Ansvar Insurance Limited

ABN 21 007 216 506

Annual Financial Report for the year ended 31 December 2013

CONTENTS TO THE ANNUAL FINANCIAL REPORT

CORPORATE INFORMATION

ABN 21 007 216 506

Directors
Nicholas Barnett, Chairman
Andrew Moon, Chief Executive Officer (Resigned 26 November 2013)
Bruce Harris
Jennifer George
Trevor Lloyd
Michael Tripp (Resigned 5 June 2013)
Steve Wood, Alternate Director (Resigned 2 February 2013)
Ian Campbell (Appointed 1 August 2013)
Jacinta Whyte (Appointed 1 August 2013)

Company Secretaries
Deirdre Blythe
Simon Munday (Appointed 3 October 2013)

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 2013.

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, CA, FAICD Chairman	Nicholas joined the board in July 2010 and was appointed Chairman in July 2011. He has 30 years of 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. Nicholas is a non-executive Director of Mission Australia Limited and was formerly a Director (and Chairman) of First Samuel Limited. Nicholas is the Chairman of the Nominations and Remuneration Committee and a member of the Audit Risk and Compliance Committee.
Andrew Moon M.B.A. Director (Resigned 26 November 2013)	Andrew resigned as the CEO and Executive Director of Ansvar Insurance Ltd in November 2013. Prior to commencing with Ansvar Insurance in August 2010, 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 was also a director and the CEO of ACS (NZ) Ltd, and was the former Chair of the Parkinson's Association of NSW.
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 and Ministry College, a Director of ACS (NZ) Ltd and a Director of Arrow Leadership Australia Ltd. Bruce is the Chairman of the Audit Risk and Compliance Committee.
Jennifer George PhD (Stanford) BSc (Hons) (Canterbury) Director	Jennifer 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. Jennifer is a member of the Australian Institute of Company Directors and was a director of Ridley Melbourne Mission and Ministry College from 2007 to 2012. Jennifer is a member of the Audit Risk and Compliance Committee.
Trevor Lloyd BA, LLB, FAICD Director	Trevor joined the board in February 2012. Trevor has over 30 years of 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. Trevor is a member of the Nominations and Remuneration Committee and the Audit Risk and Compliance Committee.
Michael Tripp B.Sc., ARCS, FIA Director Group Chief Executive (Resigned 5 June 2013)	Michael resigned as the Group Chief Executive, Ecclesiastical Group plc and as a Director of Ansvar Australia on the 5 June 2013. Michael had been a member of the Board since 2007. 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 of experience in the insurance industry.
Steve Wood BSc (Hons), FCII, Chartered Insurer Director (Resigned 13 October 2011) Alternate Director (Resigned 2 February 2013)	Steve resigned from the Board in February 2013. He was Managing Director for UK and Ireland at the Ecclesiastical Insurance Group, where he was an Executive Director since January 2005. Steve was executive director responsible for corporate social responsibility at Ecclesiastical and was 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

Ian Campbell BSc (Econ) Hons, ACA Director (Appointed 1 August 2013)	Ian was appointed to the Board in August 2013. He is Group Finance Director for Ecclesiastical Insurance Group. Ian is a Chartered Accountant with more than 25 years of experience in financial services. Ian started his career at KPMG in its Insurance and Consulting Practice covering a wide range of projects for Lloyds' London market and life insurance companies. Since then Ian has held senior finance roles at both Cox Insurance and Aspen Insurance, focusing on property and casualty reinsurance and insurance acquisitions, finance, investment and tax management, Solvency II, capital management, capital raising, actuarial and reinsurance. Ian is a member of the Nominations and Remuneration Committee
Jacinta Whyte MC Inst. M, ACII, Chartered Insurer Director (Appointed 1 August 2013)	Jacinta was appointed to the Ansvar Board in August 2013. She is Deputy Group Chief Executive of Ecclesiastical Insurance Group. Jacinta joined Ecclesiastical in 2003 as General Manager and Chief Agent of the Group's Canadian business, where she turned around the performance of the Canadian operation, building a high performing team and a successful specialist insurance business. Jacinta is responsible for the Group's general insurance operations worldwide, covering the United Kingdom, Ireland and Australia. She commenced her career as an underwriter in 1974 with the Sun Alliance in Dublin and moved with them to Canada in 1988. Over her Royal Sun Alliance career she held a number of senior executive positions in Ireland and Canada. Jacinta is a member of the Nominations and Remuneration Committee.

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

Company Secretaries

Deirdre Blythe BSc, FCA, FAICD Company Secretary	Deirdre is the Acting CEO and Company Secretary of Ansvar, bringing with her over 25 years expertise in senior financial roles. Prior to 3 October 2013, Deirdre was the CFO of Ansvar Australia. She was subsequently appointed Acting CEO on 3 October 2013 due to Andrew Moon taking an extended period of leave for personal reasons which resulted in his resignation on 26 November 2013. Prior to joining Ansvar in 2012, 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, Risk, Audit and Compliance Committee at Cancer Council Victoria.
Simon Munday BSc, CA Company Secretary (Appointed 3 October 2013)	Simon is the Acting CFO and Company Secretary of Ansvar. He became the Acting CFO on 3 October 2013. Simon is a chartered accountant with wide international experience in the general insurance industry. Prior to joining Ansvar in March 2013, he worked for Ernst & Young in Melbourne where he was a senior manager and the team leader of the Financial Services team. Prior to this, Simon was a manager in Ernst & Young's Financial Services Transaction team in London where he worked for corporate clients, private equity firms and sovereign wealth funds on a variety of financial services transactions.

DIRECTORS' REPORT

Principal activities

Ansvar is a company limited by shares that is incorporated and domiciled in Australia. The Company's principal activities in the financial year consisted of the provision of general insurance products to its customers in its core segments of faith, care, heritage, education and community service organisations. It also continued to provide claims run-off services to ACS (NZ) Limited ("ACS"), its former subsidiary domiciled in New Zealand, under a management services agreement.

Ansvar continues to be ultimately owned by a charity and provided further grants of $250,000 during the year through its Community Education Programme.

Review of operations

Ansvar generated a small profit before tax of $9k in 2013. A number of key strategic priorities were completed in the year which has put the Company in a strong position to consolidate its position as the best and most trusted insurer in its core customer segments of faith, care, heritage, education and community service organisations.

During the first half of the year, Ansvar completed the pricing remediation of its portfolio which commenced in 2011. The remediation resulted in Ansvar exiting its personal lines business and other loss making commercial business. Following the completion of the remediation, Ansvar is well positioned for profitable growth.

In 2013, Ansvar continued to be impacted by the high level of reinsurance costs since the natural disasters which impacted the business in 2010 and 2011. The Company has successfully placed a quota share reinsurance programme for the property portfolio for the year commencing 1 January 2014 which is a more appropriate reinsurance solution for the business and is expected to positively impact profitability.

Ansvar continues to be in a strong financial position. It's Prescribed Capital Ratio increased to 2.52 times the APRA minimum during the year which is significantly above the industry average and its financial strength rating from its rating agency, A.M. Best, was reaffirmed as "Excellent" or A-.

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

There has not been any 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 2013 (2012: $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, seven board meetings, six audit committee meetings, and five nominations and remuneration committee meetings were held.

