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Ansvar Insurance Limited

ABN 21 007 216 506

Annual Financial Report for the year ended 31 December 2017

Contents

Corporate Information

ABN 21 007 216 506

Directors
Nicholas Barnett, Chairperson
Trevor Lloyd, Deputy Chairperson
Warren Hutcheon, Chief Executive Officer
Ian Campbell
Michael Grantham
Patricia Kelly
Jacinta Whyte

Company Secretary
Victor Martindale

Registered Office and Principal Place of Business
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Southbank
Melbourne
Victoria
3006
Phone: +61 3 8630 3100

External Auditor
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Melbourne
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Internal Auditor
PricewaterhouseCoopers
2 Riverside Quay
Southbank
Melbourne
Victoria
3006

Appointed Actuary
Finity Consulting Pty Ltd
Level 3, 30 Collins Street
Melbourne
Victoria
3000

Directors' Report

The Directors of Ansvar Insurance Limited (Ansvar) (the Company) submit their report for the year ended 31 December 2017.

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

Nicholas Barnett
BEc, CA, FAICD
Chairperson and independent non-executive Director

Nicholas joined the Board in July 2010 and was appointed Chairperson in July 2011. He has over 30 years' experience as a Chartered Accountant and business consultant. Nicholas is currently Chief Executive Officer of Insync, benchmarked stakeholder survey, research and consulting specialists, a former partner of KPMG and a former Chief Executive Officer of Ambit Group, Information Technology recruitment specialists. Nicholas retired as a non-executive Director of Mission Australia Limited on 21 August 2017 and was formerly a Director then Chairperson of First Samuel Limited. He is also a published author, his latest co-authored book titled Why Purpose Matters. Nicholas is a member of the Audit Committee, Nominations and Remuneration Committee and Risk and Compliance Committee.

Trevor Lloyd
BA, LLB, FAICD
Deputy Chairperson and independent non-executive Director

Trevor was appointed to the Board in February 2012. Trevor has over 30 years' experience as a corporate and commercial lawyer and has extensive experience as a senior manager in both legal practice and the corporate environment. Past directorships include appointments in the AXA Group, Members Equity and the Victorian Managed Insurance Authority. Trevor currently advises independently as a lawyer, negotiator and management consultant. Trevor is the Deputy Chairperson of the Board, Chairperson of the Nominations and Remuneration Committee and a member of the Audit Committee and Risk and Compliance Committee.

Warren Hutcheon
MBA, GAICD, Fellow ANZIIF (CIP)
Executive Director

Warren joined Ansvar as Chief Executive Officer in May 2014. Immediately prior to joining Ansvar he was the Chief Executive Officer of the Victorian Managed Insurance Authority, the risk and insurance advisor to the Victorian Government, where he was responsible for a successful and high profile cultural and performance turnaround. With over 30 years' experience in risk and insurance, Warren has held senior positions in underwriting, claims, operational management, strategy and organisational change. Warren has been active in supporting the Australian insurance industry for many years, and recently resigned as Chairperson of the Australian and New Zealand Institute of Insurance and Finance (ANZIIF) General Insurance Faculty Advisory Board. Warren is actively involved in the community as a Board member of Bayside Church Incorporated, Bayside Community Care and other associated entities.

Ian Campbell
BSc (Econ) Hons, ACA Non-executive Director

Ian was appointed to the Board in August 2013. He is Group Chief Financial Officer of Ecclesiastical Insurance Group Plc. Ian is a Chartered Accountant with more than 25 years' experience in financial services. Ian started his career at KPMG in its Insurance and Consulting Practice covering a wide range of projects for the Lloyd's of London market and life insurance companies. Since then, Ian has held senior finance roles at Cox Insurance, Aspen Insurance and Torus Insurance focusing on property and casualty reinsurance and insurance acquisitions, finance, investment and taxation management, Solvency II, capital management, capital raising, actuarial and reinsurance. Ian is a member of the Nominations and Remuneration Committee.

