



**Insured Group Limited**

**PRELIMINARY UNAUDITED HALF-YEAR REPORT**

**For the half-year ended 30 September 2010**

# Results for announcement to the market

Insured Group Limited	
<b>Results for announcement</b>	
Reporting Period	Six months to 30 September 2010
Previous Reporting Period	Six months to 30 September 2009

	Amount ('000's) A\$		Percentage change
	30 Sept 10	30 Sept 09	
Revenue from ordinary activities	5,496	5,753	Decrease by 4.5%
Operating surplus before taxation	332	523	Decrease by 36.7%
Less: taxation on operating result	(100)	(157)	Decrease by 36.9%
<b>Net profit for the period</b>	<b>232</b>	<b>366</b>	Decrease by 36.6%
Net profit attributable to security holders to minority interests	-	-	
<b>Net profit attributable to security holders of the listed issuer</b>	<b>232</b>	<b>366</b>	Decrease by 36.6%

<b>Interim/Final Dividend</b>
The Board has resolved to not to declare a dividend.

Record Date	N/A
Dividend Payment Date	N/A

Comments	N/A
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	30 Sept 10	30 Sept 09
Net tangible assets per security (cents)	(0.28)	n/a
Earnings per security (cents)	0.02	n/a
Weighted average number of shares on issue	1,235,259,117	n/a

As outlined in note 4, the acquisition by the Company of Australian Consolidated Insurance Limited on 12 April 2010 is to be accounted for as a reverse acquisition. Consistent with this treatment an earnings per share calculation is not prepared for the comparative period as Australian Consolidated Insurance Limited was not a listed entity at that time.

## COMMENTS BY DIRECTORS:

- (a) Major changes or trends in the business since the end of the current half-year:

On 10 March 2010, Lombard Group Limited ("LOM") shareholders approved the takeover offer for Australian Consolidated Insurance Limited ("ACIL"). The takeover offer was accepted by ACIL shareholders, and all regulatory approvals were provided. The takeover offer became unconditional on 12 April 2010.

The takeover offer was for Insured Group Limited ("Insured Group" or "the Company") to acquire all of ACIL shares in exchange for the issue of new shares in Insured Group. As a result of the takeover offer ACIL became a wholly-owned subsidiary of Insured Group.

As a result of the completion of the reverse takeover, the Company:

- \* changed its name to Insured Group Limited from Lombard Group Limited;
- \* migrated its place of incorporation from New Zealand to Australia;
- \* disposed of all its current assets and selected liabilities, valued at approximately \$0.180 million (NZ\$0.220 million) to First One Holdings Limited (owned by LOM shareholders);
- \* The Company will make a buyback offer in cash to LOM shareholders for their Insured Group shares held prior to the takeover at NZ\$0.01196 per Insured Group share.

(b) Material changes in accounting policies applied in the preparation of this half-yearly report.

The following major changes in accounting policies has primarily arisen from the basis of preparation changing to A-IFRS from NZ GAAP and in accordance with Corporations Act 2001 from Companies Act 1993, the Financial Reporting Act 1993 and the Securities Regulations 1983 following the Company migration of incorporation moving Australia from New Zealand:

- \* Functional and presentation currency changes to Australian dollars from New Zealand dollars;

## INSURED GROUP LIMITED



### CHAIRMAN'S REPORT FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2010

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I present the preliminary unaudited half-yearly financial statements of Insured Group Limited (INS) to the shareholders.

In April 2010, Perth based company Australian Consolidated Insurance Limited completed the reverse takeover of New Zealand Stock Exchange (NZX) listed Lombard Group Limited (as "Insured Group" or "the Company" was previously known).

Insured Group remains listed on the NZX, although changed its place of incorporation to Perth, Western Australia. Insured Group is the first Australian incorporated general insurance intermediary to be listed on the NZX. This provides shareholders with exposure to a company which is well positioned to capitalise on the multiplying insurance broking opportunities in energy rich Western Australia.