Directors	Board		Audit, Risk and Compliance Committee		Nominations and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
N S Barnett	7	7	6	6	5	5
A M Moon*	6	5	n/a	n/a	n/a	n/a
B G Harris	7	7	6	6	n/a	n/a
J George	7	7	6	6	n/a	n/a
T Lloyd	7	6	6	5	5	5
M Tripp*	3	1	n/a	n/a	2	1
S Wood*	-	-	n/a	n/a	n/a	n/a
I Campbell*	4	4	n/a	n/a	2	1
J Whyte*	4	1	n/a	n/a	2	1

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

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
21 March 2014

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

21 March 2014

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 2013, 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

Peter A. Caldwell
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Report on the Financial Report

We have audited the accompanying financial report of Ansvar Insurance Limited ("the Company"), which comprises the statements of financial position as at 31 December 2013, the statements of profit and loss and other comprehensive income, the statements of cash flows and the statements 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 11 to 64.

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.

Deloitte.

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

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 2013 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, 21 March 2014

DIRECTORS' DECLARATION

In the opinion of the Directors of Ansvar Insurance Limited:

a. The financial statements and notes of Ansvar Insurance Limited for the financial year ended 31 December 2013 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 2013 and of its 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.

Signed in accordance with a resolution of the Directors made pursuant to Section 295 of the Corporations Act 2001:

....	....
N S Barnett	**B G Harris**
Chairman	Director

Melbourne
21 March 2014

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Consolidated		Company	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Continuing Operations					
Direct premium revenue	7(a)	82,839	111,841	82,839	111,841
Outwards reinsurance premium expense		(36,734)	(75,787)	(36,734)	(75,787)
Net premium revenue		**46,105**	**36,054**	**46,105**	**36,054**
Gross claims incurred	20	(39,033)	(54,675)	(39,033)	(54,675)
Reinsurance and other recoveries	7(a)	7,175	42,662	7,175	42,662
Net claims incurred	20	**(31,858)**	**(12,013)**	**(31,858)**	**(12,013)**
Acquisition costs		(6,396)	(22,418)	(6,396)	(22,418)
Fire service levy expenses		(5,755)	(10,750)	(5,755)	(10,750)
Underwriting expenses		**(12,151)**	**(33,168)**	**(12,151)**	**(33,168)**
Commission revenue	7(a)	1,541	11,117	1,541	11,117
Underwriting result		**3,637**	**1,990**	**3,637**	**1,990**
Interest and dividend revenue	7(a)	9,550	10,054	9,550	10,054
Changes in fair value					
- Realised gains /(losses)on investments	7(a)	2,040	439	2,040	(321)
- Unrealised gains/(losses) on investments	7(a)	(4,753)	2,594	(4,753)	2,594
Other operating income	7(a)	1,053	866	1,053	866
General and administration expenses		(11,518)	(12,158)	(11,518)	(12,158)
		(3,628)	**1,795**	**(3,628)**	**1,035**
Profit/(loss) for the year before income tax from continuing operations		**9**	**3,785**	**9**	**3,025**
Income tax (expense) /benefit relating to ordinary activities	8	904	(939)	904	(939)
Profit/(loss) for the year from continuing operations		**913**	**2,846**	**913**	**2,086**
Loss after tax for the year from discontinued operations	6(a)	**-**	(491)	**-**	-
Loss recognised on disposal of discontinued operations	6(b)	-	(1,559)	-	-
Profit/(Loss) for the year		**913**	**796**	**913**	**2,086**

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Consolidated		Company	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Profit/(Loss) for the year		**913**	**796**	**913**	**2,086**
Other comprehensive Income					
Items that will not be reclassified subsequently to profit or loss:					
Loss on revaluation of property		(170)	-	(170)	-
Income tax (expense) /benefit relating to ordinary activities		51	-	51	-
		(119)	-	(119)	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of foreign operations		-	1,291	-	-
Income tax (expense) /benefit relating to ordinary activities		-	-	-	-
		(119)	1,291	(119)	-
Other comprehensive income/(loss) net of income tax		(119)	1,291	(119)	-
Total comprehensive income/(loss) for the year		**794**	**2,087**	**794**	**2,086**

The above Statements of Profit or Loss and Other Comprehensive Income are to be read in conjunction with the notes to the financial statements.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

		Consolidated		Company	
		2013	2012	2013	2012
	Note	$'000	$'000	$'000	$'000
Assets					
Cash and cash equivalents	31(a)	21,068	16,969	21,068	16,969
Investments	13	173,156	171,041	173,156	171,041
Trade and other receivables	11	35,292	45,145	35,292	45,145
Current tax assets	8	-	-	-	-
Deferred expenses	12	9,923	10,101	9,923	10,101
Reinsurers' share of outstanding claims liabilities	14	30,674	36,415	30,674	36,415
Property, plant and equipment	15	1,409	2,051	1,409	2,051
Deferred tax assets	8	6,242	7,282	6,242	7,282
Intangible assets	16	290	224	290	224
Total Assets		**278,054**	**289,228**	**278,054**	**289,228**
Liabilities					
Trade and other payables	17	19,137	15,160	19,137	15,160
Current tax liabilities	8	-	-	-	-
Unearned premium reserve	22	41,024	49,171	41,024	49,171
Deferred revenue	18	12	415	12	415
Provisions	19	1,596	1,964	1,596	1,964
Deferred tax liabilities	8	274	2,268	274	2,268
Unexpired risk liability	23	-	1,972	-	1,972
Outstanding claims liabilities	21	140,931	143,992	140,931	143,992
Total Liabilities		**202,974**	**214,942**	**202,974**	**214,942**
Net Assets		**75,080**	**74,286**	**75,080**	**74,286**
Equity					
Issued capital	26	7,308	7,308	7,308	7,308
Reserves		350	469	350	469
Retained earnings		67,422	66,509	67,422	66,509
Total Equity		**75,080**	**74,286**	**75,080**	**74,286**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Consolidated				
	Fully paid ordinary shares $'000	Asset revaluation reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2012	**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**
Profit for the year	-	-	-	913	913
Other comprehensive income	-	(119)	-	-	(119)
Total comprehensive income	**-**	**(119)**	**-**	**913**	**794**
Balance at 31 December 2013	**7,308**	**350**	**-**	**67,422**	**75,080**

	Company				
	Fully paid ordinary shares $'000	Asset revaluation reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2012	**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
Balance at 31 December 2012	**7,308**	**469**	**-**	**66,509**	**74,286**
Profit for the year	-	-	-	913	913
Other comprehensive income	-	(119)	-	-	(119)
Total comprehensive income	**-**	**(119)**	**-**	**913**	**794**
Balance at 31 December 2013	**7,308**	**350**	**-**	**67,422**	**75,080**