Michael Grantham
MBA, FAICD
Independent non-executive Director

Michael was appointed to the Board in March 2016. Michael has over 30 years' experience as an information and communications technology professional and currently works as a Business Development Manager specialising in next generation transformation for British Telecom Australasia. He is a former Director of CGU Australia Limited, CGU Insurance Limited and Insurance Network Services. He has also held a number of Chief Information Officer positions including at CGU Insurance Limited, Australian Customs and Border Protection and Tenix. Michael is a member of the Audit Committee, Nominations and Remuneration Committee and Risk and Compliance Committee.

Directors' Report

Patricia Kelly Independent non-executive Director	Patricia was appointed to the Board in May 2014. Patricia has extensive experience in the financial services industry. Most recently she worked for Suncorp/AAMI where her roles included Executive General Manager Strategy and Business Development Personal Insurance and General Manager AAMI New South Wales. Prior to that she was a Director and Executive General Manager Life and Superannuation of Norwich Union Life Australia. Patricia is a Past President and Honorary Life Member of the Insurance Institute of Victoria and a former Director of ANZIIF. Patricia is also a non-executive Director of the Royal Automobile Club of Victoria and a non-executive Director of the Legal Practitioners Liability Committee. Patricia is the Chairperson of the Audit Committee and Risk and Compliance Committee and is a member of the Nominations and Remuneration Committee.
Jacinta Whyte MC Inst. M, ACII, Chartered Insurer Non-executive Director	Jacinta was appointed to the Board in August 2013. She is Deputy Group Chief Executive of Ecclesiastical Insurance Group Plc. Jacinta joined the Ecclesiastical Group 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 Royal and Sun Alliance in Dublin and moved with them to Canada in 1988. Over her Royal and 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 Insurance Limited.

Company Secretary

Victor Martindale BCompt (Hons), CA Company Secretary	Victor was appointed as Company Secretary on 24 July 2017 and is a general insurance specialist with over 20 years' experience within the sector and an impressive history of systems and process improvement in senior finance roles in South Africa and Australia. Victor has held a number of Chief Financial Officer roles including ACE Insurance and Swiss Re in South Africa and OAMPS in Melbourne. Prior to joining Ansvar in July 2017, Victor was Chief Financial Officer of the Victorian Managed Insurance Authority based in Melbourne.

Directors' Report

Principal activities

Ansvar is a company limited by shares that is incorporated and domiciled in Australia. Ansvar Insurance Limited and its dormant subsidiary, Ansvar Insurance Services Pty Limited, form the consolidated Group (the Group). The Group'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, property owners (including heritage), education and community. 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 $250K (2016: $250K) during the financial year through its Community Education Programme.

Review of operations

In 2017 Ansvar generated a profit before income taxation of $7,524K (2016: $2,006K) and continued to make significant progress in the execution of its business strategy despite the competitive conditions in the Australian general insurance market. The increase in profit before income taxation was driven mainly by the improvement in the underwriting result following an increase in net premium earned of 16.4% and favourable claims development in respect of prior policy years.

Ansvar continues to be in a strong financial position. At 31 December 2017 its Prescribed Capital Amount Coverage Ratio was 2.72 (2016: 2.83) which was significantly above the Australian Prudential Regulation Authority (APRA) minimum requirement of 1.75. In March 2017 its financial strength rating from its rating agency, A.M. Best, was reaffirmed as Excellent/A- (2016: Excellent/A-).

Ansvar employed 87 full time equivalent staff at 31 December 2017 (2016: 88).

Changes in state of affairs

During the financial year there were no significant changes in the state of affairs of the Group.

Subsequent events

There has not been any matter or circumstance that has occurred between the balance sheet date and the date of this report that has significantly affected, or may significantly affect, the Group's and the Company's operations in future financial years, the results of those operations or the Group's and the Company's state of affairs in future financial years.

On 2 March 2018 the Directors of Ansvar declared a dividend on ordinary shares in respect of the 2017 financial year. The total amount of the dividend is $4,060,000 (2016: $1,200,000) which represents a fully franked dividend of 55.6 cents per share (2016: 16.4 cents). The dividend has not been provided for in the 31 December 2017 annual financial statements (2016: Nil).

Future developments

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

Directors' Report

Directors' meetings
The following table sets out the number of Board and Board Committee meetings during the financial year and the number of meetings attended by each Director. During the financial year five Board and four of each of the Board Committee meetings were held.

