2016 Annual Report

CBL corporation

Over 40 years of profitable growth

Established in 1973, CBL Corporation Limited (CBL) is an international specialist insurer and reinsurer focused on credit and financial risk. The success of our business is underpinned by the strength of our relationships, local market knowledge and our underwriting experience.

The CBL Group consists of three insurance companies in New Zealand, Australia and Ireland; and three managing General Agents (MGAs) in the United Kingdom and France.

UPGRADE OF CBL INSURANCE FINANCIAL STRENGTH RATING TO

A-

(EXCELLENT) IN JULY 2016

OUTSTANDING COMBINED OPERATING RATIO ACHIEVED OF

77.2%

INCREASED REVENUE

AND OPERATING PROFIT IN 2016 OVER 2015

EXCEEDED

LIKE-FOR-LIKE PFI PROFIT NUMBERS

SUCCESSFUL TRANSITION

OF OUR EUROPEAN BUSINESS INTO CBL INSURANCE EUROPE, IN RESPONSE TO BREXIT AND CLIENT DEMAND

SFS ACQUISITION

ADDRESSING THE DISTRIBUTION CONCENTRATION RISK THAT SFS PRESENTED AS OUR SINGLE LARGEST BUSINESS PARTNER, AND PROVIDING CBL ADDITIONAL SCALE, VISIBILITY AND OPPORTUNITIES INTO NEW MARKETS

SUCCESSFUL IMPLEMENTATION

OF NEW PRODUCTS INTO ASSETINSURE

EXCEEDING

OUR REGULATORY AND SOLVENCY REQUIREMENTS ALL THREE OF OUR INSURER RISK-TAKING ENTITIES

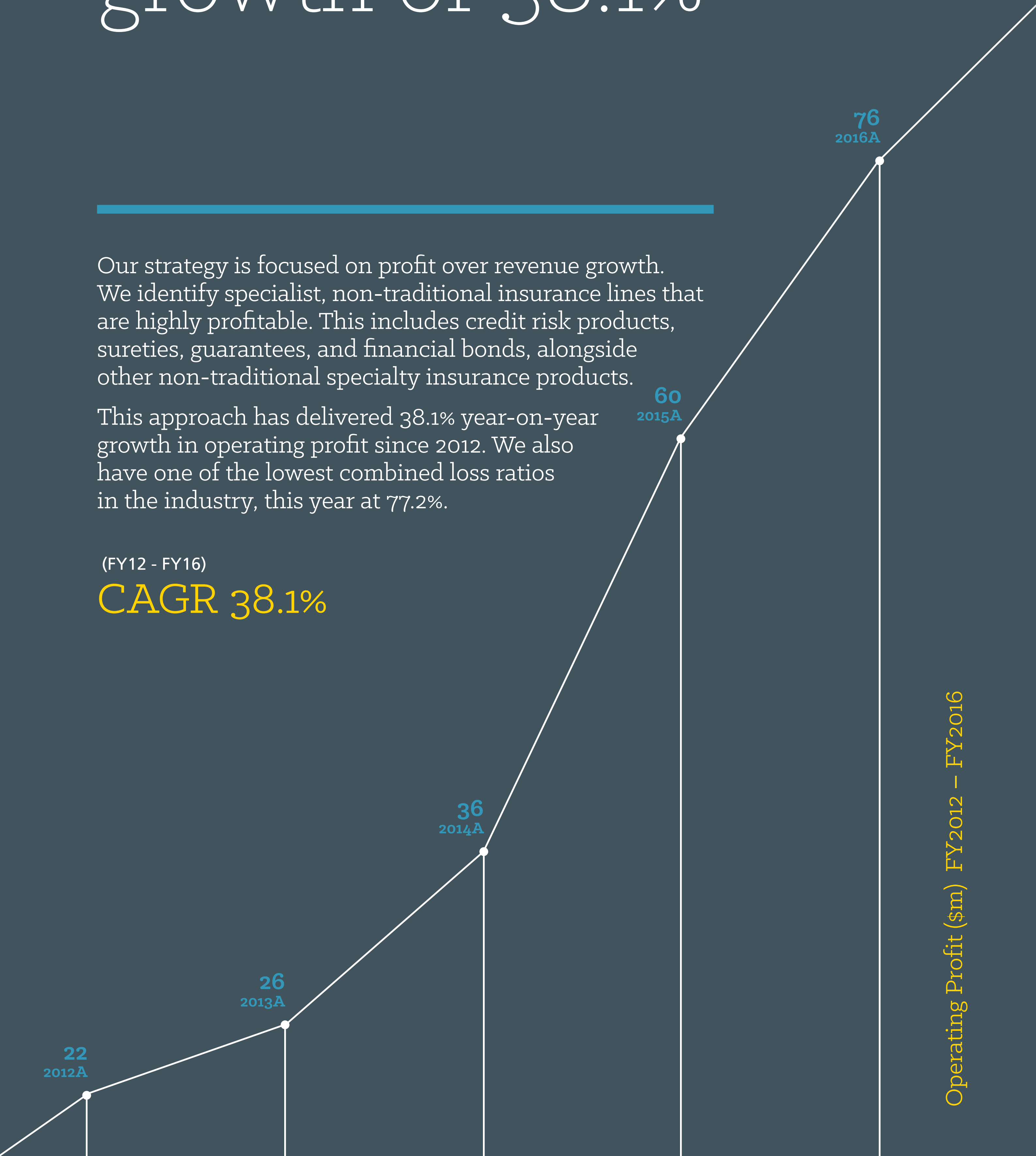
Operating profit growth of 38.1%

Our strategy is focused on profit over revenue growth. We identify specialist, non-traditional insurance lines that are highly profitable. This includes credit risk products, sureties, guarantees, and financial bonds, alongside other non-traditional specialty insurance products.

This approach has delivered 38.1% year-on-year growth in operating profit since 2012. We also have one of the lowest combined loss ratios in the industry, this year at 77.2%.

(FY12 - FY16)

CAGR 38.1%



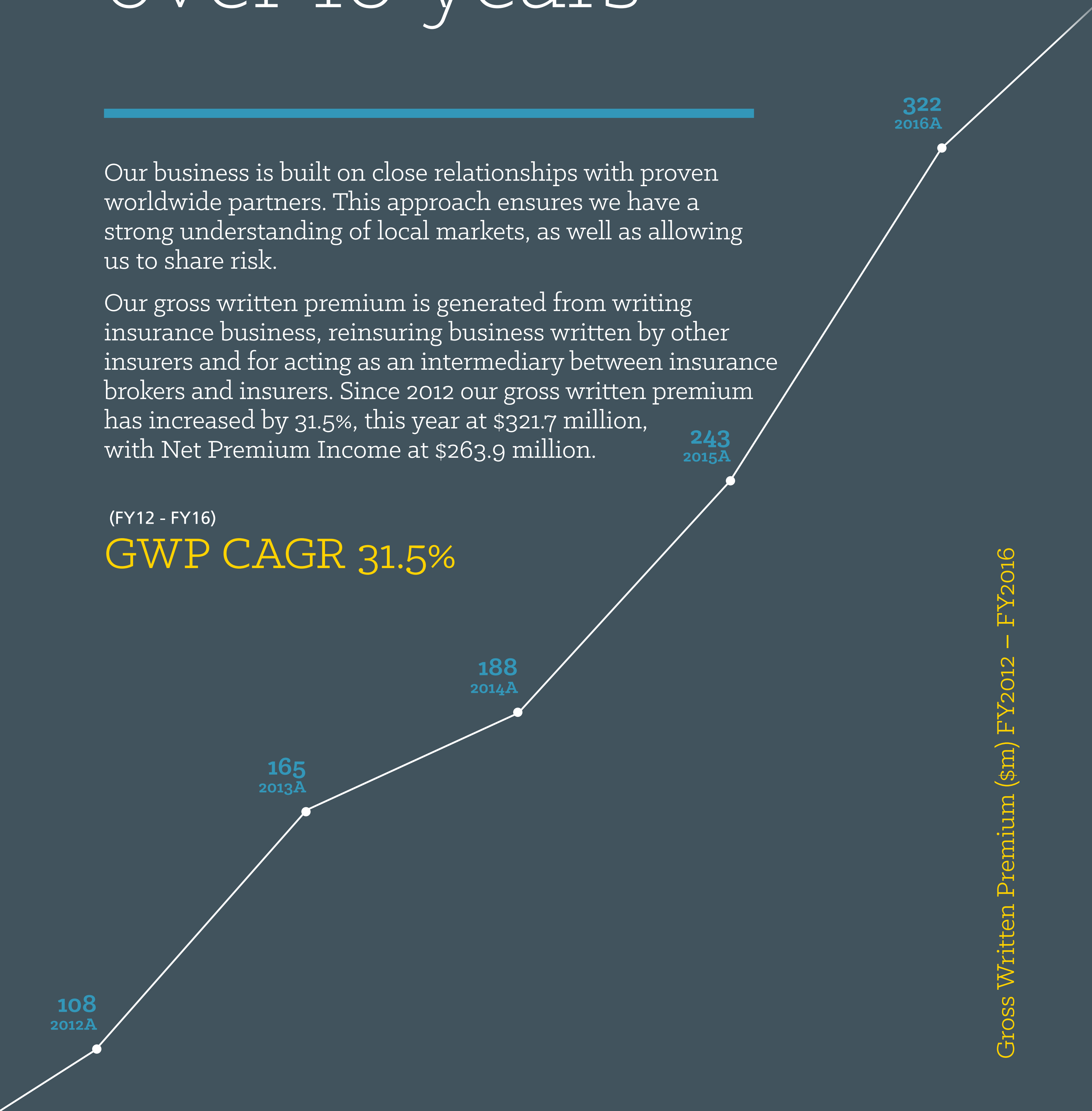
Gross written premium growth over 10 years

Our business is built on close relationships with proven worldwide partners. This approach ensures we have a strong understanding of local markets, as well as allowing us to share risk.

Our gross written premium is generated from writing insurance business, reinsuring business written by other insurers and for acting as an intermediary between insurance brokers and insurers. Since 2012 our gross written premium has increased by 31.5%, this year at $321.7 million, with Net Premium Income at $263.9 million.

(FY12 - FY16)

GWP CAGR 31.5%

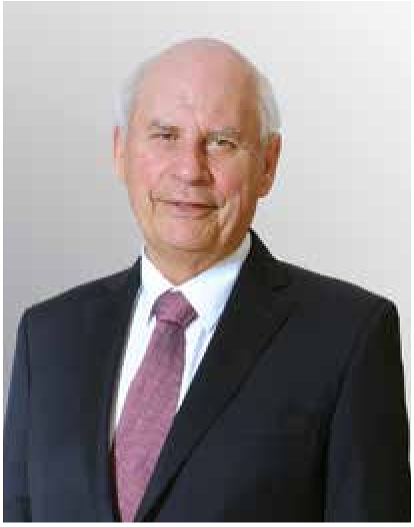


Sustained growth in market capitalisation

Since 2000 CBL has pursued an international strategy of strong organic and acquisition growth while maintaining underwriting performance and increasing profitability. We write business across 25 countries, and have recently expanded further into Europe, Latin America, and Australia.

Our market capitalisation at 2016 year end is up 151% since our initial listing. Our financial strength rating for CBL Insurance has also been increased this year to A- (excellent), aiding further grow into new geographies.

CHAIRMAN'S REPORT



Welcome to CBL's Annual Report for 2016. We have had another successful year where we have built on the foundation set in our first year as a listed company, delivering against our strategy and achieving growth across the business.

We have exceeded the targets we set ourselves at our IPO in 2015. Gross written premium for the year ended 2016 is $321.7 million, up 32.6% on 2015, and operating profit increased to $76.2 million, up 27.2% on last year.

Our international and experienced Board

SIR JOHN WELLS KNZM
NON-EXECUTVE INDEPENDENT CHAIRMAN

PETER HARRIS
MANAGING DIRECTOR

ALISTAIR HUTCHISON
NON-EXECUTIVE DEPUTY CHAIRMAN

TONY HANNON
NON-EXECUTIVE INDEPENDENT DIRECTOR

PAUL DONALDSON
NON-EXECUTIVE INDEPENDENT DIRECTOR

IAN MARSH
NON-EXECUTIVE INDEPENDENT DIRECTOR

Our dividend policy remains unchanged, and we distribute 30% of adjusted NPAT subject to regulatory capital and liquidity requirements. The Board has agreed to pay a final dividend of 2 cents per share, bringing the total for the year to 5 cents per share.

These are solid results, which have been achieved due to the application of a focused and consistent strategy. We continue to focus on long-term, profitable growth through organic means and via carefully considered acquisitions, achieved by providing specialist insurance products to local and international markets.

Acquisition of specialist companies that provide access to new markets will contribute long-term value and be a key part of our business plan. The successful integration of Assetinsure and Professional Fee Protection are now complete and both businesses are performing well. In January 2017, we finalised the acquisition of Securities and Financial Solutions Europe (SFS), France's largest specialist producer of construction-sector insurance, and IMS Expert Europe (IMS), SFS' claims management operation. This strategic acquisition protects and strengthens our market leading position in France. The €94.5m deal was funded by mixture of cash and debt.

Operating as a listed company has enabled us to raise capital, capitalise on our increased financial strength rating and increase our shareholder base. In September 2016 we completed a $60 million private placement to New Zealand and offshore institutional investors. Following this placement, existing New Zealand shareholders were offered the opportunity to subscribe for new shares through our Share Purchase Plan (SPP). This was oversubscribed, and we are delighted with the demand and support. It is a positive outcome for both CBL and its shareholders as the Company now has greater flexibility to execute on the solid growth opportunities we have identified.

As a result of our strengthened financial position CBL Insurance had its financial strength rating upgraded to A- (Excellent) from B++ (Good) and the issuer credit rating upgraded to a- from bbb. This is a positive development, and will help our further expansion into the South East Asia market.

The global political environment continues to be uncertain. The British decision to exit the European Union has presented CBL Insurance Europe with new opportunities as customers look for more certainty than British insurance providers are currently able to offer. Key to capitalising on these opportunities is the need for us to continue to exceed our regulatory requirements, not least with respect of the Solvency II regime, which came into effect in 2016. A commitment to the highest levels of corporate governance has always been a key feature of our business. We have a diverse and experienced Board, which remains focused on ensuring adherence to the Company's strategy and plans for future growth.

On behalf of the Board I would like to thank the committed team at CBL. The Company's success is the result of their relationships, dedication, loyalty and hard work. Management are enjoying operating as a listed company and the opportunities this brings. I would also like to thank our partners and customers. They place an enormous amount of trust and responsibility with CBL, and I am proud of the team as they continue to make a difference to our customer's businesses.

2016 was another strong year for CBL. In 2017 we will continue to exercise the same focus and determination as we continue to drive growth across the business.

Sir John Wells KNZM, Chairman

COMPANY OVERVIEW

OUR INSURANCE COMPANIES

CBL Insurance

New Zealand's largest and oldest credit surety and financial risk provider, supervised and regulated by the Reserve Bank of New Zealand (RBNZ).

CBL Insurance is the Group's largest operating entity. It provides the majority of products that the Group offers, focused on financial risk, builders' risks, bond sureties and guarantees and niche insurance programmes worldwide.

CBL*insurance*

68.4%

OF TOTAL REVENUE*

Auckland, New Zealand
Representative offices:

- Copenhagen, Denmark
- London, United Kingdom
- Mexico City, México

CBL Insurance Europe

Licensed European insurer headquartered in Dublin and regulated by the Central Bank of Ireland

Focused on specialist, non-traditional profitable business lines throughout Europe.

CBL*insurance Europe*

4.2%

OF TOTAL REVENUE*

Dublin, Ireland
Paris, France
Rome, Italy

Assetinsure

Assetinsure is the market-leading surety bond insurer in Australia, regulated by the APRA.

Provides a range of speciality products including credit risk enhancement, surety bonds, specialised property insurance, and rural risk.

asset insure

11.7%

OF TOTAL REVENUE*

Sydney, Australia

* Total revenue excluding intercompany transactions.

CBL operates an international platform with a number of key businesses offering a wide product mix to create strong revenue opportunities and diversify risk.

OUR MANAGING GENERAL AGENTS (MGAs)

EISL

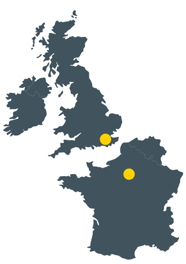
Licensed insurance broker and Lloyd's Coverholder based in the United Kingdom and operating solely in France.

Core products are in the French construction insurance market and distributed through a network of around 800 independent insurance brokers.

4.0%

OF TOTAL REVENUE*

Tunbridge Wells, United Kingdom
Paris, France



Professional Fee Protection

Providing insurance cover that indemnifies business owners for the cost of professional accounting fees that occur in the event of a tax enquiry.

Policies provided through a wide network of more than 1,600 medium-sized national and regional accounting firms' offices in the United Kingdom.

2.2%

OF TOTAL REVENUE*

London, United Kingdom

Securities and Financial Solutions Europe

Securities and Financial Solutions Europe (SFS) is a leading Managing General Agent, and France's largest specialist producer of construction-sector insurance. IMS Expert Europe (IMS) provides SFS's claims management operations.

9.5%

OF TOTAL REVENUE*

Luxembourg City, Luxembourg
Brussells, Belgium
Paris, France
Rome, Italy

MANAGING DIRECTOR'S REPORT

OPERATING PROFIT INCREASED BY

27.2%

GROSS WRITTEN PREMIUM INCREASED BY

32.6%

At the end of our first full year as a public company, we are pleased to report that our growth trajectory has continued as we have identified and created opportunities across our key regions.

In 2016, gross written premium ("GWP"), income continued to increase to $321.7 million – up 32.6% compared to 2015 and, more importantly, operating profit increased to $76.2m, an increase of 27.2% over 2015 ($59.9m). We have exceeded our PFI operating profit target on a like-for-like basis, which is a solid achievement in the current market.

INCREASED UNDERLYING REVENUES AND PROFITS

While our GWP and operating profit has increased by 32.6% and 27.2% respectively, our reported after tax profit for the year decreased due to two material one-off or non-operating items in the 2016 financial statements. The first of these was the one-off purchase cost of buying and financing SFS, and costs incurred in repaying our existing debt early. The second item was the foreign exchange (FX) translation adjustment made each year in order to express our balance sheet assets and liabilities in a single reporting currency (NZ$). The FX translation adjustment is not a cash cost, which is why it is added back to net reported profit after tax when we calculate dividends. The FX translation adjustment in 2016 was a negative $9.8m, compared with a positive adjustment of $3.9m in 2015. This FX translation adjustment is required to flow through the Statement of Profit or Loss, and reduced net profit after tax to NZ$30.7m. This is a reduction of 13.5% compared to the 2015 net profits after tax ($35.5m).

For added clarity and transparency, a reconciliation between reported profit after tax and our underlying operating profit before tax used to measure continuing normalised operations is provided in the table below.

CONSTANT CURRENCY MEASUREMENT

CBL is an exporter of financial services transacting business in several currencies, and, as such (for reporting purposes), will always be susceptible to currency fluctuations, especially when translating foreign currency denominated assets and liabilities into NZ$ for reporting purposes. We continue to achieve our growth targets despite the continued weakness in the Euro spot rate was -10.1% and the Australian dollar was -4.6% over the 2016 year, compared to the NZ dollar we report in.

Despite this, our increased GWP, and operating profit in 2016 is a clear indication of the successful strategy we have adopted over the past 15 years, based on disciplined underwriting focussed on profitable revenue growth, selecting good distribution and intermediation partners in our markets, and tightly managing claims and recoveries.

We retain premiums in the currency in which we earn them, because that is the currency in which we will pay claims, and incur expenses, however, we report in NZ$. Our priority is to provide transparency for our shareholders.

For instance, our GWP growth in 2016 in constant currency for CBL Insurance and CBL Insurance Europe (excluding Assetinsure which was only owned for 4 months in 2015) was:

- 28% growth 2H16 v 2H15
- 22% growth 1H16 v 1H15
- 25% growth 2016 v 2015

BREXIT – AN OPPORTUNITY FOR CBL

In June 2016, the UK voted to exit the European Union. Insurers from UK and Gibraltar have found it difficult to give clarity and certainty to their European insurance distributors and policyholders who need to know where their insurer is going to be domiciled, or from where claims are going to be paid in future years. The Brexit vote followed the earlier introduction of Solvency II which came into effect in January 2016. This uncertainty has brought significant opportunity for CBL, as European clients look to move their business to insurers outside of the UK for greater clarity and stability.

We are in the process of transitioning the majority of our European business into CBL Insurance Europe instead of through Elite Insurance which is based in Gibraltar, on a managed basis to fit in with policyholder and renewal requirements. This transition process will continue during 2017, and once completed, this strategy is expected to add considerable revenue and profit to CBLIE, which will continue to be supported and reinsured by CBL Insurance. We wish to acknowledge the relationship with Elite Insurance, whom we have worked with since 2009, which has contributed to the building of a book now exceeding $150m, which has been written through, and shared with Elite over this time. Our book will continue to transition over the next 18 months, and continue to reduce business acquisition costs in the future.

	2016 $'000	2015 $'000
Operating profit	**76,173**	59,918
Finance costs	**-13,914**	-6,296
Capital raising, business combination and amortisation of acquired intangibles	**-8,434**	-8,755
Foreign exchange translation adjustment	**-9,761**	3,863
Share of profit from associates	**55**	810
Profit before tax	**44,119**	49,540
Income tax expense	**-13,409**	-14,030
Profit for the year	**30,710**	35,510

STRENGTHENING OUR PRODUCT PORTFOLIO

Europe remains a key focus where we will continue to nurture and develop our existing long-term relationships. While we continue to work through external intermediaries for a large part of our business, our SFS acquisition has provided us the opportunity to add downstream products and brand visibility as well as new technologies to a much bigger number of policyholders. Our immediate focus is on France and Italy, where we will be looking to raise our profile over the coming months. A key objective for 2017 is to gain a financial strength credit rating for CBL Insurance Europe to further strengthen our position in these markets.

We have introduced a new fuel bond program in Australia (Petrobond) for fuel retailers as an alternative to providing bank guarantees to fuel suppliers and we also have a number of new programmes underway in Europe (Italy and Spain), Mexico, Australia and South East Asia. These programs are expected to add long-term growth in 2017 and 2018 and beyond. Importantly these are all products which we write in other markets and in which we have good expertise and experience.

NEW DIGITAL TECHNOLOGIES DRIVING INNOVATION AND NEW OPPORTUNITIES

All industries today are adopting or facing digital technology disruption. Insurance is no different. Our own in-house team has developed a new smartphone app which delivers building warranty products direct to pre-qualified and pre-approved residential builders in Victoria, Australia, via mobile phone. The project went live in January 2017, and is expected to ramp up through 2017 and 2018. This is an industry-first and we will look to take this into other markets in the future.

We are developing a digital strategy for Mexico and US/Mexico cross-border products which are intended to start later this year.

In Europe, we have entered into a potentially long-term partnership with a UK insure-tech company to provide a Collision Damage Waiver (CDW) product, which is already delivering profits.

CBL CORPORATION

CBL Corporation is the parent of the Group and provides oversight and alignment of group strategy to its operating entities, alignment of governance policies, procedures and processes, independent-majority board governance and guidance, finance, audit, capital management and group treasury oversight.

CBL Corporation earns investment income and dividends paid up through the group, but does not trade on its own account. CBL Corporation listed on the ASX and NZX in October 2015, and raised $63m in capital in September and October 2016 and opened an office in Sydney in January 2017. At March 2017, CBL Corporation had a market capitalisation of NZ$783m.

Key operating subsidiaries acting as MGA, licensed insurer and reinsurer.

	CBL insurance	asset insure	CBL insurance Europe	EISL	PfP	SFS
ACTIVITY	Risk taker	Risk taker	Risk taker	MGA	MGA	MGA
OWNERSHIP %	100%	100%	100%	100%	92%	71%
REVENUE TYPE	Premiums	Premiums	Premiums	Commissions and Fees	Commissions and Fees	Commissions and Fees
FY2016A GWP (NZ$M)	247.5	46.1	39.9	n/a	n/a	n/a
REGULATOR	RBNZ	APRA (Australia)	Central Bank of Ireland	UK FCA	UK FCA	CAA of Luxembourg

The tables below report the key revenue and profit figures across the operating units in the CBL Group.

31-Dec-16	**CBL INS. $'000**	**AI $'000**	**CBLIE $'000**	**EISL $'000**	**PFP $'000**	**SFS $'000**	**CBL $'000**	**ISR* $'000**	**OTHER $'000**	**TOTAL $'000**
Gross written premium - as insurer	247,455	46,135	39,876	-	-	-	-	(11,785)	-	**321,681**
Total revenue	228,164	39,054	13,873	13,751	8,666	32,973	18,439	(21,488)	28	**333,460**
Operating profit	58,500	5,502	2,205	2,575	1,848	5,542	16,838		4,651	**76,173**
Profit/(loss) after tax	47,002	3,988	1,946	2,621	1,808	2,844	(100)		(29,399)	**30,710**

31-Dec-15	CBL INS. $'000	AI $'000	CBLIE $'000	EISL $'000	PFP $'000	SFS $'000	CBL $'000	ISR* $'000	OTHER $'000	TOTAL $'000
Gross written premium - as insurer	216,278	15,907	10,419	-	-	-	-	-	-	242,604
Total revenue	205,343	16,808	7,590	16,813	676	-	7,044	(10,723)	900	244,451
Operating profit	50,541	7,241	1,832	4,816	342	-	5,460		409	59,918
Profit/(loss) after tax	38,733	3,488	1,616	4,674	277	-	(2,129)		(11,149)	35,510

*ISR = Inter segment revenue eliminations

Our insurance companies:

CBL INSURANCE

CBL Insurance is the Group's largest operating entity and New Zealand's largest and oldest credit surety and financial risk provider. It is supervised and regulated by the Reserve Bank of New Zealand (RBNZ).