The members of the Board are myself as Chairman, New Zealand resident and Independent Director, Wayne Miller, Managing Director; Daniel H O'Leary, New Zealand resident and Independent Director; Mark Shelton, Independent Director and Anne-Marie Syme, Independent Director. Mr Trevor Jacobs was a Director and Company Secretary but resigned these positions at the end of October 2010. The Board is grateful for the services of Mr Jacobs. The Board then appointed Santino Di Giacomo as Independent Director and Keith Bowker as Company Secretary and Head of Corporate Services.

#### FINANCIAL PERFORMANCE

The preliminary unaudited consolidated after-tax result for the six months ended 30 September 2010 is a profit of AU\$0.232 million. This is compared to an unaudited profit of AU\$0.366 million for the six months ended 30 September 2009.

The basis of consolidation is that of a reverse acquisition in accordance with AFRS-3 *business combinations*. Therefore, the trading income of Australian Consolidated Insurance Limited is reported for the full half-year and for Insured Group since the acquisition date of 12 April 2010 (5 months and 18 days trading).

#### DIVIDEND

The Board has resolved that no dividend has been declared.

A handwritten signature in blue ink, appearing to read "W P O'Leary", with a long horizontal line extending to the right.

The Hon. William Jeffries  
**Chairman**

**INSURED GROUP LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2010**



These preliminary condensed consolidated half-yearly financial statements are unaudited.

In thousands of Australian dollars

Note

	<b>Consolidated</b>	
	<b>Half-year ended 30 Sept 2010 (Unaudited) \$</b>	<b>Half-year ended 30 Sept 2009 (Unaudited) \$</b>
Revenue	5,496	5,753
Commissions	(669)	(11)
Gross profit	4,827	5,742
Investment revenue	218	381
Depreciation and amortisation expense	(59)	(86)
Employee benefits expense	(2,633)	(2,887)
Finance costs	(569)	(464)
Occupancy expense	(355)	(436)
Other expenses	(1,097)	(1,727)
Profit before tax	332	523
Income tax expense	(100)	(157)
<b>Profit for the period</b>	<b>232</b>	<b>366</b>
<b>Other comprehensive income</b>		
Exchange differences arising on translation of foreign operations	21	-
Other comprehensive income for the period (net of tax)	<b>21</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>253</b>	<b>366</b>
Profit attributable to:		
Owners of the parent	232	366
Non-controlling interests	-	-
	<b>232</b>	<b>366</b>
Total comprehensive income attributable to:		
Owners of the parent	253	366
Non-controlling interests	-	-
	<b>253</b>	<b>366</b>
<b>Earnings per share</b>		
Basic (cents per share)	6	0.02
Diluted (cents per share)	6	0.02
		n/a
		n/a

The above income statement should be read in conjunction with the accompanying notes.

**INSURED GROUP LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2010**



These preliminary condensed consolidated half-yearly financial statements are unaudited.

In thousands of Australian dollars

		<b>Consolidated</b>		
	Note	30 Sept 2010 (unaudited) \$	30 Sept 2009 (unaudited) \$	31 Mar 2010 (unaudited) \$
<b>Current assets</b>				
Cash and cash equivalents		4,647	7,814	7,675
Trade and other receivables		6,752	15,288	12,928
		11,399	23,102	20,603
Assets classified as held for sale	5	21,767	-	-
<b>Total current assets</b>		<b>33,166</b>	<b>23,102</b>	<b>20,603</b>
<b>Non-current assets</b>				
Property, plant and equipment		277	365	330
Deferred tax asset		663	264	768
Intangible assets	7	8,342	20,335	20,335
<b>Total non-current assets</b>		<b>9,282</b>	<b>20,964</b>	<b>21,433</b>
<b>Total assets</b>		<b>42,448</b>	<b>44,066</b>	<b>42,036</b>
<b>Current liabilities</b>				
Trade and other payables		12,509	21,169	20,435
Provisions		189	296	296
Borrowings	9	11,737	6,395	5,513
Other financial liabilities		3,474	2,406	2,502
		27,909	30,266	28,746
Liabilities classified as held for sale	5	10,301	-	-
<b>Total current liabilities</b>		<b>38,210</b>	<b>30,266</b>	<b>28,746</b>
<b>Non-current liabilities</b>				
Borrowings	9	160	9,320	9,517
Other financial liabilities		-	353	352
<b>Total non-current liabilities</b>		<b>160</b>	<b>9,673</b>	<b>9,869</b>
<b>Total liabilities</b>		<b>38,370</b>	<b>39,939</b>	<b>38,615</b>
<b>Net assets</b>		<b>4,078</b>	<b>4,127</b>	<b>3,421</b>
<b>Equity</b>				
Issued capital	8	4,664	4,276	4,634
Deemed value of shares issued to effect reverse acquisition	4 & 8	374	-	-
Reserves		21	-	-
Accumulated losses		(870)	(38)	(1,102)
Equity attributable to owners of the parent		<b>4,189</b>	<b>4,238</b>	<b>3,532</b>
Non-controlling interest		(111)	(111)	(111)
<b>Total equity</b>		<b>4,078</b>	<b>4,127</b>	<b>3,421</b>

