



INSURED GROUP LIMITED

ACN 136 767 630

Preliminary financial report (unaudited)

For the fifteen month period ended 30 June 2011

WELLINGTON

Level 5, 99-105 Customhouse Quay, Wellington 6011, New Zealand
PO Box 10661, The Terrace, Wellington 6143, New Zealand
T: +64 4 499 3874 F: +64 4 499 8850

PERTH

Australian Consolidated House
69 Grantham Street, Wembley WA 6014, Australia
PO Box 157, Mt Hawthorn WA 6915, Australia
T: +61 8 9287 0499 F: +61 8 9287 0495

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Insured Group Limited

Results for announcement to the market

The Directors present the consolidated results of Insured Group Limited ("Insured Group" or "the Company") for the fifteen month period ended 30 June 2011.

Reporting Period	Fifteen months to 30 June 2011
Previous Reporting Period	Twelve months to 30 June 2010

	15mths to 30 June 2011 A\$'000	12mths to 30 June 2010 A\$'000	Change A\$'000	Up/Down	Percentage change
Revenues from continuing operations	5,515	5,783	(268)	Down	4.63%
Loss from continuing operations after tax attributable to owners of the Company	(3,471)	(2,130)	1,341	Up	62.94%
Net loss for the period attributable to ordinary shareholders	(3,588)	(1,134)	2,454	Up	216.36%
Net tangible assets	244	3,398			
Net tangible assets per security (cents)	0.02	7.58			
Earnings per security (cents)	0.26	0.10			
Number of shares on issue	1,503,653,824	42,834,287			
Weighted number of shares on issue	1,397,070,225	1,127,218			

No dividends were paid or are proposed for the current or corresponding period

COMMENTS BY DIRECTORS

Operational Review

The consolidated entity's unaudited after-tax result for the fifteen month period ended 30 June 2011 was a loss of \$3,588('000). For the 12 month period to 30 June 2010 the consolidated entity posted an unaudited after-tax loss of \$1,134('000).

The increase in loss is directly attributable to the differing reporting periods and significant transactions the consolidated entity has undertaken in the past fifteen months. The reverse takeover transaction, discussed in more detail below contributed to the loss through one-off legal and other compliance costs of approximately \$680('000). The sale of non-core businesses, also discussed in more detail below added to the loss by \$867('000) and related increases in one-off employment expenses of approximately \$800('000) for retrenched and restructuring of staff numbers.

During the fifteen month period under review, the Company has undergone major changes during a time which saw the globe struggle with an economic crisis. The significant transactions summarised below aligned the Company's strategy to focus on its insurance broking operations in the key region of Western Australia, reduce debt levels and to increase the potential for attractive capital raising prospects which can continue the progression and growth of the Company.

Reverse takeover of Australian Consolidated Insurance Limited

The reverse takeover transaction between Australian Consolidated Insurance Limited (ACIL) and Lombard Group Limited (Lombard) was finalised on the 12 April 2010. As a result the Company:

- changed its name to Insured Group Limited from Lombard Group Limited;
- migrated its place of incorporation to Australian from New Zealand;
- disposed of (as of 12 April 2010) all its current assets and liabilities (except a series of existing liabilities, valued at approximately \$0.220 million, that remained in the parent company) to First One Holdings Limited (owned by Lombard shareholders); and
- will make a buyback offer in cash to the Lombard shareholders for their Insured Group shares held prior to the takeover at NZ\$0.01196 per Insured Group share.

Sale of non-core business assets

The Company sought and received shareholder approval on 30 November 2010 to dispose of 100% of the issued ordinary shares in the two New Zealand subsidiaries, Tasman Insurance Consultants Limited and Classic Cover Insurance Limited for an aggregate purchase price of approximately NZ\$6.1 million (approximately A\$4.9 million).

The Company also disposed of the Queensland subsidiary, Cemac Pty Ltd for an aggregate purchase price of up to approximately A\$5.5 million and assets within the Victoria subsidiary, ACI Broking (VIC) Pty Ltd for an aggregate purchase price of approximately A\$1.166 million.

