

**CALLIDEN GROUP LIMITED**

A.B.N. 37 061 215 601

**CONSOLIDATED INTERIM FINANCIAL REPORT**

**FOR THE HALF YEAR ENDED 30 JUNE 2009**

**APPENDIX 4D**

**CALLIDEN GROUP LIMITED**  
A.B.N. 37 061 215 601  
**APPENDIX 4D**  
**HALF YEAR ENDED 30 JUNE 2009**

**1. Reporting period**

Report for the half year ended 30 June 2009. The previous corresponding period was the half year ended 30 June 2008.

**2. Results for announcement to the market**

	<b>1<sup>st</sup> Half 2009 \$'000</b>	<b>1<sup>st</sup> Half 2008 \$'000</b>	<b>Up / Down</b>	<b>Change %</b>	<b>Change \$'000</b>
Gross Written Premium	104,384	97,639	Up	6.9	6,745
Revenue from ordinary activities	99,742	96,515	Up	3.4	3,227
Profit / (loss) from ordinary activities after tax attributable to members	2,433	3,636	Down	33.0	1,203
Net profit / (loss) attributable to members	2,433	3,636	Down	33.0	1,203

No dividend is proposed for the interim reporting period.

**3. Net tangible assets per share**

30 June 2009 - \$0.25

31 December 2008 - \$0.25

**4. Entities over which control has been gained or lost during the period**

Please refer to the attached Consolidated Interim Financial Report.

**5. Dividends**

Please refer to the attached Consolidated Interim Financial Report.

**6. Dividend reinvestment plan**

Calliden Group Limited has a Dividend Reinvestment Plan (the "Plan") which was approved by the members at an Annual General Meeting on 10 April 1997. The Plan has been suspended.

**7. Joint ventures and associate entities**

During the half year Calliden Group Limited held an interest in the following joint ventures and associates:

	<b>% Held</b>
Arena Underwriting Pty Ltd	50
Claims Services Australia Pty Ltd	50
IUA Pty Ltd	50
Property Claims Services Pty Ltd	40
Queensland Underwriting Solutions Pty Ltd	50
Sports Underwriting Australia Pty Ltd	50

The company's aggregate share of profits of these entities for the half year ended 30 June 2009 is \$1.0m (30 June 2008: \$0.8m).

**8. Accounting standards applicable to foreign entities**

Not applicable.

**9. Audit dispute or qualification**

None.

**CALLIDEN GROUP LIMITED**

A.B.N. 37 061 215 601

**APPENDIX 4D**

**ATTACHMENT A**

**CONSOLIDATED INTERIM FINANCIAL REPORT**

**FOR THE HALF YEAR ENDED**

**30 JUNE 2009**

**CALLIDEN GROUP LIMITED  
CONSOLIDATED INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED  
30 JUNE 2009**

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Calliden Group Limited is a company limited by shares, incorporated and domiciled in Australia.  
Its registered office and principal place of business is Level 7, 100 Arthur St, North Sydney NSW 2060.

## DIRECTORS' REPORT

The Directors present their report together with the consolidated interim financial report of Calliden Group Limited, (the "Company") and its controlled entities (the "Group"), for the half year ended 30 June 2009 and the auditor's review report thereon.

### 1. Directors

The following Directors held office during the half year and up to the date of this report:

Director	Date of Appointment	Special Responsibilities
RJ Hill	19 April 2000	Chairman Member of Risk Management Committee Member of Remuneration & Nomination Committee
MW Loomes	24 October 2000	Chairman of Audit Committee Member of Risk Management Committee Chairman of Investment Committee
JT Lowenstein	19 April 2000	Member of Risk Management Committee Member of Audit Committee Member of Investment Committee
NG Kirk	1 January 2005	Managing Director and Chief Executive Officer Member of Risk Management Committee Member of Investment Committee
JI Messenger	24 May 2007	Chairman of Risk Management Committee Member of Audit Committee Member of Remuneration & Nomination Committee
AV Connon	21 September 2007	Member of Risk Management Committee Member of Audit Committee
GGM Smith	23 October 2008	Member of Risk Management Committee Member of Audit Committee Chairman of Remuneration & Nomination Committee

## **DIRECTORS' REPORT (Continued)**

### **2. Review of Operations**

The result for the Group for the first half of 2009 is a profit of \$2.4m compared to a profit of \$3.6m in the corresponding period in 2008. We were substantially protected from the very high natural catastrophe and weather related activity in the period by our conservative reinsurance arrangements. Investment income was significantly reduced over the prior period due to record low interest rates on our fixed interest portfolio.

