Ansvar Insurance Limited

ACN 007 216 506

Annual Financial Report for the year ended 31 December 2012

ANSVAR INSURANCE LIMITED

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ANSVAR INSURANCE LIMITED

CORPORATE INFORMATION

ABN 21 007 216 506

Directors
Nicholas Barnett, Chairman
Andrew Moon, Chief Executive Officer
Bruce Harris
Jennifer George
Trevor Lloyd (Appointed 9 February 2012)
Michael Tripp
Steve Wood, Alternate Director (Resigned 2 January 2013)
David Harrison (Resigned 19 April 2012)
Wayne Goodall (Resigned 17 July 2012)

Company Secretary
Deirdre Blythe (Appointed 20 August 2012)

Registered Office & Principal Place of Business
Level 12
Ansvar House
432 St Kilda Road
Melbourne
VIC 3004
Phone: (03) 8630 3100

Auditors
Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne
VIC 3000

DIRECTORS' REPORT

The directors of Ansvar Insurance Limited ("Ansvar Australia") submit their report for the year ended 31 December 2012.

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Nicholas Barnett B.Ec, ACA, MAICD Chairman	Nicholas joined the board in July 2010. He has 30 years experience as a Chartered Accountant and Business Consultant and is currently Chief Executive Officer of Insync Surveys, benchmarked stakeholder survey and consulting specialists. He is a former Partner of KPMG and has been Chief Executive Officer of Ambit Group (IT Recruitment Specialists). He is also a co-founder and director of Board Benchmarking Australia Pty Ltd. Mr Barnett is also a non-executive Director of Mission Australia Limited and was formerly a Director (and Chairman) of First Samuel Limited.
Andrew Moon M.B.A. Director	Andrew is the CEO of Ansvar Insurance Ltd in Australia and joined the board in August 2010. Prior to commencing with Ansvar Insurance, Andrew held leadership roles in financial and corporate services in Australia and overseas. He is an accomplished senior executive working at CEO and GM level in a number of organisations including Tower Life's Australian operations, Colonial State Bank, First Chicago's Australian operations and Wardley Hong Kong. Andrew is also a director and the CEO of ACS (NZ) Ltd, and is the former Chair of the Parkinson's Association of Australia.
Bruce Harris CA, CPA, ACIS Director	Bruce was appointed to the Board in 2005. Bruce is a former insurance executive director with experience in financial management, strategy, governance, compliance and risk management. He is also the Executive Officer of Ridley Melbourne Mission & Ministry College, a Director of ACS (NZ) Ltd and a Director of Arrow Leadership Australia Ltd.
Jennifer George PhD (Stanford) BSc (Hons) (Canterbury) Director	Jenny was appointed to the board in July 2010. Jennifer has been a faculty member at the Melbourne Business School since 1998. Her academic and professional interests are in mathematical modeling and management education. Jenny is a member of the Australian Institute of Company Directors and was a director of Ridley Melbourne Mission and Ministry College from 2007 until 2012.
Trevor Lloyd BA, LLB, FAICD Director (Appointed 9 February 2012)	Trevor joined the board in February 2012. Trevor has over 30 years experience as a corporate and commercial lawyer and has extensive experience as a senior manager in both legal practice and in a corporate context. Past directorships have included appointments in the AXA group, with Members Equity and with the Victorian Managed Insurance Authority. Trevor currently advises independently as a lawyer, negotiator and management consultant.
Michael Tripp B.Sc., ARCS, FIA Director Group Chief Executive	Michael has been on the Board since 2007. He is the Group Chief Executive, Ecclesiastical Group plc based at the Head Office in Gloucester, UK. Prior to commencing with Ecclesiastical, Michael was a partner with the global professional services practice, Ernst & Young and Watson Wyatt. A qualified actuary, he has more than 30 years experience in the insurance industry. He is also a director of ACS (NZ) Ltd.
Steve Wood BSc (Hons), FCII, Chartered Insurer Director (Resigned 13 October 2011) Alternate Director (Resigned 2 January 2013)	Steve joined the Board in October 2009. He is Managing Director for UK and Ireland at the Ecclesiastical Insurance Group, where he has been an executive director since January 2005. Steve is executive director responsible for corporate social responsibility at Ecclesiastical and is also heavily involved with Business in the Community. He has over 30 years of experience in general insurance, financial services and healthcare markets.

DIRECTORS' REPORT

David Harrison FNZIM Director (Resigned 19 April 2012)	David resigned as a director on 19 April 2012 having been a Board Member since 2001. David has extensive experience in insurance. He is the former Chairman and Chief Executive of Marsh Ltd in New Zealand and the Pacific Islands and a member of the international team of Managing Directors, is Chairman of Aviation Co-operating Underwriters Pacific Ltd and has extensive interest at board level in the Charitable and Not for Profit sectors
Wayne Goodall ANZIIF (Fellow), CIP, Dip of Bus Executive Director (Resigned 17 July 2012)	Wayne resigned as a director on 17 July 2012. Wayne was the Chief Operating Officer of Ansvar Insurance Ltd in Australia and New Zealand and was appointed Executive Director in December 2011. Wayne joined Ansvar Insurance in 1998 as Claims Manager Australasia. He was more recently involved with and part of Victorian Bushfire Reconstruction Authority and has also been appointed to a number of committees within the Insurance Council of Australia. As a qualified Insurance Professional, Wayne has 39 years experience in the insurance industry.

As at the date of this report, the directors held no interests in the shares and options of Ansvar Australia.

Company Secretary

Deirdre Blythe BSc, FCA, FAICD Company Secretary (Appointed 20 August 2012)	Deirdre is the Chief Financial Officer of Ansvar Insurance Ltd in Australia and became Company Secretary in August 2012. Prior to joining Ansvar, Deirdre held a number of senior finance roles in Australia and overseas, including at BUPA, where she was CFO of several health insurance subsidiaries, including the expatriate and Australian insurance businesses and Executive Director, Finance at Alfred Health. Deirdre is also a member of the Finance, Audit Risk and Compliance Committee at Cancer Council Victoria.

DIRECTORS' REPORT

Principal activities

Ansvar Australia is a company limited by shares that is incorporated and domiciled in Australia. The Group's principal activities in the financial year consisted of the provision of general insurance products and administering claims run-off for ACS (NZ) Limited ("ACS") under a management services agreement. Other than the administration of claims run-off for ACS, there have been no significant changes in the nature of these activities during the year.

Review of operations

Ansvar Australia continues to operate as a specialist insurer in the Faith, Care, Heritage, Education and Community Service sectors, primarily offering tailored commercial property and liability insurance products. The company also continued to participate in its Community Education Program by providing further grants of $288,500 during the year, along with sponsorship of charitable programs.

The company delivered a profit before tax of $3,025k for the year. This was mainly driven by a combination of relatively benign claims experience, strong investment returns and a significant one-off profit from a transaction to reinsure certain historical liability claims with Ansvar's UK parent, partially offset by high reinsurance costs. 2012 was also a year of significant change for Ansvar Australia with key accomplishments including the exit from personal lines business and disposal of ACS.

As described in the previous year's financial statements, effective 1 January 2012, ACS, Ansvar's former New Zealand subsidiary, was closed to new business and from that date the company operated solely as a claims management business. As a result of the changes in the business the following changes were made to the corporate ownership of ACS:

- On 29 March 2012, ACS issued 100,000 new shares at $1.00 each to the ultimate parent company, Ecclesiastical Insurance Office plc ("Ecclesiastical");
- On 14 May 2012, ACS issued 10 million ordinary shares to Canterbury Earthquake Church and Heritage Trust (CECH) at NZ$ 1 per share; and
- On 15 May 2012, CECH acquired the existing share capital of ACS from Ansvar (1,600,000 shares) and Ecclesiastical (100,000 shares) for consideration of $1 to each party.

From 16 May 2012, Ansvar Australia no longer controlled ACS and the company ceased to be a subsidiary of Ansvar Australia. In accordance with a management services agreement, Ansvar Australia now performs certain management services for ACS with key business decisions being made by the ACS Board of Directors.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to above.

Subsequent events

Subsequent to 31 December 2012, Ansvar was impacted by the significant flooding in Queensland which occurred in late January 2013. The gross claims cost for the event has been estimated to be $6.9 million with a net claims cost after reinsurance recoveries of $2.5 million. Whilst the event will have an impact on operating results for 2013, it will not significantly impact ongoing operations given Ansvar's strong financial position.

There has been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the Company's operations in future financial years, the results of those operations or the Company's state of affairs in future financial years.

Future developments

Disclosure of information regarding likely developments in the operations of the entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Dividends

No dividend was recommended for the year ended 31 December 2012 (2011: $Nil).

DIRECTORS' REPORT

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, eight board meetings, six audit committee meetings, and four nominations and remuneration committee meetings were held. The Investment Committee ceased in December 2011 and there were therefore no investment committee meetings during the financial year.

Directors	Board		Audit, Risk and Compliance Committee		Nominations and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
N S Barnett	8	8	6	6	4	4
A M Moon	8	8	n/a	n/a	n/a	n/a
B G Harris	8	8	6	6	n/a	n/a
J George	8	8	6	6	n/a	n/a
T Lloyd	8	7	6	5	4	4
M Tripp	8	7	n/a	n/a	4	2
S Wood*	1	0	n/a	n/a	n/a	n/a
D Harrison*	3	2	n/a	n/a	n/a	n/a
W Goodall*	5	3	n/a	n/a	n/a	n/a

* Indicates that the Director was either appointed or resigned during the period.

Indemnification of officers and auditors

The Company's Constitution (rule 104) provides an indemnity to every director, manager or officer of the Company, consistent with the provisions of the Corporations Act 2001 (Cwth). During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such officer or auditor.

Environmental regulations

The operations of the Company are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known breaches of any environmental requirements applicable to the Company.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 7 of the financial report.

Rounding Off Of Amounts

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

Signed in accordance with a resolution of the directors made pursuant to s298(2) of the Corporations Act 2001.

On behalf of the Directors

N S Barnett
Chairman

B G Harris
Director

Melbourne
7 March 2013

Deloitte.

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The Board of Directors
Ansvar Insurance Limited
Level 12, 432 St Kilda Road
Melbourne VIC 3004

7 March 2013

Dear Directors,

INDEPENDENCE DECLARATION - ANSVAR INSURANCE LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Ansvar Insurance Limited.

As lead audit partner for the audit of the financial statements of Ansvar Insurance Limited for the financial year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Caldwell
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of Ansvar Insurance Limited

We have audited the accompanying financial report of Ansvar Insurance Limited ("the Company"), which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 10 to 62.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 financial report that gives a true and fair view, in order to design audit 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Ansvar Insurance Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Ansvar Insurance Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2012 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 7 March 2013

ANSVAR INSURANCE LIMITED

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Ansvar Insurance Limited, the Directors declare that:

1. In the opinion of the Directors:

   a. The financial statements and notes of Ansvar Insurance Limited for the financial year ended 31 December 2012 are in accordance with the Corporations Act 2001, including:

      i. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of is performance for the year ended on that date; and

      ii. Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   b. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and

   c. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 31 December 2012.