Directors	Board		Audit Committee		Nominations and Remuneration Committee		Risk and Compliance Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
N Barnett	5	5	4	4	4	4	4	4
T Lloyd	5	5	4	3	4	4	4	3
W Hutcheon	5	5	4	4	4	4	4	4
I Campbell	5	5	4	4	4	4	4	4
M Grantham	5	5	4	4	4	4	4	4
P Kelly	5	5	4	4	4	4	4	4
J Whyte	5	5	4	4	4	4	4	4

Section 11 of the Company's Constitution provides an indemnity to every person that is or has been a Director, alternate Director, executive officer or officer of the Company or related corporate bodies. During the financial year the Company paid a premium in respect of a contract insuring the abovementioned Directors of the Company, the Company Secretary and all executive officers of the Company and any related corporate body against a liability incurred as such a Director, Company Secretary, executive officer or corporate body to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits the disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during the financial year and until the date of this report, indemnified or agreed to indemnify an officer or auditor of the Company or any related corporate body 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 6 of this report.

Rounding
The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016 and accordingly all amounts in the Directors' Report and the annual financial statements are rounded to the nearest thousand Dollars unless otherwise indicated.

The Directors' Report is signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors:

N S Barnett
Chairperson

P M Kelly
Director

Melbourne
2 March 2018

Deloitte Touche Tohmatsu
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2 March 2018

The Board of Directors
Ansvar Insurance Limited
Level 5, 1 Southbank Boulevard
Southbank VIC 3006

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 consolidated financial statements of Ansvar Insurance Limited for the financial year ended 31 December 2017, 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 faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

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

Report on the Audit of the Financial Report

Opinion

We have audited the consolidated financial report of Ansvar Insurance Limited ("the Company") and its subsidiary ("the Group"), which comprises the balance sheet as at 31 December 2017, the comprehensive operating statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the consolidated financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's Directors' Report, but does not include the consolidated financial report and our auditor's report thereon.

Our opinion on the consolidated financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

The Directors' Responsibilities for the Financial Report

The directors are responsible for the preparation of the consolidated 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 consolidated financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this consolidated financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial report, including the disclosures, and whether the consolidated financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

Melbourne, 2 March 2018

Directors' Declaration

In the opinion of the Directors of Ansvar Insurance Limited:

- The consolidated financial statements and notes of Ansvar Insurance Limited for the financial year ended 31 December 2017 are in accordance with the *Corporations Act 2001* including:
  - Giving a true and fair view of the consolidated Group's financial position as at 31 December 2017 and of its performance for the year ended on that date; and
  - Complying with Australian Accounting Standards including Interpretations and the *Corporations Regulations 2001*.

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

- There are reasonable grounds to believe that the Group 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(5) of the *Corporations Act 2001*:

....	....
N S Barnett	**P M Kelly**
Chairperson	Director

Melbourne
2 March 2018

Comprehensive Operating Statement
For the financial year ended 31 December 2017

		Company and Consolidated	
		2017	**2016**
	Note	**$'000**	**$'000**
Gross premium written		**96,273**	**76,412**
Increase in gross unearned premium liability		(8,266)	(2,403)
Gross premium earned	6(a)	**88,007**	**74,009**
Reinsurance premium incurred		(49,987)	(41,333)
Net premium earned		**38,020**	**32,676**
Gross claims incurred	7	(47,034)	(62,020)
Reinsurance and other recoveries	6(a), 7	33,225	47,801
Unallocated claims expenses	7	(2,789)	(2,774)
Net claims incurred	7	**(16,598)**	**(16,993)**
Gross commission paid		(12,661)	(9,810)
Increase in gross deferred acquisition costs		1,164	866
Reinsurance commission received	6(a)	12,314	8,247
(Increase)/decrease in ceded deferred acquisition costs	6(a)	(1,342)	61
Reinsurance broker fees incurred		(840)	(820)
Underwriting expenses incurred		(6,604)	(6,532)
Emergency Services Levy		(3,482)	(2,851)
Net acquisition expenses incurred		**(11,451)**	**(10,839)**
Other income	6(a)	682	1,248
Administration expenses		(8,872)	(9,042)
Underwriting result		**1,781**	**(2,950)**
Investment income	6(a)	6,086	5,315
Investment management expenses		(213)	(213)
Net investment income		**5,873**	**5,102**
Interest expense		(130)	(146)
Profit before income taxation		**7,524**	**2,006**
Income taxation expense	10	(2,896)	(617)
Profit after income taxation		**4,628**	**1,389**
Other comprehensive income		-	-
Comprehensive result		**4,628**	**1,389**

The Comprehensive Operating Statement should be read in conjunction with the accompanying Notes to the Financial Statements.

