



Concise Annual Report
31 December 2010

Assetinsure Pty Limited
ABN 65 066 463 803

E X E C U T I V E M A N A G E M E N T R E P O R T



Gregor Pfitzer, Chief Operating Officer Peter Wedgwood, Chief Executive Officer
Hamish Lilly, Chief Financial Officer



This report documents the financial results for the 2010 financial year for Assetinsure Pty Limited ("Assetinsure") along with the Company's outlook for the 2011 year.

2010 Financial Year Results

Assetinsure's 2010 result was a profit before tax of \$6.9m. This was a very pleasing result overall and a 30% increase to the profit in the previous year of \$5.3m. The increase in profitability in 2010 endorses, in financial terms, our business model and reflects the progress achieved by the Company in all operational areas.

The strong 2010 profit was the result of a number of positive factors:

- Significantly increased scale of the direct insurance operations and its market presence;
- Prudent underwriting in the direct insurance business delivering an underwriting profit over the combined product lines;
- Strict management of the Company's expense base was assisted by cost recoveries generated from underwriting and IT services provided to third parties;
- Continuing sound performance of the reinsurance run-off.

Importance of Partnership Business and Portfolio Development in 2010

The Company is reaping the benefits of the strategies and product initiatives implemented over the last 24 months. In particular, these include the establishment of the partnership businesses. Through these arrangements, Assetinsure acts as managing general agent on behalf of certain highly rated reinsurers. As the agent, Assetinsure sources and underwrites the business and manages all claims. The reinsurance partner provides both credit rating and capacity. The interests of both parties are fully aligned as Assetinsure shares in carrying the risk through its reinsurance line.

The partnership businesses cover:

- Surety
- General Aviation
- Professional Indemnity
- Credit Enhancement

These partnership arrangements have been instrumental in lifting Assetinsure's market profile, notably where broker or client policy mandates that a credit rating is required. In particular, the Surety business had impressive post launch success forging itself into a market leader by delivering exceptional value to our customer base.

The establishment of the Aviation partnership business also illustrates how the partnerships can be even further enhanced. With effect from 10 June 2010, Assetinsure and Swiss Re International secured the renewal rights for the portfolio of aviation business previously underwritten by Vero Insurance Pty Ltd. The acquisition delivered both the second largest aviation insurance business in Australia and a team of dedicated aviation insurance specialists.

The Company has also been developing the businesses written on its own Assetinsure paper. For example, the business written through the *insure that* underwriting agency, which focuses on rural areas of Australia, complements our corporate and metropolitan portfolios without creating distribution channel conflicts. This expansion of our product lines is part of an ongoing portfolio optimisation process.

As a result of the initiatives above, the overall insurance business which Assetinsure underwrites, grew by more than 50% in 2010, from \$54.6m in 2009 to \$83.9m in 2010. This excellent outcome has been achieved despite the soft market environment. An overview of the product lines the Company writes is provided later in this report.

From a reporting standpoint, the partnership business model impacts Assetinsure's reported results in two respects:

- The results reflect lower gross written premium income than that actually generated. The Company can only recognise as premium income the portion of the premium it retains through the acceptance of a reinsurance line rather than the full gross premium value of the business underwritten;
- Increases in "other income" through the agency fee and commission Assetinsure receives for origination, underwriting and claims handling for the partnership businesses.

Accordingly, in the Company's financial report, the insurance premium income attributable directly to Assetinsure in 2010 was \$57.0m (\$49.6m in 2009), rather than the full \$83.9m noted above.

Notwithstanding the way in which Assetinsure must account for the business, there is no change per se in the "ownership" of the business. Assetinsure continues to exclusively conduct the origination, the underwriting process and any claims negotiations with the client or the broker. This business platform would not have been achievable had Assetinsure not proven itself to be a reliable business partner over the past years. Our business partners recognise that our focus is not on chasing market share but rather on building a reputation for sound technical underwriting.



Other Main Developments Over the Last 12 Months

Assetinsure delivers IT services to a number of general insurers, reinsurers and underwriting agencies by providing and supporting a modern insurance administration system. A further and significant new client relationship was established in the 2010 year for the comprehensive provision of insurance administration and network services for a global insurance group. The cost synergies anticipated in the overall business plan are being realised.

In 2010 the reinsurance run-off business continued to perform well. Assetinsure has honoured all its reinsurance contracts previously underwritten to policyholders. Within the scope of the underlying arrangements, claims continue to be managed in a pro-active manner. Recurring reviews of the entire claims portfolio are undertaken ensuring reserves are adequate and opportunities to settle claims are pursued. The overall claims development of this book has been quite favourable.

After nearly seven years in run-off, the active claims count of the reinsurance run-off has reduced to about 15% of what it was at the time the Company was acquired from Gerling Global Re in 2003. The reinsurance run-off still requires ongoing management attention given the overall size of the claims portfolio. Over the years Assetinsure has been able to transfer experienced administration and claims staff from the reinsurance run-off business into the direct insurance business, reducing the need to increase overall staffing levels.

Strong Solvency

Assetinsure, as a locally licensed entity, meets the requirements set by the Australian Prudential Regulation Authority (APRA) on an ongoing basis.

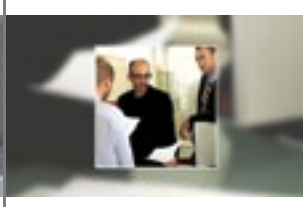
As at 31 December 2010, the Company's solvency was strong and stood at 2.09 times the APRA minimum measure of solvency. On the basis of industry data published regularly by APRA, this places Assetinsure's solvency above the level maintained by many of our peers.

Equally important, Assetinsure has the benefit of a very sound funding structure at operating and holding company levels. The operating company, Assetinsure Pty Ltd, has no debt whilst the holding company has only \$5m of subordinated debt with no repayments due until late 2014. This subordinated debt is allowable as a Tier 2 equity instrument for APRA solvency calculation purposes.

E X E C U T I V E M A N A G E M E N T R E P O R T



David Blacketer, Chief Information Officer
Nick Beswick, Senior Underwriter, Professional Risks
Ewen McKay, National Manager, Professional Risks



Promising Prospects for the Current Year

In 2011, we expect to capture and implement further business development opportunities across both our partnership and own portfolio businesses. Having witnessed highly competitive market conditions in all commercial lines in 2010, we anticipate that more favourable trading conditions will develop as the market responds to the catastrophic peril events that have impacted on the industry's loss experience in early 2011.

With increasing evidence of higher claims severity and claims frequency in casualty classes and indisputable evidence of losses resulting from these natural peril events, market conditions will need to change. As a consequence, we expect the current soft market conditions to improve. Through increased product and geographical diversification, Assetinsure will be well positioned to benefit from this global insurance setback. We expect these opportunities will compensate the loss of income resulting from the MB Prestige Motor agency business discontinuing effective from 1 January 2011.

For Assetinsure's own account, the impact of the 2011 floods and cyclones on current year earnings are well contained. The net loss from all 2011 events as at 31 March 2011 stands at a very moderate \$1.25m. The impact on solvency is equally small (drop from 2.18 to 2.09) and the Company expects to be able to make up for this impact on earnings during the 2011 year.

However, regardless of whether the market returns to more rational underwriting practices, Assetinsure will continue to maintain the corporate standards that have consistently been applied since direct business underwriting was commenced in 2004. Sound underwriting is based on risk selection, sensible coverage and minimum rates and deductibles. All insurance portfolios, therefore, continue to be developed on this technically sound basis, driven by professionals who have seen more than one market cycle.