The above balance sheet should be read in conjunction with the accompanying notes.

**INSURED GROUP LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2010**



These preliminary condensed consolidated half-yearly financial statements are unaudited

In thousands of Australian dollars

**Consolidated**

	Issued capital	Foreign currency translation reserve	Accumulated losses	Attributable to owners of the parent	Non-controlling interest	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 April 2009</b>	4,262	-	(404)	3,858	-	3,858
Profit for the period	-	-	366	366	-	366
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	366	366	-	366
Shares issued during the period	14	-	-	14	-	14
<b>Balance at 30 September 2009</b>	4,276	-	(38)	4,238	(111)	4,127
<b>Balance at 1 April 2010</b>	4,634	-	(1,102)	3,532	(111)	3,421
Profit for the period	-	-	232	232	-	232
Other comprehensive income for the period	-	21	-	21	-	21
Total comprehensive income for the period	-	21	232	253	-	253
Shares issued during the period	30	-	-	30	-	30
Deemed value of shares issued to effect reverse takeover	374	-	-	374	-	374
<b>Balance at 30 September 2010</b>	5,038	21	(870)	4,189	(111)	4,078

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**INSURED GROUP LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2010**



These preliminary condensed consolidated half-yearly financial statements are unaudited.

In thousands of Australian dollars

Note

**Cash flows from operating activities**

Receipts from customers  
 Payments to suppliers and employees  
 Cash generated from operations  
 Interest paid  
 Income tax paid

**Net cash generated by operating activities**

**Cash flows from investing activities**

Interest received  
 Acquisition of subsidiaries, net of cash acquired  
 Cash and cash equivalents classified as held for sale  
 Acquisition of property, plant and equipment

**Net cash used in investing activities**

**Cash flows from financing activities**

Proceeds from borrowings  
 Repayment of borrowings  
 Proceeds from issue of shares

**Net cash (used in)/ generated by financing activities**

Net increase/(decrease) in cash and cash equivalents

**Cash and cash equivalents at beginning of year**

**Cash and cash equivalents at end of year**

**Represented by:**

Cash and cash equivalents  
 Cash held in trust

**Cash and cash equivalents at end of year**

<b>Consolidated</b>	
<b>Half-year ended 30 Sept 2010 (Unaudited) \$</b>	<b>Half-year ended 30 Sept 2009 (Unaudited) \$</b>
7,164	3,645
(3,915)	(2,913)
3,249	732
(569)	(464)
(24)	(18)
<b>2,656</b>	<b>250</b>
218	380
(1,730)	(2,272)
(3,772)	-
(100)	(130)
<b>(5,384)</b>	<b>(2,022)</b>
30	1,416
(360)	-
30	14
<b>(300)</b>	<b>1,430</b>
(3,028)	(342)
<b>7,675</b>	<b>8,156</b>
<b>4,647</b>	<b>7,814</b>
4,572	7,739
75	75
<b>4,647</b>	<b>7,814</b>

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The above cash flow statement should be read in conjunction with the accompanying notes.



**1 REPORTING ENTITY**

Lombard Group Limited was renamed Insured Group Limited on 31 March 2010. As at 30 September 2010, Insured Group Limited (the Company) is a company limited by shares, incorporated and domiciled in Australia, registered under the Corporations Act 2001 and whose shares are publicly traded on the New Zealand Stock Exchange under the symbol (INS).

