 2013				
31 DECEMBER 2013 AMOUNTS IN $'000	CARRYING AMOUNT	0-1 YR	1-3 YRS	3-5 YRS	>5 YRS	TOTAL
Insurance liabilities	13,216	9,711	3,505	-	-	13,216
Contingent consideration	2,726	2,792	-	-	-	2,792
Borrowings	27,088	4,128	8,107	14,853	-	27,088
Other liabilities and payables	12,468	11,613	855	-	-	12,468
Total contractual obligations	55,498	28,244	12,467	14,853	-	55,564

31 CAPITAL MANAGEMENT

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

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

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

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in light of changes in economic conditions and risk characteristics. An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

The Company manages its capital by considering both regulatory and economic capital. The primary source of capital used by the Company is the total equity attributable to owners. The total equity attributable to owners equates to "capital" as defined in the solvency standard – see below.

In line with its policy of combining organic growth with judicious acquisitions where and when appropriate, CBL has appointed advisors, and is taking advice on its capital options.

(a) CBL Insurance

Since 14 February 2012 the Company has been required to comply with the Solvency Standard for Non-life Insurance Business, "the solvency standard", issued by the RBNZ.

CBL Insurance is required to maintain a solvency margin of $0.0, i.e. since 14 February 2012 actual solvency capital as determined under the solvency standard should be at or above the minimum solvency capital level.

As at 31 December 2014 the actual solvency capital exceeds the minimum requirements by $19.1 million (2013: $6.7 million as shown below.

	2014 $'000	2013 $'000
Actual solvency capital	**68,274**	39,494
Minimum solvency capital	**49,203**	32,747
Solvency margin	**19,071**	6,747

The methodology for determining the solvency margin is in accordance with the requirements of the Solvency Standard for Non-life Insurance Business published by the RBNZ and under the Insurance (Prudential Supervision) Act 2010.

The impact on the 2013 solvency margin as a result of CBL Insurance purchasing back the ordinary shares as reported in note 23 was $9.7 million.

During the years ended 31 December 2014 and 31 December 2013 the Company complied with all externally imposed capital requirements.

The Company has embedded in its capital management framework the necessary tests to ensure continuous and full compliance with the solvency standard.

(b) EISL

In the UK, EISL is required to maintain a level of capital in excess of 2.5% of regulatory income for its underwriting agency insurance business. This complies with the rules issued by the Financial Conduct Authority.

During the years ended 31 December 2014 and 31 December 2013 EISL complied with all externally imposed capital requirements.

(c) CBLIE

CBLIE is required to maintain minimum capital requirements as calculated under the EU Solvency 1 formula. Regulations stipulate that the company should maintain capital, allowable for solvency purposes, at 150.0% of the calculated threshold amount. In addition, CBLIE policy dictates that this level be maintained at 200.0% of the threshold amount. At no time in the year has CBLIE failed to meet this requirement and details of the company's solvency position are as follows:

	2014 **$'000**	2013 $'000
Actual solvency capital	**6,292**	5,143
Minimum solvency capital	**449**	449
Solvency margin	**5,843**	4,694

During the years ended 31 December 2014 and 31 December 2013 CBLIE complied with all externally imposed capital requirements.

32 INSURER FINANCIAL STRENGTH RATING

As at the date of this report CBL Insurance has an insurer financial strength rating of B+ by A.M. Best, with a Positive outlook (2013: B+ "Strong").

33 RELATED PARTY DISCLOSURES

The ultimate parent entity of the Consolidated entity is CBL Corporation Limited, which is incorporated in New Zealand.

The Consolidated entity consists of CBL and its subsidiaries. Information in relation to ownership interests is provided in the subsidiaries note 16.

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

(a) Related party balances

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

			CONSOLIDATED CLOSING BALANCE		PARENT CLOSING BALANCE	
NATURE OF RELATIONSHIP	RELATED PARTY	TYPE OF TRANSACTION	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000
Subsidiary						
	Intercede 2408 Limited	Loan[1]	**-**	-	**6,359**	-
	LBC Holdings Europe Limited	Loan[2]	**-**	-	**7,877**	-
	LBC Holdings UK Limited	Loan[2]	**-**	-	**11,678**	-
	LBC Holdings New Zealand Limited	Loan[2]	**-**	-	**10**	-
	CBL Corporate Services Limited	Loan[2]	**-**	-	**12,138**	-
Key management personnel						
	Senior management	Loan[3]	**1,310**	1,605	**1,310**	-
Other related parties (common shareholder or director)						
Peter A Harris	Altares Limited	Fees payable	**-**	(63)	**-**	-
Peter A Harris, Alistair L Hutchison and Carden J Mulholland	Dominion 114 Limited	Debtor/(payable)	**-**	300	**-**	-
Alistair L Hutchison	Federal Pacific Limited	Fees payable	**(62)**	-	**-**	-
Alistair L Hutchison	Federal Pacific Limited	Net insurance debtor	**9**	26	**-**	-
Common shareholder	Madopu Consultores	Fees payable	**-**	(2)	**-**	-
Peter A Harris	Oceanic Securities Inc.	Loan[3]	**-**	246	**-**	-
Todd Campbell	Larkspur Group Inc.	Other debtor	**-**	164	**-**	-
Total			**1,257**	2,276	**39,372**	-

[1] Intercede 2408 Limited loan from CBL: The interest rate is aligned to the New Zealand official cash rate interest rates plus an arm's length commercial margin. During the year the interest rate ranged between 6.1% and 6.9%.

[2] No interest is charged on these loans as all parties are incorporated in New Zealand.