Balance Sheet
As at 31 December 2017

		Company and Consolidated			
			2017		2016
	Note		$'000		$'000
Assets					
Cash and cash equivalents	11		31,307		17,720
Investments	12		149,769		143,715
Trade and other receivables	13		37,628		40,878
Current taxation asset	10		-		1,052
Furniture, fittings and equipment	14		209		374
Deferred Emergency Services Levy	15		1,918		1,840
Gross deferred acquisition costs	15		9,752		8,588
Unearned premium	16	24,296		20,268	
Claims outstanding and incurred but not reported	17, 21(c)	61,268		58,865	
Reinsurance and other assets			85,564		79,133
Deferred taxation asset	10		3,763		4,341
Total assets			**319,910**		**297,641**
Liabilities					
Trade and other payables	18		30,550		24,473
Current taxation liability	10		846		-
Deferred taxation liability	10		787		629
Ceded deferred acquisition costs			5,666		4,325
Provisions	19		1,794		1,638
Unearned premium	16	52,025		43,759	
Claims outstanding and incurred but not reported	21	147,336		145,339	
Gross insurance liabilities			199,361		189,098
Total liabilities			**239,004**		**220,163**
Net assets			**80,906**		**77,478**
Equity					
Share capital	22		7,308		7,308
Retained earnings			73,598		70,170
Total equity			**80,906**		**77,478**

The Balance Sheet should be read in conjunction with the accompanying Notes to the Financial Statements.

Statement of Changes in Equity
For the financial year ended 31 December 2017

	Note	Company and Consolidated Fully paid ordinary shares $'000	 Retained earnings $'000	 Total $'000
Balance at 31 December 2015		**7,308**	**71,334**	**78,642**
Comprehensive result for the year		-	1,389	1,389
Dividend		-	(2,553)	(2,553)
Balance at 31 December 2016		**7,308**	**70,170**	**77,478**
Comprehensive result for the year		-	4,628	4,628
Dividend	30	-	(1,200)	(1,200)
Balance at 31 December 2017		**7,308**	**73,598**	**80,906**

The Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Financial Statements.

Cash Flow Statement
For the financial year ended 31 December 2017

	Note	Company and Consolidated	
		2017	2016
		$'000	$'000
Cash flows from operating activities			
Insurance premium received		93,037	75,105
Reinsurance and other recoveries received		36,919	43,733
Interest received		6,099	7,100
Other income		756	738
Reinsurance premium paid		(49,844)	(41,093)
Gross claims paid	21(c)	(45,037)	(68,741)
Claims handling expenses paid		(2,789)	(2,774)
Acquisition and other expenses paid		(17,958)	(20,267)
Interest paid		(130)	(146)
Income taxation paid		(262)	(3,998)
Net cash inflow/(outflow) from operating activities	29	**20,791**	**(10,343)**
Cash flows from investing activities			
Acquisition of investments		(32,710)	(46,088)
Proceeds on disposal of investments		26,712	48,690
Acquisition of furniture, fittings and equipment	14	(6)	(154)
Net cash (outflow)/inflow from investing activities		**(6,004)**	**2,448**
Cash flows from financing activities			
Dividends paid		(1,200)	(2,553)
Net cash outflow from financing activities		**(1,200)**	**(2,553)**
Net increase/(decrease) in cash and cash equivalents		13,587	(10,448)
Cash and cash equivalents at beginning of year		**17,720**	**28,168**
Cash and cash equivalents at end of year	11	**31,307**	**17,720**

The Cash Flow Statement should be read in conjunction with the accompanying Notes to the Financial Statements.

Notes to the Financial Statements
For the financial year ended 31 December 2017

1. Corporate information

The consolidated financial statements of Ansvar for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 2 March 2018.