Other business opportunities that Assetinsure intends to develop are in areas such as surety bonds and financial risk instruments. For example, Assetinsure will be the only insurance company in Australia that can issue Mining Rehabilitation Surety Bonds. The ability to issue these very specialist bonds is the culmination of over two years' research and underwriting assessment. The Lombard Group, Assetinsure's joint venture partner in the Surety product, played a major role in this product development initiative.

We expect other income to increase in 2011 as the scope and depth of the IT services we provide to third parties expands. In addition, we expect a contribution from Assetsecure Pty Limited in 2011 (refer Subsidiary and Associate Businesses section below).

The Company will continue to expand the direct insurance business in the coming years without the need for additional capital input.

E X E C U T I V E M A N A G E M E N T R E P O R T



Andrew Calvert, Head of Surety Lakmali Panambalana,
George Tasevski, Senior Underwriters, Surety



Our Profile as a Specialist Insurer

From inception, Assetinsure has concentrated on organic growth and has not acquired businesses that normally involve significant investments in goodwill. Our prime strategy in the specialist product classes is to differentiate ourselves on product innovation and service.

Being a Specialist Insurer involves a number of features:

- Assetinsure offers a select number of product lines i.e. focusing on companies, financial institutions and professionals to protect their professional liabilities, assets and some of their credit risks. The product focus is sharper and the underwriting standards stricter than would normally apply in a multi-line and multi-state based company.
- Assetinsure employs staff with considerable experience in their respective product areas. These professionals can assess and underwrite risk appropriately. Staff attrition has been minimal.
- Assetinsure's smaller size and lean structure allows the Company to capture opportunities and react quickly to market developments. Assetinsure is not held back by large corporate bureaucracies and systems inflexibility. The development and establishment of innovative products, which only Assetinsure have been able to deliver (e.g. Credit Enhancement Policy for trade receivables, Employee Entitlement and Mining Rehabilitation Bonds), provide evidence of this.
- In order to contain complexity costs, Assetinsure has no overlaps when touching the market in various product areas. The underwriting agencies operate on the basis of product/market exclusivity. This avoids the channel conflicts that characterise many of our peers.

Product Lines

Assetinsure provides a number of specialist lines that collectively set the scene for a balanced and largely uncorrelated portfolio.

I. Partnership Businesses

A. Surety

Surety bonds are an effective alternative to bank guarantees. However, unlike a bank guarantee, surety bonds do not tie up client assets as security. This makes surety an extremely useful and flexible balance sheet management tool. Assetinsure has achieved significant market presence notwithstanding the fact that Assetinsure only commenced writing surety bonds in March 2009. Our market entry has proven to be timely as demand from the construction and infrastructure industries is high, whilst in contrast, banking facilities are difficult to obtain.

To achieve broad acceptance of the instruments issued, Assetinsure entered into an agency agreement with Swiss Re International SE Australia Branch, a locally licensed member of the Swiss Re Group. Swiss Re is one of the world's largest and longest established insurance and reinsurance companies. Assetinsure originates, underwrites and manages the business and Swiss Re International provides "the paper", which is currently rated A+ by Standard & Poor's.

Assetinsure was also able to attract highly regarded operatives to run the Surety division so that experience and responsiveness could be instantly delivered to our clients. In addition, through a joint venture agreement Assetinsure secured additional resources from the Lombard Insurance Group, the largest surety bond provider in South Africa. Through this arrangement, Assetinsure can tap into substantial additional specialist resources such as mining engineers to assist in the underwriting of Mining Rehabilitation Bonds.

B. General Aviation

We provide reinsurance solutions for a variety of aviation risks including fixed and rotor wing, hangar keepers' liability, airports and aircraft manufacturers. Our teams based in Brisbane, Melbourne and Sydney have the recognised experience across all classes of aviation insurance.

Assetinsure Aviation is also the exclusive aviation insurance underwriting agent of Swiss Re International. This gives Assetinsure the capacity to accommodate very large risks and even multi-year arrangements. We take pride in our claims handling ability. Assetinsure uses dedicated claims staff, experienced loss adjusters and aircraft repairers to get aviation clients back in the air as fast as possible.

C. Professional Indemnity

With Professional Indemnity Insurance (PI), we protect professionals against claims that can jeopardise their business. Assetinsure's service proposition involves easy access to underwriters providing feedback on risk and coverage, speed of policy documentation and responsiveness on claims matters. This also provides our broker partners with a more efficient service option for their clients. In a number of cases, the Company can claim that it has been able to provide a PI Insurance solution where the client has previously been unable to obtain one. We are positive that we can further advance our profile as a leading technical underwriter in this field. Acting as agent for Inter Hannover, a member of the Hannover Re Group, Assetinsure offers indisputable security (currently rated AA-).

D. Credit Enhancement

This cover provides credit protection for lenders who advance funds or lines of credit to medium to large-sized enterprises. In most cases, the policies are supported by tangible collateral. Credit enhancement is also the essential insurance component in the finance program distributed by Assetsecure Pty Limited. More detail on Assetsecure and their finance program is provided in the Assetsecure Pty Limited section below. Assetinsure underwrites and manages the business. As with the PI product, Inter Hannover provides the paper (rated AA- by Standard & Pools).

II. Other Corporate Businesses

A. Property And Engineering

We insure the property risks of Australian companies. Our current portfolio covers a variety of corporate risks including manufacturing, retail centres, hotels, hospitals and office blocks. Our value proposition to brokers is that we facilitate the placement process by allowing direct access to experienced decision makers. Assetinsure writes 60% of its property portfolio either 100% or in a lead capacity. This emphasises the market acceptance gained by the Company since commencing business in 2004.

B. Healthcare Liability

Assetinsure has successfully established a presence in the Healthcare business. Specifically, Assetinsure insures private hospitals and clinics (not individual doctors) on the basis of modern policy wording and specialist underwriting expertise. Through the Healthcare Underwriting Agency (HCUA), we are successfully underwriting risks across Australia that previously had few options but to seek overseas capacity.

III. Agency Business

A. *insure that*

This is a facility for Farm, SME Package and Home Owners business through a network of over 100 intermediaries across mainly rural Australia. Insurance products are made available to the network of intermediaries through the electronic underwriting system "TITEN". If a particular risk fits defined rules, the broker can issue the insurance documents from his office. Assetinsure handles all claims, with individual claims officers assigned to the *insure that* business.

B. SME (Package) Business

Custodian Underwriting Agency (CUA) focuses on SME (Package) Business making use of extensive business experience and well established broker relationships. Activities are focused regionally in metropolitan NSW. In addition, we expect corporate business flowing through to Assetinsure's own property underwriting division to increase as we provide our brokers with Assetinsure capacity across their entire client spectrum.

C. SME Specialty

Specialist Underwriting Agency (SUA) has developed two products that cater for special requirements in the SME market. Business Income Protection Weekly (BIPW) facilitates the take-up, and enhances the value of business interruption protection, for this client group. Market interest in this offering is increasing due to the effectiveness of the product in addressing the needs of clients in loss situations. Excess Crime policies will be in increasing demand as the market hardens and automatic limits provided through underlying property policies are curtailed.