Our gross written premiums grew to \$104.4m up 7% from the first half year of 2008. The growth was lower than our target reflecting a gradually hardening pricing environment and limited new business growth.

During the period we completed our first major conversion from an acquired legacy system onto our new software. The systems conversions remain a large undertaking for the group continuing into 2010. The proportion of our commercial package business being transacted electronically has continued to grow steadily during the period.

We purchased the remaining 50% of the shares in Interruption Underwriting Agency in July 2009. We believe that with overall control of the business we can grow and further develop this niche business.

Our joint venture and agency businesses grew their bottom line in the first half year providing over \$1.0m in profit contribution.

The Australian Prudential Regulation Authority ("APRA") has introduced new capital standards for insurance groups from the 1st July 2009. The Group is well capitalised under these new rules.

Calliden Insurance Limited, our licensed insurer remains well capitalised at more than 2.3 times the minimum capital requirement.

## **DIRECTORS' REPORT** (Continued)

### **3. Lead Auditor's Independence Declaration**

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the half year ended 30 June 2009.

### **4. Rounding Off**

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005) and in accordance with that Class Order, amounts in the consolidated interim financial report have been rounded off to the nearest one thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:



**RJ Hill**

**Chairman**

Dated at Sydney this 31st day of August 2009



**LEAD AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

To: the directors of Calliden Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

**KPMG**

KPMG

A handwritten signature in black ink, appearing to read 'B Greig', with a stylized flourish at the end.

Brian Greig  
*Partner*

Sydney  
31 August 2009

## CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2009

	Note	30 June 2009 \$'000	30 June 2008 \$'000
<b>GROSS WRITTEN PREMIUM</b>	2	<b>104,384</b>	97,639
Gross premium revenue	2	99,742	96,515
Reinsurance premium expense	3	(51,489)	(42,831)
Net premium revenue		48,253	53,684
Gross claims expense	3	(97,109)	(43,242)
Reinsurance and other recoveries revenue	2	71,910	16,328
Net claims incurred		(25,199)	(26,914)
Acquisition costs	3	(27,936)	(27,700)
Reinsurance and administration commissions revenue	2	18,551	14,366
Net acquisition costs		(9,385)	(13,334)
Other underwriting expenses	3	(5,337)	(6,027)
Levies and charges	3	(7,041)	(5,879)
Underwriting expenses		(21,763)	(25,240)
Investment income on assets backing insurance liabilities		1,611	2,295
<b>UNDERWRITING PROFIT</b>		<b>2,902</b>	3,825
Investment income on equity holders' funds		598	1,111
Share of net profits of joint ventures and associates	2	1,004	803
Other income	2	93	-
Borrowings costs	3	(654)	(1,128)
Amortisation of identifiable intangibles	3	(610)	(536)
Administration and other expenses	3	(900)	(433)
<b>PROFIT BEFORE INCOME TAX</b>		<b>2,433</b>	3,642
Income tax expense		-	(6)
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF CALLIDEN GROUP LIMITED</b>		<b>2,433</b>	3,636
		<b>Cents</b>	Cents
<b>Basic earnings per ordinary share</b>	5	<b>1.05</b>	1.57
<b>Diluted earnings per ordinary share</b>	5	<b>1.01</b>	1.54

The above Consolidated Interim Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2009