The business provides financial risk products, builders' risks, bond sureties, guarantees and specialty insurance programs worldwide. 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 remaining ceded to CBL Insurance as reinsurance, although CBL Insurance drives and controls the originating business relationship.

CBL Insurance has an international financial strength rating of A- (Excellent) from AM Best Ratings, which was upgraded from B++ in July 2016, and an upgraded issuer rating of a- up from bbb. The outlook for both ratings is 'Stable'.

In Australia, we have leveraged our upgraded financial strength rating by writing new financial payment guarantees in the energy industry, and will be further leveraging this into the banking and credit sector in other markets.

Our Deposit Power product continues to lead the market and assist Australian home buyers to acquire residential property by using deposit bonds as an alternative to a cash deposit. A new online strategy and increased distribution through the major bank lenders and mortgage aggregators continues, and strategies around first home buyers, and the "Bank of Mum & Dad" are being worked on with lenders.

Our business in Mexico continues to develop in builders risk, and a new loan protection program for Government-owned lender Infonacot was incepted late in 2016, and will grow in 2017.

In Europe, our business in Scandinavia (Norway, Sweden, and Denmark), continues to grow through a small number of key distributors, and our new business partnership with DUAL in Spain is growing well.

Our business partner in Italy (Olimpia Agency) is performing very well in our view, writing high quality surety business for CBL Insurance. Italy is also a market which is expected to substantially benefit by our planned investment into the CBL brand and market visibility in Europe. Our other programmes in Italy with non-conflicting business continue to grow.

We also continue to identify and develop new opportunities in South East Asia.

Comparative growth rates for CBL Insurance were:

CBL INSURANCE	FY 2016 OVER 2015	1H 2016 OVER 1H 2015	2H 2016 OVER 2H 2015
Gross written premium	14.4%	25.7%	5.5%
Total revenue	11.2%	19.7%	3.6%
Operating profit	15.8%	23.1%	9.4%

CBL INSURANCE EUROPE (CBLIE)

CBLIE accepts risk in respect of specialist non-traditional profitable lines of business in several markets in Europe on a Freedom of Services basis. Headquartered in Dublin, it is regulated by the Central Bank of Ireland. During 2016 CBLIE opened local regulated branches in Paris and Rome. This adds local regulatory oversight and considerable market credibility to CBLIE in the French and Italian markets.

CBLIE has had another year of strong GWP growth (from $10.4m in 2015 to $39.9m in 2016), and is expected to experience considerable YOY GWP growth in 2017 as a result of our transitioning most of our European book of business into CBLIE. This process is expected to be complete by the end of 2018.

As part of our strategy to write most of our business in Europe under the CBL brand, we intend to add further resource and senior management to the CBLIE team in Dublin. An update regarding this is expected to be made in Q2 once further progress has been made.

CBLIE has secured a new Civil Liability program for small municipals (Town Councils) in France which started in January 2017 and has provided a strong start to the year. We have proven experience in this business in other EU countries.

We will make a considerable investment into the CBL brand as part of an international marketing brand strategy which will incorporate and build on our European scale and our global history and culture, including our international subsidiaries. At the same time both CBL Insurance and CBLIE are being strengthened with additional resource and senior management appointments to successfully execute this exciting step-change in our business and brand.

Governance and regulatory compliance continue to be a focus, with the EU Solvency II regulatory regime now in place.

Comparative growth rates for CBLIE were:

CBL INSURANCE EUROPE	FY 2016 OVER 2015	1H 2016 OVER 1H 2015	2H 2016 OVER 2H 2015
Gross written premium	283.7%	170.7%	348.4%
Total revenue	82.9%	73.1%	88.0%
Operating profit	22.2%	1500.0%	-64.7%

ASSETINSURE

Assetinsure is Australia's leading provider of surety products and offers a range of specialty products including surety bonds, credit enhancement, builders warranty, specialised crop and niche "enthusiast" motor insurance from its head office in Sydney.

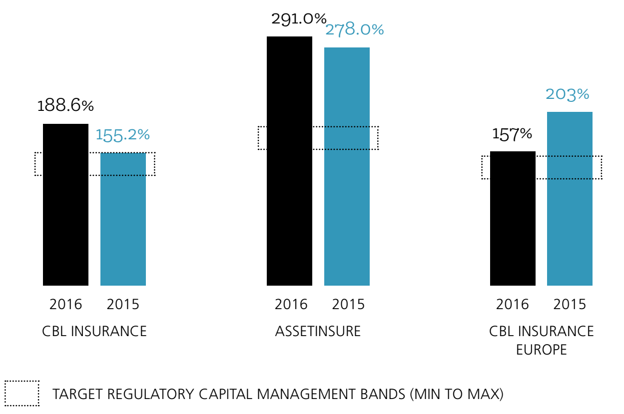
This was Assetinsure's first full year of operation within the CBL Group following its acquisition in September 2015. A clear strategy has been implemented with closer alignment and integration of the business with CBL's strategy on profitable specialist products. The general aviation business unit has been sold, and we have exited the commercial property business. More lines of specialist non-core business have been identified and by mid-2017, we expect to have reduced top line revenue by as much as 30%. This will end the planned non-core revenue reduction, and we expect to then see increased revenue and profits flow from the growth of our core business products and our new Builders Warranty and PetroBond payment guarantee bonds.

Assetinsure is currently re-evaluating its niche "enthusiast" specialist motorcar product, and its related underwriting and delivery strategies and expects to re-launch this product in H2 using a new digitally enhanced strategy.

GWP growth rates over 2015 for Assetinsure are not comparable as it was only owned for 4 months of 2015.

REGULATORY SOLVENCY CAPITAL – INSURERS

Regulatory solvency capital for insurers is critical, and every Insurer is required to have a Capital Management Plan pursuant to which it has minimum and target maximum thresholds of solvency capital calculated under the local regulatory and prudential management solvency standard. I am pleased to say that every one of our three insurance companies has excellent solvency headroom, comfortably above even our maximums. This provides considerable capital for growth capacity over the next two to three years.



Our Managing General Agents (MGAs)

EUROPEAN INSURANCE SERVICES LIMITED (EISL)

EISL had a challenging year in 2016, yet managed to hold premium rates and achieve insurance premium levels for CBL in line with 2015. In a tough market, EISL faced aggressive discounting and loose underwriting from two smaller competitors, putting pressure on its gross revenue of commissions and fees. One of those insurers has since ceased operations after it announced it could not comply with Solvency II. As a result, EISL is now gaining market share as builders seek higher quality products. EISL has invested into a new senior management team and is more aggressively seeking revenue growth. It continues to work with selected qualifying broker partners to grow its revenue base and explore new distribution strategies for 2017, and there is much to be done throughout 2017.

Comparative growth rates for EISL were:

EISL	FY 2016 OVER 2015	1H 2016 OVER 1H 2015	2H 2016 OVER 2H 2015
Gross written premium - as MGA	1.9%	-19.4%	22.8%
Total revenue	-17.9%	-2.6%	-30.4%
Operating profit	-45.8%	-26.3%	-60.0%

PROFESSIONAL FEE PROTECTION (PFP)

In its first full year as part of the CBL Group, PfP has delivered a strong performance with 6% growth in insurance premiums, adding a number of new complementary income streams. The insurance risk has been transferred to CBLIE, providing wider cover for clients, which is already having a positive effect on the business.

PfP has continued to forge strong relationships with its partner firms, increasing its market position. On the back of three significant new partner wins in 2016, PfP now works with 44 of the UK's 'Top 100' accountancy firms. PfP was only owned for one month in 2015, so no half year comparison is applicable.

SFS ACQUISITION AUGMENTS CBL'S POSITION IN EUROPE

A key achievement for CBL in the last year was the acquisition of SFS, France's largest specialist insurance broker of building-sector insurance, and IMS Expert Europe (SFS' claims management operation). The transaction value was €94.5m and was completed and paid for in January 2017.

SFS produces €140m in annual insurer premium, of which approximately 60% is retained after reinsurance within the CBL Group. It is a leading MGA, and, as such, does not bear any insurance risk but earns revenue from brokerage and fees on the insurance premiums it generates for insurers including CBL. SFS operates in 13 markets including France, Luxembourg, Belgium and the French Overseas Departments and Territories. SFS has 37 of its own branches in France alone, and a contracted network of over 3,000 sub-brokers producing opportunities to underwrite and issue policies. CBL has worked with SFS for more than 12 years, with SFS being CBL's largest single client globally.

Acquiring SFS is expected to deliver strategic benefits for CBL, removing the distribution concentration risk that SFS represented as CBL's largest client, and provides added vertical integration within the Group, and further consolidates CBL's market position in Europe. The acquisition is complementary to our existing UK-based EISL, which also distributes building-sector insurance products in France. SFS and IMS add significant specialist skills and resources that should enable CBL to assist in growing both businesses. The acquisition increases staff numbers in the CBL Group from 182 to 550.

We are delighted that the SFS leadership team have re-invested their shareholding in SFS into the acquisition vehicle (SFS Holdings) and remain fully aligned and invested in the business. The previous principal owner Patrice Gilles has retired from SFS, but continues to support SFS as an Ambassador. As a result of the acquisition transaction, SFS and IMS is owned 29% by the current CEOs of both SFS and IMS (Antoine Guiguet and Gerard Marichy, respectively), with CBL holding the 71% balance.

SFS has an experienced marketing team and a well-developed brand strategy based around the highly visible and well supported sport of high performance yachting in France. SFS has a yachting team in the Tour de France à la Voile, and owns the high-performance yacht Volvo 70 "SFS", with a semi-professional crew, through which SFS builds its builder and contractor client relationships, and brand visibility.

As a new member of the Group, CBL will look to incorporate SFS's marketing abilities and track record into its own brand strategy.

OUR PEOPLE

Throughout the CBL Group we have strong and experienced management teams, which have again been strengthened this year with the inclusion of the SFS team. We have also appointed a new CEO to EISL, Pierre Galeon, who has extensive financial services experience in the French market.

We have further strengthened our corporate team and have appointed a Group Corporate Finance Director, a new position in the Group.

Succession planning and developing our team is a key priority and this year we also introduced a development training program for a selected number of young middle managers - the future potential leaders of the business. The program includes leadership training, strategic thinking and high level education skills focused on the team member's specific role. We are looking forward to rolling this program out further across the business over the coming years. We want to ensure our people feel valued and well rewarded, and we strive to provide clear and rewarding career paths.

I would like to thank our diverse team of talented people around the world. Without their enthusiasm, integrity and commitment, we would not be the strong values-driven company we are today. I would like to thank our Group and Subsidiary Boards of Directors and Board Sub-Committees for their guidance and support, and much appreciated input.

Finally, I would like to close by thanking our key stakeholders, our clients, and our advisers for their trust, and you, our shareholders, for investing in CBL Corporation. During 2016 we have continued to build momentum across the business, and in 2017 we expect to translate that momentum into further international and profitable growth.

Peter Harris, Managing Director

BOARD OF DIRECTORS

Sir John Wells KNZM

NON-EXECUTIVE INDEPENDENT CHAIRMAN

Sir John has a background in governance and financial services in both private and public organisations, a career in merchant and investment banking, and provides direction on strategy and growth opportunities. He is currently the Non-Executive Chair of Fisher Funds Management Limited, MartinJenkins, Sheffield North Island Limited and the World Masters Games 2017 Limited. He is also an advisory board member of Marsh NZ. Sir John was awarded a Distinguished Companion of The New Zealand Order of Merit (DCNZM) for his services to business and sport in the New Year Honours 2009 and was subsequently invested with a Knighthood. At the 2013 Halberg Awards he was the recipient of the Sport New Zealand Leadership Award. Sir John is an Associate Chartered Accountant and a Fellow of the Chartered Institute of Secretaries (Governance New Zealand).

Alistair Hutchison

NON-EXECUTIVE DEPUTY CHAIRMAN

Alistair participated in the buy out of CBL Insurance in 1996. He has a background as an economist and has specialist expertise in financial services, public administration and micro lending. Alistair is a past member of the Board of Governors of the World Bank, International Monetary Fund and Asian Development Bank, and was previously the Financial Secretary of Samoa. He currently holds equity participatory positions in various financial services companies in New Zealand and the Southwest Pacific and is Chairman of Federal Pacific Group Limited. Alistair has post graduate degrees in Accounting and Economics from Victoria University, New Zealand.

Peter Harris

MANAGING DIRECTOR

Peter participated in the buy out of CBL Insurance in 1996, initially heading up sales and international revenue, and was appointed Managing Director in 2007. Peter was seconded to the Victorian Builders Warranty Advisory Council in 2008. Peter is an "Authorised Person" with the United Kingdom Financial Conduct Authority and the Central Bank of Ireland, where he chairs the CBL Insurance Europe DAC board. Prior to joining CBL, Peter was an investment banker, a Director and shareholder in General Capital & Commerce Limited, a Director of Boston Marks Group Limited, and a senior executive of Fletcher Steel Limited. Peter is a foundation member of the Spirit of New Zealand Foundation, and is a director on the board of the Latin America New Zealand Business Council. He obtained his M Mktg I after studying through the University of Auckland Business School and is an alumni member of the Australian Graduate School of Management.

Tony Hannon

NON-EXECUTIVE INDEPENDENT DIRECTOR

Tony has an investment banking career covering mergers, acquisitions, dispositions, capital raising, private equity and mezzanine finance. He is currently Chairman of General Capital Technologies Limited, Appello Services Limited, Omni Health Limited, Healthpoint Partners Limited and SB Group and a Director of a number of companies, including Aotearoa Fisheries Limited, Carrington Trustees Limited, Sealord Group Limited and Treble Cone Ski Area. He was Chairman of Snow Sports New Zealand for nearly six years. Over the last 20 years Tony has held many prominent directorships, including Canterbury of New Zealand Limited, Jade Software Corporation Limited, Nextwindow Limited, Jucy Group Limited and AJ Hackett Bungy Group. Tony also established New Zealand's first pure Mezzanine Investment Fund. He has a BCom (Accounting and Economics) from Otago University. Tony Chairs CBL Group's Audit and Financial Risk Committee.

Ian Marsh

NON-EXECUTIVE INDEPENDENT DIRECTOR

Ian has extensive international senior management and board governance experience in the financial services sector across his 40-year career. He has held a variety of executive and managerial positions with American Express Company, with geographical responsibilities across Europe, the Middle East and Asia, including Greater China, Korea, Japan and the Philippines. Ian concluded his American Express career as President and CEO of the Japan Region. Subsequent to this he was Managing Director and Executive Vice President for Western Union Asia Pacific and a member of the executive team that took Western Union public on the New York Stock Exchange. He is currently non-executive director of Noventis

Inc., Chairman of the Remuneration Committee. Previously he was a non-executive director of Ireland based Fexco, Chairman of the Compliance Committee and member of the Remuneration Committee. He was also a non-executive director of the US based Hypercom Corp, and Chairman of the Compensation Committee. Prior to this Ian was non-executive Chairman of the Gilman Group in Hong Kong. Ian also served as President-Europe of The Reader's Digest Association, Inc. Ian is educated in London and studied the Institute of Bankers qualifications.

Paul Donaldson

NON-EXECUTIVE INDEPENDENT DIRECTOR

Paul is a highly accomplished senior executive with in excess of 15 years' extensive experience operating at board and executive committee level. Reporting directly to the group CEO of a FTSE100 listed company he is a seasoned executive with broad international director level experience across a wide range of business disciplines. Paul retired as Executive Director Broker Relationships & Sales, and Chairman, Global Speciality Lines for RSA Insurance Plc, part of the Royal & Sun Alliance Group (RSA), in June 2014, after 38 years in various roles. These roles included four years as Managing Director of UK Commercial and nine years as Chief Executive Officer of RSA Ireland, as well as being a member of RSA Canada Board for three years. Paul is domiciled in Dublin, Ireland and is currently also a Director of Ryan Direct Group, Midas Underwriting Limited, Pharma International DAC, Talanx Re and Two Druids Ventures Limited. He is Chairman of the Advisory Board at Hill Dickinson LLP. Paul is a Fellow of the Chartered Insurance Institute London and Chartered Insurer and Honorary Vice President, Chartered Insurance Institute and a past President of the Irish Insurance Federation.

Financial Statements

DIRECTORS' DECLARATION

The directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of the financial statements which present fairly the financial position of CBL Corporation Limited and its consolidated subsidiary entities (the Group) as at 31 December 2016 and the results of their financial operations and cash flows for the year ended 31 December 2016.

The directors consider that the financial statements of the Group have been prepared using accounting policies appropriate to the 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 believe that proper accounting records have been kept in accordance with the Financial Markets Conduct Act 2013.

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 Group and to prevent and detect fraud and other irregularities.

The directors are pleased to present the Group financial statements for the year ended 31 December 2016.

This annual report is dated 24 February 2017 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

John Wells

Sir John Wells KNZM, Chairman

Peter Harris, Managing Director

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2016

		CONSOLIDATED	
	NOTE	**2016 $'000**	2015 $'000
Gross written premium - as insurer	2	**321,681**	242,604
Movement in gross unearned premium	2	**(24,558)**	(13,965)
Gross premiums	2	**297,123**	228,639
Premiums ceded	2	**(33,238)**	(15,091)
Net premiums	2	**263,885**	213,548
Other revenue	2	**69,575**	30,903
	2	**333,460**	244,451
Claims expense	3(b)	**(106,731)**	(102,072)
Reinsurance and other recoveries	3(b)	**20,372**	27,403
Net claims expense		**(86,359)**	(74,669)
Acquisition costs	9(a)	**(85,526)**	(69,106)
Other operating expenses	9(a)	**(85,402)**	(40,758)
Operating profit		**76,173**	59,918
Finance costs	9(a)	**(13,914)**	(6,296)
Capital raising, business combination and amortisation of acquired intangibles	9(a)	**(8,434)**	(8,755)
Foreign exchange translation adjustment	9(e)	**(9,761)**	3,863
Share of profit from associates	6(c)	**55**	810
Profit before tax		**44,119**	49,540
Income tax expense	7(d)	**(13,409)**	(14,030)
Profit for the year		**30,710**	35,510
Profit attributable to:			
Shareholders		**29,743**	35,488
Non-controlling interest		**967**	22
Earnings per share			
Basic and diluted earnings per share (cents)	5(c)	**13.31**	20.88

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

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Profit for the year	**30,710**	35,510
Other comprehensive income:		
Items that will be reclassified to profit or loss when specific conditions are met		
Exchange differences on translating foreign controlled entities	(4,201)	(455)
Total comprehensive income for the year	**26,509**	35,055
Total comprehensive income attributable to:		
Shareholders	**25,566**	35,036
Non-controlling interest	**943**	19

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		CONSOLIDATED	
	NOTE	**2016 $'000**	2015 $'000
ASSETS			
Cash and cash equivalents	3(e)	**403,894**	296,012
Other financial assets	3(e)	**67,295**	59,222
Insurance receivables	3(a)	**135,702**	101,452
Other receivables	7(b)	**214,198**	26,041
Loans	7(b)	**-**	9,219
Current tax receivable		**662**	4,870
Recoveries on outstanding claims	3(b)	**91,671**	104,925
Deferred reinsurance expense	3(c)	**15,689**	16,489
Deferred acquisition costs	3(c)	**44,833**	38,380
Deferred tax assets	7(d)	**3,351**	3,193
Property, plant and equipment		**8,609**	3,456
Investment property		**-**	10,500
Investments in associates	6(c)	**3,571**	3,511
Intangible assets	7(a)	**59,501**	13,311
Goodwill	7(a)	**154,953**	53,372
TOTAL ASSETS		**1,203,929**	743,953
LIABILITIES			
Other payables	7(c)	**322,017**	23,246
Insurance payables	7(c)	**5,952**	24,577
Current tax liabilities		**5,728**	2,872
Unearned premium liability	3(d)	**166,958**	144,061
Employee benefits provision		**4,667**	1,578
Contingent consideration	7(c)	**15,321**	3,608
Deferred tax liabilities	7(d)	**21,466**	9,558
Outstanding claims liability	3(b)	**272,291**	275,550
Borrowings	5(a)	**96,909**	65,215
TOTAL LIABILITIES		**911,309**	550,265
NET ASSETS		**292,620**	193,688
EQUITY			
Share capital	5(b)	**168,602**	110,070
Reserves	5(b)	**(5,076)**	(899)
Retained earnings	5(b)	**97,441**	84,561
Total equity attributed to shareholders		**260,967**	193,732
Non-controlling interest		**31,653**	(44)
TOTAL EQUITY		**292,620**	193,688

The financial statements were approved for issue by the Board on 24 February 2017.

John Wells

Sir John Wells KNZM, Chairman

Peter Harris, Managing Director

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

2016

CONSOLIDATED

	NOTE	SHARE CAPITAL $'000	RETAINED EARNINGS $'000	RESERVES $'000	NON-CONTROLLING INTERESTS $'000	TOTAL EQUITY $'000
Balance at 1 January 2016		**110,070**	**84,561**	**(899)**	**(44)**	**193,688**
Comprehensive income						
Profit for the year		**-**	**29,743**	**-**	**967**	**30,710**
Other comprehensive income						
Currency translation differences		**-**	**-**	**(4,177)**	**(24)**	**(4,201)**
Total comprehensive income		**-**	**29,743**	**(4,177)**	**943**	**26,509**
Transactions with shareholders						
Issue of shares	5(b)	**55,396**	**-**	**-**	**-**	**55,396**
Share issue costs	5(b)	**(1,643)**	**-**	**-**	**-**	**(1,643)**
Dividends provided for or paid	5(d)	**-**	**(16,863)**	**-**	**-**	**(16,863)**
Purchase of treasury shares	5(b)	**(2,673)**	**-**	**-**	**-**	**(2,673)**
Reissue of treasury shares	5(b)	**7,452**	**-**	**-**	**-**	**7,452**
Non-controlling interest on SFS acquisition	6(a)	**-**	**-**	**-**	**30,754**	**30,754**
Total transactions with shareholders		**58,532**	**12,880**	**(4,177)**	**31,697**	**98,932**
Balance at 31 December 2016		**168,602**	**97,441**	**(5,076)**	**31,653**	**292,620**

2015

CONSOLIDATED

	NOTE	SHARE CAPITAL $'000	RETAINED EARNINGS $'000	RESERVES $'000	NON-CONTROLLING INTERESTS $'000	TOTAL EQUITY $'000
Balance at 1 January 2015		18,000	49,903	(444)	-	67,459
Comprehensive income						
Profit for the year		-	35,488	-	22	35,510
Other comprehensive income						
Currency translation differences		-	-	(455)	(3)	(458)
Total comprehensive income		-	35,488	(455)	19	35,052
Transactions with shareholders						
Issue of shares	5(b)	98,432	-	-	-	98,432
Share issue costs	5(b)	(6,362)	-	-	-	(6,362)
Other movements		-	-	-	(63)	(63)
Dividends provided for or paid	5(d)	-	(830)	-	-	(830)
Total transactions with shareholders		92,070	34,658	(455)	(44)	126,229
Balance at 31 December 2015		110,070	84,561	(899)	(44)	193,688

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTE	CONSOLIDATED 2016 $'000	2015 $'000
CASH FLOWS FROM/(TO) OPERATING ACTIVITIES:			
Premium received		**282,661**	233,119
Reinsurance and other recoveries received		**28,656**	8,945
Claims costs paid		**(100,857)**	(56,318)
Premium ceded payments		**(34,045)**	(14,765)
Interest received		**4,188**	4,264
Finance costs		**(9,764)**	(5,820)
Movements in security deposits held		**(237)**	(2,878)
Income tax paid		**(8,448)**	(8,448)
Other operating receipts		**69,837**	29,762
Commission paid		**(86,864)**	(71,330)
Other operating payments		**(88,371)**	(41,200)
Net cash flows from operating activities	9(c)	**56,756**	75,331
CASH FLOWS FROM/(TO) INVESTING ACTIVITIES:			
Net cash flows on acquisition of subsidiaries, net of cash acquired	6(a)	**25,111**	(39,075)
Inflows/(outlays) for property and equipment, and investment property		**9,235**	(1,271)
Payments for intangible assets		**(3,174)**	(1,346)
Net receipts/(payments) for financial assets		**(8,409)**	10,679
Movements in loans with non-related parties		**(971)**	(111)
Movements in loans with related parties		**-**	4,157
Net cash flows from investing activities		**21,792**	(26,967)
CASH FLOWS FROM/(TO) FINANCING ACTIVITIES:			
Repayment of borrowings		**(57,213)**	-
Proceeds from borrowings		**65,000**	-
Dividends paid to equity holders	5(d)	**(16,863)**	(830)
Proceeds from the issue of shares	5(b)	**62,848**	88,017
Purchase of treasury shares		**(2,673)**	-
Payment of share issue transaction costs	5(b)	**(1,643)**	(8,802)
Net cash flows from financing activities		**49,456**	78,385
Net movement in cash held		**128,004**	126,749
Effects of exchange rates on balances of cash held in foreign currencies		**(20,122)**	2,969
Cash and cash equivalents at start of year	3(e)	**296,012**	166,294
Cash and cash equivalents at end of year	3(e)	**403,894**	296,012

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 INFORMATION ABOUT THIS REPORT

(a) General information

CBL Corporation Limited (CBL, Parent or Company), incorporated on 18 June 2012, is a FMC Reporting Entity under the Financial Markets Conduct Act 2013 and is a company limited by shares, incorporated and domiciled in New Zealand. Its registered office is Level 8, 51 Shortland Street, Auckland 1010, New Zealand. This financial report is for the reporting year ended 31 December 2016 presenting consolidated financial statements for the Company and its subsidiaries (the Group).