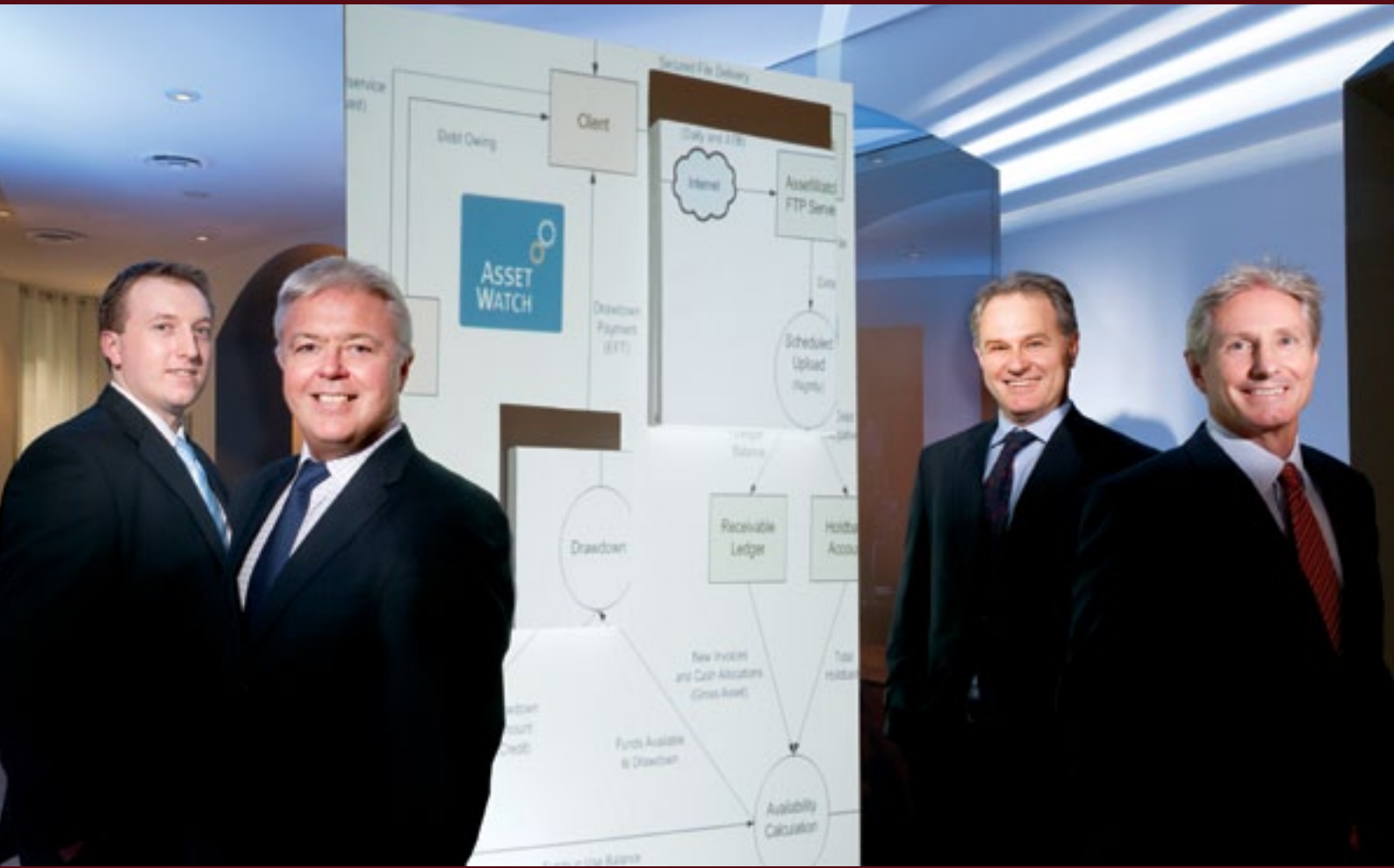
D. Heavy Motor

Specialist Underwriting Agency (SUA) underwrite Motor (Truck) Fleet business mainly on the basis of aggregate deductibles. This business assists in diversifying our portfolio. As a minimum fleet size is imposed, the premium income per account is material and therefore meets our general criteria for corporate business.

E. Private (Enthusiast) Motor

Enthusiast Underwriting Pty Ltd (Enthusiast) was created to support motoring clubs and all motor enthusiasts. The focus of the agency is on individuals with high regard and passion for their motor vehicles. The launch of the new agency is imminent. The agency will cover all states through experienced motor underwriters based in Queensland, Victoria and Western Australia.

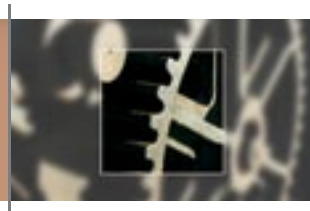
EXECUTIVE MANAGEMENT REPORT



Daniel James, IT Systems Developer

Duncan Alexander, Terry Hartan, Executive Directors, Assetsecure

Martin McConnell, Head of Financial Risk Products



Subsidiary and Associate Businesses

Along with the traditional insurance business, Assetinsure has invested in two distinct businesses with potential to provide substantial value in the future.

Assetsecure Pty Ltd

In the current harsh borrowing environment, particularly for non credit-rated small and medium-sized enterprises, Australian-based companies need to secure alternative funding sources.

Assetsecure is a specialist company providing trade receivable funding to qualifying SMEs. The Assetsecure funding for trade receivables is more effective (higher proceeds) and less intrusive (debtor management retained by clients) compared to the traditional bank alternatives in the market. In delivering this form of finance, the company brings together a combination of third party funding (warehouse banking or capital markets), asset management (verification of trade receivables) and insurances (trade credit and credit enhancement).

In order to fund the future receivable pools for clients, Assetsecure has developed a Floating Rate Note ("FRN") program, which is targeted at investors in the Australian capital markets. The program, which is currently being launched, offers investors a 3 year FRN instrument that will have a AA- credit rating.

Once funding lines are secured, Assetsecure will be able to provide facilities ranging from \$10m to \$100m to mid to large corporations. Given the obvious value proposition offered, we expect the Assetsecure business to grow strongly in the future. This growth will provide substantial benefit to Assetinsure through growing premium and management fee income streams.

It should be highlighted that Assetsecure operates on the asset management IT platform "**AssetWatch**". This allows Assetsecure to apply state-of-the-art asset management and funds control through its access to daily client transaction data and up-to-date cash and outstanding information on each debtor pool. This sophisticated software was developed in-house by Assetinsure's systems development team. It is a unique tool that allows the Assetsecure team to proactively manage client exposure and reduce the "reporting lag risk" that is ever present in the financing of trade receivables. **AssetWatch** is currently considered by a number of banks as the ideal IT platform to utilise when funding trade receivables asset pools. It has been awarded a "superior" (the highest) servicer rating from Australia Ratings.

E X E C U T I V E M A N A G E M E N T R E P O R T



CUMULUS



Cumulus Wines Pty Limited

It is seven years since Cumulus Wines was established by Assetinsure. In 2007, Assetinsure reduced its shareholding to 49% with the majority shareholder being the Berardo Group from Portugal. The Berardos, who are Portugal's largest wine producer, also own a number of vineyards and wine operations in Canada and Spain.

Cumulus Wines is the largest wine producer in the Orange region. In 2010, complementing its existing 508-hectare Cumulus Estate vineyard and its 10,000 tonne winery, the company further expanded its operations by acquiring a new bottling plant.

The Orange region, defined by its high elevation, continental climate and rich volcanic soils, allows Cumulus Wines to produce elegant cool climate wines.

The hard work in building a wine company over the last seven years in the most difficult of environments (drought, wine glut and strong Australian dollar) is paying off with a number of tangible achievements:

- Few, if any, wine companies have developed prominent brands in such a short time frame with ROLLING and CLIMBING now sold in 23 countries
- Within target price points, 5 of our ROLLING and CLIMBING products rank amongst the top 10 brands in Australia; another 5 are within the top 20 brands
- Sales momentum in the USA, New Zealand, Canada, Europe and China is building
- Wine awards include over 346 medals and trophies

We recommend a visit to the Cumulus Wines website www.cumuluswines.com.au.