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000	Company 2013 $'000	Company 2012 $'000
Cash flows from operating activities					
Premiums received		78,937	103,126	78,937	103,126
Reinsurance and other recoveries received		34,518	53,105	34,518	53,105
Interest and dividends received		9,251	10,014	9,251	10,014
Other revenue		1,053	866	1,053	866
Outwards reinsurance paid		(31,321)	(62,807)	(31,321)	(62,807)
Claims expense paid		(42,094)	(84,721)	(42,094)	(84,721)
Acquisition costs and other costs paid		(41,374)	(26,677)	(41,374)	(26,677)
Net cash generated by/(used in) operating activities	**31(b)**	**8,970**	**(7,094)**	**8,970**	**(7,094)**
Cash flows from investing activities					
Proceeds (payments for)/from investments		(4,998)	(18,457)	(4,998)	(18,457)
Proceeds from/(payments for) plant and equipment		127	33	127	33
Disposal of business		-	(4,593)	-	-
Net cash generated by/(used in) investing activities		**(4,871)**	**(23,017)**	**(4,871)**	**(18,424)**
Cash flows from financing activities					
Proceeds from issue of shares		-	2,308	-	2,308
Net cash generated by/(used in) financing activities		**-**	**2,308**	**-**	**2,308**
Net increase/(decrease) in cash and cash equivalents		4,099	(27,803)	4,099	(23,210)
Cash and cash equivalents at the beginning of the financial year		**16,969**	**44,777**	**16,969**	**40,184**
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	(5)	-	(5)
Cash and cash equivalents at the end of the financial year	**31(a)**	**21,068**	**16,969**	**21,068**	**16,969**

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 2013

1. Corporate information

The consolidated financial statements of Ansvar Insurance Limited for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 21 March 2014.

Ansvar Insurance Limited is a company limited by shares that is incorporated and domiciled in Australia. Ansvar Australia's immediate parent is Ecclesiastical Insurance Office plc which owns 100% of the ordinary shares. Ecclesiastical Insurance Office plc is a wholly owned subsidiary of Allchurches Trust Limited, which is the ultimate parent. 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. Compliance with the Australian Accounting standards ensures that the financial statements and notes of the Company and Group comply with IFRS.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

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 2a.

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 treated as 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.

2. Significant accounting policies (Cont'd)

(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

(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.

2. Significant accounting policies (Cont'd)

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.

(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 date.

Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method less impairment.

(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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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 disposal 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.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(n) Foreign currency

Foreign currency transactions

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

Prior to its disposal in 2012, the assets and liabilities of the controlled entity in New Zealand were translated into Australian currency at year-end rates of exchange, while revenue and expenses of the controlled entity were 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 2013:

Reference	Title	Application date of standard	Note	Application date for Group
AASB 2011-9	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 January 2013

NOTES TO THE FINANCIAL STATEMENTS
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Reference	Title	Application date of standard	Note	Application date for Group
AASB 10	Consolidated Financial Statements AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation - Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.	1 January 2013	A	1 January 2013
Employee Benefits	The revised standard AASB 119 changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	B	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
Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.	1 January 2013	A	1 January 2013
Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: ► Repeat application of AASB 1 is permitted (AASB 1) Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 *Presentation of Financial Statements*).	1 January 2013	A	1 January 2013

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 2013 are outlined in the table below:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Title	Summary	Application date of standard	Note	Application date for Group
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. (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 base (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.	1 Jan 2017	B	1 Jan 2017
Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	A	1 January 2014
Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	A	1 January 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Title	Summary	Application date of standard	Note	Application date for Group
Annual Improvements to IFRSs 2010–2012 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ► IFRS 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► IFRS 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37. ► IFRS 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's assets. ► IAS 16 & IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ► IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	A	1 January 2015
MATERIALITY	The revised AASB 1031 is an interim standard that cross-references to other Standards and the FRAMEWORK (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1 January 2014	B	1 January 2014

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 judgments

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 judgments 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 of the net central estimate 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. 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 Commercial 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.

(b) 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.

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

(c) Recoverability of future tax losses

At the balance date, Ansvar makes an assessment whether it is probable that it will have taxable profits against which any temporary differences or unused tax losses can be utilised before the unused tax losses or unused tax credits expire. In making this assessment, Ansvar considers the expected level of taxable profits in its future business plans against which the taxable losses can be utilised.

4. Actuarial assumptions and methods

(a) Assumptions

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

Consolidated	**2013**		**2012**	
	Short-tail	**Long-tail**	**Short-tail**	**Long-tail**
Weighted average term to settlement (years)	1.01	5.90	0.67	4.91
Inflation rate	0.00%	2.75%	0.00%	2.75%
Superimposed inflation rate	0.00%	5.50%	0.00%	5.00%
Discount rate	0.00%	3.25%	0.00%	2.75%
Discounted mean term (years)	1.00	4.63	0.67	4.55
Claim handling expense ratio (% of Gross)	7.50%	7.50%	7.50%	7.50%
Risk margin	15.95%	27.60%	14.50%	23.36%

Company	**2013**		**2012**	
	Short-tail	**Long-tail**	**Short-tail**	**Long-tail**
Weighted average term to settlement (years)	1.01	5.90	0.67	4.91
Inflation rate	0.00%	2.75%	0.00%	2.75%
Superimposed inflation rate	0.00%	5.50%	0.00%	5.00%
Discount rate	0.00%	3.25%	0.00%	2.75%
Discounted mean term (years)	1.00	4.63	0.67	4.55
Claim handling expense ratio (% of Gross)	7.50%	7.50%	7.50%	7.50%
Risk margin	15.95%	27.60%	14.50%	23.36%

(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 (2012: 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 and includes an estimate of future 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 2012 to 31 December 2013

Assumption category	Assumption change	Effect on net outstanding claims liabilities Increase / (decrease) $'000
Short tail class assumptions:		
Change in model assumptions		(2,072)
Liability class assumptions:		
Changes in Claim Numbers		170
Changes in models assumptions		445
Different models used for AY 2005-2010		3,533
Change in Minimum Loss Ratio assumptions		(2,461)
Large Claims development		(225)
Superimposed Inflation	From 5.0% to 5.5%	154
Wage Inflation	No change	0
Discount Factor	From 2.75% to 3.25%	(836)
Physical and Sexual Abuse (PSA) claims new model impact		(185)

(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%):

	Net profit $'000	Equity $'000
Recognised amounts in the financial statements	913	75,080

Variable	Movement in variable	Movement in amount Profit/(Loss) $'000	
Average weighted term to settlement	+1 year	2,804	2,804
	- 1 year	(2,895)	(2,895)
Claims inflation rate	1.00%	(3,971)	(3,971)
	- 1.00%	3,378	3,378
Discount rate	1.00%	3,378	3,378
	- 1.00%	(3,971)	(3,971)
Minimum loss ratio	1.00%	(720)	(720)
	- 1.00%	720	720
Claims handling expenses ratio	1.00%	(964)	(964)
	- 1.00%	964	964

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 with the assistance of the UK based Group Reinsurance Security Committee which performs regular analysis of reinsurers' credit ratings and performance against certain criteria.