On behalf of the Board of Directors

N S Barnett
Chairman

B G Harris
Director

Melbourne
7 March 2013

ANSVAR INSURANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		Consolidated		Company	
	Note	2012 $'000	2011 Restated $'000	2012 $'000	2011 Restated $'000
Direct premium revenue	7(a)	111,841	138,319	111,841	138,319
Outwards reinsurance premium expense		(75,787)	(77,196)	(75,787)	(77,196)
Net premium revenue		**36,054**	**61,123**	**36,054**	**61,123**
Gross claims incurred	20	(54,675)	(136,255)	(54,675)	(136,255)
Reinsurance and other recoveries	7(a)	42,662	92,610	42,662	92,610
Net claims incurred	20	**(12,013)**	**(43,645)**	**(12,013)**	**(43,645)**
Acquisition costs		(22,418)	(31,418)	(22,418)	(31,418)
Fire service levy expenses		(10,750)	(10,516)	(10,750)	(10,516)
Underwriting expenses		**(33,168)**	**(41,934)**	**(33,168)**	**(41,934)**
Commission revenue	7(a)	11,117	11,802	11,117	11,802
Underwriting result		**1,990**	**(12,654)**	**1,990**	**(12,654)**
Interest and dividend revenue	7(a)	10,054	11,585	10,054	11,585
Changes in fair value of investments					
- Realised gains /(losses)on investments	7(a)	439	329	(321)	329
- Unrealised gains/(losses) on investments	7(a)	2,594	2,847	2,594	2,847
Other operating income	7(a)	866	354	866	354
Finance costs		-	(229)	-	(229)
General and administration expenses		(12,158)	(6,432)	(12,158)	(6,432)
		1,795	**8,454**	**1,035**	**8,454**
Profit/(loss) for the year before income tax from continuing operations		**3,785**	**(4,200)**	**3,025**	**(4,200)**
Income tax (expense) /benefit relating to ordinary activities	8	(939)	1,251	(939)	1,251
Profit/(loss) for the year from continuing operations		**2,846**	**(2,949)**	**2,086**	**(2,949)**
Loss after tax for the year from discontinued operations	6(a)	(491)	(7,443)	-	-
Loss recognised on disposal of discontinued operations	6(b)	(1,559)	-	-	-
Profit/(Loss) for the year		**796**	**(10,392)**	**2,086**	**(2,949)**
Other comprehensive income					
Exchange differences arising from translation of foreign operations		1,291	90	-	-
Gain on revaluation of property		-	49	-	49
Total comprehensive income/(loss) for the year		**2,087**	**(10,253)**	**2,086**	**(2,900)**

The above Statements of Comprehensive Income are to be read in conjunction with the notes to the financial statements.

The Statements of Comprehensive Income for the year ended 31 December 2011 have been restated to separately present the profit/loss from ACS, a discontinued operation.

ANSVAR INSURANCE LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

		Consolidated		Company	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Assets					
Cash and cash equivalents	31(a)	16,969	44,777	16,969	40,184
Investments	13	171,041	149,974	171,041	150,311
Trade and other receivables	11	45,145	135,165	45,145	51,845
Current tax assets	8	-	3	-	3
Deferred expenses	12	10,101	30,965	10,101	30,965
Reinsurers' share of outstanding claims liabilities	14	36,415	558,061	36,415	46,834
Property, plant and equipment	15	2,051	2,539	2,051	2,539
Deferred tax assets	8	7,282	7,834	7,282	7,834
Intangible assets	16	224	333	224	333
Total Assets		**289,228**	**929,651**	**289,228**	**330,848**
Liabilities					
Trade and other payables	17	15,160	28,070	15,160	17,406
Current tax liabilities	8	-	-	-	-
Unearned premium liability	22	49,171	61,154	49,171	61,154
Deferred revenue	18	415	4,427	415	4,427
Provisions	19	1,964	2,203	1,964	2,046
Deferred tax liabilities	8	2,268	1,885	2,268	1,885
Unexpired risk liability	23	1,972	-	1,972	-
Outstanding claims liabilities	21	143,992	762,020	143,992	174,038
Total Liabilities		**214,942**	**859,759**	**214,942**	**260,956**
Net Assets		**74,286**	**69,892**	**74,286**	**69,892**
Equity					
Issued capital	26	7,308	5,000	7,308	5,000
Reserves		469	(821)	469	469
Retained earnings		66,509	65,713	66,509	64,423
Total Equity		**74,286**	**69,892**	**74,286**	**69,892**

The above Statements of Financial Position are to be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Consolidated				
	Fully paid ordinary shares $'000	Asset revaluation reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2011	**5,000**	**421**	**(1,381)**	**76,105**	**80,145**
Loss for the year	-	-	-	(10,392)	(10,392)
Other comprehensive income	-	49	90	-	139
Total comprehensive income	**-**	**49**	**90**	**(10,392)**	**(10,253)**
Balance at 31 December 2011	**5,000**	**470**	**(1,291)**	**65,713**	**69,892**
Profit for the year	-	-	-	796	796
Other comprehensive income	-	-	1,291	-	1,291
Total comprehensive income	**-**	**-**	**1,291**	**796**	**2,087**
Issue of shares	2,308	-	-	-	2,308
Other	-	(1)	-	-	(1)
Balance at 31 December 2012	**7,308**	**469**	**-**	**66,509**	**74,286**

	Company				
	Fully paid ordinary shares $'000	Asset revaluation reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2011	**5,000**	**420**	**-**	**67,372**	**72,792**
Loss for the year	-	-	-	(2,949)	(2,949)
Other comprehensive income	-	49	-	-	49
Total comprehensive income	**-**	**49**	**-**	**(2,949)**	**(2,900)**
Balance at 31 December 2011	**5,000**	**469**	**-**	**64,423**	**69,892**
Profit for the year	-	-	-	2,086	2,086
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**2,086**	**2,086**
Issue of shares	2,308	-	-	-	2,308
Other	-	-	-	-	-
Balance at 31 December 2012	**7,308**	**469**	**-**	**66,509**	**74,286**

The above Statements of Changes in Equity are to be read in conjunction with the notes to the financial statements.

ANSVAR INSURANCE LIMITED

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		Consolidated		Company	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Premiums received		103,126	143,454	103,126	122,810
Reinsurance and other recoveries received		53,105	173,500	53,105	89,241
Interest and dividends received		10,014	11,740	10,014	11,585
Other revenue		866	12,284	866	12,157
Outwards reinsurance paid		(62,807)	(101,995)	(62,807)	(85,108)
Claims expense paid		(84,721)	(223,103)	(84,721)	(131,353)
Acquisition costs and other costs paid		(26,677)	(26,174)	(26,677)	(23,484)
Interest and other costs of finance paid		-	(229)	-	(229)
Income tax paid		-	(942)	-	(905)
Net cash used in operating activities	31(b)	**(7,094)**	**(11,465)**	**(7,094)**	**(5,286)**
Cash flows from investing activities					
Proceeds (payments for)/from investments		(18,457)	23,081	(18,457)	14,116
Net advances from related party entities		-	1,772	-	1,772
Proceeds from/(payments for) plant and equipment		33	(422)	33	(414)
Disposal of business		(4,593)	-	-	-
Net cash (used in)/from investing activities		**(23,017)**	**24,431**	**(18,424)**	**15,474**
Cash flows from financing activities					
Dividends paid		-	(3,571)	-	(3,571)
Proceeds from issue of shares		2,308	-	2,308	-
Net cash from/(used in) financing activities		**2,308**	**(3,571)**	**2,308**	**(3,571)**
Net (decrease)/increase in cash and cash equivalents		(27,803)	9,395	(23,210)	6,617
Cash and cash equivalents at the beginning of the financial year		**44,777**	**35,375**	**40,184**	**33,567**
Effects of exchange rate changes on the balance of cash held in foreign currencies		(5)	7	(5)	-
Cash and cash equivalents at the end of the financial year	31(a)	**16,969**	**44,777**	**16,969**	**40,184**

The above Statements of Cash Flows are to be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

1. Corporate information

The consolidated financial statements of Ansvar Insurance Limited for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 7 March 2013.

Ansvar Insurance Limited is a company limited by shares that is incorporated and domiciled in Australia. The ultimate parent of Ansvar Insurance Limited is Ecclesiastical Insurance Office Plc (EIO) which owns 100% of the ordinary shares. The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. Significant accounting policies

Basis of Preparation

The consolidated financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The consolidated financial report also complies with Australian equivalents to International Financial Reporting Standards (A-IFRS) as issued by the International Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for investments which have been measured at fair value and outstanding claims liabilities and associated reinsurance recoveries which have been measured as described in Note 3a.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

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

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Principles of general insurance business

An insurance contract is defined as a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

(b) Premium revenue

Direct premium comprises amounts charged to the policyholder including fire service levies, but excluding stamp duties collected on behalf of third parties. The earned portion of premiums received and receivable, including unclosed business, is recognised as revenue. Premium is earned from the date of attachment of risk. Premiums on unclosed business are brought to account by reference to the previous year's premium processing delays with due allowance for any changes in the pattern of new business and renewals.

The pattern of recognition of income over the policy period is based on time, which closely approximates the pattern of risks underwritten. Unearned premium is determined by apportioning the premiums written in the year, after deducting reinsurance.

(c) Investment income

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the consolidated entity and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the consolidated entity and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2. Significant accounting policies (Cont'd)

(d) Claims

Claims expense and a liability for outstanding claims are recognised in respect of all business written. The liability covers claims reported but not yet paid, incurred but not reported claims ("IBNR") and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating changes in the ultimate cost of settling claims with IBNRs and settlement costs using statistics based on past experience and trends.

No discounting has been applied to outstanding claims for 'short-tail' classes as the impact is not significant. The liability for outstanding claims for 'long-tail' classes is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and 'superimposed' inflation. The expected future payments are discounted to present value at the balance date using risk free rates.

(e) Outwards reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated at the balance date as a prepayment.

(f) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNRs are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims.

(g) Acquisition costs

Acquisition costs incurred in obtaining insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to revenue that will be recognised in the statement of comprehensive income in subsequent reporting periods. Deferred acquisition costs are measured at the lower of cost and recoverable amount. Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

(h) Fire brigade and other charges

A liability for fire brigade and other charges is recognised on business written to the balance date. Levies and charges payable by the Company are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment.

(i) Unearned premium liabilities

Unearned premium liability is determined by apportioning the premium written over the period from date of attachment of risk to the expiry of the policy term.

Liability adequacy testing is performed in order to recognise any deficiencies in the statement of comprehensive income arising from the carrying amount of the unearned premium liability less any related deferred acquisition costs and intangible assets not meeting the estimated future claims under current insurance contracts.

The estimated future claims under current insurance contracts are measured using the present value of the expected cash flows relating to future claims and associated expenses (discounted using a risk free discount rate) plus an additional fair value risk margin to reflect the inherent uncertainty of those estimated cash flows.

Liability adequacy testing is performed at the level of a portfolio of contracts that are subject to broadly similar risks and are managed together as a single portfolio.

2. Significant accounting policies (Cont'd)

(j) Financial Assets

In accordance with AASB 1023 *General Insurance Contracts*, the consolidated entity is required to measure financial assets held to fund insurance provisions at fair value through profit or loss.

AASB 139 *Financial Instruments: Recognition and Measurement* has an option to measure all financial assets at fair value through profit or loss. Investments constitute a group of financial assets which are managed, and their performance evaluated, on a fair value basis in accordance with the consolidated entity's documented investment strategy. Information prepared on this basis is provided to the consolidated entity's senior management. The consolidated entity has therefore elected to measure all financial assets that do not fund insurance provisions at fair value through profit or loss upon initial recognition and at the date of transition to AIFRS.