	Note	30 June 2009 \$'000	31 December 2008 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		6,810	9,062
Financial assets at fair value	6	15,629	66,407
Trade and other receivables		71,171	61,345
Reinsurance and other recoveries receivable		44,195	27,473
Deferred reinsurance expense		57,427	50,682
Deferred acquisition costs		30,788	30,216
Other assets		10,613	10,440
<b>TOTAL CURRENT ASSETS</b>		<b>236,633</b>	<b>255,625</b>
<b>Non-Current Assets</b>			
Financial assets at fair value	6	92,114	59,880
Reinsurance and other recoveries receivable		27,967	22,594
Property, plant and equipment		3,845	3,717
Investments accounted for using the equity method		7,224	6,220
Intangible assets	8	44,383	43,757
Deferred tax assets		2,112	2,112
<b>TOTAL NON-CURRENT ASSETS</b>		<b>177,645</b>	<b>138,280</b>
<b>TOTAL ASSETS</b>		<b>414,278</b>	<b>393,905</b>
<b>Current Liabilities</b>			
Trade and other payables		30,461	32,723
Unearned premium liability		108,945	103,308
Unearned reinsurance commissions		19,691	19,522
Outstanding claims	7	66,490	52,889
Employee entitlements		1,125	1,006
<b>TOTAL CURRENT LIABILITIES</b>		<b>226,712</b>	<b>209,448</b>
<b>Non-Current Liabilities</b>			
Borrowings		25,000	25,000
Unearned premium liability		980	1,975
Outstanding claims	7	58,109	53,658
Employee entitlements		513	428
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>84,602</b>	<b>81,061</b>
<b>TOTAL LIABILITIES</b>		<b>311,314</b>	<b>290,509</b>
<b>NET ASSETS</b>		<b>102,964</b>	<b>103,396</b>
<b>Equity</b>			
Issued capital		100,580	100,583
Treasury shares held in trust		(138)	(380)
Share-based payments reserve		666	782
Retained earnings		1,856	2,411
<b>TOTAL EQUITY</b>		<b>102,964</b>	<b>103,396</b>

The above Consolidated Interim Statement of Financial Position should be read in conjunction with the accompanying notes.

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY****FOR THE HALF YEAR ENDED 30 JUNE 2009**

	Issued Capital \$'000	Treasury Shares Held in Trust \$'000	Share-based Payments Reserve \$'000	Retained Earnings / (Accumulated Losses) \$'000	Total \$'000
<b>For the half year ended 30 June 2009:</b>					
Balance at the beginning of the period	100,583	(380)	782	2,411	103,396
Decrease in issued capital	(3)	-	-	-	(3)
Dividend paid	-	-	-	(2,889)	(2,889)
Acquisition of shares by the Calliden Employee Share Trust	-	(191)	-	-	(191)
Share based payments expense	-	-	218	-	218
Vesting of share based remuneration	-	433	(334)	(99)	-
Net profit for the period	-	-	-	2,433	2,433
	<b>100,580</b>	<b>(138)</b>	<b>666</b>	<b>1,856</b>	<b>102,964</b>
<b>For the half year ended 30 June 2008:</b>					
Balance at the beginning of the period	100,583	-	864	(6,799)	94,648
Share based payments expense	-	-	255	-	255
Vesting of share based remuneration	-	-	(361)	-	(361)
Net profit for the period	-	-	-	3,636	3,636
	<b>100,583</b>	<b>-</b>	<b>758</b>	<b>(3,163)</b>	<b>98,178</b>

The above Consolidated Interim Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

FOR THE HALF YEAR ENDED 30 JUNE 2009

	30 June 2009 \$'000	30 June 2008 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Premiums received	95,303	99,810
Reinsurance and other recoveries received	45,228	16,957
Acquisition costs paid	(27,165)	(30,649)
Reinsurance premium paid	(35,711)	(40,231)
Claims paid	(78,678)	(48,275)
General, administration and other underwriting expenses paid	(15,621)	(15,174)
Interest received	5,035	5,295
Interest paid	(777)	(1,128)
Dividends received	50	-
Trust distribution received	-	660
<b>Net cash flows from operating activities</b>	<b>(12,336)</b>	<b>(12,735)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds from sale of investments	15,149	62,996
Purchase of plant and equipment	(451)	(2,039)
Intangibles acquired	(1,898)	(1,301)
Investments in controlled entities, net of cash acquired	-	(4,535)
<b>Net cash flows from investing activities</b>	<b>12,800</b>	<b>55,121</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(2,889)	-
Share redemption	(3)	-
Repayment of loan from related parties	367	-
Outlays for purchase of treasury shares*	(191)	-
<b>Net cash flows from financing activities</b>	<b>(2,716)</b>	<b>-</b>
<b>Net movement in cash and cash equivalents</b>	<b>(2,252)</b>	<b>42,386</b>
Cash and cash equivalents at the beginning of the half year	9,062	20,308
<b>CASH AND CASH EQUIVALENTS AT END OF THE HALF YEAR</b>	<b>6,810</b>	<b>62,694</b>

\* The treasury shares are acquired to settle the Long Term Incentive scheme. The Directors view this as an operating activity of the Group.