(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 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
Total revenue	374
Claims and change in insurance liabilities	(62,746)
Reinsurance recoveries	62,022
Other expenses	(141)
Total expenses	**(865)**
Loss before tax	**(491)**
Loss on disposal, net of selling costs	(1,559)
Attributable tax	-
Net loss attributable to discontinued operations	**(2,050)**
Net cash used by operating activities	(3,875)
Net cash from investing activities	-
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 15 May 2012 were as follows:

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

7. Profit from operations

	Consolidated		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
(a) Revenue				
An analysis of the Group's revenue for the year is as follows:				
Premium revenue:				
Gross written premium	74,692	99,858	74,692	99,858
Movement in unearned premiums	8,147	11,983	8,147	11,983
Gross earned premiums	**82,839**	**111,841**	**82,839**	**111,841**
Reinsurance and other recoveries (note 20)	7,175	42,662	7,175	42,662
Total general insurance revenue	**90,014**	**154,503**	**90,014**	**154,503**
Investment income:				
Interest and dividend revenue	9,550	10,054	9,550	10,054
Changes in net market value of investments:				
Realised gains/(losses)	2,040	439	2,040	(321)
Unrealised gains/(losses)	(4,753)	2,594	(4,753)	2,594
Total investment income	**6,837**	**13,087**	**6,837**	**12,327**
Commission revenue	1,541	11,117	1,541	11,117
Other operating income	1,053	866	1,053	866
Total Revenue	**99,445**	**179,573**	**99,445**	**178,813**
(b) Profit before income tax				
Depreciation of non-current assets	304	430	304	430
Amortisation of intangible assets	146	138	146	138
(Profit)/loss on disposal of fixed assets	231	-	231	-
Increases/(decreases) in the provisions for impairment				
- Trade receivables	(284)	87	(284)	87
- Reinsurance receivable	(109)	109	(109)	109
- Other recoveries receivable	-	(236)	-	(236)
	(393)	**(40)**	**(393)**	**(40)**
Employee benefits:				
Defined contribution plans	1,010	998	1,010	998
Other	(207)	199	(207)	199
	803	**1,197**	**803**	**1,197**
Rental expense relating to operating leases	1,401	1,481	1,401	1,481

8. Income taxes

Income tax recognised in profit or loss

	Consolidated		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Tax expense comprises:				
Adjustments recognised in the current year in relation to the current tax of prior years	-	3	-	3
Deferred tax benefit relating to the origination and reversal of timing differences	(904)	936	(904)	936
Total income tax expense/(benefit)	**(904)**	**939**	**(904)**	**939**

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

	Consolidated 2013	Consolidated 2012	Company 2013	Company 2012
Net profit/(loss) for the year before income tax	**9**	**3,785**	**9**	**3,025**
Income tax expense/(credit) calculated at 30%	3	1,136	3	908
Non deductible expenses	29	42	29	42
Allowable building allowances	(2)	-	(2)	-
Adjustments in respect of prior years in relation to current tax	-	3	-	3
Other movements in deferred tax asset and liability balances				
Other	(934)	(242)	(934)	(14)
Total income tax expense/(benefit)	**(904)**	**939**	**(904)**	**939**

Income tax rates used in the above reconciliation is at the corporate tax rate of 30% payable.

	Consolidated		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current tax assets and liabilities				
Income tax payable/(receivable)	-	-	-	-

8. Income taxes (cont'd)

Temporary Differences

Taxable and deductible temporary differences arise from the following:

2013	**Consolidated & Company**			
	Opening balance $'000	**Charged to income $'000**	**Charged to equity $'000**	**Closing balance $'000**
Gross deferred tax liabilities:				
Revenue receivable	(106)	36	-	(70)
Property	(201)	-	51	(150)
Unrealised gains on fixed interest securities	(1,952)	1,910	-	(42)
Other	(9)	(3)	-	(12)
Total	**(2,268)**	1,943	**51**	**(274)**
Gross deferred tax assets:				
Provisions	589	(110)	-	479
Doubtful debts allowance	155	(86)	-	69
Indirect claims settlement costs	2,938	(8)	-	2,930
Unexpired risk liability	3,036	(3,036)	-	-
Purchased interest	261	(15)	-	246
Unused tax losses and credits	201	2,234	-	2,435
Other	102	(19)	-	83
Total	**7,282**	**(1,040)**	**-**	**6,242**
Presented in the balance sheet as follows:				
Deferred tax liability				(274)
Deferred tax asset				6,242
				5,968

8. Income taxes (cont'd)

2012	**Consolidated & Company**			
	Opening balance $'000	**Charged to income $'000**	**Charged to equity $'000**	**Closing balance $'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

9. Key management personnel compensation

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

Nicholas Barnett, Chairman
Andrew Moon, Chief Executive Officer (Resigned 26 November 2013)
Bruce Harris
Jennifer George
Trevor Lloyd
Michael Tripp (Resigned 5 June 2013)
Steve Wood, Alternate Director (Resigned 2 February 2013)
Ian Campbell (Appointed 1 August 2013)
Jacinta Whyte (Appointed 1 August 2013)

9. Key management personnel compensation (cont'd)

(b) Key executives:

Chief Executive Officer	A. Moon	(Resigned 26 November 2013)
Acting Chief Executive Officer (CFO)	D. Blythe	(Appointed Acting CEO on 3 October 2013)
Acting Chief Financial Officer	S. Munday	(Appointed 3 October 2013)
General Manager Reinsurance and Actuarial	D. Davies	
General Manager Sales	T. Farren	(Resigned 30 August 2013)
	I. Ireland	(Appointed 1 September 2013)
General Manager Underwriting	R. Wyatt	
General Manager Underwriting Operations	R. Harley	(Appointed 9 September 2013)
General Manager Claims	P. Gare	
General Manager Human Resources	J. Lee	
General Manager IT and Operations	D. Green	(Resigned 1 April 2013)
General Manager Business Services	G. Hickey	
General Manager Risk and Compliance	M. Saunders	(Resigned 12 February 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	
	2013	2012
	$'000	$'000
Short-term employee benefits	2,987	2,627
Post-term employee benefits	199	175
Termination benefits	473	135
	3,659	**2,937**

10. Remuneration of auditors

	Consolidated		Company	
	2013	2012	2013	2012
	$	$	$	$
Auditor of the parent entity:				
Audit of the financial report	94,185	132,000	94,185	132,000
Other services (i)	71,165	61,500	71,165	61,500
	165,350	**193,500**	**165,350**	**193,500**

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

11. Trade and other receivables

	Consolidated		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current receivables				
Trade receivables	21,631	26,160	21,631	26,160
Allowance for doubtful debts	(231)	(515)	(231)	(515)
	21,400	**25,645**	**21,400**	**25,645**
Unsecured amounts receivable from related entity	222	-	222	-
Other debtors and prepayments	5,639	3,967	5,639	3,967
Reinsurance recoveries receivable	1,401	8,668	1,401	8,668
Deferred GST on claims outstanding	1,189	1,517	1,189	1,517
Total current receivables	**29,851**	**39,797**	**29,851**	**39,797**
Non-current receivables				
Other recoveries receivable	5,441	5,348	5,441	5,348
Allowance for doubtful debts	-	-	-	-
Total non-current receivables	**5,441**	**5,348**	**5,441**	**5,348**
Total trade and other receivables	**35,292**	**45,145**	**35,292**	**45,145**

12. Deferred expenses

	Consolidated		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Deferred reinsurance expenses	446	5,956	446	5,956
Deferred acquisition costs	7,802	-	7,802	-
Deferred fire service levies	1,675	4,145	1,675	4,145
Total deferred expenses	**9,923**	**10,101**	**9,923**	**10,101**