Fair value is determined by reference to the closing bid price of the instrument at balance sheet day.

(k) Financial instruments issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments.

(l) Property, plant and equipment

Owner occupied land and buildings are measured at fair value. Fair value is determined on the basis of an independent valuation prepared by external valuation experts, based on discounted cash flows or capitalisation of net income (as appropriate). The independent valuation is carried out every three years. The fair values are recognised in the financial statements of the consolidated entity and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

Any revaluation increase arising on the revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the statement of comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

2. Significant accounting policies (Cont'd)

(l) Property, plant and equipment (cont'd)

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

• Leasehold improvements	Length of lease
• Office furniture and fittings	3 - 15 years
• Computer hardware	3 - 5 years

(m) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

Provisions made in respect of employee benefits that are not expected to be settled within 12 months and are measured at the present value of the expected future cash outflows to be made by the economic entity in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

<u>Defined contribution plans</u>

Contributions to defined contribution superannuation plans are expensed when incurred.

(n) Foreign currency

<u>Foreign currency transactions</u>

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

2. Significant accounting policies (Cont'd)

(n) Foreign currency (Cont'd)

Foreign operations

Assets and liabilities of the controlled entity in New Zealand have been translated into Australian currency at year-end rates of exchange, while revenue and expenses of this controlled entity have been translated at the average of rates ruling during the year.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes; these are money market instruments with short maturities (three months or less from the date of acquisition) which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

a. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

b. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(q) Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

2. Significant accounting policies (Cont'd)

(q) Impairment of Assets (Cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(r) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or taxable loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(s) Intangible assets

Other intangible assets are non-monetary assets other than goodwill with no physical substance, which are separately identifiable, controlled by the consolidated entity and have future economic benefits.

Where the intangible asset is deemed to have indefinite life, it is not amortised but tested for impairment at least on an annual basis. If it is deemed to have finite useful life, it is to be amortised over its useful life and tested for impairment whenever there is an indication that the asset may be impaired.

2. Significant accounting policies (Cont'd)

(t) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(u) Payables

Payables are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

(v) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) referred to as "the Group" in these financial statements. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the economic entity are eliminated in full.

In the statement of comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

(w) Adoption of new and revised Accounting Standards

The accounting policies adopted are consistent with those of the previous financial report except for the following Australian Accounting Standard adopted as of 1 January 2012:

Reference	Title	Application date of standard	Application date for Group
AASB 1054	***Australian Additional Disclosures*** This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the entity is a for-profit or not-for-profit entity (d) Whether the financial statements are general purpose or special purpose (e) Audit fees (f) Imputation credits	1 July 2011	1 January 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Australian Accounting Standards and Interpretations relevant to the Group that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 31 December 2012 are outlined in the table below:

Title	Summary	Application date of standard	Note	Application date for Group
Amendments to Australian Accounting Standards - *Presentation of Other Comprehensive Income* [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	A	1 Jan 2013
Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	A	1 January 2013
Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	B	1 January 2013
Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.	1 Jan 2015	B	1 Jan 2015

Title	Summary	Application date of standard	Note	Application date for Group
	(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.			

Table Note

A These changes will only impact disclosures when preparing the financial report.

B These changes are not expected to have a significant, if any, financial impact.

3. Critical accounting estimates and judgements

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Key sources of estimation uncertainty

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Significant estimates and judgements are made by the Group to arrive at certain key asset and liability amounts disclosed in the financial statements. These estimates and judgements are continually being evaluated and are based on historical experience, as well as enhancements to actuarial modelling techniques.

The key areas of significant estimates and judgements and the methodologies used to determine key assumptions are set out below.

(a) Uncertainty over estimate of ultimate liability arising from claims made under general insurance contracts

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not reported to the company.

The estimation of outstanding claims liabilities is based largely on the assumption that past developments are an appropriate predictor of the future and involves a variety of actuarial techniques that analyse experience, trends and other relevant factors. The process commences with the actuarial projection of the future claim payments and claims handling costs incurred to the reporting date. Each class of business is examined separately and some or all of the following will be considered for each class in projecting future claim payments:

(i) Historical trends in the development and incidence of the number of claims reported, number of claims finalised, claim payments and reported incurred costs;

(ii) Exposure details, including policy counts, sums insured, earned premiums and policy limits;

(iii) Claim frequencies and average claim sizes;

(iv) The legislative framework, legal and court environments and social and economic factors that may impact upon each class of business;

(v) Historical and likely future trends in standard inflationary pressures relating to commodity prices and wages;

(vi) Historical and likely future trends of inflationary pressures in addition to price or wage inflation, termed superimposed inflation;

(vii) Historical and likely future trends of expenses associated with managing claims to finalisation;

(viii) Reinsurance recoveries available under contracts entered into by the insurer;

(ix) Historical and likely future trends of recoveries from sources such as subrogation and third party actions; and

(x) Insurer specific, relevant industry data and more general economic data is utilised in the estimation process.

Projected future claim payments and associated claims handling costs are discounted to a present value as required using appropriate risk free discount rates. A projection of future claims payments, both gross and net of reinsurance and other recoveries is undertaken.

3. Critical accounting estimates and judgements (Cont'd)

(a) Uncertainty over estimate of ultimate liability arising from claims made under general insurance contracts (Cont'd)

This projection is typically made without bias toward over or under estimation. As such, the resulting estimate is considered to be a net central estimate of outstanding claims liabilities that has an approximately equal chance of proving adequate as not. Where possible and appropriate, multiple actuarial methods will be applied to project future claim payments. This assists in providing a greater understanding of the trends inherent in the past data. The projections obtained from various methods also assist in setting the range of possible outcomes.

The most appropriate method, or even a blend of methods, is selected taking into account the characteristics of the class of business and the extent of the development of each past accident period.
Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

As an estimate of future outcomes, the net central estimate of outstanding claims liabilities is subject to uncertainty. This uncertainty may consist of one or more of the following components:

Modelling

The process of managing and finalising claims is a complex one. Actuarial models represent a simplification of this complex process giving rise to the possibility that the actual future outcomes may depart from the modelled outcome.

Assumption selection

Even with the perfect model, assumptions about future claim payment experience must be drawn from limited past data and are subject to sampling error.

Evolution of assumptions and future events

Some assumptions will be subject to changes over time due to external sources, such as changes to the legislative environment and the economic environment, or internal sources such as claim management practices.

Random variation

There is a certain amount of residual randomness that drives differences between actual and expected outcomes.

Uncertainty from the above sources is examined for each class of business and expressed as a volatility of the net central estimate. The volatility for each class is derived after consideration of stochastic modelling and benchmarking to industry analysis.

The long tail classes of liability have the highest volatilities of the insurance classes as the longer average time to settle provides a greater opportunity for sources of uncertainty to emerge. Short tail classes such as Motor, Home and Contents and Property have lower levels of volatility.

As the volatility for each class of business is partially correlated with other classes, when combined across the entire Company, the overall volatility will be less than the sum of the individual classes.

With an estimate of the overall volatility for general insurance business, a range of risk margins associated with a probability of the total net provision for outstanding claims liabilities proving adequate may be produced.

3. Critical accounting estimates and judgements (Cont'd)

Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Company may not receive amounts due to it and these amounts can be reliably measured.

4. Actuarial assumptions and methods

(a) Assumptions

The following assumptions have been made, or are implied, in determining the outstanding claims liabilities:

Consolidated	**2012**		**2011**	
	Short-tail	**Long-tail**	**Short-tail**	**Long-tail**
Weighted average term to settlement (years)	0.67	4.91	1.85	4.88
Inflation rate	0.00%	2.75%	2.25%	2.25%
Superimposed inflation rate	0.00%	5.00%	0.00%	4.97%
Discount rate	0.00%	2.75%	2.50%	3.23%
Discounted mean term (years)	0.67	4.55	0.75	4.45
Claim handling expense ratio	7.50% (Gross)	7.50% (Gross)	17.90% (Net)	11.90% (Net)
Risk margin	14.50%	23.36%	13.50%	22.40%

Company	**2012**		**2011**	
	Short-tail	**Long-tail**	**Short-tail**	**Long-tail**
Weighted average term to settlement (years)	0.67	4.91	0.67	4.89
Inflation rate	0.00%	2.75%	0.00%	2.25%
Superimposed inflation rate	0.00%	5.00%	0.00%	5.00%
Discount rate	0.00%	2.75%	0.00%	3.25%
Discounted mean term (years)	0.67	4.55	0.67	4.47
Claim handling expense ratio	7.50% (Gross)	7.50% (Gross)	11.75% (Net)	11.75% (Net)
Risk margin	14.50%	23.36%	12.08%	22.42%

(b) Processes used to determine assumptions

The valuations included in the reported results are calculated using assumptions including:

<u>Average weighted term to settlement</u>

The average weighted term to payment is calculated separately by class of business and is based on historic settlement patterns.

4. Actuarial assumptions and methods (Cont'd)

(b) Processes used to determine assumptions (Cont'd)

Inflation

Insurance costs are subject to inflationary pressures over time.

For the liability classes, claim costs associated with personal injuries are linked to the weekly earnings of the claimant. Medical and legal costs are subject to increases in the wages and disbursements of professionals in those fields. These standard inflationary pressures are collectively termed wage inflation for the purpose of this report.

For the motor and property classes, claim costs are related to the inflationary pressures of the materials and goods insured as well as labour costs to affect repairs. It is therefore expected that these costs will increase at a level between appropriate Consumer Price Index ("CPI") indices and wage inflation. The motor and property classes typically use an actuarial method in which the inflation assumption is implicit and incorporated in historical levels of claim development.

Superimposed inflation rate

There is a tendency for claim costs, particularly for the liability classes, to increase at levels in excess of standard inflationary pressures. This can be due to a number of factors including court awards and precedents and social and environmental pressures. This is often termed superimposed inflation and is analysed and forecast separately from wage inflation.

Discount rate

The outstanding claims liabilities are discounted at a rate equivalent to that inherent in a portfolio of risk free fixed interest securities with coupon and redemption cash flows exactly matching the projected inflated claim cash flows.

All outstanding claims liabilities are discounted to present value using a risk free rate based on Commonwealth Government bond yield curve (in Australia).

Expense allowance

An estimate of outstanding claims liabilities will incorporate an allowance for the future cost of administering the claims. This allowance is determined after analysing claim related expenses incurred by the classes of business.

Risk margin

The overall risk margin is determined allowing for diversification between classes of business and the relative uncertainty of the outstanding claims estimate for each class.

The assumptions regarding uncertainty for each class are applied to the gross and net central estimates and the results are aggregated, allowing for diversification, in order to arrive at an overall net provision that is intended to have an 80% probability of sufficiency (2011: 80% probability of sufficiency).

Ultimate loss ratio

This is the ratio of incurred losses to earned premium (both net of reinsurance) inherent in actual experience to date plus outstanding payments.

4. Actuarial assumptions and methods (Cont'd)

(b) Processes used to determine assumptions (Cont'd)

Effects of changes in actuarial assumptions from 31 December 2011 to 31 December 2012

Assumption category	Assumption change	Effect on net outstanding claims liabilities Increase / (decrease) $'000
Discount rates	Short Tail – No change; Liability 3.25% to 2.75%	912
Claims inflation	Short Tail – No change; Liability 7.25% to 7.75%	557
Specific short tail class assumptions:		
Change in ICD assumptions from 2011 to 2012		358
Specific liability class assumptions:		
Ultimate Claim numbers		82
Payments per claim incurred (PPCI) assumptions		(198)
Projected case estimate (PCE) assumptions		(86)
Reinsurance on Special Issues claim		(17,234)
Changes from PPCI to PCE for 2005 & 2006 Accident Year		(873)
Removal of Minimum loss ratio for 2009 & 2010		(3,623)
Changes in Minimum loss ratio for 2011		(665)
Special issues claims (changing average claim size)		(582)
Recognition of Large Claim		(568)

(c) Sensitivity analysis

The company conducts sensitivity analyses to quantify the exposure to the risk of changes in the underlying assumptions used in the financial statements.