Ansvar is a company limited by shares that is incorporated and domiciled in Australia. Ansvar'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 outlined 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*, Australian 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 as issued by the International Accounting Standards Board. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group and the Company comply with International Financial Reporting Standards.

The financial statements comprise the consolidated financial statements of the Group and the Company. For the purposes of preparing the consolidated financial statements, the Group and Company are for-profit entities.

The consolidated financial report has been prepared on a historical cost basis, except for investments which have been measured at fair value and net claims liabilities which have been measured as outlined in Note 3.

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. Assets and liabilities are presented in a decreasing order of liquidity on the face of the Balance Sheet. For assets and liabilities that comprise both current and non-current amounts, information with regard to the non-current amount is included in the relevant note to the financial statements.

All amounts are presented in Australian Dollars. The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016 and accordingly all amounts in the Directors' Report and the annual financial statements are rounded 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) Gross premium earned and gross unearned premium liability
Premium comprises amounts charged to policyholders including the Emergency Services Levy, but excluding Stamp Duty and Goods and Services Taxation (GST). The earned portion of premium received and receivable, including unclosed business, is recognised as revenue. Premium is earned from the date of attachment of risk. Premium pertaining to unclosed business is brought to account with 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. The gross 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. Gross premium written which has not been earned at the balance sheet date is included in the gross unearned premium liability in the Balance Sheet.

(c) Reinsurance premium incurred and ceded unearned premium asset
Premium ceded to reinsurers is recognised as an expense in accordance with the indemnity period of the corresponding reinsurance contract. Accordingly, a portion of outward reinsurance premium is treated as a ceded unearned premium asset at the balance sheet date.

Notes to the Financial Statements
For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

(d) Unexpired risks liability
Liability adequacy testing is performed at each balance sheet date in order to recognise any deficiencies in the adequacy of the unearned premium liability arising from the carrying amount of the net unearned premium liability less any related deferred acquisition costs not meeting the estimated future net claims incurred under current insurance contracts.

The estimated future net claims incurred under current insurance contracts is 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. Any deficiency arising from the test is recognised in the Comprehensive Operating Statement through the write down of any related deferred acquisition costs. If an additional liability is required, it is recognised as an unexpired risks liability in the Balance Sheet.

(e) Gross claims incurred and gross claims liabilities
Gross claims incurred and gross claims liabilities are recognised in respect of all business written. Gross claims liabilities comprise claims reported but not yet paid, claims incurred but not reported (IBNR), claims incurred but not enough reported, the anticipated direct and indirect claims handling expenses of settling those claims and a risk margin. Gross claims liabilities are assessed by reviewing individual claim files and estimating changes in the ultimate cost of settling claims using statistics based on past experience and trends.

No discounting has been applied to gross claims liabilities for short tail classes as the impact is not material. The gross claims liabilities for long tail classes are measured as the present value of the expected future claim 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 sheet date using risk free discount rates.

(f) Reinsurance and other recoveries
Reinsurance and other recoveries received or receivable in respect of gross claims paid and movements in reinsurance and other recovery assets in respect of claims reported but not yet paid, claims incurred but not reported and claims incurred but not enough reported are recognised in the Comprehensive Operating Statement in the year they occur.

Reinsurance and other recovery assets are actuarially assessed in a manner similar to the assessment of gross claims liabilities and are measured as the present value of the expected future receipts, calculated on the same basis as the gross claims liabilities [refer to Note 2(e)].

(g) Deferred Emergency Services Levy
A liability for Emergency Services Levy is recognised on premium written to the balance sheet date. The Emergency Services Levy is expensed on the same basis as the recognition of premium written, with the portion relating to unearned premium being recorded as deferred Emergency Services Levy.

(h) Gross deferred acquisition costs
Acquisition costs, which represent gross commission paid in respect of general 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 premium earned that will be recognised in the Comprehensive Operating Statement in subsequent reporting periods.

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 written. Deferred acquisition costs are measured at the lower of cost and recoverable amount.

(i) Fee income
Fee income is recognised when it is probable that the economic benefits will flow to the Group and the income can be reliably measured, regardless of when the payment is being made.