13. Investments

	Consolidated		Company	
	2013	2012	2012	2011
	$'000	$'000	$'000	$'000
Corporate bonds	122,688	105,749	122,688	105,749
Government/semi-government fixed income securities	50,007	64,538	50,007	64,538
Loans and receivables	461	754	461	754
Shares in controlled entities	0	-	0	-
Total investments	**173,156**	**171,041**	**173,156**	**171,041**

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	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Expected future reinsurance recoveries				
- on claims reported	13,253	13,798	13,253	13,798
- on claims incurred but not reported	29,823	28,473	29,823	28,473
Net undiscounted central estimate of reinsurers' share of outstanding claims liabilities	**43,076**	**42,271**	**43,076**	**42,271**
Discount to present value	(12,402)	(5,856)	(12,402)	(5,856)
Provision for impairment of reinsurance assets	-	-	-	-
Net discounted central estimate of reinsurers' share of outstanding claims liabilities	**30,674**	**36,415**	**30,674**	**36,415**
Current reinsurers' share of outstanding claims liabilities	13,264	13,295	13,264	13,295
less: provision for impairment of reinsurance asset	-	-	-	-
	13,264	**13,295**	**13,264**	**13,295**
Non-current reinsurers' share of outstanding claims liabilities	17,410	23,120	17,410	23,120
less: provision for impairment of reinsurance asset	-	-	-	-
	17,410	**23,120**	**17,410**	**23,120**

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 2012	**920**	**727**	**1,407**	**3,461**	**6,515**
Additions	-	-	32	101	133
Disposals	-	(371)	(322)	(184)	(877)
Balance at 1 January 2013	**920**	**356**	**1,117**	**3,378**	**5,771**
Additions	-	-	4	59	63
Disposals	-	(356)	(555)	(354)	(1,265)
Revaluation	(170)	-	-	-	(170)
Balance at 31 December 2013	**750**	**-**	**566**	**3,083**	**4,399**
Accumulated depreciation					
Balance at 1 January 2012	**-**	**(460)**	**(939)**	**(2,577)**	**(3,976)**
Disposals	-	180	322	184	686
Depreciation expense	-	(76)	(59)	(295)	(430)
Balance at 1 January 2013	**-**	**(356)**	**(676)**	**(2,688)**	**(3,720)**
Disposals	-	356	429	249	1,034
Depreciation expense	-	-	(64)	(240)	(304)
Balance at 31 December 2013	**-**	**-**	**(311)**	**(2,679)**	**(2,990)**
Net Book Value					
As at 31 December 2012	920	-	441	690	2,051
As at 31 December 2013	**750**	**-**	**255**	**404**	**1,409**

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

	Company				
	Buildings $'000	Leasehold improve-ments $'000	Office furniture and fittings $'000	Computer hardware $'000	Total $'000
Cost or valuation					
Balance at 1 January 2012	**920**	**651**	**1,085**	**3,277**	**5,933**
Additions	-	-	32	101	133
Disposals	-	(295)	-	-	(295)
Balance at 1 January 2013	**920**	**356**	**1,117**	**3,378**	**5,771**
Additions	-	-	4	59	63
Disposals	-	(356)	(555)	(354)	(1,265)
Revaluation	(170)				(170)
Balance at 31 December 2013	**750**	**-**	**566**	**3,083**	**4,399**
Accumulated depreciation					
Balance at 1 January 2012	**-**	**(383)**	**(617)**	**(2,393)**	**(3,393)**
Disposals	-		-	-	
Depreciation expense	-	(76)	(59)	(295)	(430)
Other	-	103	-	-	103
Balance at 1 January 2013	**-**	**(356)**	**(676)**	**(2,688)**	**(3,720)**
Disposals	-	356	429	249	1,034
Depreciation expense	-	-	(64)	(240)	(304)
Balance at 31 December 2013	**-**	**-**	**(311)**	**(2,679)**	**(2,990)**
Net Book Value					
As at 31 December 2012	920	-	441	690	2,051
As at 31 December 2013	**750**	**-**	**255**	**404**	**1,409**

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

	Consolidated		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Leasehold improvements	-	76	-	76
Office furniture and fittings	64	59	64	59
Computer hardware	240	295	240	295
	304	**430**	**304**	**430**

16. Intangible assets

	Consolidated		
	Trademarks $'000	**Computer software $'000**	**Total $'000**
Gross carrying amount			
Balance at 1 January 2012	23	3,948	3,971
Additions	-	29	29
Disposals	-	(911)	(911)
Balance at 1 January 2013	**23**	**3,066**	**3,089**
Additions	-	223	223
Disposals	-	(24)	(24)
Balance at 31 December 2013	**23**	**3,265**	**3,288**
Accumulated amortisation			
Balance at 1 January 2012	-	(3,638)	(3,638)
Amortisation expense (i)	(4)	(134)	(138)
Disposals	-	911	911
Balance at 1 January 2013	**(4)**	**(2,861)**	**(2,865)**
Amortisation expense (i)		(146)	(146)
Disposals	-	13	13
Balance at 31 December 2013	**(4)**	**(2,994)**	**(2,998)**
Net Book Value			
As at 31 December 2012	19	205	224
As at 31 December 2013	**19**	**271**	**290**

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

16. Intangible assets (cont'd)

	Company		
	Trademarks $'000	Computer software $'000	Total $'000
Gross carrying amount			
Balance at 1 January 2012	23	3,037	3,060
Additions	-	29	29
Disposals	-	-	-
Balance at 1 January 2013	**23**	**3,066**	**3,089**
Additions	-	223	223
Disposals	-	(24)	(24)
Balance at 31 December 2013	**23**	**3,265**	**3,288**
Accumulated amortisation			
Balance at 1 January 2012	-	(2,727)	(2,727)
Amortisation expense (i)	(4)	(134)	(138)
Disposals	-	-	-
Balance at 1 January 2013	**(4)**	**(2,861)**	**(2,865)**
Amortisation expense (i)	-	(146)	(146)
Disposals		13	13
Balance at 31 December 2013	**(4)**	**(2,994)**	**(2,998)**
Net Book Value			
As at 31 December 2012	19	205	224
As at 31 December 2013	**19**	**271**	**290**

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

17. Trade and other payables

	Consolidated		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Direct insurance payables	190	987	190	987
Deposits from reinsurers	10,275	616	10,275	616
Reinsurance ceded creditors	5,082	407	5,082	407
Accrued reinsurance premiums	401	732	401	732
Trade creditors	187	657	187	657
Sundry creditors and accruals	2,122	3,058	2,122	3,058
Unsecured amount payable to parent entity	-	7,978	-	7,978
Indirect taxes	880	725	880	725
Total trade and other payables	**19,137**	**15,160**	**19,137**	**15,160**

18. Deferred revenue

	Consolidated		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Deferred reinsurance commission	-	401	-	401
Other deferred revenue	12	14	12	14
	12	**415**	**12**	**415**

19. Provisions

	Consolidated		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current				
Employee entitlements	611	748	611	748
Other employee provisions	200	300	200	300
Provision for make good	76	-	76	-
	887	**1,048**	**887**	**1,048**
Non-current				
Employee entitlements	529	732	529	732
Provision for make good	180	184	180	184
	709	**916**	**709**	**916**
Total provisions	**1,596**	**1,964**	**1,596**	**1,964**