The sensitivity of the Company's profit and equity to key valuation assumptions is tabulated below (the assumed tax rate is 30%):

4. Actuarial assumptions and methods (Cont'd)

(c) Sensitivity analysis (Cont'd)

Recognised amounts in the financial statements

Variable	Movement in variable	Net profit $'000	Equity $'000
		Movement in amount $'000	
Average weighted term to settlement	+1 year	(2,341)	(2,341)
	- 1 year	2,405	2,405
Claims inflation rate	1.00%	3,442	3,442
	- 1.00%	(3,312)	(3,312)
Discount rate	1.00%	(3,312)	(3,312)
	- 1.00%	3,442	3,442
Minimum loss ratio	1.00%	984	984
	- 1.00%	(984)	(984)
Claims handling expenses ratio	1.00%	949	949
	- 1.00%	(949)	(949)

5. Risk management

(a) Terms and conditions of insurance business

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the Company. There are no special terms and conditions in any non standard contracts that have a material impact on the financial statements.

(b) Concentration of insurance risk

The Company's exposure to concentrations of insurance risk is mitigated by a portfolio diversified into different classes of business comprising short and long tail classes of risk. The portfolio is controlled and monitored by the Company's Risk Management Strategy and Audit, Risk and Compliance Committee. The Committee's role includes identifying and mitigating the high-level risks.

(c) Terms and conditions of reinsurance contracts

The Company reinsures a portion of the risks it underwrites in order to control exposure to losses, stabilize earnings, protect capital resources and ensure efficient control and spread of underwriting risk.

The financial probity of reinsurers is determined by the UK based Group Reinsurance Security Committee which decides annually which reinsurers the group will utilise. This decision is based on the nominated reinsurers meeting a desired credit rating and performance criteria. There is flexibility for individual business units in particular circumstances to present a case to the committee to move outside this band of reinsurers.

(d) Changes of interest rate in different territories

The asset/liability matching process seeks to match the projected cash flow of assets to the future cash flows of the claims liabilities.

6 (a). Discontinued operations

On 15 May 2012, Ansvar Australia disposed of its wholly owned subsidiary, ACS (NZ) Limited, transferring its holdings of 1,600,000 ordinary shares in ACS (NZ) Limited to the Canterbury Earthquake Church and Heritage Trust, an independent trust constituted in New Zealand, with objectives similar to those of Ansvar Australia, for consideration of NZ$1.

The disposal was effected in order to reduce the insurance and financial risks associated with the run-off of claims in relation to the series of earthquakes in New Zealand.

The results and cash flows of the discontinued operations, which have been included in the consolidated statement of comprehensive income and consolidated statement of cash flows respectively, were as follows:

	Period to 15 May 2012 $'000	Year to 31 December 2011 $'000
Total revenue	374	9,285
Claims and change in insurance liabilities	(62,746)	(500,675)
Reinsurance recoveries	62,022	490,533
Other expenses	(141)	(6,586)
Total expenses	**(865)**	**(16,728)**
Loss before tax	**(491)**	**(7,443)**
Loss on disposal, net of selling costs	(1,559)	-
Attributable tax	-	-
Net loss attributable to discontinued operations	**(2,050)**	**(7,443)**
Net cash used by operating activities	(3,875)	(6,179)
Net cash from investing activities	-	8,957
Net cash from financing activities	8,923	-

6 (b). Disposal of business

As referred to in note 6 (a), on 15 May 2012, the Group disposed of ACS (NZ) Limited to the Canterbury Earthquake Church and Heritage Trust for cash consideration of NZ$ 1.

The net assets at the date of disposal and at 31 December 2011 were as follows:

	As at 15 May 2012 $'000	As at 31 December 2011 $'000
Cash and cash equivalents	9,683	4,593
Current tax assets	1	1
Trade and other receivables	7,995	83,320
Investments	423	423
Reinsurers' share of outstanding claims liabilities	504,525	511,227
Trade and other payables	(3,107)	(10,665)
Borrowings	(8,909)	-
Provisions	(70)	(157)
Outstanding claims liabilities	(510,185)	(587,982)
Net assets	**356**	**760**
Cash consideration	0	
Currency translation equity reserves recycled to profit	1,291	
Other	(88)	
Loss on disposal, net of selling costs	**1,559**	

7. Profit from operations

	Consolidated		Company	
	2012	2011 Restated *	2012	2011 Restated *
	$'000	$'000	$'000	$'000
(a) Revenue				
An analysis of the Group's revenue for the year is as follows:				
Premium revenue:				
Gross written premium	99,858	118,519	99,858	118,519
Movement in unearned premiums	11,983	19,800	11,983	19,800
Gross earned premiums	**111,841**	**138,319**	**111,841**	**138,319**
Reinsurance and other recoveries (note 20)	42,662	92,610	42,662	92,610
Total general insurance revenue	**154,503**	**230,929**	**154,503**	**230,929**
Investment income:				
Interest and dividend revenue	10,054	11,585	10,054	11,585
Changes in net market value of investments:				
Realised gains/(losses)	439	329	(321)	329
Unrealised gains	2,594	2,847	2,594	2,847
Total investment income	**13,087**	**14,761**	**12,327**	**14,761**
Commission revenue	11,117	11,802	11,117	11,802
Other operating income	866	354	866	354
Total Revenue	**179,573**	**257,846**	**178,813**	**257,846**
(b) Profit before income tax				
Depreciation of non-current assets	430	435	430	435
Amortisation of intangible assets	138	195	138	195
Increases/(decreases) in the provisions for impairment				
- Trade receivables	87	(722)	87	(722)
- Reinsurance receivable	109	(744)	109	(744)
- Other recoveries receivable	(236)	(92)	(236)	(92)
	(40)	**(1,558)**	**(40)**	**(1,558)**
Employee benefits:				
Defined contribution plans	998	910	998	910
Other	199	55	199	55
	1,197	**965**	**1,197**	**965**
Rental expense relating to operating leases	1,481	1,345	1,481	1,345

** The results for the Company and Consolidated Entity for the year ended 31 December 2011 have been restated to separately present the profit/loss from ACS, a discontinued operation.*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

8. Income taxes

Income tax recognised in profit or loss

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Tax expense comprises:				
Current tax expense	-	-	-	-
Adjustments recognised in the current year in relation to the current tax of prior years	3	17	3	17
Unused tax credits charged to deferred tax	-	67	-	(1,003)
Deferred tax benefit relating to the origination and reversal of timing differences	936	(1,335)	936	(265)
Total income tax expense/(benefit)	939	**(1,251)**	939	**(1,251)**

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

	Consolidated 2012 $'000	Consolidated 2011 $'000	Company 2012 $'000	Company 2011 $'000
Net profit/(loss) for the year before income tax	3,785	**(11,643)**	3,025	**(4,200)**
Income tax expense calculated at 30%	1,136	(3,493)	908	(1,260)
Permanent Differences:				
Non deductible expenses	42	175	42	171
Allowable building allowances	-	(62)	-	(62)
Adjustment to tax on investments	-	(100)	-	(100)
Adjustment in respect of prior years in relation to current tax	3	-	3	-
Tax credits not recognised	-	2,081	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	148	-	-
Other	(242)	-	(14)	-
Total income tax expense/(benefit)	939	**(1,251)**	939	**(1,251)**

Income tax rates used in the above reconciliation is at the corporate tax rate of 30% payable by the Australian entity and 28% payable by the New Zealand entity.

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Current tax assets and liabilities				
Income tax payable/(receivable)	-	(3)	-	(3)

8. Income taxes (cont'd)

Temporary Differences

Taxable and deductible temporary differences arise from the following:

2012	**Consolidated & Company**			
	Opening balance	**Charged to income**	**Charged to equity**	**Closing balance**
	$'000	**$'000**	**$'000**	**$'000**
Gross deferred tax liabilities:				
Revenue receivable	(389)	283	-	(106)
Property	(201)	-	-	(201)
Unrealised gain on fixed interest securities	(1,295)	(657)	-	(1,952)
Other	-	(9)	-	(9)
Total	**(1,885)**	(383)	**-**	**(2,268)**
Gross deferred tax assets:				
Provisions	629	(40)	-	589
Doubtful debts allowance	218	(63)	-	155
Indirect claims settlement costs	2,984	(46)	-	2,938
Unexpired risk liability	2,900	136	-	3,036
Purchased interest	69	192	-	261
Unrealised loss on fixed interest securities	31	(31)	-	-
Property, plant & equipment deductions	-	-	-	-
Unused tax losses and credits	1,003	(802)	-	201
Other	-	102	-	102
Total	**7,834**	**(552)**	**-**	**7,282**

Presented in the balance sheet as follows:	
Deferred tax liability	(2,268)
Deferred tax asset	7,282
	5,014

8. Income taxes (cont'd)

2011	**Consolidated**			
	Opening balance	**Charged to income**	**Charged to equity**	**Closing balance**
	$'000	**$'000**	**$'000**	**$'000**
Gross deferred tax liabilities:				
Revenue receivable	(593)	204	-	(389)
Property	(180)	-	(21)	(201)
Unrealised gain on fixed interest securities	(129)	(1,166)	-	(1,295)
Total	**(902)**	**(962)**	**(21)**	**(1,885)**
Gross deferred tax assets:				
Provisions	946	(317)	-	629
Doubtful debts allowance	350	(132)	-	218
Indirect claims settlement costs	2,424	560	-	2,984
Unexpired risk liability	271	2,629	-	2,900
Purchased interest	197	(128)	-	69
Unrealised loss on fixed interest securities	1,341	(1,310)	-	31
Property, plant & equipment deductions	8	(8)	-	-
Unused tax losses and credits	-	1,003	-	1,003
Total	**5,537**	**2,297**	**-**	**7,834**

Presented in the balance sheet as follows:	
Deferred tax liability	(1,885)
Deferred tax asset	7,834
	5,949

8. Income taxes (cont'd)

2011	**Company**			
	Opening balance $'000	**Charged to income $'000**	**Charged to equity $'000**	**Closing balance $'000**
Gross deferred tax liabilities:				
Revenue receivable	(526)	137	-	(389)
Property	(180)	-	(21)	(201)
Unrealised gain on fixed interest securities	(129)	(1,166)	-	(1,295)
Total	**(835)**	**(1,029)**	**(21)**	**(1,885)**
Gross deferred tax assets:				
Provisions	518	111	-	629
Doubtful debts allowance	334	(116)	-	218
Indirect claims settlement costs	2,953	31	-	2,984
Unexpired risk liability	194	2,706	-	2,900
Purchased interest	197	(128)	-	69
Unrealised loss on fixed interest securities	1,341	(1,310)	-	31
Property, plant & equipment deductions	-	-	-	-
Unused tax losses and credits	-	1,003	-	1,003
Total	**5,537**	**2,297**	**-**	**7,834**
Presented in the balance sheet as follows:				
Deferred tax liability				(1,885)
Deferred tax asset				7,834
				5,949