The principal operating activities of the Group include:

- Underwriting of general insurance through CBL Insurance Limited (CBL Insurance). CBL Insurance is a New Zealand domiciled non-life insurer, regulated by the Reserve Bank of New Zealand (RBNZ), specialising in writing niche building and construction related credit and financial surety insurance, bonding, and reinsurance globally.
- Underwriting of general insurance through Assetinsure Pty Limited (AI). AI is an Australian domiciled non-life insurer, regulated by the Australian Prudential Regulation Authority (APRA), specialising in surety, financial risk, credit enhancement and risk.
- Underwriting of general insurance through CBL Insurance Europe DAC (CBLIE). CBLIE is an Ireland based insurance company, regulated by the Central Bank of Ireland. CBLIE specialises in niche construction related credit and financial surety insurance, professional indemnity, property and travel bonding throughout the European Union.
- Provision of insurance services as an agent through European Insurance Services Limited (EISL). EISL is a United Kingdom (UK) domiciled managing general agency (MGA) regulated by the Financial Conduct Authority (FCA), specialising in arranging builders warranty, liability insurance and other related products.
- Provision of speciality insurance services as an agent through Profession Fee Protection Limited (PFP). PFP is a leading provider of tax investigation fee protection insurance. PFP is a UK domiciled MGA and is regulated by the FCA.
- Provision of insurance services as an agent through Securities and Financial Solutions Europe S.A (SFS). SFS is a Luxembourg based MGA regulated by the Commissariat Aux Assurances (CAA), specialising in arranging builders warranty, liability insurance and other related products, operating throughout France and the French dominions. References to SFS in this annual report include IMS Expert Europe (IMS), SFS's claims management operation.

This general purpose financial report was authorised by the Board of Directors for issue on 24 February 2017.

(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), International Financial Reporting Standards (IFRS) and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. The Company is a profit oriented entity. These financial statements are prepared in accordance with the Financial Markets Conduct Act 2013 (FMC Act) and the Companies Act 1993 (Companies Act), and comply with these Acts.

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

(c) Basis of preparation

The financial statements have been prepared generally 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 investment property, outstanding claims liability and assets backing insurance liabilities that are measured at fair value.

The presentation currency used for the preparation of this financial report is New Zealand dollars (NZD) which is the functional currency of the Company. Transactions in foreign currencies are initially recorded in the functional currency at rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the Statement of Profit or Loss (SOPL). 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.

Notes to the Financial Statements

For the year ended 31 December 2016

1(c) Basis of preparation (continued)

The SOPL and Statement of Financial Position (SOFP) 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 are translated at the closing rate;
- Income and expenses for each SOPL item are translated at exchange rates prevailing at the dates of the transactions; and
- All resulting exchange differences are recognised in Other Comprehensive Income (OCI) 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.

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

(d) Changes to comparatives

The financial statements have been streamlined in the current year with notes reordered and grouped to provide users with better access to information and understand its relevance. The explanation of the Group's accounting policies has been simplified and disclosed within the relevant notes in order to enhance the understanding of the financial statements. Key estimates and judgements have also been highlighted throughout the notes to increase transparency. No changes were made to the amounts recognised in the financial statements as a result, however the Group has made some changes to presentation as set out in note 1(e) below.

(e) Significant accounting policies

The significant accounting policies adopted in the preparation of this financial report are set out in the relevant notes. 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.

i. Adoption of new and revised accounting standards

In the current year there were no new or amended accounting standards that had a material impact on the financial statements of the Group. Information about newly issued New Zealand accounting standards that will be adopted by the Group when they become effective is set out in note 9(d).

ii. Changes to accounting policies

The Group changed its accounting policy for the presentation of Comprehensive Income and adopted the alternative presentation allowed under NZ IAS 1 Presentation of Financial Statements to present items of Other Comprehensive Income in a separate statement. The reason for this change is to provide a clearer distinction between impacts on Profit or Loss and impacts on OCI.

(f) 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 are 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:

- Claims and claim recoveries, refer note 3(b);
- Liability adequacy test, refer to note 3(d);
- Acquired intangible assets' initial measurement and determination of useful life, refer to notes 6(a) and 7(a);
- Intangible assets and goodwill impairment testing, refer to notes 7(a) and
- The identification and fair value of identifiable assets and liabilities in a business combination, refer to note 6(a).

Notes to the Financial Statements

For the year ended 31 December 2016

2 SEGMENTAL REPORTING

Recognition and measurement

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (being the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The reportable operating segments are based on assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other operating segments. Intra-Group transactions between segments have been accounted for on the same basis as the Group accounting policies.

31 December 2016	CBL INS $'000	AI $'000	CBLIE $'000	EISL $'000	PFP $'000	SFS $'000	CBL $'000	ISR* $'000	OTHER $'000	TOTAL $'000
Gross written premium - as insurer and MGA	**247,455**	**46,134**	**39,877**	**52,560**	**-**	**67,188**	**-**	**(18,456)**	**-**	**434,758**
Policyholders	**12,727**	**46,144**	**39,876**	**-**	**-**	**-**	**-**	**-**	**-**	**98,747**
Reinsurers	**234,728**	**(9)**	**-**	**-**	**-**	**-**	**-**	**(11,785)**	**-**	**222,934**
Gross written premium - as insurer	**247,455**	**46,135**	**39,876**	**-**	**-**	**-**	**-**	**(11,785)**	**-**	**321,681**
Movement in gross unearned premium provision	**(17,787)**	**5,820**	**(22,728)**	**-**	**-**	**-**	**-**	**10,137**	**-**	**(24,558)**
Total gross premium earned - as insurer	**229,668**	**51,955**	**17,148**	**-**	**-**	**-**	**-**	**(1,648)**	**-**	**297,123**
Ceded premium - as insurer										
Written premium ceded	**(7,434)**	**(24,568)**	**(12,708)**	**-**	**-**	**-**	**-**	**11,785**	**-**	**(32,925)**
Movement in unearned ceded premium provision	**3,202**	**(2,788)**	**9,410**	**-**	**-**	**-**	**-**	**(10,137)**	**-**	**(313)**
Total earned premium ceded - as insurer	**(4,232)**	**(27,356)**	**(3,299)**	**-**	**-**	**-**	**-**	**-**	**-**	**(33,238)**
Total net earned premium - as insurer	**225,436**	**24,599**	**13,850**	**-**	**-**	**-**	**-**	**-**	**-**	**263,885**
Other revenue	**2,728**	**14,455**	**23**	**13,751**	**8,666**	**32,973**	**18,439**	**(21,488)**	**28**	**69,575**
Total revenue	**228,164**	**39,054**	**13,873**	**13,751**	**8,666**	**32,973**	**18,439**	**(21,488)**	**28**	**333,460**
Net claims expense	**(74,703)**	**(7,974)**	**(3,682)**	**-**	**-**	**-**	**-**		**-**	**(86,359)**
Acquisition costs	**(74,160)**	**(7,079)**	**(6,313)**	**-**	**-**	**-**	**-**		**2,026**	**(85,526)**
Underwriting and operating expenses	**(20,801)**	**(18,499)**	**(1,673)**	**(11,176)**	**(6,818)**	**(27,431)**	**(1,601)**		**2,597**	**(85,402)**
Operating profit	**58,500**	**5,502**	**2,205**	**2,575**	**1,848**	**5,542**	**16,838**		**4,651**	**76,173**
Share of profit from associate	**-**	**-**	**-**	**-**	**-**	**-**	**55**		**-**	**55**
Earnings before interest, tax, depreciation and amortisation	**58,845**	**6,655**	**2,227**	**2,620**	**1,947**	**6,125**	**12,257**		**(26,071)**	**64,605**
Interest expense	**-**	**-**	**-**	**-**	**(57)**	**(627)**	**(12,310)**		**(920)**	**(13,914)**
Depreciation and amortisation	**(347)**	**(1,140)**	**-**	**(134)**	**(99)**	**(1,400)**	**-**		**(3,452)**	**(6,572)**
Profit/(loss) before income tax	**58,498**	**5,515**	**2,227**	**2,486**	**1,791**	**4,098**	**(53)**		**(30,443)**	**44,119**
Income tax (expense)/credit	**(11,496)**	**(1,527)**	**(281)**	**135**	**17**	**(1,254)**	**(47)**		**1,044**	**(13,409)**
Profit/(loss) for the year	**47,002**	**3,988**	**1,946**	**2,621**	**1,808**	**2,844**	**(100)**		**(29,399)**	**30,710**
Segment assets	**528,485**	**136,480**	**55,244**	**9,334**	**3,585**	**384,295**	**243,215**		**(156,709)**	**1,203,929**
Segment liabilities	**372,816**	**89,669**	**36,052**	**6,091**	**2,359**	**351,666**	**64,239**		**(11,583)**	**911,309**

* ISR: Intersegment revenue

Notes to the Financial Statements

For the year ended 31 December 2016

2 Recognition and measurement (continued)

31 December 2015	CBL INS $'000	AI $'000	CBLIE $'000	EISL $'000	PFP $'000	SFS $'000	CBL $'000	ISR* $'000	OTHER $'000	TOTAL $'000
Gross written premium - as insurer and MGA	216,278	15,907	10,419	51,563	-	-	-	-	-	294,167
Policyholders	13,306	14,061	10,419	-	-	-	-	-	-	37,786
Reinsurers	202,972	1,846	-	-	-	-	-	-	-	204,818
Gross written premium - as insurer	216,278	15,907	10,419	-	-	-	-	-	-	242,604
Movement in gross unearned premium provision	(17,499)	4,746	(1,212)	-	-	-	-	-	-	(13,965)
Total gross premium earned - as insurer	198,779	20,653	9,207	-	-	-	-	-	-	228,639
Ceded premium - as insurer										
Written premium ceded	(2,657)	(7,798)	(2,114)	-	-	-	-	-	-	(12,569)
Movement in unearned ceded premium provision	233	(3,194)	439	-	-	-	-	-	-	(2,522)
Total earned premium ceded - as insurer	(2,424)	(10,992)	(1,675)	-	-	-	-	-	-	(15,091)
Total net earned premium - as insurer	196,355	9,661	7,532	-	-	-	-	-	-	213,548
Other revenue	8,988	7,147	58	16,813	676	-	7,044	(10,723)	900	30,903
Total revenue	205,343	16,808	7,590	16,813	676	-	7,044	(10,723)	900	244,451
Net claims expense	(70,343)	(2,188)	(2,138)	-	-	-	-		-	(74,669)
Acquisition costs	(66,234)	(236)	(2,636)	-	-	-	-		-	(69,106)
Underwriting and operating expenses	(18,225)	(7,143)	(984)	(11,997)	(334)	-	(1,584)		(491)	(40,758)
Operating profit	50,541	7,241	1,832	4,816	342	-	5,460		409	59,918
Share of profit from associate	340	-	-	422	-	-	48		-	810
Earnings before interest, tax, depreciation and amortisation	51,115	3,597	1,848	5,583	348	-	3,341		(5,136)	60,696
Interest expense	-	-	-	-	-	-	(5,495)		(801)	(6,296)
Depreciation and amortisation	(234)	(108)	-	(136)	(11)	-	-		(4,371)	(4,860)
Profit/(loss) before income tax	50,881	3,489	1,848	5,447	337	-	(2,154)		(10,308)	49,540
Income tax (expense)/credit	(12,148)	(1)	(232)	(773)	(60)	-	25		(841)	(14,030)
Profit/(loss) for the year	38,733	3,488	1,616	4,674	277	-	(2,129)		(11,149)	35,510
Segment assets	456,190	164,225	20,472	10,309	4,650	-	194,621		(106,514)	743,953
Segment liabilities	331,024	124,480	9,161	7,671	5,202	-	57,216		15,511	550,265

Refer to note 1(a) for further details on each reportable operating segment. The Other column includes Intra Group eliminations other than revenue eliminations which are included in the ISR column.

Major Customers

The Group writes a significant amount of its business in a reinsurance capacity. Business written with the following two insurers contributed the following towards the total gross written premium:

- Business written with Elite Insurance Company Limited contributed 45.6% of the total gross written premium during the year (2015: 58.8%).
- Business written with Alpha Insurance A/S contributed 11.4% of the total gross written premium during the year (2015: 13.1%).

* ISR: Intersegment revenue

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For the year ended 31 December 2016

3 INSURANCE BUSINESS

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 contain 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.

Analysis of general insurance underwriting result:

	CONSOLIDATED	
	2016 $'000	2015 $'000
Gross premium revenue	**297,123**	228,639
Outwards reinsurance expense	**(33,238)**	(15,091)
Net premium income	**263,885**	213,548
Claims expense	**(106,731)**	(102,072)
Reinsurance and other recoveries	**20,372**	27,403
Net claims expense	**(86,359)**	(74,669)
Acquisition costs	**(85,526)**	(69,106)
Other underwriting expenses	**(29,054)**	(26,352)
Underwriting result	**62,946**	43,421

The above table is a summation of the insurance underwriting entities CBL Insurance, CBLIE and AI (see segmental note 2). The components of the insurance underwriting result are explained below.

(a) Insurance premium revenue and other revenue

(i) Recognition and measurement

(1) 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. 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.

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 (UPL) in the SOFP.

(2) Other revenue

Fee based revenue derived from SFS, EISL and PFP consists of commissions, policy fees and profit commissions associated with the placement of insurance contracts in the ordinary course of business. Revenue is shown net of VAT, returns, rebates and discounts. The Group recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met, for example the insurance policy has incepted. Profit commission is recognised when the right to such profit commission is established through a contract but only to the extent that a reliable estimate of the amount due can be made.

(3) Premium receivable

Premium receivable is recognised as the amount due at the point the insurer becomes on risk, and is normally settled between 30 days and 12 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 SOFP net of any provision for impairment.

Notes to the Financial Statements
For the year ended 31 December 2016

3(a) Insurance premium revenue and other revenue (continued)

(ii) Composition

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Premium revenue and related receivables	**135,702**	101,452

(b) Outstanding claims liability, claims expense and related reinsurance and other recoveries

(i) Recognition and measurement

(1) Outstanding 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 added to allow for inherent uncertainty in the central estimate. The outstanding claims liability includes claims that are expected to be reported to CBL in the future. 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 and is estimated based on a variety of actuarial techniques that analyse experience, trends and other relevant factors. The liability is discounted to present value using a risk free rate.

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

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.

(2) Related reinsurance and other recoveries

Reinsurance and other recoveries received or receivable on paid claims and on outstanding claims are recognised in the SOPL. Reinsurance recoveries on paid claims are presented as part of 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, and therefore includes estimates for recoveries on claims that have not yet been notified to CBL. Reinsurance does not relieve the originating insurer of its liabilities to policyholders and is presented separately in the SOFP.

(ii) Significant areas of judgment and estimation

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.

As at 31 December 2016, the outstanding claims liability for the following companies were assessed by their actuary and each actuary was satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. Appointed actuaries for each insurance company are as follows:

- CBL Insurance was evaluated by Paul Rhodes (Fellow of the New Zealand Society of Actuaries) of PricewaterhouseCoopers;
- AI was evaluated by Karl Marshall (Fellow of the Institute of Actuaries of Australia) of Quantium; and
- CBLIE was evaluated by Dermot Marron (Fellow of the Society of Actuaries in Ireland) of Allied Risk Management.

Uncertainties surrounding the outstanding claims liability estimation process include those relating to the claims experience and ultimate loss ratio data, actuarial models and assumptions, the statistical uncertainty associated with a general insurance claims run-off process, and risks external to the Group. 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

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For the year ended 31 December 2016

3(b) Outstanding claims liability, claims expense and related reinsurance and other recoveries (continued)

probability of adequacy for the outstanding claims liability of 75.0% for CBL Insurance (2015: 75.0%), 75.0% for CBLIE (2015: 75.0%) and 75.0% for AI (2015: 75.0%).

The measurement of reinsurance and other recoveries on outstanding claims is also an inherently uncertain process involving estimates. The amounts are generally calculated using assumptions and methods similar to those used for the outstanding claims liability described below. 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.

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

Central estimate, risk margin and assumptions	CBL INSURANCE	CBLIE*	AI
2016			
Risk margin percentage applied to the net outstanding claims liability	**25.5%**	**24.0%**	**20.14%**
The probability of adequacy of the risk margin	**75.0%**	**75.0%**	**75.0%**
Average term to settlement	**3.0 years**	**1.2 years**	**2.5 years**
Inflation rate	**1.00-2.00%**	**-**	**4.0%**
Superimposed inflation rate	**0.00-2.50%**	**-**	**2.00-2.25%**
Discount rate	**2.32%**	**0.0-1.2%**	**1.66-4.22%**
Claims handling costs ratio	**4.10%**	**-**	**2.50-3.30%**
2015			
Risk margin percentage applied to the net outstanding claims liability	20.3%	5.1%	19.5%
The probability of adequacy of the risk margin	75.0%	75.0%	75.0%
Average term to settlement	3.2 years	1 year	2.1 years
Inflation rate	2.50-3.50%	-	3.75%
Superimposed inflation rate	0.00-2.50%	-	2.00-2.25%
Discount rate	1.39%	-	1.95-3.65%
Claims handling costs ratio	5.00%	-	1.50-3.30%

* The inflation rate is not explicitly derived.

Process used to determine assumptions:

(1) Average term to settlement

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

The average term to settlement is calculated from the original date of underwriting a policy. A large proportion of the business underwritten by CBL has long claims notification periods, including many with 10 year notification periods. The claims settlement is therefore, on average, many years after the date of original underwriting. Actual claims settlement periods, being from the date of claims notification to the date of claims payment, would be typically less than 90 days.

(2) Inflation 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.

(3) Discount rate

The discount rate is derived from market yields on government securities appropriate to the applicable country.

(4) 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.

Notes to the Financial Statements

For the year ended 31 December 2016

3(b) Outstanding claims liability, claims expense and related reinsurance and other recoveries (continued)

(iii) Composition

(1) Net claims expense in the SOPL

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**	**2016 TOTAL $'000**	CURRENT YEAR $'000	PRIOR YEARS $'000	2015 TOTAL $'000
Gross claims	**126,540**	**(19,809)**	**106,731**	108,897	(6,825)	102,072
Reinsurance and other recoveries	**(34,356)**	**13,984**	**(20,372)**	(35,205)	7,802	(27,403)
Net claims expense	**92,184**	**(5,825)**	**86,359**	73,692	977	74,669

The prior years movements are due to a combination of strengthening to and releases from prior years 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 $106.7 million consists of $72.7 million (2015: $74.6 million) for inwards business reinsured and the remaining balance relates to direct business.

The reinsurance and other recoveries total of $20.4 million consists of $4.8 million (2015: $17.1 million) for business reinsured and the remaining balance relates to direct business.

(2) Outstanding claims liability and related reinsurance and other recoveries recognised in the SOFP

		CONSOLIDATED
(a) Composition of gross outstanding claims liability	**2016 $'000**	2015 $'000
Gross central estimate - undiscounted	**247,296**	243,030
Claims handling costs	**9,180**	11,144
Risk margin	**38,696**	33,997
	295,172	288,171
Discount to present value	**(22,881)**	(12,621)
Gross outstanding claims liability - discounted	**272,291**	275,550

The outstanding claims liability includes $184.6 million (2015: $184.4 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).

		CONSOLIDATED
(b) Reinsurance and other recoveries receivable on outstanding claims	**2016 $'000**	2015 $'000
Recoveries - undiscounted	**101,473**	109,775
Discount to present value	**(9,802)**	(4,850)
Recoveries - discounted	**91,671**	104,925

Reinsurance and other recoveries includes $76.2 million (2015: $79.8 million) which is expected to be settled more than 12 months from the reporting date.

Notes to the Financial Statements

For the year ended 31 December 2016

3(b) Outstanding claims liability, claims expense and related reinsurance and other recoveries (continued)

(3) Reconciliation of movements in discounted outstanding claims liability and reinsurance and other recoveries

	CONSOLIDATED					
	2016			2015		
	GROSS $'000	**RECOVERIES $'000**	**NET $'000**	GROSS $'000	RECOVERIES $'000	NET $'000
Balance at the beginning of the financial year	**275,550**	**(104,925)**	**170,625**	158,761	(59,165)	99,596
Change in prior year claims reserve	**(19,809)**	**13,984**	**(5,825)**	(6,825)	7,802	977
Current year claims incurred	**126,540**	**(34,356)**	**92,184**	108,897	(35,205)	73,692
Claims paid during the year	**(92,095)**	**28,266**	**(63,829)**	(61,696)	7,090	(54,606)
Foreign exchange adjustment	**(16,671)**	**4,113**	**(12,558)**	2,866	(371)	2,495
Other	**(1,224)**	**1,247**	**23**	-	-	-
Acquisitions through business combinations	**-**	**-**	**-**	73,547	(25,076)	48,471
Balance at the end of the financial year	**272,291**	**(91,671)**	**180,620**	275,550	(104,925)	170,625

(4) Claims development

	CONSOLIDATED						
	2011 AND PRIOR $'000	**2012 $'000**	**2013 $'000**	**2014 $'000**	**2015 $'000**	**2016 $'000**	**TOTAL $'000**
Net ultimate claims payments development							
At end of first year		**23,187**	**48,756**	**60,241**	**63,127**	**50,219**	**245,530**
One year later		**35,955**	**55,275**	**69,143**	**79,116**		**239,489**
Two years later		**40,946**	**57,254**	**65,896**			**164,096**
Three years later		**39,061**	**63,718**				**102,779**
Four years later		**38,143**					**38,143**
Current estimate of net ultimate claims payments	**997,346**	**38,143**	**63,718**	**65,896**	**79,116**	**50,219**	**1,294,438**
Cumulative payments made to date							**(1,148,614)**
Net undiscounted outstanding claims payments							**145,823**
Discount to present value							**(13,079)**
Net discounted outstanding claims payments							**132,744**
Claims handling costs							**9,180**
Risk margin							**38,696**
Net outstanding claims liability							**180,620**

Notes to the Financial Statements

For the year ended 31 December 2016

3(b) Outstanding claims liability, claims expense and related reinsurance and other recoveries (continued)

(iv) Sensitivity analysis

The impact on the net outstanding claims liabilities before income tax to changes in key actuarial assumptions is summarised below. Each change has been calculated in isolation of the other changes and without regard to other SOFP changes that may simultaneously occur. Changes are stated net of reinsurance recoveries.

Assumption	MOVEMENT IN ASSUMPTION	CBL INSURANCE	CBLIE	AI
2016				
Average term to settlement	**+10.0%**	**(1,270)**	**-**	**(144)**
	-10.0%	**1,280**	**-**	**145**
Inflation and superimposed inflation rate	**+100 bps**	**4,475**	**-**	**752**
	-100 bps	**(4,333)**	**-**	**(675)**
Discount rate	**+100 bps**	**(4,196)**	**(35)**	**(675)**
	-100 bps	**4,416**	**36**	**752**
Claims handling costs ratio	**+100 bps**	**1,844**	**-**	**203**
	-100 bps	**(1,844)**	**-**	**(203)**
2015				
Average term to settlement	+10.0%	(94)	-	(215)
	-10.0%	94	-	217
Inflation and superimposed inflation rate	+100 bps	3,915	-	840
	- 100 bps	(3,768)	-	(757)
Discount rate	+100 bps	(3,915)	(83)	757
	- 100 bps	3,768	26	840
Claims handling costs ratio	+100 bps	1,968	-	279
	- 100 bps	(1,968)	-	(279)

(c) Deferred insurance assets

(i) Recognition and measurement

(1) Acquisition costs

Costs associated with obtaining and recording general insurance contracts are referred to as acquisition costs. These costs include commissions or brokerage paid to agents or brokers, premium collection costs and risk assessment 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.

(2) Outward reinsurance expense

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 SOFP at the reporting date.

Notes to the Financial Statements

For the year ended 31 December 2016

3(c) Deferred insurance assets (continued)

(ii) Composition

(1) Deferred acquisition costs (DAC)

	CONSOLIDATED	
	2016 $'000	2015 $'000
DAC at the beginning of the financial year	**38,380**	35,718
Acquisition costs deferred	**92,311**	71,758
Charged to profit	**(85,605)**	(69,184)
Movement in unexpired risk provision*	**79**	78
Other movements	**(332)**	10
DAC at the end of the financial year	**44,833**	38,380
Analysed as:		
Current	**38,381**	33,883
Non-current	**6,452**	4,497

*For details regarding the unexpired risk provision refer to note 3(d).

(2) Deferred reinsurance expense (DRE)

	CONSOLIDATED	
	2016 $'000	2015 $'000
DRE at the beginning of the financial year	**16,489**	1,747
Reinsurance expenses deferred	**32,880**	13,216
Charged to profit	**(33,238)**	(15,091)
Addition through business acquisition	**-**	17,333
Other movements	**(442)**	(716)
DRE at the end of the financial year	**15,689**	16,489
Analysed as:		
Current	**7,631**	12,003
Non-current	**8,058**	4,486

(d) Unearned premium liability and unexpired risk liability

(i) Recognition and measurement

(1) Unearned premium liability

Unearned premiums are those proportions of premiums written that relate to periods of risk after the reporting date. The unearned portion of premium is recognised as an unearned premium liability (UPL) in the SOFP.

(2) Unexpired risk liability

The liability adequacy test is an assessment of the carrying amount of the UPL 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 UPL (net of reinsurance) less related deferred acquisition costs, then the UPL is deemed to be deficient. The test is performed at the level of a portfolio of

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3(d) Unearned premium liability and unexpired risk liability (continued)

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 SOPL with the corresponding impact on the SOFP recognised first through the write down of deferred acquisition costs for the relevant portfolio of contracts, with any remaining balance being recognised in the SOFP as an unexpired risk liability.