The above Consolidated Interim Statement of Cash Flows should be read in conjunction with the accompanying notes.

## CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 June 2009

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 Reporting entity

The consolidated interim financial report covers the economic entity of Calliden Group Limited, (the “Company”) and its controlled entities (the “Group“). The Company is a company domiciled in Australia.

The consolidated interim financial report was authorised for issue by the directors on 31 August 2009.

#### 1.2 Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Act 2001 and the Australian Securities Exchange Listing Rules.

This consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group for the year ended 31 December 2008 and any public announcements made by the Group during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001. The consolidated annual financial report of the Group for the year ended 31 December 2008 is available upon request from the Company’s registered office at Level 7, 100 Arthur Street, North Sydney, NSW 2060 or at [www.calliden.com.au](http://www.calliden.com.au).

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005) and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest one thousand dollars, unless otherwise stated.

#### 1.3 Basis of preparation

The consolidated interim financial report is presented in Australian dollars.

All accounting policies have been applied consistently to all periods presented and throughout the Group, and the accounting policies have not changed since the previous annual financial year. Following a review of expense allocations, certain comparative amounts have been reclassified to conform with the half year presentation of the results. As a result, a portion of the administration expenses have been reclassified as underwriting expenses. The impact on the consolidated interim statement of comprehensive income has been a reduction in the June 2008 underwriting profit from \$12.1m to \$3.8m. There is no impact on profit before income tax.

**1.3 Basis of Preparation** (continued)

The consolidated interim financial report is prepared on an accrual basis and is based on historical cost except for financial assets that are stated at their fair value and outstanding claims and related reinsurance recoveries that are discounted to present value using a risk free rate.

**1.4 Segment Information**

The Group operates as a general insurance business in Australia.

**1.5 Critical accounting judgements and estimates**

In the process of applying the significant accounting policies, certain critical accounting estimates and assumptions are used and certain judgements are made.

The estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for judgements about the carrying values of assets and liabilities. Actual results may differ from these estimates. Estimates and judgments are continually re-evaluated. Revisions to accounting estimates are recognised in the period in which the estimates are revised, and the future periods if relevant.

The areas where the estimates and assumptions involve a high degree of judgement or complexity are:

Insurance contracts related:

- Claims;
- Reinsurance and other recoveries on outstanding claims; and
- Liability adequacy test

Other:

- Intangible assets and goodwill impairment testing;
- Acquired intangible assets initial measurement and determination of useful life; and
- Share based remuneration

The determination of the financial impact of each of these areas on the financial performance and position for the current reporting period has involved estimates and assumptions based on judgements. The judgement has been applied in a manner consistent with that used for the annual report for the year ended 31 December 2008.

The accounting judgements made during the half year reporting period that did not involve estimations are considered to have had no significant impact on the amounts recognised in the interim financial report (30 June 2008: nil).

**NOTE 2 REVENUE**

	<b>30 June 2009 \$'000</b>	30 June 2008 \$'000
<i>(i) General Insurance Revenue</i>		
Gross written premium	<b>104,384</b>	97,639
Movement in unearned premium liability	<b>(4,642)</b>	(1,124)
Gross premium revenue	<b>99,742</b>	96,515
Reinsurance and other recoveries revenue	<b>71,910</b>	16,328
Reinsurance and administration commissions revenue	<b>18,551</b>	14,366
<b>Total General Insurance Revenue</b>	<b>190,203</b>	127,209
<i>(ii) Investment Income</i>	<b>2,209</b>	3,406
<i>(iii) Share of Net Profit of Joint Ventures and Associates</i>	<b>1,004</b>	803
<i>(iv) Other Income</i>	<b>93</b>	-
<b>Total Revenue</b>	<b>193,509</b>	131,418

**NOTE 3 EXPENSES**

Reinsurance premium expense	<b>51,489</b>	42,831
Gross claims expense	<b>97,109</b>	43,242
Acquisition costs	<b>27,936</b>	27,700
Other underwriting expenses	<b>5,337</b>	6,027
Levies and charges	<b>7,041</b>	5,879
Borrowing costs	<b>654</b>	1,128
Amortisation of identifiable intangibles	<b>610</b>	536
Administration and other expenses	<b>900</b>	433
<b>Total Expenses</b>	<b>191,076</b>	127,776

Other underwriting expenses include:

Actuarial, audit and other professional fees	<b>973</b>	1,620
Amortisation of systems development costs	<b>662</b>	214
Depreciation of assets	<b>984</b>	396

**NOTE 4 DIVIDENDS****(a) Ordinary shares**

	<b>30 June 2009 \$'000</b>	31 December 2008 \$'000
Dividends paid during the half-year	<b>2,889</b>	-

The final dividend for 2008 was paid on 25 March 2009. It was fully franked and amounted to 1.25 cents per share. No dividend is proposed for the interim reporting period.