9. Key management personnel compensation

(a) The directors of Ansvar Insurance Limited during the year were:

Mr N. Barnett(Chairman)
Mr W. Goodall (Resigned 17 July 2012)
Professor J. George
Mr B. Harris
Mr S. Wood (Resigned 2 January 2013)
Mr A. Moon (CEO)
Mr D. Harrison (Resigned 19 April 2012)
Mr T. Lloyd (Appointed 9 February 2012)
Mr M. Tripp

9. Key management personnel compensation (Cont'd)

(b) Key executives:

Chief Executive Officer	A. Moon	
Chief Financial Officer	A. Burns	(Resigned 28/06/2012)
	D. Blythe	(Appointed 20/08/2012)
General Manager Reinsurance and Actuarial	D. Davies	
General Manager Sales	T. Farren	
General Manager Underwriting	R. Wyatt	
Chief Operating Officer	W. Goodall	(Resigned 17/07/2012)
General Manager Claims	P. Gare	(Appointed17/10/2012)
General Manager Human Resources	J. Lee	
General Manager IT and Operations	D. Green	
General Manager Executive Office	G. Hickey	
General Manager Risk and Compliance	M. Saunders	(Resigned 12/02/2013)

(c) The aggregate compensation of the directors and the executives specified above, being the key management personnel of the Group and the Company is set out below:

	Consolidated	
	2012	**2011**
	$'000	**$'000**
Short-term employee benefits	2,627	2,228
Post-term employee benefits	175	138
Other long-term benefits	-	-
Termination benefits	135	447
	2,937	**2,813**

10. Remuneration of auditors

	Consolidated		Company	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Auditor of the parent entity:				
Audit of the financial report	132,000	213,667	132,000	152,568
Other services (i)	61,500	25,363	61,500	10,003
	193,500	**239,030**	**193,500**	**162,571**

(i) included tax services, engagements required by the regulator and other services.

11. Trade and other receivables

	Consolidated		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Current receivables				
Trade receivables	26,160	33,881	26,160	29,342
Allowance for doubtful debts	(515)	(466)	(515)	(428)
	25,645	**33,415**	**25,645**	**28,914**
Unsecured amounts receivable from related entity	-	-	-	39
Other debtors and prepayments	3,967	11,661	3,967	8,193
Reinsurance recoveries receivable	8,668	14,593	8,668	8,320
Deferred GST on claims outstanding	1,517	20,434	1,517	762
Total current receivables	**39,797**	**80,103**	**39,797**	**46,228**
Non-current receivables				
Other recoveries receivable	5,348	3,037	5,348	3,037
Allowance for doubtful debts	-	(236)	-	(236)
	5,348	**2,801**	**5,348**	**2,801**
Deferred GST on outstanding claims	-	52,261	-	2,816
Total non-current receivables	**5,348**	**55,062**	**5,348**	**5,617**
Total trade and other receivables	**45,145**	**135,165**	**45,145**	**51,845**

12. Deferred expenses

	Consolidated		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Deferred reinsurance expenses	5,956	23,958	5,956	23,958
Deferred acquisition costs	-	1,988	-	1,988
Deferred fire service levies	4,145	5,019	4,145	5,019
Total deferred expenses	**10,101**	**30,965**	**10,101**	**30,965**

13. Investments

	Consolidated		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Corporate bonds	105,749	91,850	105,749	91,850
Government/semi-government fixed income securities	64,538	52,173	64,538	51,750
Loans and receivables	754	8	754	8
Listed equity investments	-	5,943	-	5,943
Shares in controlled entities	-	-	-	760
Total investments	**171,041**	**149,974**	**171,041**	**150,311**

All investments are measured at fair value through profit and loss.

On 15 May 2012, Ansvar Australia disposed of its investment in ACS (NZ) Limited for consideration of NZ$ 1. At 31 December 2011, the carrying value of the investment was $760,213.

14. Reinsurers' share of outstanding claims liabilities

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Expected future reinsurance recoveries				
- on claims reported	13,798	494,006	13,798	36,799
- on claims incurred but not reported	28,473	89,538	28,473	10,096
Net undiscounted central estimate of reinsurers' share of outstanding claims liabilities	**42,271**	**583,543**	**42,271**	**46,895**
Discount to present value	(5,856)	(25,483)	(5,856)	(61)
Provision for impairment of reinsurance assets	-	-	-	-
Net discounted central estimate of reinsurers' share of outstanding claims liabilities	**36,415**	**558,061**	**36,415**	**46,834**
Current reinsurers' share of outstanding claims liabilities	13,295	155,479	13,295	9,976
less: provision for impairment of reinsurance asset	-	-	-	-
	13,295	**155,479**	**13,295**	**9,976**
Non-current reinsurers' share of outstanding claims liabilities	23,120	402,582	23,120	36,858
less: provision for impairment of reinsurance asset	-	-	-	-
	23,120	**402,582**	**23,120**	**36,858**

15. Property, plant and equipment

	Consolidated				
	Buildings $'000	Leasehold improve-ments $'000	Office furniture and fittings $'000	Computer hardware $'000	Total $'000
Cost or valuation					
Balance at 1 January 2011	**850**	**727**	**1,314**	**3,179**	**6,070**
Additions	-	-	93	282	375
Revaluations	70	-	-	-	70
Net foreign currency exchange differences	-	-	-	-	-
Balance at 1 January 2012	**920**	**727**	**1,407**	**3,461**	**6,515**
Additions	-	-	32	101	133
Disposals	-	(371)	(322)	(184)	(877)
Balance at 31 December 2012	**920**	**356**	**1,117**	**3,378**	**5,771**
Accumulated depreciation					
Balance at 1 January 2011	**-**	**(402)**	**(698)**	**(2,201)**	**(3,301)**
Disposals	-	-	-	-	-
Depreciation expense	-	(47)	(82)	(353)	(482)
Impairment charged	-	(11)	(160)	(25)	(196)
Net foreign currency exchange differences	-	-	1	2	3
Balance at 1 January 2012	**-**	**(460)**	**(939)**	**(2,577)**	**(3,976)**
Disposals	-	180	322	184	686
Depreciation expense	-	(76)	(59)	(295)	(430)
Balance at 31 December 2012	**-**	**(356)**	**(676)**	**(2,688)**	**(3,720)**
Net Book Value					
As at 31 December 2011	920	267	468	884	2,539
As at 31 December 2012	**920**	**-**	**441**	**690**	**2,051**

15. Property, plant and equipment (cont'd)

	Company				
	Buildings	Leasehold improve-ments	Office furniture and fittings	Computer hardware	Total
	$'000	$'000	$'000	$'000	$'000
Cost or valuation					
Balance at 1 January 2011	**850**	**651**	**992**	**3,003**	**5,496**
Additions	-	-	93	274	367
Disposals	-	-	-	-	-
Revaluations	70	-	-	-	70
Balance at 1 January 2012	**920**	**651**	**1,085**	**3,277**	**5,933**
Additions	-	-	32	101	133
Disposals	-	(295)	-	-	(295)
Balance at 31 December 2012	**920**	**356**	**1,117**	**3,378**	**5,771**
Accumulated depreciation					
Balance at 1 January 2011	**-**	**(336)**	**(563)**	**(2,059)**	**(2,958)**
Disposals	-	-	-	-	-
Depreciation expense	-	(47)	(54)	(334)	(435)
Balance at 1 January 2012	**-**	**(383)**	**(617)**	**(2,393)**	**(3,393)**
Disposals	-	-	-	-	
Depreciation expense	-	(76)	(59)	(295)	(430)
Other	-	103	-	-	103
Balance at 31 December 2012	**-**	**(356)**	**(676)**	**(2,688)**	**(3,720)**
Net Book Value					
As at 31 December 2011	920	268	468	884	2,540
As at 31 December 2012	**920**	**-**	**441**	**690**	**2,051**

Aggregate depreciation allocated, recognised as an expense during the year and disclosed in note 7 to the financial statements:

	Consolidated		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Leasehold improvements	76	47	76	47
Office furniture and fittings	59	82	59	54
Computer hardware	294	353	294	334
	429	**482**	**429**	**435**

16. Intangible assets

	Consolidated		
	Trademarks $'000	Computer software $'000	Total $'000
Gross carrying amount			
Balance at 1 January 2011	23	3,901	3,924
Additions	-	47	47
Balance at 1 January 2012	**23**	**3,948**	**3,971**
Additions	-	29	29
Disposals	-	(911)	(911)
Balance at 31 December 2012	**23**	**3,066**	**3,089**
Accumulated amortisation			
Balance at 1 January 2011	-	(3,435)	(3,435)
Amortisation expense (i)	-	(201)	(201)
Impairment charged	-	(2)	(2)
Balance at 1 January 2012	**-**	**(3,638)**	**(3,638)**
Amortisation expense (i)	(4)	(134)	(138)
Disposals	-	911	911
Balance at 31 December 2012	**(4)**	**(2,861)**	**(2,865)**
Net Book Value			
As at 31 December 2011	23	310	333
As at 31 December 2012	**19**	**205**	**224**

(i) Amortisation expense is included in the line item 'general and administration expenses' in the income statement.

16. Intangible assets (cont'd)

	Company		
	Trademarks	Computer software	Total
	$'000	$'000	$'000
Gross carrying amount			
Balance at 1 January 2011	23	2,990	3,013
Additions	-	47	47
Balance at 1 January 2012	**23**	**3,037**	**3,060**
Additions	-	29	29
Balance at 31 December 2012	**23**	**3,066**	**3,089**
Accumulated amortisation			
Balance at 1 January 2011	-	(2,532)	(2,532)
Amortisation expense (i)	-	(195)	(195)
Balance at 1 January 2012	**-**	**(2,727)**	**(2,727)**
Amortisation expense (i)	(4)	(134)	(138)
Balance at 31 December 2012	**(4)**	**(2,861)**	**(2,865)**
Net Book Value			
As at 31 December 2011	23	310	333
As at 31 December 2012	**19**	**205**	**224**

(i) Amortisation expense is included in the line item 'general and administration expenses' in the income statement.