Board of Assetinsure

Assetinsure has an experienced board of directors. The board is well balanced with only 2 of the 7 directors being executive directors. Meetings are held bimonthly. For efficiency and regulatory compliance purposes, the board has established committees for Audit and Compliance, Investments and Remuneration.

Current Members of the Board are:

John Fahey AC, Chairman, former Premier of NSW and Federal Minister for Finance and Administration. Before entering politics, John practised law as a solicitor. John serves on a number of boards, is President of the World Anti-Doping Agency and Chairman of the Australian Government Reconstruction Inspectorate.

Brian Cairns, Non-Executive Director, has more than 40 years of experience in general insurance and reinsurance including roles as Managing Director of Gerling Global Reinsurance and Scor Re and most recently as General Manager of Australian International Insurance Ltd from 2003 – January 2007. Brian has a Bachelor of Commerce degree and is a fellow of the Chartered Insurance Institute.

Gregor Pfitzer is Assetinsure's Chief Operating Officer and has more than 20 years' experience in general insurance. Prior to joining Assetinsure in July 2003, Gregor was Deputy Managing Director of Gerling Australia Insurance. Gregor holds a degree in Economics from the University of Cologne.

Henricus Sprangers, Non-Executive Director, has more than 25 years' experience in general insurance, including eight years as Managing Director of Lumley General Insurance. Hans has a masters degree in Economics.

Bev Walters, Non-Executive Director, has over 30 years' experience in banking and finance and serves on a number of boards of Australian companies. Bev has a BSc Mining Geology degree, a B.Com Business Administration degree and an MBA.

Peter Wedgwood is Assetinsure's Chief Executive Officer. Peter is a Chartered Accountant with over 25 years in the insurance industry, most particularly in the business of underwriting financial risks.

Volker Weisbrodt, Non-Executive Director, is the Chief Executive Officer at GLOBAL (Germany). Volker has more than 25 years' experience in the general, credit and life insurance industries. He holds a degree in Business Administration and Economics from the University of Cologne.

Christopher Old, (Alternate) Non-Executive Director, is the Managing Director of the GLOBAL Group of Australia Pty Limited and is an alternate director for Volker Weisbrodt. Chris has more than 30 years' experience in the insurance industry. He holds a Bachelor of Business degree and is a fellow of the Australian Society of Certified Practising Accountants and the Chartered Institute of Secretaries.

Directors' Report

The directors present their report together with the financial statements of Assetinsure Pty Limited ("the Company") for the year ended 31 December 2010 and the auditor's report thereon.

Directors

The names of the directors of the Company in office during the year and until the date of signing and their dates of appointment are as follows:

Mr John Fahey – Chairman	(appointed 1 September 2003)
Mr Brian Cairns	(appointed 1 January 2007)
Mr Gregor Pfitzer	(appointed 3 August 2004)
Mr Henricus Sprangers	(appointed 1 September 2003)
Mr Beverley Walters	(appointed 1 September 2003)
Mr Peter Wedgwood	(appointed 1 September 2003)
Mr Volker Weisbrodt	(appointed 1 April 2002)
Mr Christopher Old - Alternate	(appointed 7 December 2010)

Principal activities

The principal activities of the Company during the course of the financial year were of an insurance underwriter, underwriting agent and reinsurance company in run-off.

During 2010 the Company substantially expanded its direct insurance underwriting agency business. There were no other significant changes in the nature of the activities of the Company during the year.

D I R E C T O R S ' R E P O R T



Neil Dempsey, National Manager, Property Danielle Van Agten, Assistant Underwriter
Sue Vidler-Wiechman, National Manager, Claims



Review and results of operations

The profit of the Company after income tax amounted to \$4,946,000 (2009: \$3,821,000). This is a 29% increase in profit and reflects sound performance from all areas of the business during the year.

Direct Insurance

The direct insurance business, comprising the Company's direct insurance underwriting and also underwriting agency activities, grew very strongly in 2010. On a combined basis the gross written premium generated by these two underwriting activities totalled \$83,901,906 (2009: \$54,593,818), an increase of 54% on the previous year.

The area of most significant growth was in business underwritten by the Company as underwriting agent. Under these arrangements, the Company underwrites insurance as agent for several highly rated third party insurers. In doing so, the Company provides underwriting expertise for which it receives fee and expense recovery income and takes a share of the insurance risk and premium by providing reinsurance. The underwriting agency arrangements were successfully established in 2009 initially writing surety, credit enhancement and professional indemnity business. This was expanded in 2010 to also include general aviation.

In 2010, the underwriting agency business generated \$32,646,673 of gross written premium for the insurers it represents (2009: \$6,218,501). The Company's inwards reinsurance share of this premium only, and not the full gross premium amount, is able to be reported as gross written premium revenue in these financial statements. Inwards reinsurance premium income from agency business increased to \$5,749,853 in 2010 from \$891,092 in the previous year.

Direct insurance gross premium written increased by \$2,565,507 to \$51,255,233, an increase of 5% on the previous year (2009: \$48,689,726). During the year, the professional indemnity, aviation and some credit enhancement business, previously underwritten directly by the Company, were transferred into the underwriting agency arrangement. This reduced the direct insurance gross premium written for these business lines and is the reason for the relatively modest growth in direct insurance gross premium overall in 2010. The direct insurance business underwriting performance continued to improve in 2010 with net earned premium increasing by 26% and only a 3% increase in net incurred claims.

Agency fee, cost recovery and other service fee income increased by 168% to \$6,676,000 in 2010 (2009: \$2,488,000). This reflects the substantial growth achieved in the underwriting agency activity during the year and also the continued expansion of the Company's IT services business. IT services fee income is generated from providing the Company's modern insurance administration systems and support to third party users.

Reinsurance run-off

For the reinsurance business, premium adjustments received in 2010 on reinsurance treaties incepting prior to the reinsurance business being placed in run-off on 1 November 2002, produced gross written premium of \$39,441 (2009: \$311,826).

The Company has reserved, in accordance with independent actuarial advice, for outstanding claims incurred and unpaid at year-end. During the year, claims activity in the reinsurance run-off diminished substantially. The claims development that did occur was more favourable than expected and consequently, the Appointed Actuary's year-end Insurance Liability Valuation released \$3,255,000 from IBNR/IBNER to profits (2009: \$3,300,000 release). The reinsurance run-off underwriting result also benefitted from a \$104,000 increase in discount applied to the

Review and results of operations *(continued)*

Reinsurance run-off *(continued)*

outstanding claims liabilities (2009: \$400,000 increase). Overall the reinsurance run-off produced a \$2,008,000 positive contribution to underwriting profits in 2010. As expected, this was a substantial decrease from the \$11,301,000 contribution achieved in 2009. During 2009, several large reinsurance run-off claims were settled for amounts materially below the amount previously reserved for them. Apart from some limited exceptions, the Company also commuted, on very favourable terms, all of its reinsurance contracts with the former HIH Group of Companies (In Liquidation). These factors, which produced the abnormally high reinsurance run-off underwriting result in 2009, were not repeated in 2010.

In the period since the Company was acquired by Assetinsure Holdings Pty Limited, the reinsurance run-off outstanding claims liabilities have been reduced by \$157,766,000 (2009: \$151,100,000) to \$40,804,000 (2009: \$47,470,000).