The proceeds from the above sales reduced bank borrowings, consistent with the Company's strategy to reduce debt levels during a time of global uncertainty and to combine resources to focus of the Western Australian region.

Board Changes

There were also changes at Board level to continue the Company's progression. The Board welcomed Daniel O'Leary as our second New Zealand based director on 12 July 2010. Sam Di Giacomo was appointed as finance director on 8 October 2010 and Keith Bowker was appointed as Company Secretary on 7 October 2010.

The Board wishes to thank the outgoing directors Mark Shelton and Trevor Jacobs for their hard work and dedication during the period under review.

Insured Group Limited

Corporate information

Directors

The Hon. William Patrick Jeffries	Chairman	Appointed 12 April 2010
Wayne Robert Miller	Managing Director	Appointed 12 April 2010
Anne-Marie Syme	Non Executive	Appointed 12 July 2010
Daniel Hugh O'Leary	Non-Executive	Appointed 8 October 2010
Sam Di Giacomo	Non-Executive	Appointed 12 April 2010, resigned 24 March 2011
Mark Shelton	Non Executive	Appointed 12 April 2010, resigned 8 October 2010
Trevor Hilton Jacobs	Non Executive	Resigned 12 April 2010
Michael Howard Reeves	Managing Director	Resigned 12 April 2010
David Wallace	Chairman	Resigned 12 April 2010

Company Secretaries

Keith Bowker	Appointed 7 October 2010
Sam Di Giacomo	Appointed 10 May 2011
Trevor Hilton Jacobs	Resigned 7 October 2010

Principal Place of Business & Registered Office

Australian Consolidated House
69 Grantham Street
WEMBLEY WA 6014
Tel: +61 8 9287 0400
Fax: +61 8 9284 0277

Share Registry

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92119
AUCKLAND

Auditors

Grant Thornton
10 Kings Park Road
WEST PERTH WA 6005
Tel: +61 8 9480 2000
Fax: +61 8 9322 7787

Corporate Advisors

Somerville Corporate
Suite 1/56 Kings Park Road
WEST PERTH WA 6005
Tel: +61 8 9481 0544
Fax: +61 8 9481 0655

Internet Address

www.insuredgroup.com.au

Email Enquires

info@insuredgroup.com.au

Home Exchange

New Zealand Exchange Limited (NZX)
NZX Code: INS

For the fifteen month period ended 30 June 2011

	12 April 2010 - 30 June 2011 Unaudited \$'000	1 July 2010 - 30 June 2010 Unaudited \$'000
Continuing operations		
Revenue	5,515	5,783
Other income	441	1,243
Commission paid	(1,059)	(891)
Other losses	(867)	-
Employee benefit expenses	(3,300)	(3,700)
Occupancy expenses	(613)	(418)
Finance costs	(1,242)	(889)
Depreciation and amortisation expenses	(181)	(111)
Other expenses	(2,170)	(3,242)
Loss before income tax	(3,476)	(2,225)
Income tax benefit	5	95
Loss for the period from continuing operations	(3,471)	(2,130)
Discontinued operations		
(Loss)/profit for the period from discontinued operations	(117)	996
Loss for the period	(3,588)	(1,134)
Loss attributable to:		
Owners of the Company	(3,588)	(1,134)
Non-controlling interests	-	-
	(3,588)	(1,134)

Notes to the financial statements are set out on pages 9 to 12.

Insured Group Limited

Consolidated statement of comprehensive income

For the fifteen month period ended 30 June 2011

	12 April 2010 - 30 June 2011 Unaudited \$'000	1 July 2010 - 30 June 2010 Unaudited \$'000
Loss for the period	(3,588)	(1,134)
Other comprehensive income, net of income tax:		
Exchange differences arising on translation of foreign operations	60	9
Total comprehensive loss for the period	(3,528)	(1,125)
Total comprehensive expense attributable to:		
Owners of the Company	(3,534)	(1,124)
Non-controlling interests	6	(1)
	(3,528)	(1,125)
Loss per share:		
<i>From continuing and discontinued operations:</i>		
Basic and diluted (cents per share)	0.26	0.10
<i>From continuing operations:</i>		
Basic and diluted (cents per share)	0.25	0.19

Notes to the financial statements are set out on pages 9 to 12.