17. Trade and other payables

	Consolidated		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Direct insurance payables	987	10,492	987	763
Reinsurance ceded creditors	407	475	407	407
Accrued reinsurance premium	732	6,026	732	6,026
Trade creditors	657	3,828	657	3,754
Sundry creditors and accruals	3,674	3,378	3,674	3,009
Unsecured amount payable to parent entity	7,978	2,442	7,978	1,870
Indirect taxes	725	1,429	725	1,577
Total trade and other payables	**15,160**	**28,070**	**15,160**	**17,406**

18. Deferred revenue

	Consolidated		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Deferred reinsurance commission	401	4,345	401	4,345
Other deferred revenue	14	82	14	82
	415	**4,427**	**415**	**4,427**

19. Provisions

	Consolidated		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Current				
Employee entitlements	748	941	748	852
Other employee provisions	300	400	300	400
	1,048	**1,341**	**1,048**	**1,252**
Non-current				
Employee entitlements	732	438	732	438
Provision for make good	184	424	184	356
	916	**862**	**916**	**794**
Total provisions	**1,964**	**2,203**	**1,964**	**2,046**

Consolidated	Employee entitlements	Other employee provisions	Provision for make good	Total
	$'000	$'000	$'000	$'000
Balance at 1 January 2012	**1,379**	**400**	**424**	**2,203**
Additional provisions recognised	101	300	-	(299)
Used during the year	-	(400)	-	300
Other movements	-	-	(240)	(240)
Balance at 31 December 2012	**1,480**	**300**	**184**	**1,964**

Company	Employee entitlements	Other employee provisions	Provision for make good	Total
	$'000	$'000	$'000	$'000
Balance at 1 January 2012	**1,290**	**400**	**356**	**2,046**
Additional provisions recognised	190	300	-	(210)
Used during the year	-	(400)	-	300
Other movements	-	-	(172)	(172)
Balance at 31 December 2012	**1,480**	**300**	**184**	**1,964**

20. Net claims incurred

Direct business

Consolidated	**2012**			**2011**		
	Current year $'000	**Prior years $'000**	**Total $'000**	**Current year $'000**	**Prior years $'000**	**Total $'000**
Gross claims expense						
Gross claims incurred (undiscounted)	65,573	2,328	67,901	132,768	2,420	135,188
Discount movement	(2,836)	(10,390)	(13,226)	1,067	-	1,067
	62,737	**(8,062)**	**54,675**	**133,835**	**2,420**	**136,255**
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries (undiscounted)	(27,102)	(22,705)	(49,807)	(71,486)	(21,166)	(92,652)
Discount movement	1,533	5,612	7,145	42	-	42
	(25,569)	**(17,093)**	**(42,662)**	**(71,444)**	**(21,166)**	**(92,610)**
Net claims incurred	**37,168**	**(25,155)**	**12,013**	**62,390**	**(18,746)**	**43,645**

Current period claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of risks borne in all previous financial years.

Company	**2012**			**2011**		
	Current year $'000	**Prior years $'000**	**Total $'000**	**Current year $'000**	**Prior years $'000**	**Total $'000**
Gross claims expense						
Gross claims incurred (undiscounted)	65,573	2,328	67,901	132,768	2,420	135,188
Discount movement	(2,836)	(10,390)	(13,226)	1,067	-	1,067
	62,737	**(8,062)**	**54,675**	**133,835**	**2,420**	**136,255**
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries (undiscounted)	(27,102)	(22,705)	(49,807)	(71,486)	(21,166)	(92,652)
Discount movement	1,533	5,612	7,145	42	-	42
	(25,569)	**(17,093)**	**(42,662)**	**(71,444)**	**(21,166)**	**(92,610)**
Net claims incurred	**37,168**	**(25,155)**	**12,013**	**62,390**	**(18,746)**	**43,645**

Current period claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of risks borne in all previous financial years.

21. Outstanding claims liabilities

	Consolidated		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
a) Gross outstanding claims liabilities				
Gross central estimate	124,282	736,972	124,282	156,717
Discount to present value	(14,894)	(37,523)	(14,894)	(12,102)
Claims handling costs	9,794	11,872	9,794	9,946
Risk margin	24,810	50,699	24,810	19,477
Gross outstanding claims liabilities	**143,992**	**762,020**	**143,992**	**174,038**
Current	41,196	204,419	41,196	37,070
Non-current	102,796	557,601	102,796	136,968
	143,992	**762,020**	**143,992**	**174,038**

b) Claims development table

The following table shows the development of net undiscounted outstanding claims relative to the current estimated of ultimate claims costs for the five most recent accident years.

Company	Accident year						
	Prior	2008	2009	2010	2011	2012	Total
Ultimate claims cost estimate	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At end of accident year		47,048	44,860	47,021	44,333	37,179	
One year later		44,934	43,053	44,412	43,127		
Two years later		43,289	37,799	42,538			
Three years later		37,592	35,593				
Four years later		37,745					
Current estimate of ultimate claims cost	340,968	37,745	35,593	42,538	43,127	37,179	
Cumulative net payments	320,639	34,664	29,318	32,769	26,004	10,595	
Undiscounted central estimates	**20,329**	**3,081**	**6,275**	**9,768**	**17,123**	**26,584**	**83,160**
Net discount							(9,801)
Claims handling expenses							9,208
Risk margin							18,145
Net outstanding claims liabilities							**100,712**
Reinsurance recoveries on outstanding claim							36,415
Other recoveries on outstanding claims							6,865
Gross outstanding claims liabilities							**143,992**

21. Outstanding claims liabilities (Cont'd)

c) Reconciliation of movement in discounted outstanding claims provision, reinsurance and other recoveries

Consolidated	**2012**			**2011**		
	Gross	**Re-insurance and other recoveries**	**Net**	**Gross**	**Re-insurance and other recoveries**	**Net**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 January	762,020	(558,061)	203,959	276,674	(169,178)	107,496
Increase due to claims incurred in current accident year	63,116	(23,178)	39,938	562,663	(462,531)	100,132
Movement in prior year claims provisions	(9,900)	(13,938)	(23,838)	11,045	(10,786)	259
Claim payments / recoveries	(84,720)	47,597	(37,123)	(90,035)	86,084	(3,951)
Foreign exchange	1,458	(62)	1,396	1,673	(1,650)	23
Discontinued operations	(587,982)	511,227	(76,755)	-	-	-
At 31 December	**143,992**	**(36,415)**	**107,577**	**762,020**	**(558,061)**	**203,959**

22. Unearned premium and deferred insurance costs

a) Unearned premium

Consolidated	**2012**			**2011**		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 January	**61,154**	**(23,958)**	**37,196**	91,389	(37,450)	53,939
Premiums on contracts written	99,858	(57,785)	42,073	129,734	(78,664)	51,070
Earning of premiums written	(111,841)	75,787	(36,054)	(160,057)	92,201	(67,856)
Foreign exchange differences	-	-	-	88	(45)	43
At 31 December	**49,171**	**(5,956)**	**43,215**	**61,154**	**(23,958)**	**37,196**

Company	**2012**			**2011**		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 January	**61,154**	**(23,958)**	**37,196**	80,955	(32,152)	48,803
Premiums on contracts written	99,858	(57,785)	42,073	117,627	(69,002)	48,625
Earning of premiums written	(111,841)	75,787	(36,054)	(137,428)	77,196	(60,232)
At 31 December	**49,171**	**(5,956)**	**43,215**	**61,154**	**(23,958)**	**37,196**

22. Unearned premium and deferred insurance costs (Cont'd)

b) Deferred insurance costs

Consolidated	**2012**		**2011**	
	Acquisition costs	**Fire service levy**	**Acquisition costs**	**Fire service levy**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	1,988	5,019	11,999	6,624
Costs deferred in the year	18,463	8,894	32,603	8,918
Reverse deferred costs - cancellations	-	-	3,431	-
Amortisation charged to income	(21,966)	(9,768)	(36,325)	(10,516)
(Write down)/write back of premium deficiency (note 23)	1,515	-	(9,663)	-
Foreign exchange differences	-	-	(57)	(7)
At 31 December	**-**	**4,145**	**1,988**	**5,019**

Company				
At 1 January	1,988	5,019	10,466	6,617
Costs deferred in the year	18,463	8,894	32,603	8,918
Amortisation charged to income	(21,966)	(9,768)	(31,418)	(10,516)
(Write down)/write back of premium deficiency (note 23)	1,515	-	(9,663)	-
At 31 December	**-**	**4,145**	**1,988**	**5,019**

23. Unexpired risk liability

At 31 December 2012, the unearned premium liabilities were found to be have a deficiency of $10.120 million (2011: $9.663 million). The deficiency has been recognized in the statement of financial position. In recognising the deficiency, deferred acquisition costs of $8.148 million have been written down to zero and an unexpired risk liability of $1.972 million has been recognised.

The probability of sufficiency ("POS") adopted in performing the liability adequacy test is set at the 75th percentile which is the same as the prior year.

The POS for outstanding claims liability ("OCL") is set at a level that is appropriate and sustainable to cover the Group's claims obligations after having regard to the prevailing market environment and industry practice.

23. Unexpired risk liability (Cont'd)

Calculation of deficiency	Consolidated 2012 $'000	Consolidated 2011 $'000	Company 2012 $'000	Company 2011 $'000
Unearned premium liability	49,171	32,265	49,171	32,265
Related deferred expenses and other items	(17,833)	(7,309)	(17,833)	(7,309)
	31,338	**24,956**	**31,338**	**24,956**
Central estimate of present value of expected future cash flows arising from future claims on insurance contracts issued	36,845	31,066	36,845	31,066
Risk margin of 12.5% (2011: 11.4%)	4,613	3,553	4,613	3,553
	41,458	**34,619**	**41,458**	**34,619**
Net deficiency	**(10,120)**	**(9,663)**	**(10,120)**	**(9,663)**

The process of determining the overall risk margin, including the way in which diversification for risks has been allowed for is discussed in note 4.

24. Employee benefits

The aggregate employee benefits recognised and included in the financial statements is as follows:

	Consolidated 2012 $'000	Consolidated 2011 $'000	Company 2012 $'000	Company 2011 $'000
Current provision for employee benefits (note 19)	748	941	748	852
Non-current provision for employee benefits (note 19)	732	438	732	438
Aggregate employee benefits	**1,480**	**1,379**	**1,480**	**1,290**
Number of employees at end of financial year	**123**	**165**	**123**	**141**

25. Commitments

Operating lease commitments:	Consolidated 2012 $'000	Consolidated 2011 $'000	Company 2012 $'000	Company 2011 $'000
Not later than one year	1,403	1,352	1,403	1,173
Later than one year and not later than five years	1,952	3,039	1,952	2,933
Later than five years	-	508	-	508
	3,355	**4,899**	**3,355**	**4,614**

26. Share capital

	Consolidated		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Issued share capital 7,307,692 ordinary shares each fully paid (2011: 5,000,000)	7,308	5,000	7,308	5,000

On 25 July 2012, Ansvar Insurance Limited issued 2,307,692 shares to Ecclesiastical Insurance Office plc for consideration of $2,307,692.

Ordinary shares carry the right to dividends and one vote per share.

27. Financial instruments

a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 of the financial statements.

b) Financial risk management objectives

It is ultimately the responsibility of the Board of Directors to ensure that there is an effective risk management control framework in place. Consistent with regulatory requirements the board has explicitly allocated to the Chief Executive Officer, the function of overseeing the establishment and maintenance of risk-based systems and controls across the Group.

As part of the overall governance framework the Group has established a number of board and management committees to oversee and manage financial risks, which are described in note 5 to the financial statements.

The Group has assessed the effectiveness of the controls in place to mitigate the risks and implemented appropriate policies for managing these risks. In order to establish the parameters within which risk must be managed, the Group has also developed a statement of 'risk appetite', or tolerance. Both the risk policies and risk appetite are subject to an annual review to ensure that they reflect the changing risk profile of the business.

c) Categories of financial instruments

	Consolidated		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Financial assets				
Cash and cash equivalents	16,969	44,777	16,969	40,184
Financial assets at fair value through profit or loss	171,041	149,974	171,041	149,551
Trade and other receivables	45,145	135,165	45,145	51,845
Reinsurers' share of outstanding claims liabilities	36,415	558,061	36,415	46,834
Financial liabilities				
Trade and other payables	15,160	28,070	15,160	17,406
Outstanding claims liabilities	143,992	762,020	143,992	174,038

Financial assets carried at fair value through profit or loss have been designated as such upon initial recognition.