The test is based on prospective information and therefore is 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.

(ii) Composition

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

	CONSOLIDATED	
	2016	2015
	$'000	$'000
UPL at the start of the financial year	**144,061**	89,226
Premium written	**321,681**	242,604
Premium earned	**(297,123)**	(228,639)
Addition through business acquisition	**-**	42,696
Other movements	**(1,661)**	(1,826)
UPL at the end of the financial year	**166,958**	144,061
Analysed as:		
Current	**132,683**	131,356
Non-current	**34,275**	12,705

(2) Unexpired risk liability

The liability adequacy test as at 31 December 2016 resulted in a surplus.

The liability adequacy test as at 31 December 2015 identified a deficit of $0.1 million. The underlying components for the individual portfolios that had deficiencies are as follows:

- The unearned premium liability was $1.1 million;
- Deferred acquisition costs were $0.4 million; and
- The present value of expected future cash flows for future claims was $0.8 million comprised of the discounted central estimate of $0.7 million and a risk margin of $0.1 million.

Accordingly, at 31 December 2015 deferred acquisition costs were written down by the movement in the deficit. At 31 December 2016 the adjustment has been written back into deferred acquisition costs, refer to note 3(c)(ii).

(e) Assets backing insurance liabilities

(i) Recognition and measurement

Financial assets at fair value

Financial assets are categorised as "fair value through profit or loss" (FVTPL) when they are held for trading for the purpose of short term profit taking, 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.

The assets in insurance entities backing general insurance liabilities are those assets required to cover the technical insurance liabilities (outstanding claims and unearned premium) plus an allowance for solvency, and are designated as at FVTPL and include cash and cash equivalents and other financial assets. The assets in insurance entities that do not back general insurance liabilities are property, plant and equipment.

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For the year ended 31 December 2016

3(e) Assets backing insurance liabilities (continued)

Financial assets at FVTPL are 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 Group commits itself to either the purchase or the sale of the asset. These assets are initially measured at fair value excluding transaction costs, which are expensed to the SOPL immediately. Such assets are subsequently measured at fair value (excluding interest) with changes in carrying value being included in the SOPL.

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 equivalents include bank balances held in trust by insurers on CBL's behalf for the purpose of settling potential future claims. The fair value of cash assets reflect the face value of the amounts deposited or drawn.

All Government securities and listed shares are recognised at fair value, being the quoted bid price of the investment, and for unlisted fixed interest securities and unlisted investments determined by appropriate valuation techniques, such as comparison to peer group multiples which are adjusted for appropriate discounts.

The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as Available-For-Sale financial assets ("AFS") and stated at fair value at the end of each reporting period. Fair value is determined in the manner described in note 3(e)(iii). Changes in the carrying amount of available for sale financial assets are recognised in other comprehensive income and accumulated under the heading of available for sale revaluation reserve.

Investment income, comprising interest, is brought to account on an effective interest basis.

(ii) Composition

(1) Cash and Cash Equivalents

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Cash at bank and in hand	**366,109**	237,452
Cash equivalents held in trust as reinsurance security	**37,785**	58,560
Total cash and cash equivalents	**403,894**	296,012
Cash and cash equivalents held in CBL's non-insurance entities	**(90,687)**	(22,882)
Total cash and cash equivalents backing insurance liabilities	**313,207**	273,130

Cash equivalents held in trust as reinsurance security comprises bank deposits held in trust on CBL Insurance's behalf, for the purpose of settling ongoing and potential future claims obligations that CBL Insurance may have under quota share reinsurance arrangements. These funds earn interest for the Group, and the funds are available to be withdrawn.

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For the year ended 31 December 2016

3(e) Assets backing insurance liabilities (continued)

(2) Other financial assets

	CONSOLIDATED	
	2016 $'000	2015 $'000
Government and fixed interest securities	**51,540**	59,222
Listed shares	**7,613**	-
Unlisted investments	**8,142**	-
Total other financial assets	**67,295**	59,222
Other financial assets held in CBL's non-insurance entities*	**(8,229)**	-
Total other financial assets backing insurance liabilities	**59,066**	59,222
Analysed as:		
Current	**59,153**	52,847
Non-current	**8,142**	6,375

* Primarily unlisted shares

(iii) Fair value hierarchy

The investments carried at fair value have been classified under three levels of the IFRS fair value hierarchy as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset whether directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset that are not based on observable market data (unobservable inputs)

	CONSOLIDATED	
	2016 $'000	2015 $'000
Level 1	**9,232**	4,902
Level 2	**49,921**	54,320
Level 3	**8,142**	-
Total other financial assets	**67,295**	59,222

There were no transfers between levels in the current or prior year.

The Level 3 investment is a 9.0% equity interest in a private entity. The selected valuation approach is a comparison with publicly available peer group multiples. The multiples considered most relevant are the price to book value and also price to tangible book value, which are adjusted for appropriate discounts such as private company illiquidity.

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For the year ended 31 December 2016

3(e) Assets backing insurance liabilities (continued)

(iv) Maturity analysis

	CONSOLIDATED	
	2016 **$'000**	2015 $'000
Equity investments	**15,755**	-
Floating interest rate (at call)	**87**	2,221
Within 1 year or less	**51,453**	50,626
Within 1 to 3 years	**-**	6,375
Total other financial assets	**67,295**	59,222

4 RISK AND CAPITAL MANAGEMENT

(a) 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 4(b) and capital risks, refer to note 4(c).

The Group principally issues the following types of general insurance contracts: Decennial Liability, Dommages Ouvrage and other Builders Risk insurance products; Surety Bonds; Professional Indemnity; Credit Enhancement; and Completion Guarantees. The risk attachment periods 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.

(i) 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 strong underwriting discipline 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 also limits its exposure by imposing maximum claim amounts on insurance contracts.

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

Notes to the Financial Statements

For the year ended 31 December 2016

4(a) Insurance risk management (continued)

Initial claims determination is managed by the claims department of the insurance subsidiary 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 3(b).

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 processes to review claims handling procedures regularly. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

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

Even though a large portion of the Group's business is derived from Europe, the overall spread of countries and products mitigates the concentration risk.

				CONSOLIDATED
		2016		2015
	$'000	%	$'000	%
GWP by region				
Australasia	**58,585**	**18.2**	29,213	12.0
Latin America	**18,012**	**5.6**	9,562	4.0
Middle East	**3,322**	**1.0**	5,186	2.1
South East Asia	**5,496**	**1.7**	5,117	2.1
Europe - France	**148,299**	**46.1**	134,269	55.4
Europe - Italy	**30,675**	**9.5**	24,691	10.2
Europe - Scandinavia	**22,583**	**7.0**	16,791	6.9
Europe - Other	**34,709**	**10.9**	17,775	7.3
Total	**321,681**		242,604	

(iii) 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 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 capital adequacy and the payment of dividends.

Notes to the Financial Statements

For the year ended 31 December 2016

4(a) Insurance risk management (continued)

The Group operates a number of governance committees including an Audit and Financial Risk Committee, Governance and Remuneration Committee, and Investment and Treasury Committee, which are all committees of the Board, and also a management Underwriting Committee. In addition to oversight by the Group governance committees, various operating subsidiaries are also overseen by entity specific governance committees.

(iv) 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.

(b) Financial risk management

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

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

- The Board convenes on a monthly basis, and the meetings include a review of the monthly management financial statements, management reports and financial risk reports. The Board comprises key executives and independent directors. The Board reviews and agrees policies for managing all the financial risks noted below;
- The delegated 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 Audit and Financial Risk Committee oversees the scope, performance and results of the audit work, and the independence and objectivity of the auditors; and
- The Group ensures there is an adequate and appropriate level of monitoring and management of credit quality.

The components of financial risk are market risk, credit risk and liquidity risk.

(i) 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).

(1) 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 foreign 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 statements through two mechanisms:

- Revaluation of foreign currency balances: these financial impacts relate primarily to cash, investments, receivables, loss reserves and payables. The revaluation gains and losses are directly recognised in the SOPL; and
- Translation of the financial performance and position of foreign operations: these financial impacts are recognised directly in equity in the foreign currency translation reserve so have no impact on the SOPL.

CBL's policy is to hold funds in the currency premiums are derived in so that a natural hedge is in place for future claims liabilities. As a result, 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 (CFO), the Audit and Financial Risk Committee and the Treasury and Investment Committee.

Notes to the Financial Statements

For the year ended 31 December 2016

4(b) Financial risk management (continued)

Exposure:

The impacts on the measurement of various financial instruments held at the reporting date of an instantaneous 10% depreciation of the NZD at the reporting date compared with selected currencies, on profit before tax and equity is provided in the table below. The sensitivity analysis demonstrates the effect of a change in one key assumption while other assumptions remain unchanged. An appreciation of the NZD would have predominantly the opposite impacts.

			2016		2015
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 (EUR)	+10%	**13,313**	**17,558**	6,587	7,227
AUD	+10%	**1,769**	**6,596**	1,608	1,664

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

(2) 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 risk.

Interest rate risk arises primarily from investments and contingent consideration.

		2016		2015
Change in variables	IMPACT ON PROFIT BEFORE TAX $'000	IMPACT ON EQUITY $'000	IMPACT ON PROFIT BEFORE TAX $'000	IMPACT ON EQUITY $'000
+1%	**100**	**100**	47	47
1%	**(102)**	**(102)**	(46)	(46)

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.

(3) 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 exposure to equity price risk through its investments in equities. The impact on the measurement of the investments held at reporting date of a change in equity values by +10% or -10% on profit before tax is shown in the table below:

		2016		2015
Change in variables	IMPACT ON PROFIT BEFORE TAX $'000	IMPACT ON EQUITY $'000	IMPACT ON PROFIT BEFORE TAX $'000	IMPACT ON EQUITY $'000
+10%	**761**	**1,575**	-	-
-10%	**(761)**	**(1,575)**	-	-

Notes to the Financial Statements

For the year ended 31 December 2016

4(b) Financial risk management (continued)

(ii) 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 has exposure to credit risk in relation to cash and cash equivalents, other financial assets, insurance receivables, loans receivable, reinsurance and other recoverables. Credit risk also arises from dealings with insurance and reinsurance intermediaries.

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

- Normal business practise is to ensure that premium are paid for in advance of the risk inception;
- 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 geographic and industry segments. Such risks are subject to annual or more frequent reviews;
- Guidelines determine when to obtain collateral and guarantees such as security deposits; 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.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer or when acting as reinsurer itself. If a reinsurer whom the Group has purchased protection from fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered 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 reinsurance counterparties with respect to premiums receivable.

Exposure:

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

An ageing analysis for insurance receivables balances is provided below. The amounts are aged according to their original due dates.

31 December 2016	NOT OVERDUE $'000	< 30 DAYS $'000	30 TO 120 DAYS $'000	>120 DAYS $'000	TOTAL $'000
Premium receivable	**121,377**	**7,103**	**5,534**	**1,595**	**135,609**
Recoveries on paid claims	**93**	**-**	**-**	**-**	**93**
Net balance	**121,470**	**7,103**	**5,534**	**1,595**	**135,702**

31 December 2015	NOT OVERDUE $'000	< 30 DAYS $'000	30 TO 120 DAYS $'000	>120 DAYS $'000	TOTAL $'000
Premium receivable	80,342	15,310	906	324	96,882
Recoveries on paid claims	4,446	99	-	25	4,570
Net balance	84,788	15,409	906	349	101,452

The total provision for impairment at the reporting date for receivables balances is nil (2015: nil).

During 2016 insurer premium receivables determined as non-recoverable amounting to $0.1 million were written-off (2015: $0.1 million).

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For the year ended 31 December 2016

4(b) Financial risk management (continued)

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 to the prior year.

31 December 2016 Amounts in $'000	AAA	AA	A	BBB	BELOW BBB	NOT RATED	TOTAL
Debt securities	1,532	18,098	18,707	-	-	13,203	51,540
Equity securities	-	-	-	-	-	15,755	15,755
Loans and receivables	-	19,369	1,356	89,399	-	239,776	349,900
Cash and cash equivalents	-	322,107	17,435	37,680	6,714	19,958	403,894
Total	1,532	359,574	37,498	127,079	6,714	288,692	821,089

31 December 2015 Amounts in $'000	AAA	AA	A	BBB	BELOW BBB	NOT RATED	TOTAL
Debt securities	6,651	40,387	10,560	1,624	-	-	59,222
Loans and receivables	29	12,370	1,246	626	-	122,441	136,712
Cash and cash equivalents	-	219,606	132	399	5,329	70,546	296,012
Total	6,680	272,363	11,938	2,649	5,329	192,987	491,946

(iii) 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. The liquidity position is derived from operating cash flows, investment portfolios and reinsurance arrangements. An additional source of liquidity risk for the Group relates to interest bearing liabilities.

Underwriting of 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.

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

- 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, except for insurance contract liabilities, which are determined based on the estimated timing of 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 2016				
31 December 2016 Amounts in $'000	CARRYING AMOUNT	0-1 YRS	1-3 YRS	3-5 YRS	>5 YRS	TOTAL
Other payables	322,017	320,252	1,765	-	-	322,017
Insurance payables	5,952	1,793	3,601	16	542	5,952
Contingent consideration	15,321	9,957	8,955	-	-	18,912
Outstanding claims liability	272,291	67,243	85,494	49,500	70,054	272,291
Borrowings	96,909	68,182	3,138	31,311	1,423	104,054
Total contractual obligations	712,490	467,427	102,953	80,827	72,019	723,226

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4(b) Financial risk management (continued)

31 December 2015 Amounts in $'000	CARRYING AMOUNT	PAYMENTS DUE BY PERIOD AS OF 31 DECEMBER 2015				
		0-1 YRS	1-3 YRS	3-5 YRS	>5 YRS	TOTAL
Other payables	23,246	23,246	-	-	-	23,246
Insurance payables	24,577	24,033	284	260	-	24,577
Contingent consideration	3,608	2,593	1,296	-	-	3,889
Outstanding claims liability	275,550	90,768	79,460	47,374	57,948	275,550
Borrowings	65,215	5,218	11,231	69,586	-	86,035
Total contractual obligations	392,196	145,858	92,271	117,220	57,948	413,297

(c) 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 sources of capital used by the Group are 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 (such as capital adequacy) to minimise the risk of default and insolvency.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing potential shortfalls between actual 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.

During the years ended 31 December 2016 and 31 December 2015 all the regulated entities in the Group complied with all externally imposed capital requirements. The Group has embedded in its capital management framework the necessary tests to ensure continuous and full compliance with solvency requirements for regulated entities.

(i) CBL Insurance

CBL Insurance is required to maintain actual solvency capital at or above the minimum solvency capital level in accordance with the Solvency Standard for Non-life Insurance Business (the solvency standard) issued by the RBNZ.

As at 31 December 2016 the actual solvency capital exceeds the minimum requirements by $71.9 million as shown below (2015:$44.0 million).

	2016 $'000	2015 $'000
Actual solvency capital	**153,086**	123,709
Minimum solvency capital	**81,173**	79,726
Solvency margin	**71,913**	43,983
Solvency ratio	**188.6%**	155.2%

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For the year ended 31 December 2016

4(c) Capital management (continued)

(ii) AI

AI is required to maintain a minimum level of capital to meet policyholder obligations in accordance with APRA regulations (the prudential capital requirement).

As at 31 December 2016 the total capital base of AI exceeds the prudential capital requirement by A$28.1 million as shown below (2015: A$26.0 million).

	2016 A$'000	2015 A$'000
Total capital base	**42,849**	40,548
Prudential capital requirement	**14,732**	14,564
Solvency margin	**28,117**	25,984
Capital adequacy multiple	**2.91**	2.78

(iii) CBLIE

From 1 January 2016 CBLIE is required to maintain minimum capital as calculated under the European Solvency II Directive; its Solvency Capital Requirement is calculated using the Solvency II standard formula. Prior to 1 January 2016 CBLIE was required to maintain minimum capital as calculated under the European Solvency I formula. The comparative amounts in the table below are as calculated under the previous Solvency formula.

Details of CBLIE's solvency position are as follows:

	2016 €'000	2015 €'000
Actual solvency capital	**14,968**	7,109
Minimum solvency capital	**9,556**	590
Solvency margin	**5,412**	6,519
Solvency margin cover	**156.6%**	1,204.9%

(iv) EISL

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

(v) PFP

PFP is an appointed representative of EISL. EISL has a duty to ensure PFP is solvent, in accordance with rules issued by the UK FCA.

(vi) SFS

In accordance with article 290 of the Luxembourg law applicable to the insurance industry, SFS must have a minimum paid up capital of €125,000.

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5 FUNDING

(a) Borrowings

(i) Recognition and measurement

Borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition the liabilities are carried at amortised cost using the effective interest method.

Finance costs include both contracted interest and transaction costs (collectively the effective interest).

(ii) Composition

	CONSOLIDATED	
	2016 **$'000**	2015 $'000
ANZ bank loan	**64,241**	-
Fixed interest note	**-**	57,253
Vendor loan note	**22,700**	-
Fixed interest loan	**7,634**	7,962
Other bank loans	**2,334**	-
Total	**96,909**	65,215
Analysed as:		
Current	**64,445**	1,882
Non-current	**32,464**	63,333

ANZ bank loan:

- The ANZ bank loan of $65.0 million was drawn down on 31 October 2016 to facilitate early repayment of the FIIG Note. Initial transaction costs of $1.7 million were capitalised and are amortised over the term of the loan. The loan interest resets periodically. The rate during the period to 31 December 2016 was 4.4%. The loan is scheduled to be repaid in instalments of $5.0 million on each repayment date of 31 March 2017, 30 April 2017, 31 May 2017 with the remaining balance due to repaid in full on 30 June 2017.
- The 31 December 2016 closing balance of $64.2 million includes $0.9 million of accrued interest.
- The loan is guaranteed by: CBL, LBC Holdings UK Limited, LBC Holdings Europe Limited, LBC Holdings New Zealand Limited, Intercede 2408 Limited and EISL.

Fixed interest loan:

- The fixed interest loan is a borrowing with Alpha Insurance A/S. The balance as at 31 December 2016 is $7.6 million (2015: $8.0 million). On 21 December 2012 Alpha Insurance A/S lent 37.5 million Danish Krone to Intercede 2408 Limited. For the period to 30 September 2015 the loan was subject to a fixed interest rate of 6.0%. From 1 October 2015 the loan is subject to a fixed interest rate of 5.0%. The loan is unsecured and is scheduled to be redeemed on 1 November 2020.

Vendor loan note:

- The vendor loan note of €15.0 million is vendor financing connected to the acquisition of the SFS Group. The loan bears interest of 6.0% and is due to be repaid on 5 January 2020. The vendor loan note can be repaid early in full or in part, subject to certain conditions.

Fixed interest note (FIIG Note):

- On 17 April 2014, CBL launched an initial bond offer through FIIG Securities Limited, and raised A$55.0 million from wholesale investors. Initial transaction costs of A$2.75 million were capitalised and were being amortised over the five year term of the fixed interest note;

Notes to the Financial Statements

For the year ended 31 December 2016

5(a) Borrowings (continued)

- The bond paid a fixed rate of 8.25% per annum and had a final maturity of five years but could be repaid early by CBL subject to certain conditions. The FIIG Note was repaid on 31 October 2016 at a premium of 7.0% of the principal. The repayment premium of A$3.9 million, accelerated amortisation of A$1.6 million and termination fees of A$0.4 million are recognised as finance costs in the SOPL;
- The 2015 closing balance of $57.3 million included $1.0 million of accrued interest. Interest was payable six monthly on 17 April and 17 October; and
- These loan notes were 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 loan covenants in place throughout the reporting period.

(b) Share capital and reserves

(i) Recognition and measurement

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.

(ii) Composition

(1) Share capital

				CONSOLIDATED
Ordinary shares	**2016 NUMBER OF SHARES**	2015 NUMBER OF SHARES	**2016 $'000**	2015 $'000
Balance at the start of the financial year	**219,677,168**	26,000,000	**110,070**	18,000
Shares issued during the year	**16,100,863**	-	**55,396**	-
Purchase of treasury shares	**(2,160,000)**	-	**(2,673)**	-
Reissue of treasury shares	**2,160,000**	-	**7,452**	-
Share split 6:1	**-**	130,000,000	**-**	-
Issue of new shares: IPO	**-**	58,064,516	**-**	88,017
Transaction costs for issue of new shares	**-**	-	**(1,643)**	(6,362)
Issue of new shares: AI Group acquisition	**-**	5,612,652	**-**	10,415
Balance at the end of the financial year	**235,778,031**	219,677,168	**168,602**	110,070

On 27 October 2016 CBL issued 0.9 million new shares at $3.45 per share to existing shareholders under a share purchase plan.

On 5 October 2016 and 6 October 2016 CBL issued 15.2 million new shares at $3.45 per share under a private placement to institutional investors.

Treasury shares: on 14 January 2016 CBL acquired 2.2 million CBL shares for A$1.17 per share from a selling shareholder of the AI Group. The shares were reissued on 6 October 2016 at $3.45 per share as part of the private placement with institutional investors.

On 12 October 2015 58,064,516 ordinary shares were issued under the IPO for $1.55 per share, payable in cash. Transaction costs of $6.4 million directly related to the issue of new shares.

On 12 October 2015 5,612,652 shares were issued under the agreement between CBL and the vendors of the AI Group and others dated 10 March 2015, as part consideration for the purchase of the AI Group by CBL Insurance Australia Pty Limited.

On 11 August 2015 the ordinary shares of the Company were split, 6 for 1, resulting in an increase in the number of shares from 26,000,000 to 156,000,000.

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For the year ended 31 December 2016

5(b) Share capital and reserves (continued)

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.

(2) Retained earnings

The directors have reviewed the total equity of the Group and considered it to be adequate for the purpose of financial soundness. The directors review this in line with the Group's internal policies around financial soundness and liquidity levels. These policies are reviewed regularly to ensure that adequate equity levels are maintained at all times.

(3) Reserve

This reserve is a foreign currency translation reserve. It records the foreign currency differences arising from the translation of the financial position and performance of subsidiaries that have functional currencies other than NZD.

(c) Earnings per share

	CONSOLIDATED	
	2016 $'000	2015 $'000
Profit for the year	**30,710**	35,510
Profit attributable to non-controlling interest	**(967)**	(22)
Profit attributable to shareholders of the parent	**29,743**	35,488
Weighted average number of ordinary shares for basic and diluted earnings per share (number)	**223,485,953**	169,956,640
Basic and diluted earnings per share from continuing operations (cents)	**13.31**	20.88

Numbers of shares in the above table have been adjusted to reflect the 6:1 share split that occurred on 11 August 2015.

(d) Dividends

(i) Recognition and measurement

Period	CENTS PER SHARE	TOTAL AMOUNT $'000	PAYMENT DATE	TAX RATE FOR IMPUTATIONS	PERCENTAGE IMPUTED
Q4 2014 dividend	0.5	830	21 April 2015	28%	100%
Special 2015 dividend	1.8	3,915	22 April 2016	28%	100%
Final 2015 dividend	2.7	5,874	22 April 2016	28%	100%
Interim 2016 dividend	3.0	7,074	4 November 2016	28%	100%

All numbers of shares in the cent per share calculations have been adjusted to reflect the 6:1 share split that occurred on 11 August 2015.

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.

Notes to the Financial Statements
For the year ended 31 December 2016

6 ACQUISITIONS AND GROUP STRUCTURE

(a) Business combinations

(i) Recognition and measurement

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 identifiable assets acquired (tangible and intangible) and the identifiable 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 the SOPL.

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 in the SOPL.

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.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

(ii) Areas of significant estimate and judgement

The measurement of identifiable intangible assets (and non-controlling interest, if applicable) acquired in a business combination is highly subjective and there are a range of possible values that could be attributed for initial recognition. The Group uses the skills and experience of valuation specialists in establishing an initial range within which the fair value is to be recognised. Judgement is then applied in selecting the value to be recognised on the balance sheet. Judgement is also applied in determining the useful life of the intangible assets which impacts directly on the amortisation charges to be incurred following an acquisition.

Notes to the Financial Statements

For the year ended 31 December 2016

6(a) Business combinations (continued)

(iii) Composition

(1) SFS Group acquisition

The SFS Group acquisition secures a major revenue producer for CBL, and provides CBL with the ability to secure selected lines of new products and allows geographic expansion of existing products. The acquisition provides CBL with an extensive branch network across France. CBL has been transacting business with SFS for over 12 years, and this acquisition eliminates the distribution concentration risk that SFS had come to represent.

The following table shows the provisional values of assets acquired, the liabilities assumed and the purchase consideration at the acquisition date (6 October 2016).

	NOTE	FAIR VALUE $'000
Purchase consideration:		
- Cash	7(c)	**73,800**
- Contingent consideration		**13,480**
- Vendor loan note		**23,417**
Total purchase consideration		**110,697**
Assets or liabilities acquired:		
Cash		**32,706**
Other receivables		**167,093**
Other assets		**2,995**
Property, plant and equipment		**8,164**
Intangible assets		**50,222**
Other payables		**(206,293)**
Tax liabilities		**(17,039)**
Borrowings		**(2,496)**
Other liabilities		**(876)**
Total net identifiable assets		**34,476**
Purchase consideration		**110,697**
Less: Identifiable net assets acquired		**(34,476)**
Plus: Non-controlling interest		**30,754**
Goodwill		**106,975**

As at 31 December 2016 the fair values of the assets and liabilities acquired in acquisition of the SFS Group are provisional and pending final valuations. On completion of the final valuations the balances for the acquisition may be revised.

The goodwill of $107.0 million represents future synergies expected to arise in the combined operations, the value of new business from new distribution channels and customers going forward, and the value of the workforce and management and other future business.