Insured Group Limited

Consolidated statement of financial position

As at 30 June 2011

	Note	30 June 2011 Unaudited \$'000	30 June 2010 Unaudited \$'000
Current assets			
Cash and cash equivalents		2,276	4,913
Trade and other receivables		7,973	10,150
		10,249	15,063
Assets classified as held for sale		-	12,727
Total current assets		10,249	27,790
Non-current assets			
Property, plant and equipment		115	185
Deferred tax assets		304	399
Intangible assets	3	8,941	16,216
Financial assets		-	269
Total non-current assets		9,360	17,069
Total assets		19,609	44,859
Current liabilities			
Trade and other payables		10,687	15,635
Provisions		97	189
Borrowings		7,735	11,807
Other financial liabilities		846	3,407
		19,365	31,038
Liabilities directly associated with assets classified as held for sale		-	10,423
Total current liabilities		19,365	41,461
Total liabilities		19,365	41,461
Net assets		244	3,398
Equity			
Issued capital	4	5,038	4,664
Reserves		64	10
Accumulated losses		(4,752)	(1,164)
Equity attributable to owners of the Company		350	3,510
Non-controlling interest		(106)	(112)
Total equity		244	3,398

Notes to the financial statements are set out on pages 9 to 12.

Insured Group Limited

Consolidated statement of cash flows

For the 15 month period ended 30 June 2011

	12 April 2010 - 30 June 2011 Unaudited \$'000	1 July 2010 - 30 June 2010 Unaudited \$'000
Cash flows from operating activities		
Receipts from customers	9,242	10,706
Payments to suppliers and employees	(7,794)	(8,204)
Interest received	441	420
Finance costs	(1,242)	(1,066)
Income taxes paid	(81)	(93)
Net cash provided by operating activities	566	1,763
Cash flows from investing activities		
Payments for property, plant and equipment	-	(51)
Loans to related parties	-	(269)
Net cash used in investing activities	-	(320)
Cash flows from financing activities		
Proceeds from issue of shares	-	358
Repayment of borrowings	(6,632)	(1,019)
Net cash used in financing activities	(6,632)	(661)
Net increase/(decrease) in cash and cash equivalents	(6,066)	782
Cash and cash equivalents at the beginning of the period	8,100	7,318
Foreign exchange effects on cash and cash equivalents held	58	-
Cash and cash equivalents at the end of the period	2,092	8,100

Reconciliation of cash and cash equivalents

	30 June 2011 Unaudited \$'000	30 June 2010 Unaudited \$'000
Cash at bank – general	76	168
Cash at bank – trust	2,200	4,745
Cash and cash equivalents in the statement of financial position	2,276	4,913
Cash assets classified as held for sale	-	3,423
Bank overdraft	(184)	(236)
Cash and cash equivalents in the statement of cash flows	2,092	8,100

Notes to the financial statements are set out on pages 9 to 12.

Insured Group Limited

Consolidated statement of changes in equity

For the fifteen month period ended 30 June 2011

	Issued capital \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total equity attributable to owners of the Company \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2009 (unaudited)	4,276	-	(30)	4,246	(111)	4,135
Loss for the year	-	-	(1,134)	(1,134)	-	(1,134)
Exchange differences arising on translation of foreign operations	-	10	-	10	(1)	9
Total other comprehensive income/(expense) for the year	-	10	(1,134)	(1,124)	(1)	(1,125)
Shares issued during the year	388	-	-	388	-	388
Balance at 30 June 2010 (unaudited)	4,664	10	(1,164)	3,510	(112)	3,398
Balance at 12 April 2010 (unaudited)	4,664	10	(1,164)	3,510	(112)	3,398
Loss for the period	-	-	(3,588)	(3,588)	-	(3,588)
Exchange differences arising on translation of foreign operations	-	54	-	54	6	60
Total other comprehensive income/(expense) for the period	-	54	(3,588)	(3,534)	6	(3,528)
Deemed value of shares issued to effect reverse takeover	374	-	-	374	-	374
Balance at 30 June 2011 (unaudited)	5,038	64	(4,752)	350	(106)	244

Notes to the financial statements are set out on pages 9 to 12.