27. Financial instruments (Cont'd)

c) Categories of financial instruments (Cont'd)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Consolidated	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Fair value through profit and loss				
Listed equity investments	-	-	-	-
Corporate bonds	105,749	-	-	105,749
Government/semi-government fixed income securities	64,538	-	-	64,538
Loans	-	13	741	754
As at 31 December 2012	**170,287**	**13**	**741**	**171,041**
Fair value through profit and loss				
Listed equity investments	5,943	-	-	5,943
Corporate bonds	79,687	12,163	-	91,850
Government/semi-government fixed income securities	52,173	-	-	52,173
Loans	-	8	-	8
As at 31 December 2011	**137,803**	**12,171**	**-**	**149,974**

Company

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Fair value through profit and loss				
Listed equity investments	-	-	-	-
Corporate bonds	105,749	-	-	105,749
Government/semi-government fixed income	64,538	-	-	64,538
Loans	-	13	741	754
As at 31 December 2012	**170,287**	**13**	**741**	**171,041**
Fair value through profit and loss				
Listed equity investments	5,943	-	-	5,943
Corporate bonds	79,687	12,163	-	91,850
Government/semi-government fixed income	51,750	-	-	51,750
Loans	-	8	-	8
As at 31 December 2011	**137,380**	**12,171**		**149,551**

During the year there were no transfers between the 3 levels.

27. Financial instruments (Cont'd)

d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Group has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The policies and procedures in place to mitigate the Group's exposure to credit risk are described in note 5 of this financial report.

The Group actively monitors the credit ratings of reinsurers to ensure there is no significant exposure that requires immediate attention and action. There have been no issues or defaults with payments to date.

As at 31 December 2012, the Group's reinsurance assets are comprised of the following percentage split based on Standard & Poor's ratings (except where noted):

Credit Rating	Proportion
AAA	-
AA+	3%
AA-	16%
A+	22%
A	11%
A-	40%
A- (AM Best)	1%
BBB+	7%

The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or taking account of the value of any collateral or other security obtained.

	Consolidated		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Cash and cash equivalents	16,969	44,777	16,969	40,184
Financial assets at fair value through profit or loss				
Corporate bonds	105,749	52,173	105,749	51,750
Government/semi-government fixed income securities	64,538	91,850	64,538	91,850
Equity securities	-	5,943	-	5,943
Loans	754	8	754	8
Trade and other receivables				
Trade receivables	25,645	33,415	25,645	28,914
Unsecured amounts receivable from related entity	-	-	-	39
Other debtors and prepayments	3,967	11,661	3,967	8,193
Reinsurance recoveries receivable	8,668	14,593	8,668	8,320
Deferred GST on claims outstanding	1,517	72,695	1,517	3,578
Other recoveries receivable	5,348	2,801	5,348	2,801
Reinsurers' share of outstanding claims liabilities	36,415	558,061	36,415	46,834
Total	**269,570**	**887,977**	**269,570**	**288,414**

27. Financial instruments (Cont'd)

d) Credit risk (Cont'd)

Credit risk exposure by credit rating

The following table provides information regarding credit risk exposure of the Group by classifying assets according to the Group's credit ratings of counterparties.

Consolidated	Neither past-due nor impaired				
	Investment grade (i) $'000	Non-investment grade: satisfactory (ii) $'000	Non-investment grade: unsatis-factory (iii) $'000	Past-due or impaired $'000	Total $'000
2012					
Cash and cash equivalents	16,969	-	-	-	16,969
Financial assets at fair value through profit or loss					
Corporate bonds	105,749	-	-	-	105,749
Government/semi-government fixed income securities	64,538	-	-	-	64,538
Loans	-	754	-	-	754
Trade and other receivables					
Trade receivables	-	25,645	-	-	25,645
Other debtors and prepayments	-	3,967	-	-	3,967
Reinsurance recoveries receivable	8,668	-	-	-	8,668
Deferred GST on claims outstanding	-	1,517	-	-	1,517
Other recoveries receivable	-	5,348	-	-	5,348
Reinsurers' share of outstanding claims liabilities	36,415	-	-	-	36,415
Total	**232,339**	**37,231**	**-**	**-**	**269,570**
2011					
Cash and cash equivalents	44,777	-	-	-	44,777
Financial assets at fair value through profit or loss					
Corporate bonds	52,173	-	-	-	52,173
Government/semi-government fixed income securities	91,850	-	-	-	91,850
Equity securities	5,943	-	-	-	5,943
Loans	-	8	-	-	8
Trade and other receivables					
Trade receivables	-	33,415	-	-	33,415
Other debtors and prepayments	-	11,661	-	-	11,661
Reinsurance recoveries receivable	14,593	-	-	-	14,593
Deferred GST on claims outstanding	-	72,695	-	-	72,695
Other recoveries receivable	-	2,801	-	-	2,801
Reinsurers' share of outstanding claims liabilities	558,061	-	-	-	558,061
Total	**767,397**	**120,580**	**-**	**-**	**887,977**

27. Financial instruments (Cont'd)

d) Credit risk (Cont'd)

Company	**Neither past-due nor impaired**				
	Investment grade (i) $'000	**Non-investment grade: satisfactory (ii) $'000**	**Non-investment grade: unsatis-factory (iii) $'000**	**Past-due or impaired $'000**	**Total $'000**
2012					
Financial assets					
Cash and cash equivalents (excluding bank overdraft)	16,969	-	-	-	16,969
Financial assets at fair value through profit or loss					
Corporate bonds	105,749	-	-	-	105,749
Government/semi-government fixed income securities	64,538	-	-	-	64,538
Loans	-	754	-	-	754
Trade and other receivables					
Trade receivables	-	25,645	-	-	25,645
Other debtors and prepayments	-	3,967	-	-	3,967
Reinsurance recoveries receivable	8,668	-	-	-	8,668
Deferred GST on claims outstanding	-	1,517	-	-	1,517
Other recoveries receivable	-	5,348	-	-	5,348
Reinsurers' share of outstanding claims liabilities	36,415	-	-	-	36,415
Total	**232,339**	**37,231**	**-**	**-**	**269,570**
2011					
Cash and cash equivalents	40,184	-	-	-	40,184
Financial assets at fair value through profit or loss					
Corporate bonds	51,750	-	-	-	51,750
Government/semi-government fixed income securities	91,850	-	-	-	91,850
Equity securities	5,943	-	-	-	5,943
Loans	-	8	-	-	8
Trade and other receivables					
Trade receivables	-	28,914	-	-	28,914
Unsecured amounts receivable from related entity	-	39	-	-	39
Other debtors and prepayments	-	8,193	-	-	8,193
Reinsurance recoveries receivable	8,320	-	-	-	8,320
Deferred GST on claims outstanding	-	3,578	-	-	3,578
Other recoveries receivable	-	2,801	-	-	2,801
Reinsurers' share of outstanding claims liabilities	46,834	-	-	-	46,834
Total	**244,881**	**43,533**	**-**	**-**	**288,414**

27. Financial instruments (Cont'd)

d) Credit risk (Cont'd)

(i) The Group and the Company classify all assets with Standard and Poor's or AM Best credit ratings of AAA to BBB as investment grade.

(ii) Non-investment grade (satisfactory) assets include assets that fall outside the rage of AAA to BBB Standard and Poor's credit rating as well as non-rated assets that are within the risk parameters outlined by the Group's risk management policy.

(iii) Non-investment grade (unsatisfactory) assets include assets that fall outside the risk parameters outlined by the Group's risk management policy and assets that would otherwise be past due or impaired whose terms have been renegotiated.

e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. Ultimate responsibility for liquidity risk management rests with the board of directors, that has built a liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. As required by APRA Prudential Standard GPS 220, the Group has developed and implemented a Risk Management Strategy, which is described in note 5. The Group's overall strategy in liquidity risk management remains unchanged from 2011. The Group and the Company have no significant concentration of liquidity risk.

The following tables summarise the maturity profile of the Company's and the Group's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay, except for outstanding claims liabilities, where maturity profiles are determined on the discounted estimated timing of net cash outflows.

The tables include both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet.

Consolidated	Weighted average interest rate %	Less than 1 year $'000	1 - 5 years $'000	5+ years $'000	Adjust-ment $'000	Total $'000
2012						
Financial liabilities						
Outstanding claims liabilities	-	41,196	117,690	-	(14,894)	143,992
Non-interest bearing:						
Trade and other payables	-	15,160	-	-	-	15,160
		56,356	**117,690**	**-**	**(14,894)**	**159,152**
2011						
Financial liabilities						
Outstanding claims liabilities	-	204,419	595,124	-	(37,523)	762,020
Non-interest bearing:						
Trade and other payables	-	28,070	-	-	-	28,070
		232,489	**595,124**	**-**	**(37,523)**	**790,090**

27. Financial instruments (Cont'd)

e) Liquidity risk (Cont'd)

	Weighted average interest rate %	Less than 1 year $'000	1-5 years $'000	5+ years $'000	Adjust-ment $'000	Total $'000
Company						
2012						
Financial liabilities						
Outstanding claims liabilities	-	41,196	117,690	-	(14,894)	143,992
Non-interest bearing:						
Trade and other payables	-	15,160	-	-	-	15,160
		56,356	**117,690**	**-**	**(14,894)**	**159,152**
2011						
Financial liabilities						
Outstanding claims liabilities	-	37,070	149,070	-	(12,102)	174,038
Non-interest bearing:						
Trade and other payables	-	17,406	-	-	-	17,406
		54,476	**149,070**	**-**	**(12,102)**	**191,444**

f) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange (currency risk), market interest rates (interest rate risk) and market prices (price risk). The Group's policies and procedures put in place to mitigate the Group's exposure to market risk are described in note 5 to this financial report. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk management

The Group's activities expose it to the financial risk of changes in interest rates. Floating rate instruments expose the Group to cash flow risk, whereas fixed interest rate instruments expose the Group to fair value interest rate risk. The Group's Board monitors the Group's and the Company's exposures to interest rate risk as described in note 5 to this financial report.

The Company's and the Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note.