The preliminary unaudited consolidated financial report of Insured Group Limited as at and for the six months to 30 September 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

	Country of incorporation	Ownership Interest (%)		Balance Date
		September 2010	September 2009	
Australian Consolidated Insurance Limited	Australia	100%	0%	June

Insured Group Limited acquired Australian Consolidated Insurance Limited and its subsidiaries on 12 April 2010 in a reverse takeover. (refer to Note 4).

Australian Consolidated Insurance Limited owns the following subsidiaries:

	Country of incorporation	September 2010	September 2009	Balance Date
ACI Broking Services Pty Ltd	Australia	100%	100%	June
ACI Broking (WA) Pty Ltd	Australia	100%	100%	June
ACI Broking (Vic) Pty Ltd	Australia	100%	100%	June
Aurora Underwriting Agency Pty Ltd	Australia	100%	100%	June
Brian Bushell & Associates Pty Ltd*	Australia	0%	100%	June
Tasman Premium Finance Pty Ltd	Australia	100%	100%	June
Mapleridge Pty Ltd*	Australia	0%	100%	June
Cemac Pty Ltd	Australia	100%	100%	June
Consolidated Risk Management Pty Ltd	Australia	100%	100%	June
Consolidated Underwriting Services Pty Ltd	Australia	100%	100%	June
Consolidated Wealth Management Pty Ltd	Australia	100%	100%	June
Tasman Insurance Consultants Ltd	New Zealand	100%	100%	June
Lighthouse Financial Advisers Ltd	New Zealand	51%	51%	June
Classic Cover Insurance Ltd	New Zealand	100%	100%	June
Aurora Underwriting Agency Ltd	New Zealand	100%	100%	June
Tasman Premium Finance Ltd	New Zealand	100%	100%	June

\*On the 6th January 2010 the shares in Brian Bushell & Associates Pty Ltd and Mapleridge Pty Ltd were sold for \$1,000 each to Cordell James Pte Ltd.

As at 30 September 2010, Insured Group Limited is a profit-oriented entity primarily involved in insurance broking, underwriting agency and risk management advising through its subsidiary Australian Consolidated Insurance Limited.

**2 SIGNIFICANT ACCOUNTING POLICIES**

**(a) Statement of compliance**

The preliminary unaudited half-year report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and *AASB 134 Interim Financial Reporting*. Compliance with *AASB 134* ensures compliance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

**(b) Basis of preparation**

The preliminary unaudited half-year report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted (Functional and presentation currency was New Zealand dollars in the Company's most recent annual report).

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

**(b) Basis of preparation (continued)**

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2010 annual financial report for the financial year ended 31 March 2010, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. (Annual financial report accounting policies consistent with New Zealand Generally Accepted Accounting Practice and with International Financial Reporting Standards).

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (The AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

\* Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*.

AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and have no effect on the amounts reported for the current or prior periods. However, the only amendment that has had a material impact and resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements is the presentation of development costs in the statements of cash flows. AASB 107 *Statement of Cash Flows* has been amended through AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* to require that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

Consequently, cash flows in respect of development costs that do not meet the criteria in AASB 138 *Intangible Assets* for capitalisation as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the statement of cash flows. Prior year amounts have been restated for consistent presentation.

**(c) Use of estimates and judgments**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments made by management in the application of AASBs that have significant effect on the financial report and estimates with a significant risk of material adjustments in the next period are discussed in notes:

Note 7- Intangible Assets - Goodwill

**(d) Intangible assets**

***Goodwill***

Goodwill, representing the excess of purchase consideration over the fair value of the identifiable net assets of a controlled entity at the date of gaining control, is recognised as an asset and not amortised, but assessed for impairment annually and whenever an indication of impairment exists.



**(e) Impairment**

***Goodwill***

Goodwill is assessed for impairment half-yearly and tested for impairment annually at financial year-end and whenever there is an indication that goodwill may be impaired. For the purposes of impairment testing, goodwill is allocated to cash-generating-units that are expected to benefit from the synergies of the combination.