Consolidated	Employee entitlements $'000	Other employee provisions $'000	Provision for make good $'000	Total $'000
Balance at 1 January 2013	**1,480**	**300**	**184**	**1,964**
Additional provisions recognised	-	200	72	272
Used during the year	(340)	(300)	-	(640)
Balance at 31 December 2013	**1,140**	**200**	**256**	**1,596**

Company	Employee entitlements $'000	Other employee provisions $'000	Provision for make good $'000	Total $'000
Balance at 1 January 2013	**1,480**	**300**	**184**	**1,964**
Additional provisions recognised	-	200	72	272
Used during the year	(340)	(300)	-	(640)
Balance at 31 December 2013	**1,140**	**200**	**256**	**1,596**

20. Net claims incurred

Consolidated	2013			2012		
	Current year $'000	Prior years $'000	Total $'000	Current year $'000	Prior years $'000	Total $'000
Gross claims expense						
Gross claims incurred (undiscounted)	45,385	(3,202)	42,183	65,573	2,328	67,901
Discount movement	(3,071)	(79)	(3,150)	(2,836)	(10,390)	(13,226)
	42,314	**(3,281)**	**39,033**	**62,737**	**(8,062)**	**54,675**
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries (undiscounted)	(2,433)	(1,810)	(4,243)	(27,102)	(22,705)	(49,807)
Discount movement	(2,858)	(74)	(2,932)	1,533	5,612	7,145
	(5,291)	**(1,884)**	**(7,175)**	**(25,569)**	**(17,093)**	**(42,662)**
Net claims incurred	**37,023**	**(5,165)**	**31,858**	**37,168**	**(25,155)**	**12,013**

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	2013			2012		
	Current year $'000	Prior years $'000	Total $'000	Current year $'000	Prior years $'000	Total $'000
Gross claims expense						
Gross claims incurred (undiscounted)	45,385	(3,202)	42,183	65,573	2,328	67,901
Discount movement	(3,071)	(79)	(3,150)	(2,836)	(10,390)	(13,226)
	42,314	**(3,281)**	**39,033**	**62,737**	**(8,062)**	**54,675**
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries (undiscounted)	(2,433)	(1,810)	(4,243)	(27,102)	(22,705)	(49,807)
Discount movement	(2,858)	(74)	(2,932)	1,533	5,612	7,145
	(5,291)	**(1,884)**	**(7,175)**	**(25,569)**	**(17,093)**	**(42,662)**
Net claims incurred	**37,023**	**(5,165)**	**31,858**	**37,168**	**(25,155)**	**12,013**

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	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
a) Gross outstanding claims liabilities				
Gross central estimate	126,448	124,282	126,448	124,282
Discount to present value	(18,044)	(14,894)	(18,044)	(14,894)
Claims handling costs	8,130	9,794	8,130	9,794
Risk margin	24,396	24,810	24,396	24,810
Gross outstanding claims liabilities	**140,931**	**143,992**	**140,931**	**143,992**
Current	32,496	41,196	32,496	41,196
Non-current	108,435	102,796	108,435	102,796
	140,931	**143,992**	**140,931**	**143,992**

Company	Accident year						
	Prior	2009	2010	2011	2012	2013	Total
Ultimate claims cost estimate	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At end of accident year		44,860	47,021	44,333	37,179	34,997	
One year later		43,053	44,412	43,127	32,119		
Two years later		37,799	42,538	40,163			
Three years later		35,593	41,927				
Four years later		37,259					
Current estimate of ultimate claims cost	417,426	37,259	41,927	40,163	32,119	34,997	
Cumulative net payments	394,957	31,240	33,722	28,353	16,374	12,143	
Undiscounted central estimates	**22,469**	**6,019**	**8,205**	**11,810**	**15,744**	**22,854**	**87,101**
Net discount							(9,760)
Claims handling expenses							8,130
Risk margin							18,155
Net outstanding claims liabilities							**103,627**
Reinsurance recoveries on outstanding claims							30,674
Other recoveries on outstanding claims							6,630
Gross outstanding claims liabilities							**140,931**

21. Outstanding claims liabilities (Cont'd)

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

Consolidated	2013			2012		
	Gross	Re-insurance and other recoveries	Net	Gross	Re-insurance and other recoveries	Net
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January	143,992	(36,415)	107,577	762,020	(558,061)	203,959
Increase due to claims incurred in current accident year	41,011	(7,700)	33,311	63,116	(23,178)	39,938
Movement in prior year claims provisions	(5,662)	(6,381)	(12,043)	(9,900)	(13,938)	(23,838)
Claim payments / recoveries	(38,410)	13,192	(25,218)	(84,720)	47,597	(37,123)
Disposal of business	-	-	-	(586,524)	504,300	(82,224)
At 31 December	**140,931**	**(37,304)**	**103,627**	**143,992**	**(43,280)**	**100,712**

22. Unearned premium and deferred insurance costs

a) Unearned premium

Consolidated	2013			2012		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January	**49,171**	**(5,956)**	**43,215**	61,154	(23,958)	37,196
Premiums on contracts written	74,692	(31,224)	43,468	99,858	(57,785)	42,073
Earning of premiums written	(82,839)	36,734	(46,105)	(111,841)	75,787	(36,054)
At 31 December	**41,024**	**(446)**	**40,578**	**49,171**	**(5,956)**	**43,215**

Company	2013			2012		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January	**49,171**	**(5,956)**	**43,215**	61,154	(23,958)	37,196
Premiums on contracts written	74,692	(31,224)	43,468	99,858	(57,785)	42,073
Earning of premiums written	(82,839)	36,734	(46,105)	(111,841)	75,787	(36,054)
At 31 December	**41,024**	**(446)**	**40,578**	**49,171**	**(5,956)**	**43,215**

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

b) Deferred insurance costs

Consolidated	2013		2012	
	Acquisition costs $'000	Fire service levy $'000	Acquisition costs $'000	Fire service levy $'000
At 1 January	**-**	**4,145**	1,988	5,019
Costs deferred in the year	7,802	4,138	18,463	8,894
Reverse deferred costs - cancellations	-	-	-	-
Amortisation charged to income	-	(6,608)	(21,966)	(9,768)
(Write down)/write back of premium deficiency (note 23)	-	-	1,515	-
At 31 December	**7,802**	**1,675**	**-**	**4,145**

Company	2013		2012	
	Acquisition costs $'000	Fire service levy $'000	Acquisition costs $'000	Fire service levy $'000
At 1 January	**-**	**4,145**	1,988	5,019
Costs deferred in the year	7,802	4,138	18,463	8,894
Amortisation charged to income	-	(6,608)	(21,966)	(9,768)
(Write down)/write back of premium deficiency (note 23)	-	-	1,515	-
At 31 December	**7,802**	**1,675**	**-**	**4,145**

23. Unexpired risk liability

At 31 December 2013, the unearned premium liabilities were found to have a surplus of $0.565 million (2012: a deficiency of $10.120 million). The unexpired risk liability of $1.972 million at 31 December 2012 was written back to the profit and loss in 2013.

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 Company's and the claims obligations after having regard to the prevailing market environment and prudent industry practice.