Investment Activities

The Company's investment activities generated \$6,425,990 of investment revenue during the year (2009: \$91,886 loss). Following the sale in 2009 of the remaining market traded equities, the majority of the Company's investment assets in 2010 comprised cash and bonds. The return on bonds and cash invested in bank deposits improved in 2010. Investments were assessed for impairment at year-end and no impairment adjustments were found to be necessary. In 2009 the Company fully impaired the value of the Company's last remaining Babcock & Brown related investment, its shareholding in Babcock & Brown Rail North America LLC. The resulting \$5,000,000 impairment charge was the reason for the 2009 investment loss.

Dividends

During the year a \$1,000,000 dividend was declared and paid in respect of the previous financial year (2009: \$nil). On 31 March 2011 a \$4,000,000 dividend was proposed by the directors. The dividend has not been provided and has no tax consequences. The financial effect of the dividend has not been brought to account in the financial statements for the year ended 31 December 2010 and will be recognised in subsequent financial reports.

State of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Company during the financial year, other than those disclosed above.

Events subsequent to reporting date

In the interval between the end of the financial year and the date of this report, other than the proposed dividend and events described above, no item, transaction or event of a material and unusual nature has occurred which is likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

Likely developments

The Company expects to be able to meet its financial obligations resulting from all insurance liabilities. The Company will also proceed to further develop its direct insurance business.

Indemnification

The Company has agreed to indemnify the following present and past directors and officers of the Company, Mr P B Wedgwood, Mr B H Walters, Mr G M Pfitzer and Mr J M Hewitt to the full extent permitted by the law, against any liability that may arise from their position as directors of Assetsecure Pty Limited and Cumulus Wines Pty Limited, except where the liability arises due to dishonest or grossly negligent conduct.

Insurance premiums

Since the end of the previous financial year the ultimate holding company, Assetinsure Holdings Pty Limited, paid insurance premiums in respect of the directors' and officers' liability and legal expenses insurance contracts, insuring past and present directors and officers, including executive officers of the Company and directors, executive officers and secretaries of its controlled entities. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

Environmental regulation

The group's operations are not significantly impacted by any environmental regulations under either Commonwealth or State legislation. The group is not aware of any breach of these environmental regulations.

Directors' benefits

During or since the financial period, no director of the Company has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors, by reason of a contract entered into by the Company or a body corporate that was related to the Company when the contract was made or when the director received, or became entitled to receive the benefit, with:

- a director; or
- a firm of which a director is a member; or
- an entity in which a director has a substantial financial interest.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 21 and forms part of the directors' report for the financial year 2010.

Rounding off

The amounts contained in this report and the financial statements have been rounded under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

Signed in accordance with a resolution of the directors:



P B Wedgwood

Director

Dated at Sydney this 31st day of March 2011

A U D I T O R ' S D E C L A R A T I O N



Natalie MacMillan, Claims Controller
Ken Stennett, National Manager, Agencies Kieran Coote, IT Systems Developer

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: The Directors of Assetinsure Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2010 there have been:

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



KPMG



Ian Moyser

Partner

Sydney

31 March 2011

Concise financial report for the financial year ended 31 December 2010

This concise financial report has been derived from the full financial report of Assetinsure Pty Limited and has been prepared in accordance with the Australian accounting standards. The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report. Further information can be obtained from the financial report of Assetinsure Pty Limited.

Statement of comprehensive income for the year ended 31 December 2010

	Note	2010 \$'000	2009 \$'000
Revenue	2	86,043	55,354
Expenses		79,116	50,036
Profit before income tax		6,927	5,318
Income tax expense		1,981	1,497
Profit for the period		4,946	3,821
Other comprehensive income for the period net of income tax		-	-
Total comprehensive income for the period net of tax attributable to members of Assetinsure Pty Limited		4,946	3,821

Discussion and analysis of the statement of comprehensive income

The \$4.9m pre-tax profit generated by the Company in 2010 represents a 30% improvement on the previous year. The high level of growth achieved represents a strong endorsement of the strategies and product initiatives implemented by the Company in the period since the global financial crisis. In 2010 growth and profitability improvements continued to be made across most areas of the business.

The increase in profit in 2010 was primarily attributable to the growth in contribution produced by the Company's direct insurance, underwriting agency and investment activities. Improvements in underlying operating performance were not overshadowed by the large one-off transactions and events that have been a feature of Company results in recent years.

Examples of this in 2009 were the one-off positive profit contribution generated from the commutation undertaken with the HIH Group of companies (In Liquidation) and, on the negative side, the \$5.0m impairment charge needed to be applied to the US equity investment held in Babcock & Brown Rail North America (BBRNA). No similar items occurred in the 2010 year.

Key features of the 2010 result were:

- revenue was up 38% on the previous year before inclusion of reinsurance and other recoveries and up 55% in total
- the combined total of gross premium underwritten by the Company in the direct insurance business and underwritten for other insurers in the underwriting agency business increased by 54% to \$83.9m (2009: \$54.6m)
- net incurred claims expense was below budget although substantially up on the previous year. In 2009 net incurred claims were abnormally low. This was due to the favourable finalisation of several large reinsurance run-off claims during the year along with the impact of the commutation concluded with the HIH Group
- consistent with the very strong growth achieved in the Company's underwriting agency activities, commission and fee income increased by 166% to \$6.6m (2009: \$2.5m)
- investment revenue improved by 31% on 2009 before allowance in that year for the BBRNA impairment charge

Underwriting performance in the active direct insurance and inwards reinsurance business improved substantially during 2010 generating a \$2.0m improvement in underwriting result. However, the business was adversely impacted by a small number of individually large claims. In particular, two large fire claims occurred during the year. The Company does have a relatively conservative and effective reinsurance program in place which contained the impact of these losses to manageable levels. Revenue from reinsurance recoveries and other income in 2010 was up by 178%. The level of increase reflects the impact of the large claims and also the very low reinsurance recoveries in 2009 (which was down 74% on the year before).

In 2009 the Company's business model was enhanced by the addition of an underwriting agency business to the existing direct insurance underwriting and reinsurance run-off management activities. For some products, where the Company has significant underwriting experience and expertise, the market requires policies to be issued by entities with high credit ratings. In the post global financial crisis environment, the Company recognised that achieving a credit rating that appropriately reflects its financial strength and strong solvency would be difficult. To address this issue, over the last two years underwriting agency relationships have been established with two highly rated third party insurers that allow the Company to underwrite these products as their underwriting agent.

Discussion and analysis of the statement of comprehensive income *(continued)*

Agencies for Surety and Professional Indemnity commenced operation in 2009 with Credit Enhancement and Aviation added in 2010. Gross premium written by the agency business grew from \$5.9m in 2009 to \$32.6m in 2010. Further substantial growth is forecast in 2011 as new Surety product initiatives are implemented and the Aviation agency, which commenced operation in May 2010, contributes for the full year.

Under the agency arrangements the Company issues policies backed by AA- and A+ credit rated insurers. It generates commission and fee income from the process and also inwards reinsurance premium by providing reinsurance for a portion of the risk. The inwards reinsurance capacity provided is generally calibrated to the net retentions which normally apply in the direct insurance business. In most cases this removes the need for any further reinsurance/retrocession.

During 2010, activity in the reinsurance run-off declined substantially. This business comprises reinsurance treaties incepting prior to 1 November 2002 and so, by 2010 had been in run-off for more than seven years. During 2010 this business continued to run-off profitably.

Investment income provided a positive contribution to profits in 2010. During the year, the more conservative investment strategy implemented in the previous year produced less volatile and consistently positive investment results. Improved bond returns and the absence of equity investment losses were the reasons. Apart from equity investments in related entities, the Company no longer has any equity investments.