[3] Interest rates on the senior management loans range between 5.0% and 6.1% (2013: 5.0% and 5.9%). The terms of the loans range between one and three years (2013: two and five years). These loans were taken out by senior management to acquire shares in CBL Insurance. The loans were refinanced by CBL on 1 January 2014.

During the 2013 financial year CBL Insurance transferred to Intercede 2408 Limited profit commission liabilities at fair value of $3.4 million. These funds were offset against the intergroup loan between CBL Insurance and Intercede 2408 Limited.

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

(b) Related party transactions

The impacts of transactions with related parties on the financial statements were as follows:

During the 2013 financial year CBL Insurance transferred to Intercede 2408 Limited profit commission liabilities at fair value of $3.4 million. These funds were offset against the intergroup loan between CBL Insurance and Intercede 2408 Limited.

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

			CONSOLIDATED TRANSACTION AMOUNT		PARENT TRANSACTION AMOUNT	
NATURE OF RELATIONSHIP	RELATED PARTY	TYPE OF TRANSACTION	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000
Subsidiary						
	Intercede 2408 Limited	Loan interest	**-**	-	**174**	-
	LBC Holdings New Zealand Limited	Dividends received	**-**	-	**2,924**	-
Key management personnel						
	Senior management	Loan interest	**83**	101	**83**	-
	Senior management	Dividends	**(2,658)**	(1,795)	**(2,658)**	-
Other related parties (common shareholder or director)						
Peter A Harris	Altares Limited	Fees	**(1,594)**	(1,375)	**-**	-
Peter A Harris, Alistair L Hutchison and Carden J Mulholland	Dominion 114 Limited	Tax loss purchase	**(584)**	-	**-**	-
Alistair L Hutchison	Federal Pacific Group Limited	Committee fees	**(100)**	(150)	**-**	-
Alistair L Hutchison	Federal Pacific Group Limited	Premium and recoveries	**34**	38	**-**	-
Adam D J Massingham	Brutus Management Limited	Fees	**(370)**	(379)	**-**	-
Common shareholder	Madopu Consultores	Fees and expenses	**-**	(77)	**-**	-
Peter A Harris	Oceanic Securities Inc.	Loan interest	**8**	21	**8**	-

(c) Compensation of key management personnel

Key management personnel of the Group include all directors, executives and non-executives, and senior management. The totals of remuneration paid to key management personnel are as follows:

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Salaries and other short term employee benefits	**5,006**	5,644	**-**	-
Independent directors' fees	**497**	217	**-**	-
Total	**5,503**	5,861	**-**	-

34 FINANCIAL INSTRUMENTS

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

AMOUNTS IN $'000	AVAILABLE FOR SALE	LOANS AND RECEIVABLES	HELD TO MATURITY	FINANCIAL LIABILITIES AT AMORTISED COST	TOTAL
Consolidated 31 December 2014					
Cash and cash equivalents	**-**	**166,294**	**-**	**-**	**166,294**
Other financial assets	**-**	**-**	**19,323**	**-**	**19,323**
Insurance receivables	**-**	**62,821**	**-**	**-**	**62,821**
Trade and other receivables	**-**	**11,406**	**-**	**-**	**11,406**
Loans	**-**	**1,310**	**-**	**-**	**1,310**
Investment in associate	**992**	**-**	**-**	**-**	**992**
Trade and other payables	**-**	**-**	**-**	**(5,407)**	**(5,407)**
Insurance payables	**-**	**-**	**-**	**(12,893)**	**(12,893)**
Borrowings	**-**	**-**	**-**	**(65,637)**	**(65,637)**
Total	**992**	**241,831**	**19,323**	**(83,937)**	**178,209**
Consolidated 31 December 2013					
Cash and cash equivalents	-	97,837	-	-	97,837
Other financial assets	-	-	12	-	12
Insurance receivables	-	66,905	-	-	66,905
Trade and other receivables	-	9,829	-	-	9,829
Loans	-	1,852	-	-	1,852
Investment in associate	738	-	-	-	738
Trade and other payables	-	-	-	(9,267)	(9,267)
Insurance payables	-	-	-	(13,216)	(13,216)
Borrowings	-	-	-	(27,088)	(27,088)
Total	738	176,423	12	(49,571)	127,602

AMOUNTS IN $'000	**AVAILABLE FOR SALE**	**LOANS AND RECEIVABLES**	**HELD TO MATURITY**	**FINANCIAL LIABILITIES AT AMORTISED COST**	**TOTAL**
Parent 31 December 2014					
Cash and cash equivalents	-	**7,263**	**-**	**-**	**7,263**
Trade and other receivables	-	**1,115**	**-**	**-**	**1,115**
Loans	-	**39,373**	**-**	**-**	**39,373**
Trade and other payables	-	**-**	**-**	**(40)**	**(40)**
Borrowings	-	**-**	**-**	**(57,884)**	**(57,884)**
Total	-	**47,751**	**-**	**(57,924)**	**(10,173)**

35 EVENTS AFTER THE END OF THE REPORTING PERIOD

As at the date of these financial statements CBL has entered into agreements to acquire an interest in two overseas insurance companies, both of which are still conditional and subject to confidentiality provisions.

Corporate directory

Date of incorporation

CBL Corporation Limited 18 June 2012
CBL Insurance Limited 19 April 1973

Registered office and principal place of business

Level 8, Tower 1
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CMS Cameron McKenna (United Kingdom)
Rigby Cooke (Australia)
Clifford Chance Europe LLP (France)
William Fry (Dublin)

Bankers

Bank of New Zealand (New Zealand)
Clydesdale Bank (United Kingdom)
ANZ (Australia)
ANZ (New Zealand)
Rabobank Ireland (Ireland)
Allied Irish Banks (Ireland)
HSBC Bank (United Kingdom)

Auditors

Crowe Horwath (New Zealand)
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