23. Unexpired risk liability (Cont'd)

Calculation of deficiency	Consolidated 2013 $'000	Consolidated 2012 $'000	Company 2013 $'000	Company 2012 $'000
Unearned premium liability	41,024	49,171	41,024	49,171
Related deferred expenses and other items	(9,913)	(17,833)	(9,913)	(17,833)
	31,111	**31,338**	**31,111**	**31,338**
Central estimate of present value of expected future cash flows on insurance contracts issued	28,690	36,845	28,690	36,845
Risk margin at 75th percentile	1,856	4,613	1,856	4,613
	30,546	**41,458**	**30,546**	**41,458**
Net surplus or (deficiency)	**565**	**(10,120)**	**565**	**(10,120)**

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 2013 $'000	Consolidated 2012 $'000	Company 2013 $'000	Company 2012 $'000
Current provision for employee benefits (note 19)	611	748	611	748
Non-current provision for employee benefits (note 19)	529	732	529	732
Aggregate employee benefits	**1,140**	**1,480**	**1,140**	**1,480**
Number of employees at end of financial year	**103**	**123**	**103**	**123**

25. Commitments

Operating lease commitments:	Consolidated 2013 $'000	Consolidated 2012 $'000	Company 2013 $'000	Company 2012 $'000
Not later than one year	2,212	1,403	2,212	1,403
Later than one year and not later than five years	2,517	1,952	2,517	1,952
Later than five years	-	-	-	-
	4,729	**3,355**	**4,729**	**3,355**

Operating leases relate to leases of property, IT and MV with lease terms of between 1 and 3 years. The group has no option to purchase the leased items at the expiry of the lease periods.

26. Share capital

	Consolidated		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Issued share capital 7,307,692 ordinary shares each fully paid (2012: 7,307,692)	7,308	7,308	7,308	7,308

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	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Financial assets				
Cash and cash equivalents	21,068	16,969	21,068	16,969
Financial assets at fair value through profit or loss	173,156	171,041	173,156	171,041
Trade and other receivables	35,292	45,145	35,292	45,145
Reinsurers' share of outstanding claims liabilities	30,674	36,415	30,674	36,415
Financial liabilities				
Trade and other payables	19,137	15,160	19,137	15,160
Outstanding claims liabilities	140,931	143,992	140,931	143,992

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				
Corporate bonds	122,688	-	-	122,688
Government/semi-government fixed income securities	50,007	-	-	50,007
Loans and receivables	-	7	454	461
As at 31 December 2013	**172,695**	**7**	**454**	**173,156**
Fair value through profit and loss				
Corporate bonds	105,749	-	-	105,749
Government/semi-government fixed income securities	64,538	-	-	64,538
Loans and receivables	-	13	741	754
As at 31 December 2012	**170,287**	**13**	**741**	**171,041**

Company

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Fair value through profit and loss				
Corporate bonds	122,688	-	-	122,688
Government/semi-government fixed income securities	50,007	-		50,007
Loans and receivables	-	7	454	461
As at 31 December 2013	**172,695**	7	**454**	**173,156**
Fair value through profit and loss				
Corporate bonds	105,749	-	-	105,749
Government/semi-government fixed income	64,538	-	-	64,538
Loans and receivables	-	13	741	754
As at 31 December 2012	**170,287**	**13**	**741**	**171,041**

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 2013, 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+	4.2%
AA	3.4%
AA-	16.8%
A+	14.3%
A	24.4%
A-	33.5%
A- (AM Best)	0.5%
BBB+	2.9%

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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash and cash equivalents	21,068	16,969	21,068	16,969
Financial assets at fair value through profit or loss				
Corporate bonds	122,688	105,749	122,688	105,749
Government/semi-government fixed income securities	50,007	64,538	50,007	64,538
Loans and receivables	461	754	461	754
Trade and other receivables				
Trade receivables	21,631	25,645	21,631	25,645
Unsecured amounts receivable from related entity	222	-	222	-
Other debtors and prepayments	5,639	3,967	5,639	3,967
Reinsurance recoveries receivable	1,401	8,668	1,401	8,668
Deferred GST on claims outstanding	1,189	1,517	1,189	1,517
Other recoveries receivable	5,441	5,348	5,441	5,348
Reinsurers' share of outstanding claims liabilities	30,674	36,415	30,674	36,415
Total	**260,421**	**269,570**	**260,421**	**269,570**

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
2013					
Cash and cash equivalents	21,068	-	-	-	21,068
Financial assets at fair value through profit or loss					
Corporate bonds	122,688	-	-	-	122,688
Government/semi-government fixed income securities	50,007	-	-	-	50,007
Loans and receivables	-	461	-	-	461
Trade and other receivables					
Trade receivables	-	21,631	-	-	21,631
Other debtors and prepayments	-	5,639	-	-	5,639
Unsecured amounts receivable from related entity		222			222
Reinsurance recoveries receivable	1,401	-	-	-	1,401
Deferred GST on claims outstanding	-	1,189	-	-	1,189
Other recoveries receivable	-	5,441	-	-	5,441
Reinsurers' share of outstanding claims liabilities	30,674	-	-	-	30,674
Total	**225,838**	**34,583**	**-**	**-**	**260,421**
2012					
Cash and cash equivalents	16,969	-	-	-	16,969
Financial assets at fair value through profit or loss					
Corporate bonds	105,749	-	-	-	107,749
Government/semi-government fixed income securities	64,538	-	-	-	64,538
Loans and receivables	-	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**

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
2013					
Financial assets					
Cash and cash equivalents (excluding bank overdraft)	21,068	-	-	-	21,068
Financial assets at fair value through profit or loss					
Corporate bonds	122,688	-	-	-	122,688
Government/semi-government fixed income securities	50,007	-	-	-	50,007
Loans	-	461	-	-	461
Trade and other receivables					
Trade receivables	-	21,631	-	-	21,631
Unsecured amounts receivable from related entity		222			222
Other debtors and prepayments	-	5,639	-	-	5,639
Reinsurance recoveries receivable	1,401	-	-	-	1,401
Deferred GST on claims outstanding	-	1,189	-	-	1,189
Other recoveries receivable	-	5,441	-	-	5,441
Reinsurers' share of outstanding claims liabilities	30,674	-	-	-	30,674
Total	**225,838**	**34,583**	**-**	**-**	**260,421**
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**

27. Financial instruments (Cont'd)

d) Credit risk (Cont'd)

(i) The Group and the Company classify all assets with Standard and Poor's 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 2012. 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	Discount $'000	Total $'000
2013						
Financial liabilities						
Outstanding claims liabilities	-	36,657	70,309	52,009	(18,044)	140,931
Non-interest bearing:						
Trade and other payables	-	19,137	-	-	-	19,137
		55,794	**70,309**	**52,009**	**(18,044)**	**160,068**
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**

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	Discount $'000	Total $'000
Company						
2013						
Financial liabilities						
Outstanding claims liabilities	-	36,657	70,309	52,009	(18,044)	140,931
Non-interest bearing:						
Trade and other payables	-	19,137	-	-	-	19,137
		55,794	**70,309**	**52,009**	**(18,044)**	**160,068**
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
		60,333	**117,690**	**-**	**(14,894)**	**159,152**

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 2013

27. Financial instruments (Cont'd)

f) Market risk (Cont'd)