For the fifteen month period ended 30 June 2011

1. General information

The consolidated financial statements and notes represent those of Insured Group Limited (“Insured Group” or “the Company”) and its controlled entities (“consolidated entity”).

2. Significant accounting policies

Statement of compliance

The preliminary financial report for the fifteen month period ended 30 June 2011 has been prepared in accordance with Australian Accounting Standards and Interpretations and comply with other requirements of the law.

Compliance with Australian Accounting Standards ensures that the consolidated financial statements comply with International Financial Reporting Standards (‘IFRS’).

The financial statements were authorised for issue by the directors on 29 August 2011.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars and have been rounded to the nearest thousand, unless otherwise noted.

Business combinations

Australian Consolidated Insurance Limited (“ACIL”) was deemed to be the acquirer for accounting purposes under the principles of AASB 3 *Business Combinations* when it arranged, via an exchange of shares, to have itself ‘acquired’ by Insured Group (previously Lombard Group Limited) on 12 April 2010. Therefore, the transaction occurring on that date has been accounted for as a reverse acquisition under AASB 3. Accordingly, these unaudited preliminary financial statements have been prepared as a continuation of the consolidated financial statements of ACIL and its subsidiaries. ACIL has accounted for the acquisition of Insured Group and its subsidiaries from 12 April 2010.

The impact of the reverse acquisition on each of the primary statements is as follows:

Income statement and statement of comprehensive income

- The 2011 consolidated statements comprise 15 months of Insured Group and its subsidiaries.
- The 2010 consolidated statements comprise 12 months of ACIL and its subsidiaries.

Statement of financial position

- The 2011 consolidated statement of financial position represents 15 months of Insured Group and its subsidiaries.
- The 2010 consolidated statement of financial position represents 12 months of ACIL and its subsidiaries.

Statement of changes in equity

- The 2011 consolidated statement of changes in equity comprises Insured Group’s and its subsidiaries equity balance at 12 April 2010, its loss for the period and transactions with equity holders for 15 months.
- The 2010 consolidated statement of changes in equity comprises 12 months of ACIL and its subsidiaries.

Statement of Cash Flow

- The 2011 statement of cash flows comprises the cash balance of Insured Group and its subsidiaries at 12 April 2010, the cash transactions for 15 months and the cash balance of Insured Group and its subsidiaries at 30 June 2011.
- The 2010 statement of cash flow comprises 12 months of ACIL and its subsidiaries.

The accounting policies adopted and methods of computation have been consistently applied in this preliminary financial report as compared to all years presented unless otherwise stated. Reference should be made to previous financial reports of ACIL.

This report is based on financial statements which are subject to audit.

3. Intangible assets

	2011 \$'000	2010 \$'000
Goodwill on consolidation	8,941	16,216

Reconciliation of goodwill

	2011 \$'000	2010 \$'000
Balance at the beginning of the period	16,216	20,335
Assets transferred to assets held for sale	-	(4,028)
Disposed	(7,466)	-
Effect of foreign exchange rates	191	(91)
Goodwill on consolidation	8,941	16,216

Goodwill on consolidation represents the excess total cost in the subsidiary company over the net equity acquired. Note that goodwill includes contingent liabilities related to future settlement payouts as the liability is considered probable and measurable.

Goodwill is allocated to cash-generating units (CGU) as below:

	2011 \$'000	2010 \$'000
Australian Broking	8,755	8,755
Australian Underwriting	25	6,246
New Zealand Broking	-	847
New Zealand Life	161	368
	8,941	16,216

In accordance with AASB 136: Impairment of assets, the consolidated entity performed its goodwill impairment test by comparing the recoverable amount of each CGU with its carrying amount, including goodwill. The recoverable amount of a CGU was determined based on value-in-use-calculations. Value-in-use calculations based on the present value of cash flow projections over a five year period. Management prepared the value-in-use calculations with reference to historical results and forecasts for each CGU. As a result of the review no impairment has been recognised in respect of goodwill for the period ended 30 June 2011 (2010: nil).