Services revenue also includes fees generated from providing the Company's "Graile" Insurance Administration Systems and support to third party users. After growing strongly in 2009, this revenue declined slightly in 2010 as user requirements for the systems changed. Several new systems users were signed up during 2010 and this will generate revenue growth in 2011.

Total expenses increased by 58% in 2010, however this was largely due to business growth and the increased gross claims expense generated by the large claims discussed above. Reinsurance expenses increased broadly in line with the increase in premium written during the year. Underwriting expenses, however, almost doubled to \$7.4m (2009: \$3.8m). This was mainly due to increased brokerage, commission and Emergency Services/Fire Services Levies incurred associated with the growth in premium written through the *insure that* underwriting agency. The Company commenced underwriting *insure that's* rural portfolio in the second half of 2009 and so 2010 was its first full year of operation. Profit commission reductions in the reinsurance run-off in 2009 also reduced the previous year's expense.

Staff and overhead expenses increased by 11.8% in 2010, driven by staff increases, mainly supporting the growing underwriting agency business.

Statement of changes in equity for the year ended 31 December 2010

	Note	Issued capital	Retained (loss) / earnings	Total
Balance at 1 January 2009		63,500	(7,475)	56,025
Capital Reduction paid		(13,500)	-	(13,500)
Total transaction with owners		(13,500)	-	(13,500)
Profit for the year		-	3,821	3,821
Other comprehensive income		-	-	-
Total comprehensive income of the year		-	3,821	3,821
Balance at 31 December 2009		50,000	(3,654)	46,346
Balance at 1 January 2010		50,000	(3,654)	46,346
Dividends paid	3	-	(1,000)	(1,000)
Total transactions with owners		-	(1,000)	(1,000)
Profit for the year		-	4,946	4,946
Other comprehensive income		-	-	-
Total comprehensive income of the year		-	4,946	4,946
Balance at 31 December 2010		50,000	292	50,292

Statement of financial position as at 31 December 2010

	2010 \$'000	2009 \$'000
Current assets		
Cash and cash equivalents	5,707	6,473
Trade and other receivables	20,450	16,032
Reinsurance and other recoveries receivable	11,612	17,186
Deferred acquisition costs	3,722	3,178
Investments	39,905	27,419
Current tax assets	270	218
Deferred reinsurance expense	15,529	16,014
Total current assets	97,195	86,520
Non-current assets		
Trade and other receivables	1,000	1,000
Reinsurance and other recoveries receivable	12,047	12,878
Investments	49,825	64,264
Property, plant and equipment	8,934	9,010
Intangible assets	2,717	2,286
Deferred tax assets	-	422
Total non-current assets	74,523	89,960
Total assets	171,718	176,480
Current liabilities		
Trade and other payables	18,355	14,749
Current tax liabilities	122	125
Outstanding claims liabilities	25,959	43,106
Unearned premium liabilities	30,888	27,805
Total current liabilities	75,324	85,785
Non-current liabilities		
Outstanding claims liabilities	45,885	44,349
Deferred tax liabilities	217	-
Total non-current liabilities	46,102	44,349
Total liabilities	121,426	130,134
Net assets	50,292	46,346
Equity		
Issued capital	50,000	50,000
Retained earnings / (loss)	292	(3,654)
Total equity	50,292	46,346

Discussion and analysis of the statement of financial position

In 2010 the Company maintained and further strengthened the strong solvency position established in previous years. Reinsurance run-off claims continue to be settled reducing the capital required to support this business. Enhanced capital efficiency has also been achieved through the Company underwriting some business lines as an agent and reinsurer rather than as a direct insurer with reinsurance support. This is a growing area of the business. For this business, capital is only required to support the portion of the risk retained by the Company rather than the full amount, as is the case for direct insurance written.

In 2010 the APRA Capital Coverage Ratio "CCR" strengthened to be 2.09 times (2009: 2.03 times) Minimum Capital Required at year-end after allowing for the proposed 2010 dividend payment (refer note 3). As such, the Company continues to be a well capitalised insurer in the Australian market.

Trade and other receivables outstanding at year-end increased 26% on the previous year. Trade receivables component increased by 34%. This is consistent with the increase in revenue (excluding reinsurance recoveries) achieved in 2010 along with some changes in inwards reinsurance premium settlement terms agreed during the year. The increase in trade receivables was partially offset by lower related party receivables at year-end.

The non-current classification of \$1.0m of trade receivables reflects the extended settlement terms agreed for a debt due from Cumulus Wines Pty Limited, the related wine production and distribution company.

Reinsurance and other recoveries receivable at year-end were 21% lower than in 2009. As noted in the analysis of the income statement, reinsurance recoveries income increased substantially in 2010 due primarily to two large fire claims. However, these claims were finalised during the year and so do not contribute to the receivable balance. Reinsurance recoveries related to another large fire claim from a prior year were also settled during 2010, further reducing the balance receivable at year-end.

Deferred acquisition costs increased by 17% in 2010. This was higher than the increase in premium written as in 2010, a higher proportion of direct insurance premium was sourced from third party underwriting agencies, the *insure that* agency in particular. The acquisition costs for premium written through underwriting agencies is higher due to the agency commission incurred.

Deferred reinsurance expense outstanding decreased slightly (3%) on 2009. During the year, Aviation and some Professional Indemnity business was transferred from the direct insurance to the underwriting agency business. The resulting direct insurance premium reduction offsets the majority of the growth from the other direct insurance lines achieved during the year. Consequently, there has been little change in deferred reinsurance expense.

At year-end 82% of investment funds were invested in cash deposits, highly rated government and corporate bonds. The majority of investments are liquid so even large fluctuations in claim settlement funding requirements can be comfortably accommodated.

Trade and other payables increased by 24% in 2010. This was mainly the result of increased income tax related transfers to the holding company. The Company is a member of a tax consolidated group for which Assetinsure Holdings Pty Limited is the head company. In 2010 the Company continued to utilise previous year tax losses held by the Group. Group tax sharing/funding arrangements require the Company to reimburse the holding company for the Group tax benefit utilised.

Outstanding claims liabilities at year-end were 18% lower than the previous year. Part of the reduction was due to the ongoing process of settling claims in the reinsurance run-off. However, 10% of the decrease was in the direct insurance outstanding claims. This is for the same reasons as the reduction in reinsurance recoveries commented on above.

The phasing of premium written in 2010 was very similar to the previous year. At year-end 54% of 2010 gross written premium was unearned (2009: 56%).

At year-end claims liabilities have been valued in accordance with the recommendation of the Appointed Actuary, applying a 75% level of confidence.