Contingent consideration

Under the terms of the acquisition agreement, the Group must pay the former owners of SFS additional cash payments. The undiscounted amount of all future payments is €11.4 million.

The contingent consideration is payable in September 2017 and September 2018 subject to certain profit hurdles which are expected to be met.

Notes to the Financial Statements

For the year ended 31 December 2016

6(a) Business combinations (continued)

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

Contingent consideration	2016 $'000
Contingent consideration on acquisition	**13,480**
Change in fair value	**622**
Net foreign exchange movements	**(405)**
Total contingent consideration	**13,697**

Other information

Acquisition costs of $3.6 million were recognised in the SOPL during the year ended 31 December 2016. These costs were legal and consulting fees related to the acquisition, and are included in the line Capital raising, business combination and amortisation of policies-in -force costs in the SOPL.

From the date of acquisition, during the Group's 2016 financial year, SFS has contributed $31.2 million of revenue and $5.6 million of the profit before tax of the Group. If the SFS Group was acquired on 1 January 2016, the full 2016 year contribution toward total revenue would have been $93.5 million, and full year contribution toward profit before tax would have been $9.4 million.

In determining the provisional values for identified intangible assets, being Brands names, Customer relationships and Software, valuations were performed by external and independent valuation specialists. The fair values were determined as follows:

- Brand name was valued using the relief from royalty method under the income approach. This method essentially looks at the theoretical royalty costs that are saved by owning the brand name instead of leasing it.
- Customer relationships were valued using the excess earnings method under the income approach. This approach projects revenue from existing customers into the future, adjusted for attrition or 'churn' rates. The projected revenue is then used to determine the future profits attributable to the existing customer relationships. Those future profits are adjusted downwards for profits that are attributable to contributory assets. The adjusted future profits are then discounted for the time value of money.
- Software was valued using the reconstitution cost method. This method is an estimation of the costs that would be required to build an equivalent system.

(2) PFP Group acquisition

The following table shows the assets acquired, the liabilities assumed and the purchase consideration at the acquisition date (1 December 2015).

	FAIR VALUE $'000
Purchase consideration:	
- Cash	**11,671**
- Contingent consideration	**5,168**
- Additional consideration*	**1,781**
Total purchase consideration	**18,620**
Assets or liabilities acquired:	
Cash	**295**
Other receivables	**3,716**
Property, plant and equipment	**568**
Other payables	**(5,448)**
Total net identifiable assets	**(869)**

Notes to the Financial Statements

For the year ended 31 December 2016

6(a) Business combinations (continued)

	FAIR VALUE $'000
Purchase consideration	**18,620**
Plus: Identifiable net liabilities acquired	**869**
Non-controlling interests	**(70)**
Goodwill	**19,419**

* Additional consideration is an adjustment to the purchase consideration based upon the fair value of the net assets at the acquisition date.

The goodwill of $19.4 million represents future synergies expected to arise in the combined operations, the value of new business from new distribution channels and customers going forward, and the value of the workforce and management and other future business.

Contingent consideration

Under the terms of the acquisition agreement, the Group must pay the former owners of the PFP Group additional cash payments. At the acquisition date the undiscounted amount of all future payments was £2.4 million.

As at 31 December 2016 the remaining contingent consideration is £0.6 million (2015: £1.8 million), payable in May 2017, subject to certain profit hurdles.

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

Contingent consideration	2016 $'000	2015 $'000
Contingent consideration on acquisition	**5,168**	5,168
Change in fair value	**243**	26
Settlements	**(3,830)**	(1,373)
Net foreign exchange movements	**(623)**	(213)
Total contingent consideration	**958**	3,608

(3) AI Group acquisition

The AI Group was acquired on 1 September 2015 for consideration of $45.0 million, consisting of $34.6 million in cash and $10.4 million CBL ordinary shares (5,612,652 CBL shares). Goodwill of $6.9 million and a Policies-in-Force (PIF) intangible of $8.9 million were recognised, refer to the CBL Corporation 2015 Annual Report note 27(a) for further details.

(b) Subsidiaries

(i) Recognition and measurement

Where the Company has control over an investee, it is classified as a subsidiary. The Company 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 Company, using consistent accounting policies. The financial statements of entities operating outside New Zealand that maintain accounting records in accordance with overseas accounting principles are adjusted where necessary to comply with the significant accounting policies of the Group.

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

Notes to the Financial Statements

For the year ended 31 December 2016

6(b) Subsidiaries (continued)

(ii) Composition

Investment in subsidiaries

Name of company	FUNCTIONAL CURRENCY	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST 2016 %	2015 %
New Zealand:					
CBL Insurance Limited	NZD	New Zealand	General insurance	**100**	100
CBL Corporate Services Limited	NZD	New Zealand	Corporate operations	**100**	100
LBC Treasury Company Limited	NZD	New Zealand	Corporate operations	**100**	-
LBC Holdings New Zealand Limited	NZD	New Zealand	Holding company	**100**	100
LBC Holdings Europe Limited	EUR	New Zealand	Holding company	**100**	100
LBC Holdings UK Limited	EUR	New Zealand	Holding company	**100**	100
LBC Holdings Australasia Limited	AUD	New Zealand	Holding company	**100**	100
LBC Holdings Americas Limited	USD	New Zealand	Dormant	**100**	100
Deposit Power Limited	NZD	New Zealand	Dormant	**100**	100
South British Funding Limited	NZD	New Zealand	Dormant	**100**	100
Europe:					
CBL Insurance Europe DAC	EUR	Ireland	General insurance	**100**	100
European Insurance Services Limited	EUR	United Kingdom	Underwriting agent	**100**	100
EISL Iberia Limited	EUR	United Kingdom	Underwriting agent	**100**	100
Sarl ACJN	EUR	France	Underwriting agent	**100**	100
Professional Fee Protection Limited	GBP	United Kingdom	Underwriting agent	**92**	92
Intercede 2408 Limited	EUR	United Kingdom	Holding company	**100**	100
Professional Financing Limited	GBP	United Kingdom	Dormant	**92**	92
PFP Tax Services Limited	GBP	United Kingdom	Dormant	**92**	92
Antipodean European Services Limited	EUR	Ireland	Corporate operations	**100**	-
SFS Holdings SA	EUR	Luxembourg	Holding company	**71**	-
SFS Europe SA	EUR	Luxembourg	Underwriting agent	**71**	-
IMS Expert Europe	EUR	Luxembourg	Claims management	**71**	-
SFS Belgique SA	EUR	Belgium	Underwriting agent	**70**	-
Securities & Financial Solutions Gestione Italia S.R.L	EUR	Italy	Underwriting agent	**64**	-
SFS Academy	EUR	France	Corporate operations	**71**	-
IMS Expert Immobilier	EUR	France	Corporate operations	**71**	-

Notes to the Financial Statements

For the year ended 31 December 2016

6(b) Subsidiaries (continued)

Name of company	FUNCTIONAL CURRENCY	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST 2016 %	2015 %
Australia:					
Assetinsure Pty Limited	AUD	Australia	General Insurance	**100**	100
Assetinsure Holdings Pty Limited	AUD	Australia	Holding Company	**100**	100
CBL Holdings Australia Pty Limited	AUD	Australia	Holding Company	**100**	100
CBL Insurance Australia Pty Limited	AUD	Australia	Holding Company	**100**	100
CBL Insurance Pty Limited	AUD	Australia	Non-operating	**100**	100
Singapore:					
PFP Holdings Pte Limited	GBP	Singapore	Holding Company	**100**	100

All subsidiaries in the above table have adopted a balance date of 31 December.

During the current financial year the Group:

- Formed: SFS Holdings SA, Antipodean European Services Limited and LBC Treasury Company Limited; and
- Acquired: SFS Europe SA, IMS Expert Europe, SFS Belgique SA, Securities & Financial Solutions Gestione Italia S.R.L, Securities & Financial Solutions Academy, and IMS Expert Immobilier (collectively the SFS Group).

During the prior financial year the Group acquired:

- Assetinsure Holdings Pty Limited and AI (collectively the AI Group); and
- PFP Holdings Pte Limited, PFP, Professional Financing Limited and PFP Tax Services Limited (collectively the PFP Group).

(c) Investment in material associates

(i) Recognition and measurement

When the Group is able to exert significant influence over an investee through its ability to participate in the financial and operating policy decisions of the investee, but does not control or jointly control those policy decisions, the investee is accounted for as an associate using the equity method. The Group's share of associates' profits or losses is recognised in the SOPL. The cumulative movements are adjusted against the carrying amount of the investment.

(ii) Composition

		GROUP OWNERSHIP INTEREST		
Associate	PRINCIPAL ACTIVITY	**2016 %**	2015 %	BALANCE DATE
Afianzadora Fiducia, S.A de C.V. (Fiducia)	Insurer	**35.0**	35.0	31 Dec
SFS AC Assurances Polynesie SARL*	Underwriting agent	**35.5**	-	31 Dec
SAR Europe*	Holding company	**24.0**	-	31 Dec
SAR France SAS*	Underwriting agent	**24.0**	-	31 Dec

* Collectively and individually not material to the results of CBL.

Fiducia

Fiducia, established in 1994, is a specialist bonding and surety insurance company that underwrites credit and surety bonds in the Mexican corporate sector. Fiducia provides a vehicle through which the Group can expand on its presence in the Mexican bonding and surety market.

In June 2015 the Group acquired, for cash consideration of US$2.5 million, a 34.99% shareholding in Fiducia.

The investment in Fiducia is as follows:

	CONSOLIDATED	
	2016 $'000	2015 $'000
Share of associate's financial position		
Assets	**3,862**	4,242
Liabilities	**(1,034)**	(873)
Net assets	**2,828**	3,369
Share of associate's revenue and profit		
Revenue	**1,079**	633
Profit	**55**	48
Carrying value of investment in associate	**3,571**	3,511

Fiducia's total revenue and total profit for the year ending 31 December 2016 was $3.1 million and $0.2 million respectively. Fiducia's total revenue and total profit for the period from 1 June 2015 to 31 December 2015 was $1.8 million and $0.1 million respectively.

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

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

Notes to the Financial Statements
For the year ended 31 December 2016

6(d) Related party information

(d) Related party information

(i) Related party balances

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

			CONSOLIDATED CLOSING BALANCE	
			2016	2015
Nature of relationship	RELATED PARTY	TYPE OF TRANSACTION	**$'000**	$'000
Key management personnel				
Carden Mulholland	Deposit Power Pty Limited (Australia)	Premium receivable	**738**	303
Carden Mulholland	Deposit Power Pty Limited (Australia)	Commission	**(304)**	-
Carden Mulholland	Deposit Power Pty Limited (Australia)	Advances	**166**	-
Alistair Hutchison	Federal Pacific Limited	Net insurance debtor	**(1)**	-
Total			**599**	303

(ii) Related party transactions

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

			CONSOLIDATED REVENUE/(EXPENSE)	
			2016	2015
Nature of relationship	RELATED PARTY	TYPE OF TRANSACTION	**$'000**	$'000
Key management personnel				
Carden Mulholland	Deposit Power Pty Limited (Australia)	Insurance contracts premium	**9,632**	10,412
Carden Mulholland	Deposit Power Pty Limited (Australia)	Insurance contracts Costs	**(3,679)**	(4,175)
Carden Mulholland	Deposit Power Pty Limited (Australia)	Insurance contracts Commissions	**(2,214)**	(2,489)
Various	Senior management	Loan interest	-	56
Peter Harris	Altares Limited	Fees	**-**	(256)
Peter Harris, Alistair Hutchison	South British Nominees Limited	Other receipts	**-**	460
Alistair Hutchison	Federal Pacific Group Limited	Fees	**(100)**	(100)
Alistair Hutchison	Federal Pacific Group Limited	Insurance contracts	**11**	46
Tony Hannon	General Capital Technologies Limited	Premium	**-**	14

(iii) Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Salaries and other short term employee benefits	**5,022**	3,247
Independent directors' fees	**708**	616
Total	**5,730**	3,863

The 2015 comparative figures have been restated to ensure comparability with current year presentation.

7 OTHER ASSETS AND LIABILITIES

(a) Goodwill and intangibles

(i) Recognition and measurement

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, liabilities and contingent liabilities acquired and is subsequently presented net of any impairment charges. Goodwill is not amortised.

Goodwill relating to an associate is included in the carrying amount of the investment and is also 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. Refer note 6(c).

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, and Goodwill, the recoverability of the carrying value of the assets is tested 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 SOPL and, except for Goodwill, may be reversed where there has been a change in the estimates used to determine the recoverable amount.

The following classes of intangible assets have been recognised:

Brand names:

This represents the revenue generating value of acquired brands and is determined using the relief from royalty method. The Deposit Power and SFS brands are recognised as having indefinite useful lives as there is no foreseeable limit to the period over which the brands are expected to generate net cash flows. The PetroBonds brand has been assessed as having a limited life and is therefore amortised.

Computer software:

The software development expenditure asset comprises both internally generated assets and acquired assets. For CBL Insurance and the AI Group assets, they are amortised by applying a 10 year straight line. For the SFS Group they are amortised by applying a 4-year straight line. For EISL they are amortised by applying a 40% straight line. The difference in amortisation methods reflects differences in the nature of the assets, for example core operating software for an application would be amortised over a longer period than the functional aspects of an application.

Deferred profit commission:

The deferred profit commission intangible was acquired as part of the acquisition of EISL in 2011. This represents the cost to acquire an interest in policies which in the future will earn the Group profit commission. The asset will start to be amortised at the time the profit commission becomes receivable from the insurers, at which time the Group will amortise the intangible asset to match these cash flows. The deferred profit commission value represents the cost allocated to that asset.

Policies-in-force (PIF)

The PIF has been acquired as part of the AI Group business combination, refer to note 6(a). The PIF intangible is an asset which reflects the net profit embedded within the policies acquired where the premiums are unearned. The intangible asset is amortised over the expected useful life of the acquired in force policies during which future premiums are expected, which typically varies between one and three years.

Notes to the Financial Statements

For the year ended 31 December 2016

7(a) Goodwill and intangibles (continued)

Customer relationships

The customer relationships intangible asset has been acquired as part of the SFS Group business combination, refer to note 6(a). Customer relationships were valued using the excess earnings method under the income approach. This intangible has an amortisation period of 6 years, and is being amortised using a straight line approach.

(ii) Composition

						CONSOLIDATED
	GOODWILL $'000	BRAND NAMES $'000	COMPUTER SOFTWARE $'000	CUSTOMER RELATIONSHIPS $'000	DEFERRED PROFIT COMMISSION $'000	POLICIES IN FORCE $'000
2016						
Cost	**167,011**	**26,128**	**14,256**	**18,687**	**2,873**	**8,282**
Foreign exchange movements	**(12,058)**	**-**	**-**	**-**	**-**	**-**
Accumulated amortisation / impairment	**-**	**-**	**(2,318)**	**(802)**	**(655)**	**(6,950)**
Net carrying value	**154,953**	**26,128**	**11,938**	**17,885**	**2,218**	**1,332**
2015						
Cost	57,495	99	7,162	-	3,010	8,464
Foreign exchange movements	(4,123)	-	-	-	-	-
Accumulated amortisation / impairment	-	-	(1,116)	-	(646)	(3,662)
Net carrying value	53,372	99	6,046	-	2,364	4,802

Goodwill has been allocated to four cash generating units, these cash generating units' carrying values are as follows:

		CONSOLIDATED
	2016 $'000	2015 $'000
EISL	**28,680**	30,154
AI Group	**7,088**	6,563
PFP Group	**14,983**	16,655
SFS Group	**104,202**	-
Net carrying value at the end of the year	**154,953**	53,372

The Brand name intangible asset has been allocated to cash generating units as follows:

		CONSOLIDATED
	2016 $'000	2015 $'000
SFS Group	**26,029**	-
CBL Insurance	**99**	99
Net carrying value at the end of the year	**26,128**	99

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For the year ended 31 December 2016

7(a) Goodwill and intangibles (continued)

(iii) Reconciliation of movements

						CONSOLIDATED
	GOODWILL $'000	BRAND NAMES $'000	COMPUTER SOFTWARE $'000	CUSTOMER RELATIONSHIPS $'000	DEFERRED PROFIT COMMISSION $'000	POLICIES IN FORCE $'000
Year ended 31 December 2016						
Balance at the beginning of the year	**53,372**	**99**	**6,046**	**-**	**2,364**	**4,802**
Additions	**-**	**-**	**2,694**	**533**	**-**	**-**
Additions through business combinations	**109,558**	**26,851**	**4,629**	**18,741**	**-**	**-**
Amortisation	**-**	**-**	**(1,174)**	**(802)**	**-**	**(3,456)**
Foreign exchange movements	**(7,977)**	**(822)**	**(257)**	**(587)**	**(146)**	**(14)**
Closing value at 31 December 2016	**154,953**	**26,128**	**11,938**	**17,885**	**2,218**	**1,332**
Year ended 31 December 2015						
Balance at the beginning of the year	29,297	99	313	-	2,580	-
Additions	-	-	1,338	-	-	-
Additions through business combinations	24,518	-	4,937	-	-	8,873
Amortisation	-	-	(321)	-	(187)	(3,756)
Impairment loss in income	-	-	-	-	(104)	-
Foreign exchange movements	(443)	-	(221)	-	75	(315)
Closing value at 31 December 2015	53,372	99	6,046	-	2,364	4,802

(iv) Impairment

Management has determined that there is no indication of impairment and therefore no impairment testing is required in respect of the computer software, PIF and customer relationships intangible assets.

(1) Deferred profit commission

The deferred profit commission intangible is currently an indefinite life asset.

When testing for impairment the recoverable amount of the deferred profit commission intangible has been determined based on value in use (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 5.4% (2015: 5.6%) is used, the reduction is largely a result of a decrease in interest rates.

The impairment in 2015, which is included within the amortisation and impairment line in note 9(a), was triggered due to an increase in the loss ratio which is one of the profit commission calculation parameters. The impairment amount in 2016 was nil (2015: $0.1 million).

(2) Goodwill and brand names

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. Projected cash flows beyond projection period are extrapolated using a steady average growth rate. The growth rate does not exceed the long term average past growth rate of the business in which the cash generating unit operates. Pre-tax entity specific risk adjusted discount rates are used in the present value calculation. Management determines budgeted profit based on past performance and its expectations for market development.

Notes to the Financial Statements

For the year ended 31 December 2016

7(a) Goodwill and intangibles (continued)

The table below summarises the valuation assumptions by each cash generating unit:

Assumptions	EISL	AI GROUP	PFP GROUP	SFS GROUP
2016				
Cash flow period	**5 years**	**5 years**	**5 years**	**5 years**
Steady average growth rate post cash flow period	**3%**	**3%**	**3%**	**3%**
Discount rate	**8.4%**	**10.1%**	**8.4%**	**7.7%**
2015				
Cash flow period	5 years	5 years	5 years	-
Steady average growth rate post cash flow period	3%	3%	3%	-
Discount rate	8.6%	10.1%	8.6%	-

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

- Premiums, commissions and margins: premium and commission income are 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 while taking into account anticipated efficiency improvements, known and expected expenditure, and inflation;
- Expenses: estimates are obtained from published indices of inflation (range of 0.2% to 1.7%). The financial budget plans assume that expenses will broadly increase in line with inflation; and
- Investment market conditions: investment market conditions are based on market research and published statistics.

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

No impairment loss has been recognised in 2016 and 2015 as a result of the impairment reviews of the cash generating units.

(b) Loans and receivables at amortised cost

(i) Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus transaction costs, and subsequently at amortised cost using the effective interest rate method, less any impairment losses.

The amortised cost of other receivables also reflects the amounts expected to be received in the future, less any impairment losses. The amounts are discounted where the effect of the time value of money is material.

The recoverability of receivables is assessed on an ongoing basis and an allowance for impairment is established where there is objective evidence of 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 impacting share prices. 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. The impairment charge is recognised in the SOPL. Debts that are known to be uncollectable are written off. Where a subsequent event causes the amount of the impairment loss to decrease (a payment receipt for example), the reduction in the allowance account (provision for impairment of receivables) is taken through the SOPL.

Notes to the Financial Statements

For the year ended 31 December 2016

7(b) Loans and receivables at amortised cost (continued)

(ii) Composition

(1) Other receivables

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Prepayments	**1,676**	556
Related party receivables	**904**	303
Other debtors[1, 2]	**211,618**	25,182
Total other receivables	**214,198**	26,041

(2) Loans

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Other loans	**-**	329
Fixed interest loan[3]	**-**	8,890
Total loans	**-**	9,219
Analysed as:		
Current	**214,198**	26,041
Non-current[3]	**-**	9,219

[1] Other debtors primarily consists of amounts receivable by MGAs on behalf of external insurers. The corresponding payables to the external insurers are included in Other payables in note 7(c).

[2] Included within other debtors is $6.0 million (2015: $13.3 million) relating to claims funds AI has deposited with an insurance counterparty. The funds are not held in the name of AI, and so are excluded from cash and cash equivalents.

[3] At 31 December 2015 the fixed interest loan was a loan with Alpha Holdings A/S. The loan was effectively repaid during the current year. The loan attracted interest at 5.0% per annum effective from 1 October 2015 and 6.0% per annum for previous periods. The Group and Alpha Holdings A/S originally entered into the arrangement on 22 December 2012. The funds were reinvested in shares in Alpha Holdings A/S, refer to Unlisted investments in note 3(e).

The estimated fair value of loans and receivables is the discounted amount of the estimated future cash flows expected to be received, which also approximates carrying value.

The related party loans are described further in note 6(d).

(c) Other financial liabilities

(i) Recognition and measurement

Other payables are initially recognised at fair value less transaction costs, and are subsequently carried at amortised cost, which is the equivalent to fair value or the face 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.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Any other changes in fair value are recognised in the SOPL.

Notes to the Financial Statements

For the year ended 31 December 2016

7(c) Other financial liabilities (continued)

(ii) Composition

	NOTE	CONSOLIDATED 2016 $'000	2015 $'000
i. Insurance payables	3	**5,952**	24,577
ii. Other payables			
Related party balances		**305**	-
Security deposits		**322**	655
Accrued expenses		**8,577**	5,000
Other payables[1, 2]		**312,813**	17,591
Total other payables		**322,017**	23,246
iii. Contingent consideration		**15,321**	3,608
Total payables		**343,290**	51,431
Analysed as:			
Current		**331,351**	50,278
Non-current		**11,939**	1,153

[1] Other payables primarily consists of amounts payable by MGAs to external insurers. The MGAs collect premiums on behalf of the external insurers. The corresponding amounts receivable by MGAs, being premiums to be collected on behalf of the external insurers, are included in Other receivables in note 7(b).

[2] Other payables includes €47.3 million cash consideration payable for the acquisition of the SFS Group, refer note 6(a).

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

(d) Income tax

(i) Recognition and measurement

Income tax on the result for a reporting period comprises current and deferred tax. Income tax is recognised in the SOPL except to the extent that it relates to items recognised in OCI, in which case the income tax is also recognised in OCI.

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 balance sheet 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;
- 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.

Notes to the Financial Statements

For the year ended 31 December 2016

7(d) Income tax (continued)

(ii) Composition

(1) Income tax expense

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Current	**10,157**	9,045
Movement in deferred tax asset	**1,268**	(791)
Movement in deferred tax liability	**(210)**	5,867
Under/(over) provision in prior periods	**2,194**	(91)
Income tax expense	**13,409**	14,030

(2) 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	
	2016	2015
	$'000	$'000
Profit for the year before income tax	**44,119**	49,540
Income tax at the current rate of 28% (2015: 28%)	**12,353**	13,871
Amounts which are not deductible/(taxable) in calculating taxable income:		
- non-assessable income	**18**	(194)
- non-deductible expenses	**1,443**	1,809
- foreign tax adjustment	**(636)**	(335)
- other	**385**	(1,030)
Income tax expense applicable to current year	**13,563**	14,121
Adjustment relating to prior year	**(154)**	(91)
Income tax expense	**13,409**	14,030

(3) Deferred tax assets

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Composition		
Tax losses	**1,171**	1,108
Provisions and accruals	**2,124**	1,810
Fixed assets	**56**	275
Total deferred tax assets	**3,351**	3,193

Notes to the Financial Statements

For the year ended 31 December 2016

7(d) Income tax (continued)

(4) Deferred tax liabilities

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Composition		
Deferred acquisition costs	**10,845**	10,064
Employee benefits	**(590)**	(442)
Intangible assets	**10,887**	-
Other	**324**	(64)
Total deferred tax liabilities	**21,466**	9,558

(5) Imputation credits

The imputation credits available for the Group amount to $22.6 million (2015: $23.0 million). Availability is subject to shareholder continuity.

8 UNRECOGNISED ITEMS

(a) Commitments

(i) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

- At 31 December 2016 the Group has capital commitments of $0.1 million related to a property leased by the AI Group.

(ii) Operating lease commitments

The Group has entered into motor vehicle, 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	
	2016	2015
	$'000	$'000
Due within one year	**3,980**	2,574
Due between one and five years	**17,561**	7,266
Due after five years	**9,438**	167
	30,979	10,007

(b) Contingent liabilities

Contingent liabilities are not recognised in the SOFP but are disclosed where settlement is less than probable but more than remote. If settlement becomes probable, a provision is recognised. There are no contingent liabilities at year end.

(c) Events after the end of the reporting period

The following transaction occurred after the reporting date and did not relate to conditions existing at the reporting date. No account has been taken of this in the financial statements for the current reporting period ended 31 December 2016.

Final dividend: On 24 February 2017, the Board declared a final dividend for the 2016 financial year of 2.0 cents per share and is 100% imputed.