The following tables detail the Company's and the Group's expected maturity for its financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the company or Group anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

27. Financial instruments (Cont'd)

f) Market risk (Cont'd)

Consolidated 2012	Weighted average interest rate %	Less than 1 year $'000	1 - 5 years $'000	5+ years $'000	Adjust-ment $'000	Total $'000
Non-interest bearing:						
Trade receivables	-	25,645	-	-	-	25,645
Other debtors and prepayments	-	3,967	-	-	-	3,967
Reinsurance recoveries receivable	-	8,668	-	-	-	8,668
Deferred GST on claims outstanding	-	1,517	-	-	-	1,517
Other recoveries receivable	-	5,348	-	-	-	5,348
Reinsurers' share of outstanding claims liabilities	-	13,346	23,069	-	-	36,415
Loans	-	13	-	741	-	754
Variable interest rate instruments:						
Cash	2.39%	16,969	-	-	-	16,969
Corporate bonds	6.55%	7,558	6,579	2,527		16,664
Fixed interest rate instruments:						
Corporate bonds	3.78%	18,475	68,045	2,565	-	89,085
Government/semi-government fixed income securities	3.47%	-	35,291	29,247	-	64,538
Total		101,506	132,984	35,080	-	**269,570**

Consolidated 2011	Weighted average interest rate %	Less than 1 year $'000	1 - 5 years $'000	5+ years $'000	Adjust-ment $'000	Total $'000
Non-interest bearing:						
Cash	-	9,474	-	-	-	9,474
Trade receivables	-	33,415	-	-	-	33,415
Unsecured amounts receivable from related entity	-	-	-	-	-	-
Other debtors and prepayments	-	11,661	-	-	-	11,661
Reinsurance recoveries receivable	-	14,593	-	-	-	14,593
Deferred GST on claims outstanding	-	72,695	-	-	-	72,695
Other recoveries receivable	-	2,801	-	-	-	2,801
Reinsurers' share of outstanding claims liabilities	-	155,479	402,582	-	-	558,061
Equity securities	-	5,943	-	-	-	5,943
Variable interest rate instruments:						
Cash	3.65%	21,303	-	-	-	21,303
Fixed interest rate instruments:						
Short term bills and notes	0.91%	14,000	-	-	-	14,000
Government / semi govt securities	4.42%	2,119	61,575	1,095	(12,616)	52,173
Debentures	5.66%	4,231	90,802	1,095	(4,278)	91,850
Loans	-	8	-	-	-	8
		347,722	**554,959**	**2,190**	**(16,894)**	**887,977**

27. Financial instruments (Cont'd)
f) Market risk (Cont'd)

Company **2012**	**Weighted average interest rate %**	**Less than 1 year $'000**	**1 - 5 years $'000**	**5+ years $'000**	**Adjust-ment $'000**	**Total $'000**
Non-interest bearing:						
Trade receivables	-	25,645	-	-	-	25,645
Other debtors and prepayments	-	3,967	-	-	-	3,967
Reinsurance recoveries receivable	-	8,668	-	-	-	8,668
Deferred GST on claims outstanding	-	1,517	-	-	-	1,517
Other recoveries receivable	-	5,348	-	-	-	5,348
Reinsurers' share of outstanding claims liabilities	-	13,346	23,069	-	-	36,415
Loans	-	13	-	741	-	754
Variable interest rate instruments:						
Cash	2.39%	16,969	-	-	-	16,969
Corporate bonds	6.55%	7,558	6,579	2,527		16,664
Fixed interest rate instruments:						
Corporate bonds	3.78%	18,475	68,045	2,565	-	89,085
Government/semi-government fixed income securities	3.47%	-	35,291	29,247	-	64,538
Total		101,506	132,984	35,080	**-**	**269,570**

Company **2011**	**Weighted average interest rate %**	**Less than 1 year $'000**	**1 - 5 years $'000**	**5+ years $'000**	**Adjust-ment $'000**	**Total $'000**
Non-interest bearing:						
Cash	-	4,881	-	-	-	4,881
Trade receivables	-	28,914	-	-	-	28,914
Unsecured amounts receivable from related entity	-	39	-	-	-	39
Other debtors and prepayments	-	8,193	-	-	-	8,193
Reinsurance recoveries receivable	-	8,320	-	-	-	8,320
Deferred GST on claims outstanding		3,578				3,578
Other recoveries receivable	-	2,801	-	-	-	2,801
Reinsurers' share of outstanding claims liabilities	-	9,976	36,858	-	-	46,834
Equity securities	-	5,943	-	-	-	5,943
Loans	-	8	-	-	-	8
Variable interest rate instruments:						
Cash	3.65%	21,303	-	-	-	21,303
Fixed interest rate instruments:						
Short term bills and notes	0.91%	14,000	-	-	-	14,000
Government / semi government securities	4.42%	1,696	61,575	1,095	(12,616)	51,750
Debentures	5.66%	4,231	90,802	1,095	(4,278)	91,850
		113,883	**189,235**	**2,190**	**(16,894)**	**288,414**

27. Financial instruments (Cont'd)

f) Market risk (Cont'd)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit would increase/decrease by $0.779 million (2011: decrease/increase by $0.981 million). All other equity reserves would have been unaffected.

Foreign currency risk management

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has limited exposure to foreign exchange risk following the disposal of its New Zealand subsidiary on 15 May 2012. Prior to this date, the Group was exposed to New Zealand dollar foreign exchange risk via its subsidiary in New Zealand. Exchange rate exposure is managed in line with the Group's Risk Management Statement as described in note 5. The Group's overall strategy in foreign currency risk management remains unchanged from 2011.

Other price risks

Prior to the disposal of its equity securities in 2012, the Group was exposed to equity price risks arising from equity investments. Equity investments were held for strategic rather than trading purposes and the Group did not actively trade these investments.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

At reporting date, if the inputs to the valuation model had been 25% higher/lower while all other variables were held constant:

- net profit would increase/decrease by zero (2011: $1.486 million) as a result of the changes in fair value of equities designated as at 'fair value through profit or loss'
- other equity reserves would have been unaffected.

28. Related party disclosures

Related parties of Ansvar Insurance Limited fall into the following categories:

Controlled entities

Information relating to controlled entities is set out in note 29.

Parent entities

The ultimate parent entity in the wholly owned group is Allchurches Trust Limited, incorporated in the UK.

The immediate parent entity of the Group is Ecclesiastical Insurance Office Plc.

The parent entity in the economic entity is Ansvar Insurance Limited.

Directors

The names of persons who were directors of the parent entity during the financial year and their remuneration are set out in note 9.

Mr S. A. Wood and Mr. M. H. Tripp were directors of Ecclesiastical Insurance Office plc, the immediate parent entity of Ansvar Insurance Limited during the year.

Other Transactions with Directors

The profit from ordinary activities before income tax includes the following items of revenue and expense that resulted from transactions with directors or their director related entities:

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Purchase of legal services from Moores Legal	n/a	13	n/a	13
Purchase of survey services from Insync Surveys	-	13	-	13
Sponsorship payments to Willow Creek Australia	n/a	15	n/a	15
Sponsorship payments to Melbourne Prayer Breakfast Inc	2	-	2	-

* Moores Legal and Willow Creek Australia ceased to be related parties in the year ended 31 December 2011.

The above transactions were made on commercial terms and conditions and at market rates.

In the normal course of business insurance policies are provided to certain entities related to the directors. These insurance policies are provided on an arm's length basis.

Wholly-owned group

The wholly-owned group consists of Allchurches Trust Limited and its wholly owned controlled entities, including Ansvar Insurance Limited and its controlled entities. Ownership interests in these controlled entities are set out in note 29.

Other transactions between Ansvar Insurance Limited and related parties in the wholly-owned group during year ended 31 December 2011 consisted of loans advanced by Ansvar Insurance Limited to its controlled entity (2012: no such loans) . There was no interest payable on these loans.

28. Related party disclosures (Cont'd)

The profit from ordinary activities before income tax includes the following items of revenue and expense that resulted from transactions with its parent:

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Revenue				
Reinsurance recoveries	21,570	32	21,570	32
Expenses				
Purchase of reinsurance (net of commissions)	13,510	4,012	13,510	4,012
IT expenses	85	102	85	102
Other expenses	118	132	118	132

The above transactions were made on commercial terms and conditions and at market rates. The 2012 amounts include a transaction to reinsure certain historical liability claims with EIO. The transaction produced a significant one-off profit as the reinsurance premium was less than the reinsurers' share of the outstanding claims liabilities recognised from the transaction.

Aggregate amounts receivable from or payable to entities in the wholly-owned group at balance date were as follows:

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Current unsecured receivable from controlled entities	-	-	-	39
Current unsecured payable to parent entity	7,978	1,870	7,978	1,870

Prior to the disposal of ACS (NZ) Limited on 15 May 2012, Ansvar Insurance Limited paid for certain operating expenses on behalf of ACS (NZ) Limited; these costs were charged back to the subsidiary. During the year a total of $ NIL (2011: $3.584 million) was charged back.

29. Controlled entities

Name of Entity	Country of incorporation	Ownership Interest	
		2012 %	2011 %
ACS (NZ) Limited	New Zealand	-	100

As referred to in note 6 (a), on 15 May 2012, the Group disposed of ACS (NZ) Limited to the Canterbury Earthquake Church and Heritage Trust for cash consideration of NZ$ 1

30. APRA capital adequacy

The following information refers to APRA's capital adequacy requirements and draft calculations of capital and some other balances are based on different methodologies from those used to prepare this financial report.

	2012 $'000	2011 $'000
Tier 1 Capital	76,806	72,343
Less: Net deferred tax assets	(5,014)	(5,949)
Other intangible assets	(223)	(334)
Other deductions required by APRA	(740)	(500)
Adjusted Tier 1 Capital	70,829	65,560
Tier 2 Capital	211	211
Total Capital Base	71,040	65,771
Minimum capital requirement (MCR)	31,732	36,854
MCR ratio	224%	178%

31. Notes to the cash flow statement

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

a) Reconciliation of cash and cash equivalents

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Cash	16,969	30,084	16,969	25,491
Add: Short term deposits (i)	-	14,693	-	14,693
	16,969	44,777	16,969	40,184

(i) money market instruments that qualify as cash equivalents under the Group's accounting policies have short maturities (three months or less from the date of acquisition), are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

31. Notes to the cash flow statement (Cont'd)

b) Reconciliation of profit/(loss) for the year to net cash flows used in operating activities

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Profit/(loss) for the year	**2,087**	**(10,392)**	**2,086**	**(2,949)**
Depreciation and amortisation	564	686	564	436
Doubtful debts	-	(1,558)	-	(1,558)
Changes in fair value of investments	(3,033)	3,711	(2,273)	3,176
Dividends received	-	(75)	-	-
Rentals received	-	-	-	(75)
Other	797	(1)	38	1,064
Increase/(decrease) in current tax liabilities	3	(919)	3	(882)
Decrease/(increase) in deferred tax balances	936	(1,378)	936	(1,247)
Changes in operating assets and liabilities:				
Decrease in trade receivables	3,268	14,126	3,268	15,581
(Increase)/decrease in reinsurance recoveries receivable	(348)	4,141	(348)	4,141
Decrease /(increase) in other debtors	3,780	(5,348)	3,780	(5,348)
Decrease/(increase) in deferred expenses	22,837	(3,472)	22,837	(3,472)
Increase in net amount due to related entities	-	1,761	-	1,772
(Decrease)/increase in sundry creditors and accruals	(1,618)	6,740	(1,618)	6,740
Decrease in unearned premium liability and deferred revenue	(16,028)	(11,458)	(16,028)	(19,801)
(Decrease) / Increase in outstanding claims liabilities	(19,629)	1,739	(19,629)	5,954
Increase/(decrease) in provision for employee benefits	190	(35)	190	(35)
Increase/(decrease) in direct insurance payables	224	(1,051)	224	(1,051)
Decrease in reinsurance ceded creditors	-	(8,515)	-	(7,786)
(Decrease)/increase in indirect taxes	(852)	126	(852)	126
Increase in other operating provisions	(272)	(293)	(272)	(72)
Net cash from/(used in operating activities	**(7,094)**	**(11,465)**	**(7,094)**	**(5,286)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

32. Subsequent events

There has been no subsequent event since 31 December 2012 except for the following:

- Subsequent to 31 December 2012, Ansvar was impacted by the significant flooding in Queensland which occurred in late January 2013. The gross claims cost for the event has been estimated to be $6.9 million with a net claims cost after reinsurance recoveries of $2.5 million. Whilst the event will have an impact on operating results for 2013, it will not significantly impact ongoing operations given Ansvar's strong financial position.

33. Contingent Liabilities

Ansvar Australia has a number of bank guarantees totaling $508,467 which comprise an undertaking by the bank pursuant to signed lease agreements for the leased office premises in the event of extinguishing liabilities if necessary. These remain unused at 31 December 2012.

At 31 December 2012, the Group had no other contingent liabilities or guarantees (2011: none).