Statement of cash flows for the year ended 31 December 2010

	2010 \$'000	2009 \$'000
Cash flows from operating activities		
Cash receipts from customers	58,940	52,936
Reinsurance and retrocession premiums paid	(32,462)	(28,759)
Claims paid	(43,521)	(43,971)
Reinsurance and retrocession claim recoveries	26,223	14,819
Interest received	4,796	6,301
Dividends received	-	195
Income tax paid	(1,356)	(838)
Goods and services tax paid	(1,558)	(787)
Other underwriting expenses paid	(8,324)	(3,141)
Other operating income received	6,671	3,121
Payments to suppliers and employees	(10,389)	(11,089)
	<u>(980)</u>	<u>(11,213)</u>
Net cash (used in) operating activities		
Cash flows from investing activities		
Proceeds from sale of investments	55,611	70,322
Purchase of investments	(50,062)	(44,049)
Purchase of intangible assets	(757)	(785)
Purchase of property, plant and equipment	(343)	(134)
	<u>4,449</u>	<u>25,354</u>
Net cash provided by investing activities		
Cash flows from financing activities		
Issue/(reduction) of share capital	-	(13,500)
Dividends paid	(1,000)	-
	<u>(1,000)</u>	<u>(13,500)</u>
Net cash (used in) financing activities		
Net increase in cash held	2,469	641
Cash at the beginning of the financial year	10,965	10,324
Cash at the end of the financial year	<u>13,434</u>	<u>10,965</u>

Discussion and analysis of the statement of cash flows for the year ended 31 December 2010

Net cash used by operating activities decreased significantly in 2010. This improvement highlights the increasing size and cash generation capability of the growing active insurance businesses. In previous years, cash flows have been dominated by the operating cash needs, and related investment activity, of the reinsurance run-off. While the Company still continues to manage and progressively settle a substantial portfolio of run-off claims, cash flows associated with this business declined considerably in the 2010 year. Although operating cash flows includes close to \$5.0m of run-off claims paid in 2010, positive operating cash flows from the active direct insurance and underwriting agency businesses largely offset this outflow.

Cash receipts from customers and reinsurance and retrocession payments both increased broadly in line with the increase in premium written during the year.

Claim payments decreased slightly on 2009 in total, however the proportion of direct insurance claim payments increased. As mentioned in the discussion and analysis of the income statement and balance sheet, two large fire claims incurred during the year were settled along with another large fire related claim from a previous year. These settlements and their related reinsurance recoveries are the reason reinsurance recovery cash inflows increased in 2010 and claim payments didn't decline in line with the decreasing activity in the reinsurance run-off. Reinsurance run-off claim payments were high in 2009 due mainly to the HIH commutation completed during that year.

Underwriting expense payments increased as the proportion of direct insurance business written through third party agencies, *insure that* rural portfolio in particular, increased. *insure that* underwrites rural business with premium including higher Emergency Management and Fire Services Levies components.

Increased other operating income received reflects the growth in business underwritten by the Company as an underwriting agent for other insurers.

Expense control remained a focus in 2010. The level of cash flows arising from payments to suppliers and employees is affected by the flow of funds between the Company and its parent company, Assetinsure Holdings Pty Limited. All employees and the majority of suppliers are paid by the parent company with the cost passed on to the Company through parent company charges. The timing of settlement of these charges is dependent on the funding needs of the parent company. During 2010 the reduced payments were made with a corresponding increase in the balance payable to Assetinsure Holdings at the end of the year.

In 2009 the high level of reinsurance run-off claim settlement, including the HIH commutation, and the \$13.5m capital reduction undertaken, resulted in the need for funding at a level well above the cash provided by operating activities. These funds were provided through the sale of investments. In 2010, lower reinsurance run-off claim settlements and improved operating cash flows resulted in a \$20.7m reduction in cash being withdrawn from the Company's investment portfolios.

Notes to the concise financial report for the year ended 31 December 2010

1 Basis of preparation of concise financial report

The concise financial report has been prepared in accordance with the Corporations Act 2001, Accounting Standard AASB 1039: Concise Financial Reports. The financial statements and specific disclosures required by AASB 1039 have been derived from the Company's full financial report for the financial year. Other information included in the concise financial report is consistent with the Company's full financial report. Assetinsure Pty Limited (the "Company") is a company domiciled in Australia.

The report has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets. These accounting policies have been consistently applied and are consistent with those applied in the previous year. The report has been presented in Australian dollars.

A full description of the accounting policies adopted by the Company may be found in the Company's full financial report.

	2010 \$'000	2009 \$'000
2 Revenue		
(a) Revenue from insurance activities		
Direct insurance		
Gross written premiums	51,255	48,690
Movement in unearned premium	434	(2,992)
Premium revenue – direct insurance	<u>51,689</u>	<u>45,698</u>
Inwards reinsurance		
Gross written premiums	5,789	1,203
Movement in unearned premium	(3,517)	(800)
Premium revenue – inwards reinsurance	<u>2,272</u>	<u>403</u>
Total premium revenue	53,961	46,101
Reinsurance and other recoveries revenue	<u>18,982</u>	<u>6,815</u>
Total insurance revenue	<u>72,943</u>	<u>52,916</u>
(b) Revenue from other activities		
From operating activities:		
Services revenue		
Services – other corporations	6,639	2,488
Services – related corporations	35	41
Investment revenue		
Dividends – other corporations	-	191
Interest – other corporations	5,720	5,493
Rent – other corporations	367	361
Rent – wholly owned group	56	56
Realised gain on sale of investments	154	(10,512)
Change in fair market value of investments	129	4,320
Total revenue from other activities	<u>13,100</u>	<u>2,438</u>

	2010 \$'000	2009 \$'000
2 Revenue (continued)		
(c) Total revenue from all activities		
Insurance activities	72,943	52,916
Other activities	13,100	2,438
	<u>86,043</u>	<u>55,354</u>
3 Dividends		
Dividends proposed and paid in the current year	<u>1,000</u>	-

The Company is part of a consolidated group for income tax. The ultimate parent entity, Assetinsure Holdings Pty Limited, is the head company in the group. Dividends paid within the tax consolidated group are not taxable when received by the recipient. The entitlement to all franking credits generated by the Company during the year rests with the head company.

After the balance sheet date an 8 cents per share (\$4,000,000) dividend was proposed by the directors. The proposed dividend payment date is 5 April 2011. The dividend has not been provided for and has no tax consequences. The financial effect of the dividend has not been brought to account in the financial statements for the year ended 31 December 2010 and will be recognised in subsequent financial reports.

4 Segment reporting

The Company operates in a single segment, the general insurance segment in Australia.

5 Events subsequent to balance date

On 31 March 2011, the directors proposed a dividend of \$4,000,000 (2009: \$1,000,000).

Between 31 December 2010 and the date of this report eight catastrophic events have occurred in areas of Australia and New Zealand in which the Company operates. They include the Lockyer Valley, Ipswich and Brisbane floods, cyclones Anthony and Yasi, the regional flooding in Victoria and the Christchurch earthquake. These are considered non-adjusting events under AIFRS and therefore, the impact of the events are not reflected in the financial statements. The Company has received an increased level of claims due to these events, however, the geographic spread and low concentration of assets insured by the Company in the areas affected has limited their impact. The Company has substantial proportional and catastrophe reinsurance protection. Current estimates indicate that the impact of the events is not expected to exceed \$5,000,000 before reinsurance recoveries and \$1,250,000 after reinsurance recoveries are taken into account.

There are no other material events occurring after balance date that the Company is aware of as at the date of this report.

D I R E C T O R S ' D E C L A R A T I O N



Peter Freeman, National Business Development Manager, Aviation
Peter Lyon, Senior Leader, Aviation

Directors' Declaration

In the opinion of the directors of Assetinsure Pty Limited, the accompanying concise financial report of the Company for the year ended 31 December 2010, set out on pages 22 to 33:

- (a) has been derived from or is consistent with the full financial report for the financial year; and
- (b) complies with the Accounting Standard AASB 1039 "Concise Financial Reports". 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:



A handwritten signature in black ink, appearing to read 'P B Wedgwood', is written above a horizontal line. A long arrow points from the end of the signature back to the start of the line.