Notes to the Financial Statements
For the year ended 31 December 2016

9 OTHER INFORMATION

(a) Analysis of expenses

	CONSOLIDATED	
	2016	2015
	$'000	$'000
(i) Acquisition costs		
Insurance related acquisition costs	**85,526**	69,106
(ii) Other operating expenses		
Employee benefits expense	**30,502**	19,398
Directors fees	**1,036**	1,108
Depreciation	**1,104**	492
Amortisation and impairment	**1,199**	612
Operating lease payments	**3,213**	1,133
Auditors' remuneration	**1,169**	1,311
Doubtful debts	**93**	79
Other expenses	**47,086**	16,625
Total other operating expenses	**85,402**	40,758
(iii) Capital raising, business combination and amortisation of acquired intangibles		
Capital raising costs	**415**	2,343
Amortisation of policies-in-force intangible	**3,453**	3,756
Amortisation of other acquired intangibles	**816**	-
Business acquisition costs	**3,750**	2,656
Total capital raising, business combination and amortisation of acquired intangibles	**8,434**	8,755
(iv) Finance costs	**13,914**	6,296
Total expenses	**193,276**	124,915

Finance costs include:

- Interest and other costs related to an A$55.0 million fixed interest note (FIIG Note) of $10.9 million (2015: $5.5 million) including once off exit cost as described in Note 5(a); and
- Interest on a $65.0 million ANZ bank loan of $1.4 million; and
- Interest on the Alpha Insurance A/S loan for the Group is $0.4 million (2015: $0.5 million).

Notes to the Financial Statements

For the year ended 31 December 2016

9(b) Remuneration of auditors

(b) Remuneration of auditors

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Remuneration of the auditor of the parent entity, Deloitte network firms, for:		
- auditing or reviewing the financial statements	**798**	205
- tax advisory services	**22**	4
- tax advisory in respect of acquisitions	**161**	-
- tax compliance services	**173**	-
- litigation support services	**-**	21
- regulatory assurance	**15**	-
Remuneration of the auditor of the parent entity, Crowe Horwath, for:		
- other services	**-**	321
Remuneration of other auditors of subsidiaries for:*		
- auditing or reviewing the financial statements	**-**	358
- other services	**-**	472

* The 2015 comparative numbers related to fees for PricewaterhouseCoopers, KPMG and Creaseys.

(c) Cash flow information

(i) Cash flow reconciliation

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

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Profit for the period	**30,710**	35,510
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation of property, plant and equipment	**1,105**	492
- amortisation and impairment of intangibles	**5,469**	4,368
- movements in deferred tax	**1,058**	4,027
- foreign exchange movement	**9,761**	(97)
- other	**9,478**	8,463
Movement in operating assets and liabilities:		
- increase in receivables	**(54,147)**	(36,419)
- increase in payables	**46,258**	59,532
- decrease in taxation	**7,064**	(545)
Cash flow from operations	**56,756**	75,331

(d) 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 2017 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" is effective for balance dates beginning on or after 1 January 2018. The standard replaces NZ IAS 39. NZ IFRS 9 requires the financial assets to be classified into two measurement categories, being 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.
- NZ IFRS 15 "Revenue from Contracts with Customers" is effective for balance dates beginning on or after 1 January 2018. The standard provides requirements for accounting for all contracts with customers, with some exemptions. 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.
- NZ IFRS 16 "Leases" is effective for reporting periods beginning on or after 1 January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. NZ IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on balance sheet finance leases and off balance sheet operating leases. Instead, there is a single, on balance sheet accounting model that is similar to current finance lease accounting. Management has yet to perform a full assessment of the impact of this standard, however it is possible that the maximum lease commitment set out in note 8(a) could be recognised on balance sheet.

(e) Foreign currency information

A substantial part of CBL Insurance's business is derived in foreign currencies. CBL Insurance retains the premium in the currency it is received in because this is the currency in which future claims will be paid, and this provides a natural currency hedge for these assets and liabilities.

At balance date, these foreign currency denominated assets and liabilities are required to be translated into NZD for reporting purposes. Any difference in the foreign exchange value when translating those balance into NZD are reported as a positive or negative translation adjustment. Generally these balances are not physically converted into NZD, the translation into NZD is calculated purely for reporting purposes.

Notes to the Financial Statements

For the year ended 31 December 2016

10 PROSPECTIVE FINANCIAL INFORMATION

Comparison against prospective financial information

(a) Statement of comprehensive income

	2016 ACTUAL $'000	2016 ADJUSTMENT $'000	2016 TOTAL $'000	2016 PFI $'000	VARIANCE $'000
Gross written premium as an insurer	321,681	-	**321,681**	316,246	5,435
Gross written premium as an MGA (EISL)[1]*	50,899	-	**50,899**	81,065	(30,166)
Total gross written premium	372,580	-	**372,580**	397,311	(24,731)
Movement in gross unearned premium	(24,558)	-	**(24,558)**	(21,937)	(2,621)
Total gross premium	348,022	-	**348,022**	375,374	(27,352)
Premium ceded as an insurer	(33,238)	-	**(33,238)**	(31,118)	(2,120)
Premium ceded as an MGA (EISL)[1]*	(38,917)	-	**(38,917)**	(63,417)	24,500
Total net premium	275,867	-	**275,867**	280,839	(4,972)
Fee income[2]*	52,755	(41,537)	**11,218**	13,510	(2,292)
Investment income[2]	3,694	(101)	**3,593**	6,802	(3,209)
Other income	1,144	-	**1,144**	3,580	(2,436)
Total revenue	333,460	(41,638)	**291,822**	304,731	(12,909)
Claims expense	(106,731)	-	**(106,731)**	(134,535)	27,804
Reinsurance and other recoveries	20,372	-	**20,372**	34,590	(14,218)
Net claims expense[3]	(86,359)	-	**(86,359)**	(99,945)	13,586
Acquisition costs	(85,526)	-	**(85,526)**	(86,910)	1,384
Other operating expenses[2]	(85,402)	34,249	**(51,153)**	(54,254)	3,101
Total claims and operating expenses	(257,287)	34,249	**(223,038)**	(241,109)	18,071
Operating profit	76,173	(7,389)	**68,784**	63,622	5,162
Finance costs[4]	(13,914)	7,401	**(6,513)**	(5,998)	(515)
Other expenses[5]	(8,434)	1,231	**(7,203)**	(1,740)	(5,463)
Share of profit from associate	55	-	**55**	209	(154)
Foreign exchange translation adjustment[2]	(9,761)	9,761	**-**	-	-
Profit before tax	44,119	11,004	**55,123**	56,093	(970)
Income tax expense	(13,409)	(3,377)	**(16,786)**	(15,687)	(1,099)
Profit for the period	30,710	7,627	**38,337**	40,406	(2,069)

* To ensure consistency with the PFI the actual results have been amended from the SOPL to include EISL premium written as an MGA and EISL premium ceded as an MGA as shown in note 2, adjusted for intragroup eliminations.

[1] $5.7 million net premium difference: EISL GWP behind PFI target due to challenging market conditions.

[2] SFS and PFP acquisitions, foreign exchange translation adjustments, and repayment of the FIIG note (see point 4 below) were not contemplated at the time of the IPO, and are included in the adjustment column above. The column titled "Total" more closely reflects the actual results for the businesses which were contemplated at the time of the IPO.

[3] Combination of lower than projected net claims costs due to discontinued lines in AI, and overall conservatism in the PFI forecast.

[4] The $7.4 million adjustment is for costs associated with early repayment of the FIIG note, refer note 5(a)(ii), and also finance costs of SFS and PFP at subsidiary level.

[5] The $1.2 million adjustment represents costs not contemplated at the time of the IPO, specifically additional capital raising costs, and amortisation of acquired intangible assets in the SFS acquisition. The variance of $5.5 million includes $3.6 million for the SFS acquisition, refer note 6(a)(iii), and higher than forecast amortisation of intangible assets in the AI acquisition.

Notes to the Financial Statements

For the year ended 31 December 2016

10(b) Statement of financial position

(b) Statement of financial position

	2016 ACTUAL $'000	2016 PFI $'000	VARIANCE $'000
Assets			
Cash and cash equivalents	403,894	375,543	28,351
Other financial assets[1]	67,295	88,485	(21,190)
Insurance receivables[2]	135,702	85,279	50,423
Trade and other receivables[2, 3]	214,198	30,265	183,933
Current tax asset	662	105	557
Recoveries on outstanding claims (including IBNRs)	91,671	112,827	(21,156)
Deferred reinsurance expense	15,689	18,518	(2,829)
Deferred acquisition costs	44,833	52,753	(7,920)
Deferred tax assets	3,351	6,192	(2,841)
Property, plant and equipment[3]	8,609	2,889	5,720
Investment in associate	3,571	3,678	(107)
Intangible assets[3]	59,501	8,671	50,830
Goodwill[3]	154,953	38,969	115,984
Total assets	1,203,929	824,174	379,755
Liabilities			
Trade and other payables[3]	322,017	18,356	303,661
Insurance payables	5,952	18,484	(12,532)
Current tax liabilities	5,728	6,332	(604)
Unearned premium liability	166,958	161,809	5,149
Employee benefits provision	4,667	2,389	2,278
Contingent consideration[3]	15,321	-	15,321
Deferred tax liabilities[3, 4]	21,466	2,383	19,083
Outstanding claims liability (including IBNRs)[5]	272,291	323,768	(51,477)
Borrowings[3]	96,909	67,934	28,975
Total liabilities	911,309	601,455	309,854
Net assets	292,620	222,719	69,901
Equity			
Share capital[6]	168,602	117,319	51,283
Reserves	(5,076)	(756)	(4,320)
Retained earnings	97,441	106,156	(8,715)
Total equity attributed to shareholders	260,967	222,719	38,248
Non-controlling interest[3]	31,653	-	31,653
Total equity	292,620	222,719	69,901

[1] Lower than expected funds on long term deposit due to conversion to cash.

[2] In the PFI all insurance and other receivables for AI were included in trade and other receivables. In the actual results these have been separately identified.

[3] SFS and PFP acquisitions not contemplated at time of the IPO.

[4] Revision to recognition of premium income for tax purposes.

[5] Combination of discontinued AI product lines, overall conservatism in the PFI forecast and stronger than forecast NZD.

[6] Private placement and share purchase plan not contemplated at time of the IPO.

Notes to the Financial Statements

For the year ended 31 December 2016

10(c) Statement of changes in equity

(c) Statement of changes in equity

	2016 ACTUAL $'000	2016 PFI $'000	VARIANCE $'000
Total equity			
Share capital	168,602	117,319	51,283
Translation reserve	(5,076)	(756)	(4,320)
Retained earnings	97,441	106,156	(8,715)
Non-controlling interest[1]	31,653	-	31,653
Balance at end of year	292,620	222,719	69,901
Represented by:			
Share capital			
Balance at start of year	110,070	117,319	(7,249)
Movement in year	58,532	-	58,532
Balance at end of year	168,602	117,319	51,283
Translation reserve			
Balance at start of year	(899)	(756)	(143)
Movement in year	(4,177)	-	(4,177)
Balance at end of year	(5,076)	(756)	(4,320)
Retained earnings			
Balance at start of year	84,561	75,144	9,417
Comprehensive income			
Profit after tax	29,743	40,407	(10,664)
Dividends	(16,863)	(9,395)	(7,468)
Balance at end of year	97,441	106,156	(8,715)
Total equity at end of year attributable to shareholders of the parent	260,967	222,719	38,248

[1] Non-controlling interest in SFS and PFP not contemplated at time of the IPO.

Notes to the Financial Statements

For the year ended 31 December 2016

10(d) Statement of cash flows

(d) Statement of cash flows

	2016 ACTUAL $'000	2016 PFI $'000	VARIANCE $'000
Cash flows from operating activities			
Premium received[1, 2, 3*]	335,221	385,726	(50,505)
Premium ceded payments[1, 2, 3*]	(74,207)	(96,837)	22,630
Gross claims paid	(100,857)	(92,961)	(7,896)
Reinsurance and other recoveries received	28,656	21,678	6,978
Interest received and other income[4*]	61,627	23,892	37,735
Finance costs paid[5]	(9,764)	(5,998)	(3,766)
Income taxes paid	(8,448)	(11,822)	3,374
Commission paid	(86,864)	(93,432)	6,568
Other operating payments[4, 6]	(88,608)	(51,621)	(36,987)
Net cash flows from operating activities	56,756	78,625	(21,869)
Cash flows from investing activities			
Net cash flows from subsidiaries and associates[4]	25,111	209	24,902
Payments for property, plant and equipment[7]	9,235	(615)	9,850
Payment for intangibles	(3,174)	(357)	(2,817)
Movements in loans with non-related parties	(971)	7,620	(8,591)
Net payments for financial assets	(8,409)	-	(8,409)
Net cash flows from investing activities	21,792	6,857	14,935
Cash flows from financing activities			
Net receipts/(payments) for borrowings	7,787	-	7,787
Dividends paid to equity holders	(16,863)	(9,395)	(7,468)
Proceeds from issue of shares[8]	58,532	-	58,532
Net cash flows from financing activities	49,456	(9,395)	58,851
Net movement in cash held	128,004	76,087	51,917
Effects of exchange rates on balances of cash held in foreign currencies	(20,122)	-	(20,122)
Cash and cash equivalents at the beginning of the financial year	296,012	299,456	(3,444)
Cash and cash equivalents at the end of the financial year	403,894	375,543	28,351

* To ensure consistency with the PFI the actual results have been adjusted to include receipts of EISL premium written as an MGA in premium received, and payments of EISL premium ceded as an MGA in premium ceded payments.

1 Stronger than forecast NZD.

2 Discontinued AI product lines.

3 EISL GWP behind PFI target.

4 SFS and PFP acquisitions not contemplated at time of the IPO.

5 Costs associated with early repayment of FIIG note.

6 Costs relating to SFS business acquisition. SFS acquisition not contemplated at the time of the IPO.

7 Sale of investment property was forecast to occur in 2015, but settled in 2016.

8 Private placement and share purchase plan not contemplated at time of the IPO.

Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CBL Corporation Limited

OPINION

We have audited the consolidated financial statements of CBL Corporation Limited and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 24 to 76, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the provision of tax advisory services in relation to acquisitions, other matters and tax compliance, we have no relationship with or interests in the Company or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

AUDIT MATERIALITY

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined the quantitative materiality for the consolidated financial statements to be $2.7 million.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

To the Shareholders of CBL Corporation Limited

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER AND RESULTS
OUTSTANDING CLAIMS LIABILITY The outstanding claims liability as outlined in note 3(b) is $272 million at 31 December 2016. The Group conducts insurance business in various markets globally which give rise to claims liabilities as set out in note 3(b) of the financial statements. The calculation of these liabilities is complex and is carried out by the appointed actuaries of each of the respective insurance entities. The liability is measured based on a central estimate of future cash flows from claims incurred, discounted for the time value of money and the application of an appropriate risk margin for uncertainty. We have included the outstanding claims liability as a key audit matter due to its magnitude and the significant level of judgment required to be applied. The outstanding claims liability also affects the determination of a number of other related balances in the financial statements. Note 3(b) lists the various inputs used in the determination of the liability. The inputs that are used in and have the most impact on the outstanding claims liability calculation are: • ultimate loss ratios; • risk margin assumptions;and • claims development patterns.	Our procedures included, amongst others: • Evaluating the group's process in respect of the appointed actuaries' valuation of the outstanding claims liability including its review of the valuation methodology and determination of the key valuation assumptions. • Reading the actuarial valuation reports and meeting with the appointed actuaries to understand the valuation process adopted and to identify and challenge the key inputs and significant judgments in the valuation models. • Evaluating the competence, objectivity and integrity of the appointed actuaries. This included assessing their professional qualifications and experience. • Utilising the services of our internal actuarial specialists to: – Identify the inputs into the valuation models that are considered key to the overall valuation models' results; – Assess the valuation methodologies and modelling for compliance with relevant actuarial and accounting standards, consistency with prior years and to determine if changes to prior year assumptions were appropriate; – Evaluate the adequacy and appropriateness of risk margin assumptions • In respect of the ultimate loss ratios and claims development patterns, for a sample of claim files during the period, we tested that the claim payments used in the actuarial valuation models were consistent with those recorded in the accounting records. • Involving IT specialists to perform electronic data analysis to test the arithmetical accuracy of a sample of data provided to the appointed actuaries.
ACQUISITIONS DURING THE YEAR During the year, the Group acquired a controlling interest in Securities and Financial Solutions Europe S.A ('SFS') for a purchase price of $111 million as set out in note 6(a) of the financial statements. Accounting for the acquisition has involved judgment in order to: • determine the date on which control was transferred to the Group; • identify and measure the fair value of the assets and liabilities acquired (noting that these amounts are determined on a provisional basis); • measure the non-controlling interests; • allocate the purchase consideration between identifiable assets and liabilities and goodwill; and	Our procedures included, amongst others: • Examining the terms and conditions of the sale and purchase agreement in order to challenge the Group's assessment of whether the Group obtained control of SFS and on what date. • Considering the completeness of the identified assets and liabilities acquired by comparison to the sale and purchase agreement, through discussions with the Group and internal experts, and based on our understanding of the acquired business and industry knowledge. • Assessing the Group's determinations of provisional fair values for assets and liabilities acquired and the methods used to value the underlying assets by: – Reading the provisional valuation report prepared by the appointed external valuation specialists.

Independent Auditor's Report

To the Shareholders of CBL Corporation Limited

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER AND RESULTS
ACQUISITIONS DURING THE YEAR (CONTINUED) • determine whether there is any impairment between the acquisition date and balance date. This is a material acquisition for the Group and given the level of estimation and judgement required we considered it to be a key audit matter. The group has provisionally identified the brand names, customer relationships and software as intangible assets in the acquisition and have engaged external valuation specialists to value these assets for the purpose of the purchase price allocation. These have provisionally been valued using the relief from royalty rate method (brand names), excess earnings method (customer relationships) and reconstruction method (software). The key inputs into these valuations are: • EBIT margins; • Royalty rate; • Discount rate; • Single and recurring premium attrition rates The Group has measured non-controlling interests at fair value.	– Evaluating the competence, objectivity and integrity of the appointed external valuation specialists. – Involving our internal specialists in assessing the appropriateness of the methods used to provisionally determine the fair values of the brand names, customer relationships and software and the discount rates applied. – Agreeing EBIT margins and premium attrition rates to historical financial information in the due diligence reports. – Agreeing the royalty rate to comparable observable rates. • Assessing the Group's determination of the fair value of non-controlling interests by comparison to the price per share paid. • Evaluating the Group's determination that there is no impairment of SFS goodwill by comparing the forecast results in the due diligence reports to the actual results between acquisition date and balance date.
GOODWILL Goodwill of $51 million (excluding SFS which is addressed above) is allocated to several cash generating units as set out in note 7(a) to the consolidated financial statements. The Group uses value in use models to assess whether goodwill allocated to a cash generating unit is impaired. These models require judgment in respect of factors such as: • budgeted future premiums, commissions and margins; • expenses; • investment market conditions; • discount rates; and • terminal growth rates. We have included the impairment assessment of Goodwill as a key audit matter given the significance of the amounts involved and level of judgement required in order to determine whether goodwill is impaired.	Our procedures included, amongst others : • Obtaining the Group's value in use models and agreeing amounts to budgets and forecasts approved by the Board. • Involving our internal valuation specialists to assess the discount rates and terminal growth rates against comparable market information for each cash generating unit as well as the overall appropriateness of methods used. • Assessing the historical accuracy of the Group's budgets. • Considering the reasonableness of management's assumptions around investment market conditions by comparing to industry information. • Performing a sensitivity analysis on management's models using alternative discount rates, cash flow assumptions and terminal growth rates.

Independent Auditor's Report

To the Shareholders of CBL Corporation Limited

OTHER INFORMATION	The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Financial Summary that accompanies the consolidated financial statements and the audit report, and the Annual Report. The Annual Report is expected to be made available to us after the date of the audit report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and consider further appropriate actions.
DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS	The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS	Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx This description forms part of our auditor's report.
RESTRICTION ON USE	This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Michael Wilkes, Partner
for Deloitte Limited
Auckland, New Zealand
24 February 2017

This audit report relates to the consolidated financial statements of CBL Corporation Limited (the 'Company') for the year ended 31 December 2016 included on the Company's website. The Directors are responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 24 February 2017 to confirm the information included in the audited consolidated financial statements presented on this website.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

CBL is a company incorporated in New Zealand under the Companies Act and is listed on both the main board of the NZX and as a foreign exempt issuer on the ASX. The Board is committed to achieving and demonstrating the whighest standards of corporate governance. Through the establishment of the corporate governance framework, the Board seeks to ensure that its Directors, officers and employees fulfil their functions responsibly, while at the same time protecting and enhancing the interests of shareholders.

This Corporate Governance Statement is current as at 30 March 2017 and has been approved by the Board. The Board continues to refine and improve CBL's corporate governance framework and the practices in place to ensure it meets the interests of shareholders.

CBL considers that for the year ended on 31 December 2016, its corporate governance framework does not materially differ from the NZX Corporate Governance Best Practice Code (NZX Code), except that, due to CBL's current size and business circumstances, CBL does not have a nomination committee. CBL will appoint a nomination committee if, and when, CBL considers this necessary. Under CBL's Board Charter, the Board, with the assistance of the Governance and Remuneration Committee, is responsible for addressing board succession issues and ensuring that the Board has the appropriate skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. The Governance and Remuneration Committee is responsible for recommending new appointments to the Board in accordance with its Charter.

Copies of CBL's Board and Board committee charters and key corporate governance policies are available in the Corporate Governance section of the Company's website at http://cblcorporation.co.nz

1. ETHICAL STANDARDS

Code of conduct

The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct. A code of conduct has been adopted by the Board and is available on the Company's website at http://cblcorporation.co.nz/investors/governance/.

Conflicts of interest

The Company has adopted a Conflicts of Interest Policy that requires the directors of the Company to conduct themselves impartially at all times and to see that any conflicts of interest are identified, disclosed and impartially managed. Where there is a conflict of interest, there is an obligation to disclose that conflict to the Board and enter it in the Company's Interests Register. The policy also addresses the extent to which an interested director may participate in and be present at the meeting when the conflict matter is being dealt with. A copy of the Conflicts of Interest Policy is available on the Company's website at http://cblcorporation.co.nz/investors/governance/.

2. BOARD COMPOSITION AND PERFORMANCE

Composition of the Board

The Board's composition is determined based on criteria set out in the Company's constitution and the Board Charter, requiring a minimum of three directors and a maximum of eight. At least two directors must be ordinarily resident in New Zealand. The minimum number of independent directors shall be two or, if there are eight or more directors, three or one-third (rounded down to the nearest whole number of directors) of the total number of directors, whichever is the greatest. As at the date of this 2016 Annual Report, a majority of the Board are independent directors having regard to the tests for independence set out in the NZX Listing Rules.

The Board seeks to ensure that at any point in time its membership has an appropriate mix of skills, experience, expertise and diversity to be well equipped to help the Company navigate the range of challenges faced by the Group.

Details of each Board member's experience, expertise and qualifications are set out in the biographies in the 2016 Annual Report.

Corporate Governance Statement

For the year ended 31 December 2016

Director independence

As at 31 December 2016 the independence status of each director is as outlined in the below table:

DIRECTOR	NZX LISTING RULES
Sir John Wells	Independent
Alistair Hutchison[1]	Non-independent
Peter Harris[2]	Non-independent
Tony Hannon	Independent
Ian Marsh	Independent
Paul Donaldson	Independent

[1] Alistair Hutchinson is not considered independent as he has a relevant interest in substantial holdings as per the substantial product holder notices as disclosed in this 2016 Annual Report.

[2] Peter Harris is not considered independent due to his employment in an executive capacity by the Group and as he has a relevant interest in substantial holdings as per the substantial product holder notices as disclosed in this 2016 Annual Report.

Appointment of Board Members

A person may be appointed as a director by ordinary resolution of the shareholders or by the Board, and in each case, subject to the constitution of the Company, the Companies Act, all applicable laws and regulations, the NZX Listing Rules and the applicable ASX Listing Rules.

The Chair of the Board will be appointed by the directors from time to time, and the terms of office will be at the Board's discretion. The Chair must be an independent director. The Company Secretary, who may also be the CFO, is directly accountable to the Board through the Chair on all matters to do with the proper functioning of the Board.

The Board is responsible for functions of a nomination committee as set out in the schedule to the Board Charter, and the Governance and Remuneration Committee is responsible for recommending new appointments to the Board in accordance with its Charter. The Board considers a number of factors in assessing the appointment of a director, both in terms of an individual's skills and experience, but also how that individual's skills and experience complement that of the Board as a whole with particular regard to the following key skills and experience:

- skills such as leadership and previous experience as a managing director, chair or board member of a large organisation;
- relevant industry experience;
- business acquisition and integration skills;
- financial literacy and legal and regulatory knowledge;
- diversity;
- policy and regulatory development and reform;
- health, safety and social responsibility; and
- organisational development and human resources.

In accordance with the Board Charter the Board undertakes appropriate checks before appointing a person, or putting forward to its shareholders a candidate for election as a director, including checks as to a candidate's character, expertise, education, criminal record and bankruptcy history. Such checks have been undertaken in relation to all current Board members, and will be undertaken prior to appointment or election of any new Board candidate.

CBL will provide all material information in its possession to its shareholders relevant to a shareholders decision about whether or not to elect or re-elect a director, including their relevant qualifications and experience and the skills they bring to the Board, details of any other material directorships currently held by the candidate, the term of office already served by the director, whether the director is considered to be independent and a recommendation by the Board in respect of the appointment or re-election of the director.

Corporate Governance Statement

For the year ended 31 December 2016

CBL will, in the case of a candidate standing for election as a director for the first time, provide information to shareholders about the candidate to enable them to make an informed decision on whether or not to elect the candidate, including: material adverse information revealed by any checks the Board has performed on the candidate; details of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect the candidate's capacity to exercise judgement on Board matters or to act in the best interests of CBL and its shareholders; the Board's view on whether the candidate will be considered to be an independent director; and a recommendation by the Board in respect of the election on the candidate.