Australian Underwriting, New Zealand Broking and New Zealand Life goodwill decreased during the period as a result of the sale of 100% of the issued ordinary shares in Classic Cover Insurance Limited (NZ), Tasman Insurance Consultants Limited (NZ), CEMAC Pty Ltd and sale of ACI Broking (VIC) Pty Ltd entire portfolio.

Insured Group Limited

Notes to the financial statements

4. Issued Capital

	2011 \$'000	2010 \$'000
1,503,653,824 fully paid ordinary shares (2010: 42,834,287)	5,038	4,664

	2011		2010	
	No.	\$'000	No.	\$'000
Fully paid ordinary shares				
Balance at beginning of financial year	42,834,287	4,664	37,490,000	4,276
Reversal of ACIL shares	(42,834,287)	-	-	-
Shares issued (i)	23,407,168	-	-	-
Shares issued (ii)	1,410,317,073	374	-	-
Shares issued (iii)	69,929,583	-	-	-
Shares issued (iv)	-	-	1,964,705	388
Shares issued (v)	-	-	2,608,499	-
Shares issued (i)	-	-	771,083	-
Balance at end of financial year	1,503,653,824	5,038	42,834,287	4,664

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

- (i) Shares issued for the conversion of 23,390,000 unlisted options exercisable at 23 cents per share on or before 31 December 2009 as part consideration for the reverse takeover transaction.
- (ii) First tranche of shares issued on 3 May 2010 in accordance with the takeover offer made for all shares in ACIL.
- (iii) Final tranche of shares issued on 28 May 2010 in accordance with the takeover offer made for all shares in ACIL.
- (iv) Shares issued at 20 cents per share.
- (v) Shares issued to employees as part of an incentive scheme.

5. Subsidiaries

Entity	Incorporation	Ownership	
		2011	2010
Insured Group Limited (i)	Australia	100%	-
ACI Limited	Australia	100%	100%
ACI Broking Services Limited	Australia	100%	100%
ACI Broking (WA) Pty Ltd	Australia	100%	100%
ACI Broking (VIC) Pty Ltd	Australia	100%	100%
Aurora Underwriting Agency Pty Ltd	Australia	100%	100%
Brian Bushell & Associates Pty Ltd	Australia	-	100%
Tasman Premium Finance Pty Ltd	Australia	100%	100%
Mapleridge Pty Ltd	Australia	-	100%
Cemac Pty Ltd (iii)	Australia	-	100%
Consolidated Risk Management Pty Ltd	Australia	100%	100%
Consolidated Underwriting Services Pty Ltd	Australia	100%	100%
Consolidated Wealth Management Pty Ltd	Australia	100%	100%
Tasman Insurance Consultants Limited (ii)	New Zealand	-	100%
Classic Cover Insurance Limited (ii)	New Zealand	-	100%
Aurora Underwriting Agency Limited	New Zealand	100%	100%
Tasman Premium Finance Limited	New Zealand	100%	100%
Lighthouse Financial Advisers Limited	New Zealand	51%	51%

- (i) Acquired 100% via reverse takeover transaction
- (ii) Dispose of 100% of the issued ordinary shares in the two New Zealand subsidiaries, Tasman Insurance Consultants Limited and Classic Cover Insurance Limited for an aggregate purchase price of approximately NZ\$6.1 million (approximately A\$4.9 million).

5. Subsidiaries (cont'd)

- (iii) Disposal of 100% of the issued ordinary shares in Cemac Pty Ltd for an aggregate purchase price of up to approximately A\$5.5 million and assets within the Victoria subsidiary, ACI Broking (VIC) Pty Ltd for an aggregate purchase price of approximately A\$1.166 million.

The proceeds from the above sales reduced bank borrowings, consistent with the Company's strategy to reduce debt levels during a time of global uncertainty and to combine resources to focus of the Western Australian region.

Compliance Statement

This report is based on financial statements which are currently in the process of being audited.



Wayne Miller
Managing Director

Date: 29 August 2011