A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets and groups.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to units and then to reduce the carrying amount of other assets in the unit (group of units) on a pro-rata basis.

Any impairment of goodwill is not subsequently reversed.

**3. Going concern**

The preliminary unaudited consolidated half-year financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group recorded a net profit after tax for the half-year ended 30 September 2010 of \$0.232m (Sep-09: \$0.366m), and a net cash outflow from operations of \$2.656m (Sep-09: \$0.250m). At 30 September 2010, the Group has net current liabilities of \$5.044m (Sep-09: \$7.164m).

The Group's ability to continue as a going concern and pay its debts as and when they fall due, given the Group's intended operational plans, assumes the following:

a) Subject to shareholder approval at the Company's AGM on 30 November 2010 and receipt of a deed of release of security from the Company's financier, the Group is in negotiations to sell four of its non-core wholly owned subsidiaries in New Zealand, Queensland and Victoria, being Tasman Insurance Consultants Limited, Classic Cover, CEMAC and ACIL Broking VIC. The total consideration for the sale is approximately \$11.57 million, which will consist of both cash and non-cash components to be settled in two tranches, one on the finalised settlement date and the other within 15 months of the settlement date.

b) Future capital raisings in the next six to twelve months.

c) Active management of the current level of discretionary expenditure in line with the funds available to the Group.

The directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will achieve the matters set out above.

Notwithstanding this dependency on the continued support from current financiers and on securing additional funding, there is a significant uncertainty whether the Company will be able to continue as a going concern.

Should the Company be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.



**4. Reverse takeover of Australian Consolidated Insurance Limited**

A-IFRS 3 *Business Combinations* states that where a business combination is effected through an exchange of equity interests, the entity that issues the equity is normally the acquirer. In a reverse acquisition, the acquirer is the entity whose equity interests have been acquired and the issuing entity is the acquiree. Although legally the issuing entity is regarded as the subsidiary, for accounting purposes the legal subsidiary is the acquirer if it has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities.

In a reverse acquisition, the cost of the business combination is deemed to have been incurred by the legal subsidiary (i.e the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent (i.e the acquiree for accounting purposes). The fair value of the number of equity instruments calculated in accordance with A-IFRS 3 *Business Combinations* shall be used as the cost of the combination. The calculation is based on the fair value of each share in the legal subsidiary multiplied by the number of equity instruments the legal subsidiary would have to issue to provide the same percentage ownership interest of the combined entity to the owners of the legal parent as they have in the combined entity as a result of the reverse acquisition.

Consolidated financial statements prepared following a reverse acquisition shall reflect the fair value of the assets, liabilities and contingent liabilities of the legal parent. Therefore, the cost of the business combination is allocated by measuring the identifiable assets, liabilities and contingent liabilities of the legal parent that satisfy the recognition criteria in A-IFRS 3 at their fair values at acquisition date. Any excess of the cost of the combination over the acquirer's interest in the net fair value of those items is goodwill.

On 12 April 2010, Insured Group Limited (previously Lombard Group Limited) acquired all of the issued shares of Australian Consolidated Insurance Limited. Pursuant to NZIFRS 3 *Business Combinations* (source of authoritative support), this transaction is treated as a reverse takeover such that it is accounted for as if Australian Consolidated Insurance Limited acquired Insured Group Limited.

**The impact of the application of A-IFRS 3 to the above transaction is as follows:**

The consolidated Statements of Financial Performance and Cash Flows comprise:

- Australian Consolidated Insurance Limited financial results and cash flows for the six months ended 30 September 2010; Including Insured Group Limited financial results and cash flows for the 5 month, 18 day period ended 30 September 2010.

Additionally, consolidated financial statements prepared following a reverse takeover must be issued under the name of the legal parent, while in substance disclose financial information as a continuation of the financial statements of the legal subsidiary. As such, the consolidated Statement of Financial Performance shows the performance of Australian Consolidated Insurance Limited (the "acquirer" for accounting purposes) for the six months ended 30 September 2009 as the comparative.