2. Significant accounting policies (continued)

(j) Investment income
Interest income is recognised when it is probable that the economic benefits will flow to the Group and the income can be reliably measured. Interest income is accrued on a time proportionate basis with 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.

(k) Foreign currency translation
All foreign currency transactions are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at the balance sheet date are translated at the exchange rate existing at the balance sheet 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.

(l) Leases
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.

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.

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

Deferred taxation
Deferred taxation 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 taxation base of those items.

In principle deferred taxation liabilities are recognised for all taxable temporary differences. Deferred taxation assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused taxation losses and taxation offsets can be utilised. However, deferred taxation 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 does not affect either taxable income or accounting profit before income taxation.

Deferred taxation assets and liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Group 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 taxation 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 income against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred taxation assets and liabilities are measured at the taxation rates that are expected to apply to the periods when the asset and liability giving rise to them are realised or settled, based on taxation rates and laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred taxation liabilities and assets reflects the taxation consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxation for the period
Current and deferred taxation is recognised as an expense or benefit in the Comprehensive Operating Statement, except when it relates to items credited or debited directly to equity, in which case the deferred taxation 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.

2. Significant accounting policies (continued)

(n) Goods and Services Taxation
Income, expenses, assets and liabilities are recognised net of GST except:
- Where the amount of GST incurred is not recoverable from the Australian Taxation Office.
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from or payable to the Australian Taxation Office is included as part of receivables or payables.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the Australian Taxation Office is classified as cash flows from operating activities.

(o) Financial assets
In accordance with *AASB 1023 General Insurance Contracts* the Group is required to measure financial assets held to back the insurance liabilities 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 Group's Investment Policy. The Group has elected to measure all financial assets that are not held to back the insurance liabilities at fair value through profit or loss upon initial recognition.

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

<u>Loans</u>
Loans are measured at amortised cost using the effective interest method less impairment.

(p) Financial instruments issued by the Group
<u>Debt and equity instruments</u>
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

<u>Transaction costs on the issue of equity instruments</u>
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.

<u>Interest and dividends</u>
Interest and dividends are classified as expenses or as distributions of profit consistent with the Balance Sheet classification of the related debt or equity instruments.

(q) Impairment of assets
At each balance sheet date the Group 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 Group 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.

The 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 taxation 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.

2. Significant accounting policies (continued)

(q) Impairment of assets (continued)
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 reduces the revaluation amount.

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 increases the revaluation amount.

(r) 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 Balance Sheet.

Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment purposes and include 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.

(s) Receivables
Trade receivables represent receivables associated with the premium, reinsurance and other recoveries, claims and commission. All other receivables are classified as non-trade receivables.

Receivables are stated at the amounts to be received in the future, less any impairment losses. The amounts are discounted where the effect of the time value of money is material. The recoverability of receivables is assessed on an ongoing basis and provision for impairment is made based on objective evidence and with regard to past default experience. The impairment charge is recognised in the Comprehensive Operating Statement. Receivables which are known to be uncollectible are written off.

Receivables are non-interest bearing and are normally settled between 30 days and 12 months. The non-current portion has not been discounted as the effect of the time value of money is not material. The net carrying amount of receivables is a reasonable approximation of the fair value of the assets due to the short term nature of the assets.

(t) Furniture, fittings and equipment
Furniture, fittings and equipment are recognised 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 charged on furniture, fittings and equipment. 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 financial year.

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

• Computer hardware	3-9 years
• Leasehold improvements	Term of lease
• Office furniture and equipment	3 years

2. Significant accounting policies (continued)

(u) Trade and other payables
Trade payables represent payables associated with the premium, reinsurance and other recoveries, claims and commission. All other payables are classified as non-trade payables.

Trade and other payables are stated at cost, which is the fair value of future payments for the purchase of goods and services. Payables are recognised when the Group becomes obliged to make these payments. The amounts are discounted where the effect of the time value of money is material.

Trade and other payables are non-interest bearing and normally settled within 12 months. The non-current portion has not been discounted as the effect of the time value of money is not material.