The Board may appoint one of its directors as an executive director (who may be the Managing Director) for a term of up to 5 years on such terms as the Board sees fit. The executive director can be removed by the Board at any time, and is eligible for reappointment.

Tenure

At least one-third of the directors (other than the Managing Director), or, if their number is not a multiple of three, then the number nearest to one-third, shall retire from office at the annual meeting each year, but shall be eligible for re-election at that meeting. Those to retire shall be those who have been longest in office since they were last elected or deemed elected. Persons who became directors on the same day must retire in the order they determine by lot or as otherwise agreed between those persons, unless the Board resolves otherwise. Any person appointed as a director by the directors shall retire from office at the next annual meeting, but shall be eligible for re-election at the meeting.

The statutory disclosures section in the 2016 Annual Report lists each directors' appointment date.

Roles and responsibilities of the Board

The Board is responsible for the governance of the Company and for promoting the success of the Group in a manner designed to create and build sustainable value for shareholders and in accordance with the duties and obligations imposed upon them by the constitution of the Company and by law, while having due regard to other stakeholder interests and the requirements of the NZX Listing Rules and the applicable ASX Listing Rules.

Issues of substance affecting the Company are considered by the Board, with advice from external advisers as required. Each director is required to bring an independent view and judgment to the Board and must declare all actual or potential conflicts of interest on an ongoing basis. Any issue concerning a director's ability to properly act as a director must be discussed at a Board meeting as soon as practicable, and a director may not vote on any matter relating to the transaction in which the director is interested except where otherwise provided in the Constitution or the Companies Act.

The Board delegates certain functions to its four Board Committees: Audit and Financial Risk Committee, Governance and Remuneration Committee, Disclosure Committee and Investment and Treasury Committee. The role of each of these Committees is outlined in section 3 of this Corporate Governance Statement.

Board procedures also ensure that all directors have the information needed to contribute to informed discussion on all meeting agenda items and to effectively carry out their duties. Senior managers make direct presentations to the Board on a regular basis to give the directors a broad understanding of management philosophies and capabilities.

Responsibilities of the Board, responsibilities of individual directors, and the ability to access information and seek independent advice as they individually or collectively consider necessary to fulfil their responsibilities is formalised via the Board Charter, which is available on the Company's website at http://cblcorporation.co.nz/investors/governance/.

Formal letters of appointment are provided to all new directors setting out key terms and conditions of their appointment.

Responsibilities of management

To enable the effective day-to-day management and leadership of the Company, the Board has delegated authority for the operations and administration of the Company to the Managing Director. The Managing Director has in turn sub-delegated parts of his authority to senior executives in his leadership team to enable effective and timely decision making. The Board meets regularly with management to provide strategic guidance for the Company and effective oversight of management. Management are responsible for implementing the strategic objectives of the Company and operating within the risk appetite set by the Board as well as other aspects of the day-to-day running of the Company. Management is also responsible for providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities.

Corporate Governance Statement
For the year ended 31 December 2016

Formal letters of employment and delegations of authority are provided to all senior management setting out key terms and conditions of their employment.

Role of Chairman

The Chairman's role is set out in the Board Charter and includes to lead and manage the Board so that it operates effectively, and to facilitate Board discussions so that core issues facing the Company are addressed. The Board supports the separation of the roles of the Chairman (Sir John Wells) and Managing Director (Mr Peter Harris) in accordance with the requirements of the NZX Code. As at the date of this Annual Report Sir John Wells is considered an independent director.

Role of Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. Each director is able to communicate directly with the Company Secretary and vice versa.

Evaluation of directors and senior management

A performance evaluation for directors, Board committees and senior management takes place at least annually.

The Board recognises that the performance of the directors and the Board Committees are critical to the Company's success and to the interests of shareholders. The Board, with the assistance of the Governance and Remuneration Committee, undertakes an annual assessment of the performance of the Board and individual directors against the relevant charters, corporate governance policies, and agreed goals and objectives.

The performance evaluation process used to assess the performance of directors, including roles as Board committee members, involves peer evaluations through the use of anonymous performance evaluation questionnaires. The completed questionnaires are provided to the Governance and Remuneration Committee as part of the assessment process.

The performance evaluation process for senior management is based on written reviews prepared by the appropriate reporting line manager, which are provided to the Governance and Remuneration Committee as part of the assessment process.

All performance evaluations take into account the performance of the Group, performance of specific operating entities as appropriate, and individual performance against key deliverables for the applicable role.

The Board is ultimately responsible for annually reviewing the performance of the Managing Director and senior executives in accordance with the process set out above.

3. BOARD COMMITTEES

To ensure that the responsibilities of the Board are upheld and executed to the highest level, the Board has established the following Board committees:

NAME OF COMMITTEE	OVERVIEW OF RESPONSIBILITIES	MEMBERS
Audit and Financial Risk Committee	Responsible for monitoring and advising the Board on the Company's audit, risk management, internal control and regulatory compliance policies and procedures.	Tony Hannon (Chair)* Ian Marsh* Paul Donaldson*
Governance and Remuneration Committee	Responsible for: a. oversight and management of the Company's remuneration structures, policies, procedures and practices; b. considering and recommending new appointments to the Board and overseeing succession planning; and c. ensuring that procedures are in place to ensure compliance with all laws, rules and regulations applicable to the Company and the directors.	Sir John Wells (Chair)* Alistair Hutchison** Ian Marsh*
Disclosure Committee	Responsible for ensuring that CBL complies with its continuous disclosure obligations under the NZX and ASX Listing Rules.	Sir John Wells (Chair)* Peter Harris** Carden Mulholland***
Investment and Treasury Committee	Oversee the investment and treasury management processes to ensure the integrity, transparency and adequacy of the Group investments and treasury functions.	Sir John Wells (Chair)* Alistair Hutchison** Carden Mulholland***

* Independent as at the date of this 2016 Annual Report.

** Non-independent as at the date of this 2016 Annual Report.

*** CFO.

Each of these committees, with the exception of the Disclosure Committee, has established charters (which detail the committees specific functions and responsibilities) and operating procedures in place, which are reviewed by the Board on a regular basis. The Disclosure Committee operates in accordance with the Continuous Disclosure Policy as outlined below. Copies of the committee charters are available at http://cblcorporation.co.nz/investors/governance/.

The Board may establish other committees from time to time to deal with matters of special importance. The Committees have access to the Company's executives and senior management as well as independent advice. The Chair of each Committee provides an update on the outcomes of Committee meetings at the Board meeting following the relevant Committee meeting.

While the committees make recommendations to the Board, they have no decision making power except where expressly provided by the Board.

With the advice and assistance of the Governance and Remuneration Committee, the Board reviews the performance of the committees against their relevant Charter and agreed goals and objectives on an annual basis.

The qualifications and experience of the Committee members are set out in the biographies in the 2016 Annual Report, and the number of meetings and attendance at meetings is included in the statutory disclosures section in the 2016 Annual Report.

Audit and Financial Risk Committee

The Audit and Financial Risk Committee comprises three non-executive directors (details of whom are set out above), all of whom are considered independent as at the date of this 2016 Annual Report. The Audit and Financial Risk Committee is chaired by Tony Hannon. The Managing Director and the CFO attend as exofficio invitees and the external auditors and appointed actuaries attend by invitation of the Chairman. In December 2015 the Company also engaged Diana Puketapu in a consulting capacity to act as an advisor to the Audit and Financial Risk Committee.

The objectives of the Audit and Financial Risk Committee are to assist the Board in fulfilling its responsibilities relating to risk management and internal control, financial reporting, legislative and NZX and ASX Listing Rule compliance, internal policies and industry standards, the external and internal audit functions, tax management, and includes, among other things:

- promoting a culture of compliance;
- providing a forum for communication between the Board and senior management in relation to audit and compliance matters affecting the Company; and
- reviewing and commenting on senior management's plans for managing the material financial and reporting risks faced by the Company.

The Audit and Financial Risk Committee scope includes managing and reviewing the following:

- the effectiveness of the Company's internal control and risk management framework;
- the integrity and effectiveness of the internal and external audit functions;
- the integrity and effectiveness of the financial management processes and systems;
- the independent audit process, including recommending the appointment and assessing the performance of the external auditor;
- the Company's process for monitoring compliance with laws, regulations, the NZX and ASX Listing Rules, internal standards (including the code of conduct), policies and expectations of key stakeholders, including customers and employees; and
- the relationship and interaction with institutional investors and other shareholders.

The risk management framework is reviewed at least annually by the Audit and Financial Risk Committee.

The Audit and Financial Risk Committee charter is available on the Company's website at http://cblcorporation.co.nz/investors/governance/.

Governance and Remuneration Committee

The Governance and Remuneration committee comprises three non-executive directors (details of whom are set out above), two of whom are considered independent as at the date of this 2016 Annual Report. The Governance and Remuneration Committee is chaired by Sir John Wells.

The objectives of the Governance and Remuneration Committee are to:

- establish a clear framework for oversight and management of the Company's remuneration structures, policies, procedures and practices;
- consider and recommend new appointments to the Board and oversee management succession planning;
- fairly and responsibly reward directors and senior management and other employees of the Company having regard to the performance of the Company, the performance of these officers and employees and the general external pay environment; and
- see that the Company and the Board have in place and adhere to policies, procedures and practices to ensure compliance with all laws, rules and regulations applicable to the Company and the directors, including the Companies Act, the constitution of the Company, the NZX Listing Rules, the ASX Listing Rules and the Board Charter.

Each member of the Governance and Remuneration Committee:

- is familiar with the legal and regulatory disclosure requirements in relation to remuneration; and
- has adequate knowledge of executive remuneration issues, including executive retention and termination policies and short-term and long-term incentive arrangements.

The Governance and Remuneration Committee charter is available on the Company's website at http://cblcorporation.co.nz/investors/governance/.

Disclosure Committee

As part of the Company's obligations as a publicly listed company the Company needs to ensure compliance with the NZX Listing Rules relating to continuous disclosure. As part of that commitment the Company has established a Disclosure Committee charged with:

- monitoring compliance by the Company and its officers and employees with the Continuous Disclosure Policy;
- reviewing the Continuous Disclosure Policy at least once each financial year;
- reporting to the Board on any matters dealt with under the Continuous Disclosure Policy; and
- requiring that all material information provided to NZX and ASX is also placed on the Company's website.

The Disclosure Committee consists of the:

- Managing Director;
- CFO; and
- Chair of the Board.

If any of the above people are unavailable, then the Chair of the Audit and Financial Risk Committee will be called upon.

The Continuous Disclosure Policy is available on the Company's website at http://cblcorporation.co.nz/investors/governance/.

Investment and Treasury Committee

The objectives of the Investment and Treasury Committee are to assist the Board in fulfilling its responsibilities and includes, among other things, to:

- promote a culture of prudent and conservative investment and balance sheet management and management of treasury risks;
- provide a forum for communication between the Board and Senior Management in relation to investments and treasury matters affecting the Group; and
- review and comment on Senior Management's plans for managing the investment assets, balance sheet and treasury risks faced by the Group.

The Committee will also review and satisfy itself as to:

- the integrity and effectiveness of the investment and treasury policies, ensuring they are consistent with:
  - the strategies and business objectives of the Group;
  - the Group's capital and solvency strategy and plans; and
- the effectiveness of the Group's internal control, systems and processes to ensure effective management of investments and treasury risks.

The Investment and Treasury Committee charter is available on the Company's website at http://cblcorporation.co.nz/investors/governance/.

4. REPORTING AND DISCLOSURE

This 2016 Annual Report includes relevant information about the operations of the Company during the year, key financial information, changes in the state of affairs and indications of future developments. The Annual Reports for the current year and for previous years are available under the 'Investors' section of the Company's website.

The Board has received a declaration from the Managing Director and the CFO that, in their opinion, the financial records of CBL have been properly maintained and that the financial statements have been prepared in accordance with applicable laws, regulations, and accounting standards and present a true and fair view of the financial position and performance of the Group. The Board has also been provided with assurance from the Managing Director and the CFO that the declaration is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure

The Company has established policies and procedures to ensure timely and balanced disclosures of all material matters concerning the Company, and to ensure that all investors have equal and timely access to information on the Company's financial performance.

These policies and procedures include a Continuous Disclosure Policy that includes identification of matters that may have a material effect on the price on the Company's securities, quality control procedures over announcements, notifying them to the NZX and ASX, posting relevant information on the Company's website and issuing media releases. The policy requires that the Board appoint a Disclosure Committee consisting of the Managing Director, CFO and the Chair of the Board (or if any are unavailable, then the Chair of the Audit and Financial Risk Committee).

The Continuous Disclosure Policy requires the Managing Director and the CFO to be informed of any potential material information or proposal immediately after any officer of the Company or any member of senior management becomes aware of that information or proposal.

The Continuous Disclosure Policy is available on the Company's website at http://cblcorporation.co.nz/investors/governance/.

5. REMUNERATION

The Governance and Remuneration Committee sets compensation packages in such a way that it:

- motivates senior management to pursue the long-term growth and success of the Group;
- demonstrates a clear relationship between senior managements' performance and remuneration;
- fairly and responsibly rewards directors and senior management and other employees of the Group having regard to the performance of the Group, the performance of these officers and employees and the general external pay environment; and
- will result in the Group being able to attract and retain the best directors and senior management and other employees.

Remuneration may incorporate fixed and variable components with both a short-term and long-term focus. In respect of executive remuneration, remuneration packages should include an appropriate balance of fixed and performance based remuneration and may contain any or all of the following:

- **fixed remuneration** – this should:
  - be reasonable and fair;
  - take into account the Company's legal and industrial obligations and labour market conditions;
  - be relative to the scale of the Company's business; and
  - reflect core performance requirements and expectations.
- **performance based remuneration** – this should:
  - take into account individual and corporate performance; and
  - be linked to clearly specified performance targets, which should be:
    - aligned to the Company's short and long-term performance objectives; and
    - appropriate to the Company's circumstances, goals and risk appetite.
- **equity based remuneration** – this can include options or performance shares and is especially effective when linked to hurdles that are aligned to the Company's longer term performance objectives. However, equity based remuneration should be designed so that it doesn't lead to 'short termism' on the part of senior management (including executive directors) or the taking of undue risks; and
- **termination payments** – subject to all applicable laws and the NZX listing rules, these should be agreed in advance to the extent practicable, and any agreement should clearly address to the extent reasonably foreseeable what will happen in the case of early termination. There should be no termination payment for removal for misconduct.

In respect of non-executive director remuneration, remuneration packages may comprise cash fees, superannuation contributions and non-cash benefits in lieu of fees (such as salary sacrifice into superannuation or equity) and may or may not, as appropriate, contain the following:

- **fixed remuneration** – this should reflect the time commitment and responsibilities of the role;
- **performance based remuneration** – non-executive directors should not receive performance based remuneration as it may lead to bias in their decision making and compromise their independence;
- **equity based remuneration** – non-executive directors can receive an initial allocation of fully paid ordinary shares if shareholders have, to the extent required under the NZX Listing Rules, approved such an allocation. However, non-executive directors generally should not receive options or performance shares as part of their remuneration as it may lead to bias in their decision making and compromise their independence; and
- **termination payments** – non-executive directors should not be provided with termination benefits other than superannuation.

At the date of this 2016 Annual Report, and during the reporting period, no equity based remuneration scheme is in place.

The payment of bonuses, options and other incentive payments are reviewed by the Governance and Remuneration Committee annually and a recommendation is put to the Board for approval. All bonuses and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives and bonuses and can recommend changes to the Governance and Remuneration Committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

Further information about the Company's remuneration can be found in the statutory disclosures section in the 2016 Annual Report.

6. RISK MANAGEMENT

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. The directors are ultimately responsible for reviewing and ratifying the risk management structure, processes and guidelines which are to be developed, maintained and implemented by management. The active identification of risks and implementation of mitigation measures is also the responsibility of management.

To assist the Board in discharging its financial responsibility in relation to risk management, the Board has delegated certain activities to the Audit and Financial Risk Committee. The responsibilities of the Audit and Financial Risk Committee in relation to risk management and internal compliance and control systems include, among other things:

- overseeing the establishment and implementation of risk management and internal compliance and control systems and requiring that there is a mechanism for assessing the ongoing efficiency and effectiveness of those systems;
- reviewing (at least annually) and approving policies and procedures on risk oversight and management to establish an effective and efficient system for:
- identifying, assessing, monitoring and managing risk;
- disclosing any material change to the Company's risk profile;
- receiving reports from senior management concerning the Company's material risks in order to assess the internal processes for determining, monitoring and managing these risks and to monitor the risk profile of the Company; and
- reviewing the Company's financial risk management procedures with the objective of seeing that the Company complies with its legal obligations.

Senior management are responsible for designing and implementing risk management and internal compliance and control systems which identify the material risks facing the Company. These compliance and control systems are designed to provide advanced warning of material risks before they eventuate.

Senior management must regularly monitor and evaluate the effectiveness of these processes and risk plans and the performance of employees implementing them. In addition, senior management must promote and monitor the culture of risk management within the Company and compliance with internal risk systems and processes by employees.

All employees are responsible for implementing, managing and monitoring processes and risk plans with respect to material business risks, as appropriate for their role.

Senior management must report on risk management to the Board, and to the Audit and Financial Risk Committee. The reporting must identify the Company's material risks and the extent to which:

- the Company's ongoing risk management programme effectively identifies all areas of potential risk, including with respect to licensing and regulatory issues;
- adequate policies and procedures have been designed and implemented to manage identified risks;
- a regular programme of audits is undertaken to test the adequacy of, and compliance with, prescribed policies; and
- proper remedial action is undertaken to redress areas of weakness.

The Company's Risk Management Policy and the Audit and Financial Risk Committee's charter are available on the Company's website at http://cblcorporation.co.nz/investors/governance/.

7. AUDITORS

The Audit and Financial Risk Committee oversees the relationship with the external auditor, including recommending the appointment and assessing the performance of the external auditor. The Audit and Financial Risk Committee responsibilities in regard to the external auditors are to, among other things:

- review the professional qualification of the external auditor and ensure the external auditor and audit partner hold current auditor licences with the Financial Markets Authority (including background and experience of partner and auditing personnel);
- consider the independence of the external auditor and any potential conflicts of interest;
- review on an annual basis the performance of the external auditor and make recommendations to the Board for the appointment, reappointment or termination of the appointment of the external auditor, including ensuring that the audit partner is changed at least every five years;
- review the external auditor's proposed audit scope and approach for the current year in light of the Company's circumstances and changes in regulatory and other requirements;
- discuss with the external auditor any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information;
- ensure that significant findings and recommendations made by the external auditor and management's proposed response are received, discussed and acted on appropriately;
- discuss with the external auditor the appropriateness of the accounting policies applied in the Company's financial reports and whether they are considered to be aggressive, balanced or conservative;
- meet separately with the external auditor at least once a year to discuss any matters that the Committee or auditor believes should be discussed privately;
- ensure that the external auditor has access to the Chair of the Committee when required;
- review policies for the provision of non-audit services by the external auditor and, where applicable, the framework for preapproval of audit and non-audit services;
- require that the external auditor attends the annual meeting of the Company and is available to answer questions from shareholders of the Company relevant to the audit; and
- see that the Company has appropriate policies for hiring audit firm personnel for senior positions.

Internal audit

The Group internal audit function is the responsibility of the Group Quality Assurance Manager. The role of internal audit involves risk assessment, and the design of an internal audit programme. The role also includes performance of the monitoring and testing procedures. Independent external experts may be engaged from time to time to assist in specialist areas. The internal audit function reports directly to the Board and to the Audit and Financial Risk Committee.

Corporate Governance Statement

For the year ended 31 December 2016

8. SHAREHOLDER RELATIONS

The Company has a Shareholder Communications Policy which is designed to promote effective communication with shareholders and encourage effective participation by shareholders at general meetings of the Company. The Company seeks to recognise numerous modes of communication, including electronic communication, to ensure that its communication with shareholders is timely, clear and accessible. The Company provides investors with comprehensive and timely access to information about itself and its governance on its website at http://cblcorporation.co.nz. The website includes copies of past annual reports, results announcements, media releases (including NZX and ASX announcements) and general Company information. The Company website also has a comprehensive corporate governance section for shareholders.

Pursuant to the Shareholder Communications Policy the Company endeavours to:

- maintain and update relevant information about the Company and its corporate governance practices on the Company's website within a reasonable timeframe;
- distribute shareholder communications to shareholders in accordance with the Companies Act and the NZX and ASX listing rules; and
- use available channels and technologies to communicate widely and promptly to shareholders.

The Company makes announcements to the ASX and NZX in accordance with the relevant listing rules of those exchanges and the Companies Act. Announcements made by the Company to the ASX and NZX are, subject to applicable securities laws, available to shareholders:

- on the Investors section of the Company's website;
- under the 'Company Announcements' section of the ASX website and the 'Announcements' section of the NZX website; and
- by email notification (when shareholders provide the Company with their email address and elect to be notified of all the Company's ASX and NZX announcements).

Shareholders are able to access information relevant to their holding via the Company's share registry website, www.computershare.co.nz. Shareholders who do not have access to the internet should contact the Company's share registry with any enquiries relating to their shareholdings or alternatively contact the Company Secretary at Level 8, 51 Shortland Street, Auckland 1010, New Zealand.

Shareholders will be given the option to receive communications from, and send communications to, the Company and its share registry electronically.

The Company usually holds its annual meeting in May each year. The specific date, time and location of each annual meeting will be detailed:

- in the relevant notice of meeting; and
- on the Company's website.

Shareholder meetings are an opportunity for shareholders and other stakeholders to hear from, and put questions to, the Board, senior management and the external auditor. All shareholders are invited to attend the meeting in person (including by any relevant technological means made available by the Company) or by proxy, representative or attorney. The Board regards the annual meeting as an excellent forum in which to discuss issues relevant to the Company and, accordingly, encourages full participation by shareholders. Shareholders have an opportunity to submit questions to the Board and to the Company's external auditor at such meeting.

Corporate Governance Statement

For the year ended 31 December 2016

9. STAKEHOLDER INTERESTS

The Company considers its key stakeholders to be its shareholders, employees, contractors, customers, reinsurers, and general creditors and suppliers. While the Company has no material social, economic and environmental exposures (beyond general economic exposures), the Company also recognises the broader footprint of the Group in terms of the social, economic and environmental impacts that decisions and actions of the Group have.

The Board considers that the Company's conduct adheres to generally accepted standards of conduct, and that the enshrinement of values through the Company's code of conduct reflects the Board's commitment to the performance of fair and equitable duties by the Company.

Securities Trading

The Company has established a policy, the Securities Trading Policy and Guidelines, detailing the Company's policy on, and rules for dealing in the Company's shares listed on the NZX and ASX, any debt securities issued by the Company, and any other issued security of the Company or its subsidiaries or any derivatives in respect to the Company's securities. The policy prohibits insider trading at all times, and designates certain persons as Restricted Persons subject to blackout periods. The Securities Trading Policy and Guidelines is available on the Company's website at http://cblcorporation.co.nz/investors/governance/.

Diversity

The Company has adopted a Diversity Policy which supports the commitment of the Company to an inclusive workplace that embraces and values diversity while always upholding the principle of meritocracy. The Board believes that embracing diversity in its workforce contributes to the achievement of its corporate objectives (including optimising financial performance in a competitive labour market) and enhances its reputation. The diversity objectives of the Group include requiring the Board and management to:

- actively consider diversity in the recruitment process; and
- monitor the trend in overall gender diversity across the Group.

Further information about the Company's gender diversity can be found in the statutory disclosures section in the 2016 Annual Report. The Diversity Policy is available on the Company's website at http://cblcorporation.co.nz/investors/governance/.

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Stock exchange listing

Our shares are dual listed on the main board operated by the NZX and as a foreign exempt listing on ASX (code: CBL).

2 NZX waivers

No waivers have been granted and published by the NZX during the year ending 31 December 2016.

3 Significant changes

The total equity increased to $292.6 million from $193.7 million, an increase of $98.9 million. The movement was the result of retained profits, additional capital raised through a private placement and share purchase plan, along with increased non-controlling interests introduced in the acquisition of the SFS Group.

4 Shares on issue

Register	CURRENT NUMBER OF HOLDERS	NUMBER OF ISSUED SHARES
Ordinary shares	**1,071**	235,778,031

CBL's ordinary shares each carry a right to vote on any resolution on a poll at a meeting of shareholders. Holders of ordinary shares may vote at a meeting in person, or by proxy, representative or attorney. Voting may be conducted by a show of hands or a poll.