In thousands of Australian dollars

**12 April 2010**

**Fair value of net assets/(liabilities) acquired**

**\$**

Cash and cash equivalents	57
Trade and other receivables	34
Trade and other payables	(310)
<b>Net liabilities on acquisition</b>	<b>(219)</b>
Goodwill on Acquisition	593
<b>Cost of acquisition</b>	<b>374</b>

The contribution of Insured Group Limited to the consolidated net surplus for the period from 12 April 2010 to 30 September 2010 was a net loss of (\$94,000).

**5. Assets and liabilities classified as held for sale**

Classic Cover Insurance Ltd is presented as a disposal group held for sale following the commitment of the Group's management into a share sale agreement with Rothbury, subject to a number of conditions and shareholder approval.

Tasman Insurance Consultants Ltd is presented as a disposal group held for sale following the commitment of the Group's management into a share sale agreement with Rothbury (RITC), subject to a number of conditions and shareholder approval.

Cemac Pty Limited is presented as a disposal group held for sale following the commitment of the Group's management into a share sale agreement with Austbrokers Group, subject to a number of conditions and shareholder approval.

ACIL Broking (Vic) is presented as a disposal group held for sale following the commitment of the Group's management into an asset portfolio sale agreement with Countrywide Tolstrup Financial Services Group Pty Ltd, subject to a number of conditions and shareholder approval.

The Group has not recognised any impairment losses in respect of the share sale or asset portfolio agreements stated above, neither when the operations were reclassified as held for sale at the end of the reporting period.

In thousands of Australian dollars	<b>Group</b> <b>30 Sept 2010</b>
<b>Assets classified as held for sale</b>	<b>\$</b>
Cash and cash equivalents	3,772
Trade and other receivables	3,799
Property, plant and equipment	71
Deferred tax asset	28
Intangible assets	14,097
	<b>21,767</b>
<b>Liabilities classified as held for sale</b>	
Trade and other payables	7,881
Deferred consideration	2,421
	<b>10,301</b>

**6. Earnings per share**

The earnings per share calculations are impacted by the reverse acquisition on 12 April 2010.

As outlined in note 4, the acquisition by the Company of Australian Consolidated Insurance Limited on 12 April 2010 is to be accounted for as a reverse acquisition. Consistent with this treatment an earnings per share calculation is not prepared for the comparative period as Australian Consolidated Insurance Limited was not a listed entity at that time.

**The following reflects the income used in the basic and diluted earnings per share computations:**

In thousands of Australian dollars

<i>Earnings used in calculating earnings per share</i>	<b>Group</b> <b>30 Sept 2010</b>
<b>For basic earnings per share</b>	
Net profit/(loss) attributable to ordinary equity holders of the Group	232,000
<b>For diluted earnings per share</b>	
Net profit/(loss) attributable to ordinary equity holders of the Group	232,000
<b>Weighted average number of shares</b>	
Weighted average number of shares for basic earnings per share	1,235,259,117
Weighted average number of shares for diluted earnings per share	1,235,259,117
Earnings per share - basic - expressed in cents per share	0.02
Earnings per share - diluted - expressed in cents per share	0.02

**7. Intangible assets - Goodwill**

In thousands of Australian dollars

	Group		
	30-Sep-10	30-Sep-09	31-Mar-10
	\$	\$	\$
<b>Gross carrying amount</b>			
Balance at beginning of the interim period	20,335	18,054	18,054
Acquisition through business combinations	2,104	2,281	2,281
Reclassified as asset held for sale	(14,097)	-	-
Derecognised on disposal of a subsidiary	-	-	-
<b>Balance at end of the interim period</b>	<b>8,342</b>	<b>20,335</b>	<b>20,335</b>
<b>Accumulated impairment losses</b>			
Balance at beginning of the interim period	-	-	-
Impairment loss	-	-	-
Derecognised on disposal of a subsidiary	-	-	-
<b>Balance at end of the interim period</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amounts</b>			
At the beginning of the interim period	20,335	18,054	18,054
<b>At the end of the interim period</b>	<b>8,342</b>	<b>20,335</b>	<b>20,335</b>

**Goodwill**

Impairment testing of goodwill in the consolidated Group is performed by comparing the fair value of the cash-generating-unit ("CGU") with the current carrying amount of its net assets, including goodwill. This involves using the discounted cash flow method to determine the expected future benefits of the CGU. Judgment is applied, particularly with respect to the assumptions made in terms of interest margins, discount rates and projected growth.