(v) Employee benefits
Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the balance sheet date when it is probable that settlement will be required and the amounts can be reliably measured.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured as the amount unpaid at the balance sheet 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 are measured at the present value of the expected future cash outflows to be made by the Group in respect of services provided by employees up to the balance sheet 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 high quality corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Defined contribution funds
Contributions to defined contribution superannuation funds are expensed when incurred.

(w) Principles of consolidation
The consolidated financial statements incorporate the financial statements of the Company and the entity controlled by the Company (its subsidiary) 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 the controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control the 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.

(x) New Accounting Standards and Interpretations
The accounting policies adopted are consistent with those of the previous financial year except for the following Australian Accounting Standards adopted with effect from 1 January 2017:

Standard	Summary	Application date of standard	Note	Application date for Group
AASB 2016-1	*Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* This Standard makes amendments to *AASB 112 Income Taxes* to clarify the accounting for deferred taxation assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	B	1 January 2017

2. Significant accounting policies (continued)

(x) New Accounting Standards and Interpretations (continued)

Standard	Summary	Application date of standard	Note	Application date for Group
AASB 2016-2	*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* The amendments to *AASB 107 Statement of Cash Flows* are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosure about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, such as foreign exchange gains or losses.	1 January 2017	B	1 January 2017

Accounting Standards not yet effective
There are a number of new and revised Australian Accounting Standards which have been issued by the Australian Accounting Standards Board (AASB) for which the mandatory application dates fall after the end of this financial year. None of these Standards have been adopted early and applied in the current financial year.

Standard	Summary	Application date of standard	Note	Application date for Group
AASB 9 and relevant amending Standards	*Financial Instruments* *AASB 9* replaces *AASB 139 Financial Instruments: Recognition and Measurement.* Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs. Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument by instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other *AASB 139* classification and measurement requirements for financial liabilities have been carried forward into *AASB 9*, including the embedded derivative separation rules and the criteria for using the FVO. The incurred credit loss model in *AASB 139* has been replaced with an expected credit loss model in *AASB 9*. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle based approach to hedge accounting and address inconsistencies in the hedge accounting model in *AASB 139*.	1 January 2018	A	1 January 2018

2. Significant accounting policies (continued)

(x) New Accounting Standards and Interpretations (continued)

Accounting Standards not yet effective (continued)

Standard	Summary	Application date of standard	Note	Application date for Group
AASB 15 and relevant amending Standards	*Revenue from Contracts with Customers* *AASB 15* replaces all existing revenue requirements in Australian Accounting Standards (*AASB 111 Construction Contracts, AASB 118 Revenue*, *AASB Interpretation 13 Customer Loyalty Programmes*, *AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers* and *AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services*) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other Standards, such as *AASB 117 Leases* or *AASB 16 Leases*, once applied. The core principle of *AASB 15* is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps: • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when or as the entity satisfies a performance obligation.	1 January 2018	A	1 January 2018
AASB 2016-6	*Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts* This Standard amends *AASB 4 Insurance Contracts* to permit issuers of insurance contracts to: • Choose to apply the 'overlay approach' that involves applying *AASB 9 Financial Instruments* and also applying *AASB 139 Financial Instruments: Recognition and Measurement* to eligible financial assets to calculate a single line item adjustment to profit or loss so that the overall impact on profit or loss is the same as if *AASB 139* had been applied; or • Choose to be temporarily exempt from *AASB 9* when those issuers' activities are predominantly connected with insurance, provided they make additional disclosure to enable users to make comparisons with issuers applying *AASB 9.*	1 January 2018	A	1 January 2018
AASB 2017-3	*Amendments to Australian Accounting Standards – Clarifications to AASB 4* The amendments confirm that in Australia compliance with *AASB 1023 General Insurance Contracts* and *AASB 1038 Life Insurance Contracts* ensures simultaneous compliance with *AASB 4*. The Standard also amends *AASB 4* to ensure the relief available to issuers of insurance contracts set out in *AASB 2016-6* can be applied by an entity applying either *AASB 1023* and *AASB 1038* if the entity otherwise meets the qualifying criteria.	1 January 2018	A	1 January 2018

2. Significant accounting policies (continued)

(x) New Accounting Standards and Interpretations (continued)

Accounting Standards not yet effective (continued)