P B Wedgwood

Director

Dated at Sydney this 31st day of March 2011

Independent auditor's report to the members of Assetinsure Pty Limited

Report on the concise financial report

We have audited the accompanying concise financial report of Assetinsure Pty Limited (the Company) which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and related notes 1 to 5 derived from the audited financial report of Assetinsure Pty Limited for the year ended 31 December 2010 and the discussion and analysis. The concise financial report does not contain all the disclosures required by Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

Directors' responsibility for the concise financial report

The directors of the Company are responsible for the preparation and presentation of the concise financial report in accordance with Australian Accounting Standard AASB 1039 *Concise Financial Reports* and the *Corporations Act 2001* and for such internal control as the directors determine are necessary to enable the preparation of the concise financial report.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements. We have conducted an independent audit in accordance with Australian Auditing Standards, of the financial report of Assetinsure Pty Limited for the year ended 31 December 2010. We expressed an unmodified audit opinion on the financial report in our report dated 31 March 2011. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the risk of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise financial report in order to design procedures, that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Australian Accounting Standard AASB 1039 Concise Financial Reports and whether the discussion and analysis complies with the requirements laid down in Australian Accounting Standard AASB1039 Concise Financial Reports.

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

Independence

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

Auditor's opinion

In our opinion, the concise financial report, including the discussion and analysis, of Assetinsure Pty Limited for the year ended 31 December 2010 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.



KPMG



Ian Moyser

Partner

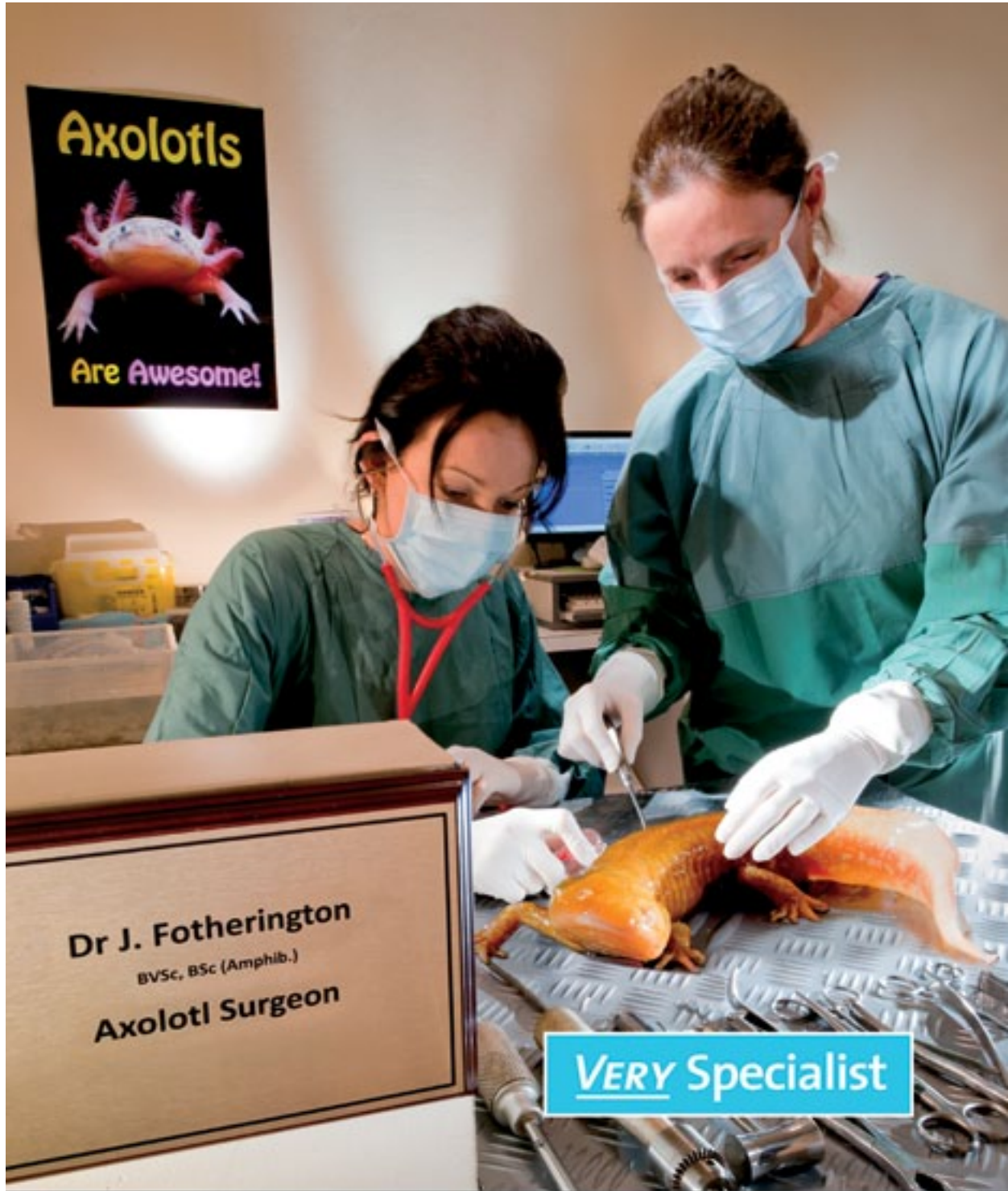
Sydney

31 March 2011

2010 Advertising Campaign

With constant growth in new product lines, Assetinsure has led the way in the Australian specialist insurance market.

Our latest advertising campaign focuses on the fact that Assetinsure doesn't do everything. But what we do, we do well. We are the innovators in specialist insurance.



Assetinsure doesn't do everything. But what we do, we do well. Our underwriters have the seniority, experience and authority to give you timely responses and decisions. Each year we are adding new products. We are the innovators in specialist insurance. www.assetinsure.com.au

AVIATION. FINANCIAL RISKS. HEALTHCARE. MOTOR. PROFESSIONAL RISKS. PROPERTY. SME SPECIALTY & BUSINESS PACKS. SURETY.

asset
insure

Underwriters who can make a decision



MISTER EGGPLANTS

VERY Specialist

Assetinsure doesn't do everything. But what we do, we do well. Our underwriters have the seniority, experience and authority to give you timely responses and decisions. Each year we are adding new products. We are the innovators in specialist insurance. www.assetinsure.com.au

AVIATION. FINANCIAL RISKS. HEALTHCARE. MOTOR. PROFESSIONAL RISKS.
PROPERTY. SME SPECIALTY & BUSINESS PACKS. SURETY.

asset
insure

Underwriters who can make a decision



VERY Specialist

Assetinsure doesn't do everything. But what we do, we do well. Our underwriters have the seniority, experience and authority to give you timely responses and decisions. Each year we are adding new products. We are the innovators in specialist insurance. www.assetinsure.com.au

AVIATION. FINANCIAL RISKS. HEALTHCARE. MOTOR. PROFESSIONAL RISKS. PROPERTY. SME SPECIALTY & BUSINESS PACKS. SURETY.

asset
insure

Underwriters who can make a decision



Adam Vines, National Claims Controller Nicola Dress, Senior Underwriter, Agencies
Alex Cicco, Senior Accountant

*We aim to create value for our stakeholders
by delivering innovative specialist insurance
solutions to the business community.*

*We differentiate ourselves by engaging
experienced and disciplined professionals who
can make a decision.*

Assetinsure Pty Ltd
ABN 65 066 463 803
www.assetinsure.com.au

Sydney
44 Pitt Street
Sydney NSW 2000
Australia
T (02) 9251 8055
F (02) 9251 8061

Melbourne
330 Collins Street
Melbourne Vic 3000
Australia
T (03) 8602 6300
F (03) 9606 0035

Brisbane
324 Queen Street
Brisbane Qld 4000
Australia
T (07) 3051 5005
F (07) 3051 5099