Consolidated 2013	**Weighted average interest rate %**	**Less than 1 year $'000**	**1 - 5 years $'000**	**5+ years $'000**	**Total $'000**
Non-interest bearing:					
Trade receivables	-	21,631	-	-	21,631
Unsecured amounts receivable from related entity		222	-	-	222
Other debtors and prepayments	-	5,639	-	-	5,639
Reinsurance recoveries receivable	-	1,401	-	-	1,401
Deferred GST on claims outstanding	-	1,189	-	-	1,189
Other recoveries receivable	-	5,441	-	-	5,441
Reinsurers' share of outstanding claims liabilities	-	17,132	13,542	-	30,674
Loans	-	7	454	-	461
Variable interest rate instruments:					
Cash	2.64%	21,068	-	-	21,068
Corporate bonds	4.30%	493	14,237	-	14,730
Fixed interest rate instruments:					
Corporate bonds	3.01%	4,070	77,225	26,663	107,958
Government/semi-government fixed income securities	3.36%	-	41,385	8,622	50,007
Total		78,293	146,843	35,285	**260,421**

Consolidated 2012	**Weighted average interest rate %**	**Less than 1 year $'000**	**1 - 5 years $'000**	**5+ years $'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**

27. Financial instruments (Cont'd)

f) Market risk (Cont'd)

Company **2013**	**Weighted average interest rate %**	**Less than 1 year $'000**	**1 - 5 years $'000**	**5+ years $'000**	**Total $'000**
Non-interest bearing:					
Trade receivables	-	21,631	-	-	21,631
Unsecured amounts receivable from related entity		222			222
Other debtors and prepayments	-	5,639	-	-	5,639
Reinsurance recoveries receivable	-	1,401	-	-	1,401
Deferred GST on claims outstanding	-	1,189	-	-	1,189
Other recoveries receivable	-	5,441	-	-	5,441
Reinsurers' share of outstanding claims liabilities	-	17,132	13,542	-	30,674
Loans	-	7	454	-	461
Variable interest rate instruments:					
Cash	2.64%	21,068	-	-	21,068
Corporate bonds	4.30%	493	14,237	-	14,730
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Total		**101,506**	**132,984**	**35,080**	**269,570**

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 $0.969million (2012: decrease/increase by $0.779 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. 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 2012.

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.

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.

Steve Wood, Michael Tripp and Jacinta Whyte were directors of Ecclesiastical Insurance Office plc, the immediate parent entity of Ansvar Insurance Limited during the year. Ian Campbell is Group Finance Director of Ecclesiastical Insurance Office plc.

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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Purchase of survey services from Insync Surveys	14	-	14	-
Sponsorship payments to Prayer Breakfast Inc	N/A	2	N/A	2

Ansvar Insurance Limited provides management services to ACS (NZ) Limited, its former subsidiary. In the normal course of business, Ansvar Insurance Limited incurs certain expenses which are recharged to ACS (NZ) Limited. There were no other transactions between the entities during the year.

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.

28. Related party disclosures (Cont'd)

Ansvar Insurance Limited entered into the following transactions with its parent:

	Consolidated		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Revenue				
Reinsurance recoveries	2,935	21,570	2,935	21,570
Expenses				
Purchase of reinsurance (net of commissions)	7,219	13,510	7,219	13,510
IT expenses	91	85	91	85
Other expenses	32	118	32	118

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

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

	Consolidated		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current unsecured receivable/(payable) from/(to) parent entity	222	(7,978)	222	(7,978)

29. Controlled entities

Name of Entity	Country of incorporation	Ownership Interest	
		2013 %	2012 %
EA Insurance Services Pty Ltd	Australia	100%	-

On 28 February 2013, EA Insurance Services Pty Ltd was incorporated. On this date, Ansvar Insurance Limited purchased 100% of the share capital of 1000 shares for $100. EA Insurance Services Pty Ltd did not enter into any other transactions during the year.

30. APRA capital adequacy

From 1 January 2013, APRA revised the regulatory capital adequacy requirements applicable to all APRA authorised insurers and insurance groups. The revised requirements apply to both measurement of capital for regulatory purposes and calculation of the required minimum level of capital. The table below sets out Ansvar's capital ratio at 31 December 2012 calculated based on the capital standards in-force on that date and its capital ratio at 31 December 2013 calculated in accordance with the revised capital adequacy requirements.

	2013 $'000	2012 $'000
Tier 1 Capital	76,773	76,806
Less: Net deferred tax assets	(5,968)	(5,014)
Other intangible assets	(291)	(223)
Other deductions required by APRA	(453)	(740)
Adjusted Tier 1 Capital	72,061	70,829
Tier 2 Capital	-	211
Total Regulatory Capital Base	72,061	71,040
Prescribed Capital Amount (2012: Minimum Capital Requirement)	28,645	31,732
Prescribed Capital Amount Coverage (2012: Solvency Coverage)	252%	224%

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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash at hand	21,068	16,969	21,068	16,969
Add: Short term deposits (i)	-	-	-	-
	21,068	16,969	21,068	16,969

(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	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Profit/(loss) for the year	**913**	**2,087**	**913**	**2,086**
Depreciation and amortization	450	564	450	564
Changes in fair value of investments	2,713	(3,033)	2,713	(2,273)
Other	52	797	52	38
Increase/(decrease) in current tax liabilities	-	3	-	3
Decrease/(increase) in deferred tax balances	(955)	936	(955)	936
Changes in operating assets and liabilities:				
Decrease in trade debtors	4,246	3,268	4,246	3,268
(Increase)/Decrease in reinsurance recoveries receivable	7,267	(348)	7,267	(348)
Decrease /(increase) in other debtors	(1,660)	3,780	(1,660)	3,780
Decrease/(increase) in deferred insurance costs	(1,795)	22,837	(1,795)	22,837
(Decrease)/increase in sundry creditors and accruals	4,984	(1,618)	4,984	(1,618)
Decrease in unearned premiums	(8,550)	(16,028)	(8,550)	(16,028)
(Decrease) / Increase in outstanding claims	2,680	(19,629)	2,680	(19,629)
Increase/(decrease) in provision for employee benefits	(341)	190	(341)	190
Increase/(decrease) in direct insurance payables	(796)	224	(796)	224
Decrease in reinsurance ceded creditors	(407)	-	(407)	-
(Decrease)/increase in indirect taxes	196	(852)	196	(852)
Increase in deferred reinsurance and other revenue	-	-	-	-
Increase in other operating provisions	(27)	(272)	(27)	(272)
Net cash generated by/(used in) operating activities	**8,970**	**(7,094)**	**8,970**	**(7,094)**

32. Subsequent events

There has not been any 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.

There has been no subsequent event since 31 December 2013.

33. Contingent Liabilities

Ansvar Insurance Limited has a bank guarantee facility totaling $600,000 which comprise an undertaking by the bank pursuant to signed Leased Agreements for the Leased office premises in the event of extinguishing liabilities if necessary. The amount of unused facility at 31 December 2013 is $91,533.

Effective 20 June 2012, Ansvar Insurance Limited signed a Management Services Agreement with ACS (NZ) Limited under which it performs certain management services for ACS (NZ) Limited. A performance based management fee of NZ $3 million may be payable to Ansvar Insurance Limited once the Company has settled all claims against it to the extent ACS has surplus capital in excess of $5 million. This contingent asset has not been provided for in the Statements of Financial Position.