**NOTE 5 EARNINGS PER SHARE**

	<b>30 June 2009 Cents</b>	30 June 2008 Cents
<b>(i) Ordinary Shares</b>		
Basic earnings per ordinary share *	<b>1.05</b>	1.57
Diluted earnings per ordinary share	<b>1.01</b>	1.54

\* The basic earnings per ordinary share excludes the treasury shares held in trust from the denominator of the calculation, but includes earnings attributable to those shares in the numerator, to comply with AASB 133 *Earnings per Share*. If the amounts relating to those shares are excluded from both the numerator and denominator, the basic earnings per ordinary share for the half year ended 30 June 2009 would be reduced to 1.01 cents (30 June 2008: 1.54 cents).

	<b>30 June 2009 \$'000</b>	30 June 2008 \$'000
<b>(ii) Reconciliation of Profit used in Calculating Earnings per Share</b>		
Profit from continuing operations attributable to the ordinary equity holders of the Parent	<b>2,433</b>	3,636
Profit used in calculating basic and diluted earnings per share	<b>2,433</b>	3,636

**NOTE 5 EARNINGS PER SHARE** (Continued)

	<b>30 June 2009 Number</b>	30 June 2008 Number
<i>(iii) Reconciliation of Weighted Average Number of Ordinary Shares used in Calculating Earnings per Share</i>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>231,086,812</b>	231,095,189
Performance rights on issue	<b>10,034,405</b>	6,725,930
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<b>241,121,217</b>	236,316,808

The Company acquires any shares required for the Long Term Incentive scheme on-market which does not increase the shares on issue. The presentation of the performance rights as an increase of shares on issue is mandated by the accounting standards. The Treasury shares held in trust presented in the Statement of Financial Position will reverse when the Company's obligations are settled.

**NOTE 6 FINANCIAL ASSETS AT FAIR VALUE**

	<b>30 June 2009 \$'000</b>	31 December 2008 \$'000
<b><i>Investments</i></b>		
Current	<b>15,629</b>	66,407
Non-current	<b>92,114</b>	59,880
Total Financial Assets at fair value	<b>107,743</b>	126,287
Money market investments	<b>3,741</b>	5,539
Fixed interest securities	<b>104,002</b>	120,748
Total Financial Assets at fair value	<b>107,743</b>	126,287

**NOTE 7    OUSTANDING CLAIMS**

	<b>30 June 2009 \$'000</b>	31 December 2008 \$'000
<b>Gross Outstanding Claims</b>		
Current	<b>66,490</b>	52,889
Non-current	<b>58,109</b>	53,658
<b>Total Gross Outstanding Claims</b>	<b>124,599</b>	106,547
Case estimates	<b>63,662</b>	52,034
IBNR	<b>57,400</b>	49,907
Central estimate	<b>121,062</b>	101,941
Claims handling expenses	<b>2,709</b>	2,482
Risk margin	<b>11,170</b>	8,385
	<b>134,941</b>	112,808
Discount to present value	<b>(10,342)</b>	(6,261)
<b>Total Gross Outstanding Claims</b>	<b>124,599</b>	106,547

**Liability Adequacy Test**

The application of the liability adequacy test ("LAT") in respect of net premium liabilities has identified a deficiency of \$0.1m in the property classes as at 30 June 2009 (2008: Surplus of \$3.3m).

For the purposes of the LAT, the present value of the expected future cash flows of future claims including the risk margin for the Group is \$33.2m (2008: \$33.3m) comprising the discounted central estimate of \$30.0m (2008: \$31.0m) and a risk margin of \$3.2m (2008: \$2.3m).

The LAT has been applied using a probability of adequacy of 75%.