**8. Issued Capital**

	Note	Group		
		30-Sep-10	30-Sep-09	31-Mar-10
		\$	\$	\$
Balance at beginning of the interim period		4,634	4,263	4,263
Other issued equity		30	13	371
		4,664	4,276	4,634
Reversal of deemed value of shares issued to effect reverse acquisition due to receivership	5	374	-	-
<b>Balance at end of the interim period</b>		<b>5,008</b>	<b>4,276</b>	<b>4,634</b>
Balance at beginning of the interim period		4,634	4,263	4,263
<b>Balance at end of the interim period</b>		<b>5,008</b>	<b>4,276</b>	<b>4,634</b>

**Share capital**

In thousands of shares

Total number of shares on issue for Parent

**Ordinary shares**

**30-Sep-10**

1,503,653

**1,503,653**

**Rights attached to ordinary shares**

A share in the company entitles the holder to:

- a. the right to one vote on a poll at meetings
- b. the right to an equal share in dividends
- c. the right to an equal share in the distribution of the company's surplus assets

**9. Borrowings**

	Group		
	30-Sep-10	30-Sep-09	31-Mar-10
<b>CURRENT</b>			
Bank Facility	11,737	6,395	5,513
	<b>11,737</b>	<b>6,395</b>	<b>5,513</b>
<b>NON-CURRENT</b>			
Bank Facility	-	9,320	9,517
Director loans	160	-	-
	<b>160</b>	<b>9,320</b>	<b>9,517</b>



**9. Borrowings (continued)**

	Group		
	30-Sep-10	30-Sep-09	31-Mar-10
a) Total current and non-current secured liabilities			
Bank Facility	11,737	15,715	15,030

b) The bank overdrafts, facilities and commercial bills of the parent entity and subsidiaries are secured by a registered fixed and floating charge over ACI Ltd and all controlled entities.

The covenants within the bank borrowings require no deterioration in revenue greater than 10% over rolling 12 month basis; interest cover of not less than 2 times to be maintained; insurance to be current; EBITDA is not to be less than 30%; Tasman Insurance Consultants Ltd (NZ) is not to take on additional shareholders without prior approval from Bank and all funds to be used for purpose supplied.

c) The Company became aware in July 2009 that it may have contravened one of its borrowing covenants with regard to EBITDA ratios as the actual ratio achieved appears less than that required. The Directors are confident though that the nature of the non compliance will not impact the current facilities and will endeavor to renegotiate this covenant with its bankers. The Directors have treated the Bank Facility as current to reflect this non compliance of the banking covenant.

**10. Restriction on assets**

To satisfy the New Zealand Stock Exchange listing requirements, the National Bank of New Zealand Limited has provided a bond on behalf of the parent company for \$75,000. A term deposit of \$75,000 (30 Sep-09: Nil) is held in a separate bank account. As security, the bank holds a letter of authority on this deposit amount.

**11. Contingencies and commitments**

The directors are of the opinion that there are no material changes in contingencies and commitments from those reported in the most recent annual report.

**12. Subsequent Events after reporting period**

On 1 October 2010, the Company announced a negotiated agreement with Countrywide Tolstrup Financial Services Group Pty Limited to sell ACI Vic's client portfolios.

On 27 October 2010, the Company announced an entered agreement with Austagencies Pty Limited to sell 100% of the shares in ACIL subsidiary CEMAC Pty Limited

On 9 November 2010, the Company dispatched the notice of meeting to shareholders for the annual general meeting scheduled for 30 November 2010.

On 16 November 2010, the Company signed a standby equity subscription agreement with off shore investment group, Fortrend Securities Pty Limited, whereby the Company has access to an equity raising facility up to a limit of \$5 million.