Statutory Information

For the year ended 31 December 2016

5 Top 20 shareholders

Our top 20 shareholders as at 31 January 2017 are as follows:

RANK	NAME	NUMBER OF SHARES HELD	% OF SHARES HELD
1	Federal Pacific Group Limited	48,004,347	20.36
2	Oceanic Securities Pte Limited	39,400,000	16.71
3	JP Morgan Nominees Australia Limited	19,111,127	8.11
4	Stichting Lygon Pension Fund	15,000,000	6.36
5	Tea Custodians Limited Client Property Trust Account - NZCSD	8,351,397	3.54
6	HSBC Nominees A/C NZ Superannuation Fund Nominees Limited - NZCSD	8,006,727	3.40
7	CM Investment Trust	7,828,347	3.32
8	BNP Paribas Nominees (NZ) Limited - NZCSD	7,500,000	3.18
9	Alpha Insurance A/S	7,321,160	3.11
10	Argo Investments Limited	6,286,706	2.67
11	Eurasia Investment Limited	5,700,000	2.42
12	Finlay Family Trust	5,284,347	2.24
13	Forsyth Barr Custodians Limited	4,900,138	2.08
14	Farasjen Pte. Ltd.	4,800,000	2.04
15	National Nominees Limited	4,681,789	1.99
16	HSBC Nominees (New Zealand) Limited - NZCSD	4,163,808	1.77
17	HSBC Custody Nominees (Australia) Limited	3,828,508	1.62
18	Accident Compensation Corporation - NZCSD	3,462,822	1.47
19	Aviation Corporate Services Pty Limited	2,304,000	0.98
20	Sunshine Nominees Limited	2,000,000	0.85
	Top 20 holders of ordinary shares	207,935,223	88.22
	Total remaining holders	27,842,808	11.78
	Total	**235,778,031**	100.00

Statutory Information

For the year ended 31 December 2016

6 Substantial product holders

The following information is given in accordance with Section 293 of the FMC Act. According to CBL's records and disclosures made under section 280(1)(b) of the FMC Act, the following persons were substantial product holders in the Company as of 31 December 2016. The total number of common shares on issue, being the Company's only class of quoted voting products, as of 31 December 2016, was 235,778,031 shares.

	SHARES IN WHICH A RELEVANT INTEREST IS HELD
Peter Harris	**58,854,347**
Alistair Hutchison	**51,404,347**
Oceanic Securities Pte Limited	**39,400,000**
Stichting Lygon Pension Fund	**15,000,000**
Federal Pacific Group Limited	**48,004,347**
CBL Corporation Limited[1]	**135,709,492**

[1] A total of 135,709,492 ordinary shares are subject to voluntary escrow arrangements with a release date of 8am on the first day after the date on which the Company releases to the NZX its preliminary announcement of its financial results in respect of the financial year ended 31 December 2016. CBL does not have any restricted securities on issue.

7 Analysis of shareholdings

Size of holding	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
1 - 1,000	**220**	**20.55**	**104,202**	**0.04**
1,001 - 5,000	**387**	**36.14**	**1,074,160**	**0.46**
5,001 - 10,000	**184**	**17.18**	**1,376,363**	**0.58**
10,001 - 50,000	**188**	**17.55**	**3,931,152**	**1.67**
50,001 - 100,000	**31**	**2.89**	**2,275,750**	**0.97**
100,001 - 500,000	**25**	**2.33**	**5,652,310**	**2.40**
500,001 - 1,000,000	**12**	**1.12**	**7,801,898**	**3.31**
1,000,001 - 5,000,000	**12**	**1.12**	**35,768,038**	**15.17**
5,000,001 - 10,000,000	**8**	**0.75**	**56,278,684**	**23.87**
10,000,001 and above	**4**	**0.37**	**121,515,474**	**51.53**
Total	**1,071**	**100.00**	**235,778,031**	**100.00**

Based on the closing price of CBL ordinary shares as of 31 January 2017 the number of shareholders holding less than a marketable parcel of the Company's ordinary shares, defined in the ASX listing rules as being less than five hundred Australian dollars, was seventeen. The number holding less than the minimum holding, defined in the NZX listing rules as less than 100 shares, was ten.

Statutory Information

For the year ended 31 December 2016

8 Directors' interests in CBL Corporation Limited shares

The relevant interests of directors in CBL Corporation Limited as at 31 December 2016 are as follows:

NAME	**2016 NUMBER OF SHARES**	2015 NUMBER OF SHARES
Sir John Wells KNZM[1]	**604,347**	600,000
Alistair Hutchison[2]	**51,404,347**	51,400,000
Peter Harris[3]	**58,854,347**	58,850,000
Tony Hannon[4]	**514,347**	510,000
Ian Marsh[5]	**510,000**	510,000
Paul Donaldson[6]	**164,498**	164,498

[1] Beneficial interest in shares held by Anthony Clive Sandlant and Kenneth Hugh Baguley as Trustees of the Twickenham Trust.

[2] Beneficial interest in shares held by Oceanic Securities Pte Ltd and Federal Pacific Group Limited.

[3] Beneficial interest in shares held by Oceanic Securities Pte Ltd, Stichting Lygon Pension Fund, Eurasia Investment Limited, Alliance Investments Limited and Sunshine Nominees Limited.

[4] Beneficial interest in shares held by Relational Capital Limited.

[5] Beneficial interest in shares held by Bright Castle Assets Limited.

[6] Legal and beneficial interest.

9 Director appointments

Each Director of the Company was appointed on the following dates:

- Sir John Wells: 19 November 2013
- Alistair Hutchison: 19 November 2013
- Peter Harris: 19 November 2013
- Tony Hannon: 14 October 2013
- Ian Marsh: 19 November 2013
- Paul Donaldson: 27 July 2015

Statutory Information
For the year ended 31 December 2016

10 Directors' attendance record

During the financial year 17 Board meetings, 6 Audit and Financial Risk Committee meetings , 3 Governance and Remuneration Committee and 3 Investment and Treasury Committee meetings were held. Attendances by each director during the year were as follows:

	BOARD MEETINGS		AUDIT AND FINANCIAL RISK COMMITTEE		GOVERNANCE AND REMUNERATION COMMITTEE		INVESTMENT AND TREASURY COMMITTEE	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Sir John Wells	17	17	-	-	3	3	3	3
Alistair Hutchison	17	16	-	-	3	3	3	3
Peter Harris	17	17	-	-	-	-	-	-
Tony Hannon	17	17	6	6	-	-	-	-
Ian Marsh	17	17	6	4	3	3	-	-
Paul Donaldson	17	17	6	5	-	-	-	-
Carden Mulholland*	-	-	-	-	-	-	3	3

* The CFO is not a director of the Company.

11 Directors trading in CBL Corporation Limited shares

Director	DATE	INTEREST	NUMBER ACQUIRED	CONSIDERATION $'000
Sir John Wells	28 October 2016	beneficial	**4,347**	**15**
Alistair Hutchison	28 October 2016	beneficial	**4,347**	**15**
Peter Harris	28 October 2016	beneficial	**4,347**	**15**
Tony Hannon	28 October 2016	beneficial	**4,347**	**15**

All share transactions in the above table relate to CBL's share purchase plan.

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For the year ended 31 December 2016

12 Subsidiary company directors

The following persons held the office of Director of the respective subsidiaries (as defined in the Companies Act 1993) during the year to 31 December 2016. Employees who are appointed as directors do not receive director fees or other benefits as a director.

SUBSIDIARY	DIRECTORS
New Zealand companies	
LBC Holdings UK Limited	Tony Hannon, Carden Mulholland
LBC Holdings New Zealand Limited	Tony Hannon, Carden Mulholland
LBC Holdings Europe Limited	Tony Hannon, Carden Mulholland
LBC Holdings Australasia Limited	Tony Hannon, Carden Mulholland
LBC Holdings Americas Limited	Tony Hannon, Carden Mulholland
LBC Treasury Company Limited	Tony Hannon, Carden Mulholland
CBL Insurance Limited	Sir John Wells, Alistair Hutchison, Peter Harris, Tony Hannon, Ian Marsh, Paul Donaldson
CBL Corporate Services Limited	Tony Hannon, Carden Mulholland
Deposit Power Limited	Peter Harris, Carden Mulholland
South British Funding Limited	Carden Mulholland
European companies	
Professional Fee Protection Limited	Peter Harris, Kevin Igoe, James Howell, David Bone
Professional Financing Limited	Kevin Igoe, James Howell, David Bone
PFP Tax Services Limited	Kevin Igoe, James Howell, David Bone
Intercede 2408 Limited	Adam Massingham, Carden Mulholland
EISL Iberia Limited	Alain Couard, Ian Marsh, Adam Massingham, Carden Mulholland
European Insurance Services Limited	Alain Couard, Peter Harris, Ian Marsh, Adam Massingham, Carden Mulholland, Pierre Galeon
CBL Insurance Europe DAC	Peter Harris, Carden Mulholland, Paul Donaldson, Brendan Malley, Kevin O'Brien
Sarl ACJN	Adam Massingham
Antipodean European Services Limited	Carden Mulholland, Ronan Ryan
SFS Holdings SA	Peter Harris, Paul Donaldson, Carden Mulholland
SFS Europe SA	Antoine Guiguet, Patrice Gilles, Lioutsia Goubaidoullina, Mohamed Alouani
IMS Expert Europe	Gerard Marichy, Antoine Guiguet, Anne-Gaëlle Langlais
SFS Belgique SA	Antoine Guiguet, Patrice Gilles
Securities & Financial Services Gestione Italia S.R.L	Alessandro Spinetti
SFS Academy SA	Antoine Guiguet
IMS Expert Immobilier	Emilie Dagou
Australian companies	
CBL Holdings Australia Pty Limited	Peter Harris, Paul Crawford, Carden Mulholland
CBL Insurance Australia Pty Limited	Peter Harris, Paul Crawford, Carden Mulholland
Assetinsure Holdings Pty Limited	Sir John Wells, John Fahey, Peter Harris, Christopher Old, Julie Osborne, Henricus Sprangers, Peter Wedgwood
Assetinsure Pty Limited	Sir John Wells, John Fahey, Peter Harris, Christopher Old, Julie Osborne, Henricus Sprangers, Peter Wedgwood, Gregor Pfitzer
CBL Insurance Pty Limited	Peter Harris, Paul Crawford
Other companies	
PFP Singapore Pte Limited	Lum Yan Hoi, Peter Harris, Carden Mulholland

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For the year ended 31 December 2016

13 Directors' interests

Unless disclosed elsewhere in this Annual Report, the following particulars were given by Directors of the Company pursuant to section 140 of the Companies Act.

DIRECTOR	INTEREST	ORGANISATION
SIR JOHN WELLS	Trustee	Auckland Grammar School Foundation Trust
CHAIRMAN	Chairman	CBLNZ Limited
	Chairman's advisory group member	Committee for Auckland
	Chairman	Fisher Funds Management Limited
	Chairman	Greenpark Holdings Limited
	Advisory board member	Marsh Limited
	Chairman	Martin Jenkins & Associates Limited
	Chairman	Sheffield North Island Limited
	Chairman	World Masters Games 2017 Limited
	Trustee	Wadhurst Trust
	Trustee	Wells Family Trust
ALISTAIR HUTCHISON	Director	Alfonso Restaurants Limited
DEPUTY CHAIRMAN	Director	Alliance Investments Limited
	Director	CBLNZ Limited
	Director	Eurasia Investments Limited
	Director	Fexco (Fiji) Limited
	Director	Fexco (NZ) Limited
	Director	Fexco (Tonga) Limited
	Director	Fexco Pacific Limited (Ireland)
	Director	Federal Pacific Finance Limited (Fiji)
	Director	Federal Pacific Finance Limited (Samoa)
	Director	Federal Pacific Finance Limited (Tonga)
	Director	Federal Pacific Group Limited
	Director	Federal Pacific Insurance Limited (Samoa)
	Director	Federal Pacific Insurance Limited (Tonga)
	Director	Fund Management Limited (Tonga)
	Director	Global Transfers Limited (Fiji)
	Director	Jetsave Taufonua Travel Limited (Tonga)
	Director	Jetsave Travel Cook Islands Limited (Cook Islands)
	Director	London Guarantee Corporation Limited (Fiji)
	Director	Pacific Equity Investments Limited
	Director	Pacific Holdings Limited (Samoa)
	Director	Pacific Underwriters Limited (Samoa)
	Director	Pukekohe Cinemas Limited
	Director	South British Capital Limited
	Director	South British Nominees Limited
	Director	South British Technologies Limited
	Director	South Pacific Star Cinemas Investments Limited
	Director	Valley 215 Limited
	Director	Worldwide Transfers Limited

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For the year ended 31 December 2016

DIRECTOR	INTEREST	ORGANISATION
PETER HARRIS DIRECTOR	Director	Alliance Investments Limited
	Director	Altares Limited
	Director and shareholder	CBLNZ Limited
	Director	Eurasia Investments Limited
	Director	Kapawiti Limited
	Director	Pokeno Holdings Limited
	Director	South British Capital Limited
	Director	South British Nominees Limited
	Director	South British Technologies Limited
	Director and shareholder	St Marys Limited
	Director and shareholder	Sunshine Nominees Limited
TONY HANNON DIRECTOR	Director	Aotearoa Fisheries Limited
	Chairman	Appello Services Limited
	Director	Carrington Club Limited
	Director	Carrington Management Limited
	Director	Carrington Services Limited
	Director	Carrington Trustees Limited
	Director	CBLNZ Limited
	Director	CSX Holdings Limited
	Chairman	General Capital Technologies Limited
	Beneficial interest	Hannon Trust
	Beneficial interest	Hannon Investment Trust
	Director	Healthpoint Advisory Limited
	Director; indirect beneficial interest	Healthpoint Partners Limited
	Director	Healthpoint Prebbleton Limited
	Sole trustee	Inverness Trust
	Director	Kava Investments Limited
	Director	Kura Limited
	Chairman	Monaco Financial Group Limited
	Chairman; indirect beneficial interest	Omni Health Limited
	Director; indirect beneficial interest	Omni Partners Limited
	Director	Pitchbeam Partners Limited
	Director; shareholder	Point Capital Limited
	Director; indirect beneficial interest	Relational Capital Limited
	Director; beneficial interest	Rock Isle Forestry Limited
	Director	SB Corporation Limited
	Director; beneficial interest	SB Group Limited
	Director	SB Insurance Limited
	Director	Sanctum Living Limited

Statutory Information

For the year ended 31 December 2016

DIRECTOR	INTEREST	ORGANISATION
TONY HANNON	Director	Sealord Group Limited
DIRECTOR	Director	Small Business Accounting (NZ) Limited
	Director	The Kiwi Registry Company Limited
	Director; indirect beneficial interest	Treble Cone Investments Limited
	Director	Vomo Developments Holdings Limited
	Director; indirect beneficial interest	Vomo Island Resort Group
	Director	Vomo (NZ) Limited
	Director	Vomo (NZ) Security Agent Limited
	Director	Wanaka Ski Racing Limited
IAN MARSH	Director	CBLNZ Limited
DIRECTOR	Director; beneficial interest	Noventis Inc.
	Director; beneficial interest	Bright Castle Assets Limited
	Director; beneficial interest	Enrich Development Limited
PAUL DONALDSON	Director	CBLNZ Limited
DIRECTOR	Director	Ryan Direct Group
	Chair of Advisory Board	Hill Dickinson LLP
	Director	Midas Underwriting Limited
	Director	Pharma International Insurance Limited
	Director	Ryan Direct Group
	Director	Talanx Re
	Director	Two Druids Ventures Limited

Statutory Information

For the year ended 31 December 2016

14 Remuneration of directors

Amounts in the tables below reflect fees paid and accrued for the year ended 31 December 2016.

Directors' remuneration and benefits of the Company.

31 December 2016	DIRECTORS' FEES $'000	OTHER FEES $'000	TOTAL FEES $'000
Sir John Wells[1]	296	-	296
Alistair Hutchison[2]	125	100	225
Peter Harris[3]	-	2,600	2,600
Tony Hannon[4]	100	25	125
Ian Marsh[5, 6]	164	63	227
Paul Donaldson[7]	143	-	143
Total	**828**	**2,788**	**3,616**
Consisting of:			
CBL Corporation	625	25	650
CBL Subsidiaries	203	2,763	2,966

[1] Sir John Wells received remuneration of $0.1 million as Chairman of the AI board. AI was acquired on 1 September 2015, and Sir John Wells was appointed as a Director 26 November 2015, and Chairman on 1 March 2016.

[2] Other fees are Underwriting Committee fees.

[3] Managing Directors' salary and bonus entitlement.

[4] Other fees are for additional services during the CBL IPO.

[5] Directors fees include EISL Chairman fees.

[6] Other fees are management fees for Acting CEO of EISL.

[7] Directors fees include CBLIE Directors' fees.

The total Directors' fees paid amount to $828,000 and this includes $96,000 which relates to Sir John Wells fee as Chairman of the Assetinsure Board. This subsidiary acquisition and the related Director's fees was not contemplated when the Shareholder Resolution was passed to approve the Directors' fee level of $750,000. Adjusting the total Directors' fees amount by this Assetinsure Director fee the revised total is $732,000.

Directors' remuneration and benefits of the Company's subsidiaries.

31 December 2016	SUBSIDIARY DIRECTORS' FEES $'000	OTHER FEES $'000	TOTAL FEES $'000
Kevin O'Brien	**48**	**-**	**48**
Henricus Sprangers	**46**	**-**	**46**
Christopher Old	**46**	**-**	**46**
Julie Osbourne	**46**	**-**	**46**
John Fahey	**17**	**-**	**17**
Total	**203**	**-**	**203**

The above table excludes compensation for employees who are also subsidiary directors where they do not receive director fees.

Statutory Information

For the year ended 31 December 2016

15 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 but including the Managing Director, who received remuneration and other benefits in their capacity as employees valued at or exceeding $100,000 for the year ended 31 December 2016.

	GROUP
100,000 - 109,999	**9**
110,000 - 119,999	**4**
120,000 - 129,999	**9**
130,000 - 139,999	**2**
140,000 - 149,999	**2**
160,000 - 169,999	**5**
170,000 - 179,999	**1**
180,000 - 189,999	**2**
190,000 - 199,999	**3**
200,000 - 209,999	**1**
210,000 - 219,000	**5**
230,000 - 239,999	**1**
240,000 - 249,999	**1**
270,000 - 279,999	**2**
280,000 - 289,999	**1**
300,001 - 309,999	**2**
350,000 - 359,999	**1**
360,000 - 369,999	**1**
370,000 - 379,999	**3**
380,000 - 389,999	**2**
390,000 - 399,999	**1**
400,000 - 409,999	**1**
430,000 - 439,999	**1**
470,000 - 479,999	**1**
640,000 - 649,000	**1**
730,000 - 739,999	**1**
930,000 - 939,999	**1**
1,120,000 - 1,129,999	**1**
2,600,000 - 2,609,999	**1**

16 Diversity

GROUP	2016	2015
Board of Directors		
Male	**6**	6
Female	**-**	-
Nationalities*	**3**	-
Senior management		
Male	**9**	7
Female	**1**	1
Nationalities*	**6**	-
Employees		
Male	**196**	86
Female	**338**	82
Nationalities*	**27**	-
Total company		
Male	**211**	99
Female	**339**	83
Nationalities*	**27**	-

* 2015 year end information not collected.

17 Insurer financial strength rating

As at the date of this report CBL Insurance has an insurer financial strength rating of A- (Excellent) by A.M. Best, with a stable outlook (2015: B++ (Good)).

AI and CBLIE are unrated insurance entities, and are not required to be rated by their insurance regulators.

18 Indemnity and insurance

In accordance with section 162 of the Companies Act and the Company's constitution, the Company insures and indemnifies directors of the Company and its related companies, and certain employees of the Group, against liability to other parties that may arise from their position.

19 Donations

The Group made donations totalling $3,000 (2015: $1,000) during the year ended 31 December 2016.

20 Net tangible assets

Net tangible assets per ordinary share at 31 December 2016 are 33.15 cents per share (2015: 57.81 cents per share).

Statutory Information

For the year ended 31 December 2016

21 Selected financial information

Set out below is a comparison of prospective financial information from CBL's PDS to corresponding actual financial information for the year to 31 December 2016. For a more detailed analysis refer to note 10(a) - (d) in the financial statements.

	2016 ACTUAL $'000	2016 PFI $'000	VARIANCE $'000
Gross written premium	372,580	397,311	(24,731)
Movement in gross unearned premium	(24,558)	(21,937)	(2,621)
Gross premium	348,022	375,374	(27,352)
Premium ceded	(72,155)	(94,535)	22,380
Net premium	275,867	280,839	(4,972)
Other revenue	57,593	23,892	33,701
Total revenue	333,460	304,731	28,729
Net claims expense	(86,359)	(99,945)	13,586
Acquisition costs	(85,526)	(86,910)	1,384
Other operating expenses	(85,402)	(54,254)	(31,148)
Total claims and operating expenses	(257,287)	(241,109)	(16,178)
Operating profit	76,173	63,622	12,551
Net profit after tax	30,710	40,407	(9,697)
Adjusted net profit after tax	38,337	40,407	(2,070)
Dividends	(16,863)	(9,395)	(7,468)
Total assets	1,203,929	824,174	379,755
Cash and cash equivalents	403,894	375,543	28,351
Total liabilities	911,309	601,456	309,853
Total debt	96,909	67,934	28,975
Total equity	292,620	222,719	69,901
Net operating cash flow	56,756	78,624	(21,868)

	2016 ACTUAL %	2016 PFI %	VARIANCE %
CBL Group KPIs			
Operating profit margin	22.8%	20.9%	2.0%
Net claims ratio	32.7%	38.1%	(5.4)%
Acquisition ratio	32.4%	33.0%	(0.6)%

Adjusted net profit after tax: net profit after tax adjusted for foreign exchange gains or losses (net of tax).

Operating profit margin: operating profit divided by total revenue.

Net claims ratio: net claims expense incurred as a percentage of net premium as an insurer (where net claims is calculated as gross claims incurred (including IBNR) less claims recoveries such as reinsurance and other recoveries).

Acquisition ratio: expenses incurred in the generation of net premium (the direct cost to write the business such as commissions or fees) expressed as a percentage of net premium as an insurer.

GLOSSARY

AI	Assetinsure Pty Limited.
AI GROUP	Assetinsure Holdings Pty Limited and its wholly owned subsidiary, AI.
APRA	Australian Prudential Regulation Authority.
ASX	Australian stock exchange.
CBL	CBL Corporation Limited, or as the context requires, CBL Corporation Limited and its indirect and indirect subsidiaries.
CBL INSURANCE	CBL Insurance Limited.
CBLIE	CBL Insurance Europe Limited.
CFO	Chief Financial Officer of CBL.
COMPANIES ACT	Companies Act 1993.
COMPANY	See CBL.
DAC	Deferred acquisition cost.
DRE	Deferred reinsurance expense.
EISL	European Insurance Services Limited.
ESR	European Specialty Risks Limited.
EUR OR €	Euro, currency of the euro area.
FCA	Financial Conduct Authority.
FIDUCIA	Afianzadora Fiducia, S.A. de C.V.
FIIG NOTE	Medium term Australian dollar notes issued by CBL.
FMC ACT	Financial Markets Conduct Act 2013.
GROUP	See CBL.
IBNR	Incurred but not reported.
IFRS	International Financial Reporting Standards.
IPO	The initial public offer of CBL shares on the NZX and ASX on 13 October 2015.
IPSA	Insurance (Prudential Supervision) Act 2010.
MGA	Managing general agency (an intermediary between brokers and insurers).
NZ IFRS	New Zealand equivalents to IFRS.
NZX	New Zealand stock exchange.
OCI	Other comprehensive income.
OPERATING PROFIT	Profit before finance costs, capital raising costs, business combination costs, amortisation of acquired intangibles, foreign exchange movements, profit from associates, revaluations and tax.
PARENT	See CBL.
PDS	Product disclosure statement issued in relation to the IPO.
PFI	Prospective financial information for CBL for years 2015 and 2016 disclosed in relation to CBL's IPO.
PFP	Professional Fee Protection Limited.
PFP GROUP	PFP Singapore PTE Limited and its subsidiaries, including PFP.
PIF	Policies-in-force.
RBNZ	Reserve Bank of New Zealand.
S&P	Standard and Poors (rating agency).
SOFP	Statement of financial position.
SOPL	Statement of profit or loss.
UPL	Unearned premium liability.

DATE OF INCORPORATION

CBL CORPORATION LIMITED 18 JUNE 2012

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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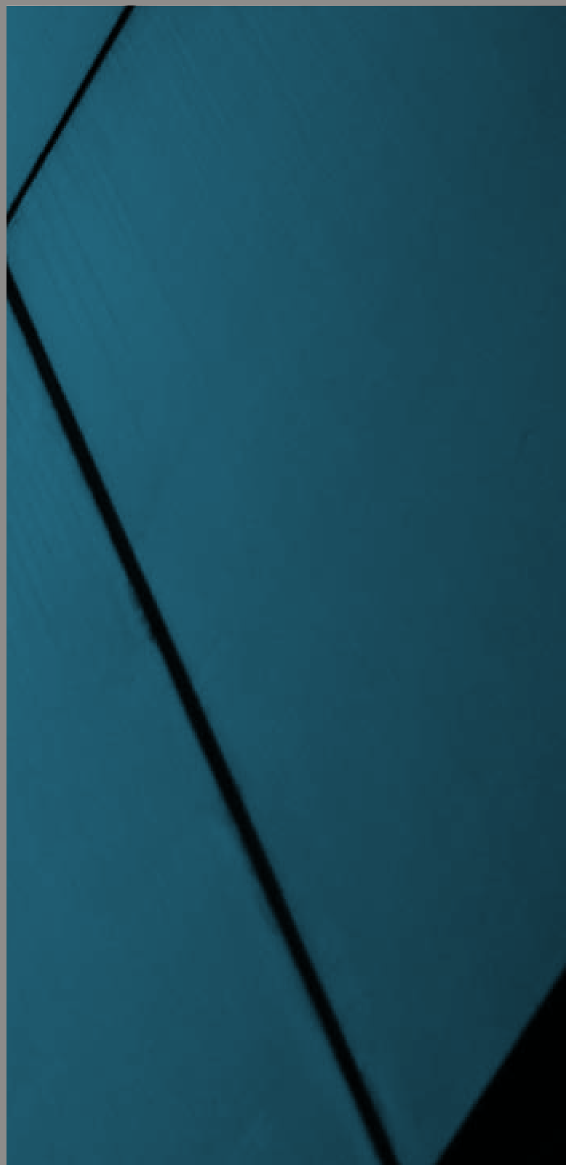
AUDITORS

DELOITTE LIMITED



CBLcorporation