**NOTE 8 INTANGIBLE ASSETS**

	Note	30 June 2009 \$'000	31 December 2008 \$'000
<b>Intangible Assets</b>			
Goodwill	9	29,959	29,959
Customer Relationships*		9,032	9,668
Systems Development Costs*		5,392	4,130
<b>Total Intangible Assets</b>		<b>44,383</b>	<b>43,757</b>

\* These figures are net of accumulated amortisation of \$4.8m (Dec 2008: \$3.5m)

**NOTE 9 GOODWILL***(a) Impairment tests for goodwill*

Goodwill is allocated to the Group's cash generating units ("CGU") identified according to business segment.

A segment-level summary of the goodwill allocation is presented below:

<b>Cash Generating Unit</b>	30 June 2009 \$'000	31 December 2008 \$'000
Underwriting	20,601	20,601
Distribution	9,358	9,358
<b>Total Goodwill</b>	<b>29,959</b>	<b>29,959</b>

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Board covering 2009 - 2014. Cash flows beyond 2014 are extrapolated using the estimated growth rates stated in note 9 (b). The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

**NOTE 9 GOODWILL (Continued)***(b) Key assumption used for value-in-use calculations*

The following describes the key assumptions on which the Board has based its cash flow projections to undertake impairment testing of goodwill:

- Cash flow forecast: Forecast profits for 2009 - 2014 are used to derive a medium-term cash flow proxy;
- Discount rate: discount rate of 12% is calculated based on weighted average cost of capital. The same discount rate was used in 2008.
- Long term profit growth rate at year 2015 and beyond is in line with the long-term historical Gross Domestic Product (GDP) growth rate (2.5%);
- Investment return from assets backing insurance liabilities is expected to be at 6%.

These assumptions have been used for the analysis of each CGU within the business segment.

*(c) Impact of possible changes in key assumptions*

The carrying value of identified intangible assets, as well as net tangible assets are deducted from the values generated from the cash flow projections to arrive at a recoverable value for goodwill which is then compared with the carrying value of goodwill.

The recoverable amount of the goodwill of the Underwriting CGU is estimated to be \$66.4m. This exceeds the carrying amount of the Underwriting CGU's goodwill at 30 June 2009 by \$45.8m.

If the discount rate applied to the cash flow projections of the Underwriting CGU was 17.5% instead of 12%, the recoverable amount of the Underwriting CGU's goodwill would equal its carrying amount. The directors do not consider any reasonable changes in any key assumptions would cause impairment.

The recoverable amount of the goodwill of the Distribution CGU is estimated to be \$11.6m. This exceeds the carrying amount of the CGU's goodwill at 30 June 2009 by \$2.2m.

If the discount rate applied to the cash flow projections of the Distribution CGU was 13.5% instead of 12%, the recoverable amount of the Distribution CGU's goodwill would equal its carrying amount. The directors do not consider any reasonable changes in any key assumptions would cause impairment.

*(d) Impairment charge*

There is no impairment charge as no impairment was indicated.

**NOTE 10 CONTINGENT LIABILITIES**

The Directors are not aware of any contingent liabilities.

**NOTE 11 EVENTS SUBSEQUENT TO INTERIM BALANCE DATE**

Calliden Pty Limited was de-registered by ASIC on 15 July 2009. The de-registration had no financial impact on the Group as Calliden Pty Limited had been dormant since November 2008 and held no assets.

On 3 July 2009, the Company purchased the remaining 50% of the shares in IUA Pty Ltd for \$1.5m.

There were no other material events occurring after the reporting date that the Directors are aware of as at the date of this report.

## DIRECTORS' DECLARATION

In the opinion of the Directors of Calliden Group Limited ("the Company"):

1. the interim financial statements and notes 1 to 11, are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the Group as at 30 June 2009 and of its performance for the half year ended on that date; and
  - (b) complying with Australian Accounting Standard, AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



**RJ Hill**

**Chairman**

Dated at Sydney this 31st day of August 2009



## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CALLIDEN GROUP LIMITED**

### **Report on the financial report**

We have reviewed the accompanying interim financial report of Calliden Group Limited, which comprises the consolidated interim Statement of Financial Position as at 30 June 2009, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the interim period ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 11 and the directors' declaration set out on page 19 of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the interim period.

### **Directors' responsibility for the interim financial report**

The directors of the Company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2009 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Calliden Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CALLIDEN GROUP LIMITED (Continued)

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Calliden Group Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2009 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

**KPMG**

KPMG



Brian Greig  
*Partner*

Sydney  
31 August 2009