**13. Segment reporting**

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its

Information reported to the Group's Managing Director for the purposes of resource allocation and assessment of performance is more specifically focused on the category of insurance product. The Group's reportable segments under AASB 8 are therefore as follows:

- \* General insurance
- \* Underwriting agency
- \* Premium funding
- \* Health & life risk
- \* Risk management

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

In thousands of Australian dollars

	Revenue		Segment profit	
	Half-year ended		Half-year ended	
	30-Sep-10	30-Sep-09	30-Sep-10	30-Sep-09
	\$	\$	\$	\$
General insurance	3,607	5,513	727	971
Underwriting agency	1,658	-	501	226
Premium funding	186	221	-	-
Health & life risk	-	14	-	-
Risk management	44	5	-	-
	<b>5,496</b>	<b>5,753</b>	<b>1,228</b>	<b>1,196</b>
Investment revenue			218	381
Finance costs			(569)	(464)
Depreciation and amortisation			(59)	(86)
Central administration and directors'			(287)	(401)
Occupancy expense			(37)	(24)
Other			(163)	(80)
Profit before tax			331	523
Income tax expense			(100)	(157)
<b>Consolidated segment revenue and profit for the period</b>	<b>5,496</b>	<b>5,753</b>	<b>232</b>	<b>366</b>

The revenue reported above represents revenue generated from external customers. There were no intersegment generated revenue during the period.

Segment profit represents the profit earned by each segment without the allocation of investment revenue, finance costs, depreciation and amortisation, central administration and directors' salaries, head office occupancy expense and other expenses.

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings.

The following is an analysis of the Group's assets by reportable operating segment:

In thousands of Australian dollars

	30-Sep-10	31-Mar-10
	\$	\$
General insurance	15,557	15,145
Underwriting agency	8,133	8,133
Premium funding	226	226
Health & life risk	-	-
Risk management	5	5
Total segment assets	<b>23,921</b>	<b>23,509</b>
Unallocated assets	<b>18,527</b>	<b>18,527</b>
<b>Total assets</b>	<b>42,448</b>	<b>42,036</b>

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<b>NAME:</b>	Insured Group Limited	
<b>DATE OF INCORPORATION:</b>	10 February 1987	
<b>DIRECTORS:</b>	The Hon. William Patrick Jeffries (Chairman) Wayne Robert Miller (Managing Director) (appointed 12 April 2010) Anne-Marie Syme (appointed 12 April 2010) Mark Shelton (appointed 12 April 2010) Daniel O'Leary (appointed 12 July 2010) Santino Di Giacomo (appointed 8 October 2010) Trevor Hilton Jacobs (appointed 12 April 2010 / resigned 7 October 2010) Michael Howard Reeves (resigned 12 April 2010) David Wallace (resigned 12 April 2010)	
<b>COMPANY SECRETARY:</b>	Keith Bowker (appointed 8 October 2010) Trevor Hilton Jacobs (resigned 7 October 2010)	
<b>SHARE REGISTRY:</b>	Computershare Investor Services Limited Level 2, 159 Hurstmere Road Takapuna Private Bag 92119 AUCKLAND	
<b>REGISTERED OFFICE:</b>	Insured Group Limited Level 5, 99-105 Customhouse Quay Wellington	
<b>COMMUNICATION:</b>	<b>New Zealand</b> Insured Group Limited PO Box 10661 Wellington NEW ZEALAND  Telephone: +64 800 467 888 Facsimile: +64 4 499 8850  Website: <a href="http://www.insureddgroup.co.nz">www.insureddgroup.co.nz</a>	<b>Australia</b> Insured Group Limited PO Box 157 Mt Hawthorn, WA 6915 AUSTRALIA  Telephone: +61 8 9287 0400 Facsimile: +61 8 9287 0420
<b>AUDITORS:</b>	Grant Thornton Level 1, 10 Kings Park Road West Perth, WA AUSTRALIA	
<b>SOLICITORS:</b>	Minter Ellison Rudd Watts Level 17, 125 The Terrace Wellington NEW ZEALAND	
<b>BANKERS:</b>	ASB Bank Limited 2 Hunter Street Wellington NEW ZEALAND	St George Bank 152-158 St. Georges Terrace Perth, WA AUSTRALIA
<b>HOME EXCHANGE:</b>	New Zealand Exchange Limited (NZX)	
<b>NZX CODE:</b>	INS	