Standard	Summary	Application date of standard	Note	Application date for Group
AASB 16	*Leases* *AASB 16* requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under *AASB 117 Leases.* The Standard includes two recognition exemptions for lessees – leases of 'low-value' assets, for example, personal computers, and short term leases, i.e., leases with a lease term of 12 months or less. At the commencement date of a lease, a lessee will recognise a liability to make lease payments, i.e., the lease liability, and an asset representing the right to use the underlying asset during the lease term, i.e., the right-of-use asset. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events, for example, a change in the lease term or a change in future lease payments resulting from a change in an index or rate used to determine those payments. The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.	1 January 2019	B	1 January 2019
AASB 17	*Insurance Contracts* *AASB 17* replaces *AASB 4 Insurance Contracts*, *AASB 1023 General Insurance Contracts* and *AASB 1038 Life Insurance Contracts* for for-profit entities. *AASB 17* applies to all types of insurance contracts, i.e., life, non-life, direct insurance and reinsurance, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of *AASB 17* is the General (building block) Model, supplemented by: • A specific adaptation for contracts with direct participation features – Variable Fee Approach. • A simplified approach mainly for short duration contracts – Premium Allocation Approach. The main features of the new accounting model for insurance contracts are: • A measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period, i.e., the fulfilment cash flows. • A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contract to be recognised in profit or loss over the service period, i.e., the coverage period. • Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contract service period. The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.	1 January 2021	C	1 January 2021

Notes:

A. These changes only impact disclosure.

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

C. Details of the impact are still being assessed.

Notes to the Financial Statements
For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

(y) Comparative information
Management has revised the presentation of the Comprehensive Operating Statement and Balance Sheet to provide users with additional information that was previously disclosed in the Notes to the Financial Statements. In addition, certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current financial year. Management holds the view that these changes in the financial statement presentation provide information in a format that is more relevant to users of the annual financial statements. In view of this, certain line items in the comparative 31 December 2016 annual financial statements have been reclassified as follows:

	Company and Consolidated		
	As previously reported $'000	Reclassification $'000	As reported in current year annual financial statements $'000
Comprehensive Operating Statement			
Underwriting result(i)	4,844	(7,794)	(2,950)
Profit before income taxation	**2,006**	**-**	**2,006**
Balance Sheet			
Trade and other receivables(ii)(iii)	49,234	(8,356)	40,878
Reinsurance and other assets(iii)(iv)	63,326	(4,461)	58,865
Total assets	**310,458**	**(12,817)**	**297,641**
Claims outstanding and incurred but not reported(ii)(iv)	(158,156)	12,817	(145,339)
Total liabilities	**(232,980)**	**12,817**	**(220,163)**
Total equity	**77,478**	**-**	**77,478**

Notes:
(i) Other income of $1,248K and administration expenses of $9,042K have been reclassified as being part of the underwriting result.
(ii) Gross claims liabilities are disclosed net of Goods and Services Taxation on claims outstanding of $2,104K.
(iii) Third party recoveries on gross claims liabilities of $6,252K has been reclassified as being part of reinsurance and other assets.
(iv) The net risk margin is applied to gross claims liabilities including the risk margin pertaining to reinsurance and other assets of $10,713K.

3. Critical accounting judgements, assumptions and estimates

In the application of Australian Accounting Standards management is required to make judgements, assumptions and estimates about carrying values of assets and liabilities that are not readily apparent from other sources. The assumptions and estimates are based on historical experience and various other factors that are viewed as reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The assumptions and estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised.

Key sources of estimation uncertainty
Judgements made by management in the application of Australian Accounting Standards that have a significant affect on the financial statements and estimates with a significant risk of material adjustments in the subsequent year are disclosed, where applicable, in the relevant notes to the financial statements.

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

The key areas of significant judgements and estimates 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 financial 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 and the cost of claims incurred but not enough reported to the Group.

The estimation of net 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 balance sheet date. Each class of insurance 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 premium 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 insurance.

(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 Ansvar.

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

(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.

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 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 blend of methods is selected taking into account the characteristics of the class of insurance and the extent of the development of each past policy year.

3. Critical accounting judgements, assumptions and estimates (continued)

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

Large claims impacting each relevant class of insurance 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 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 a 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 insurance 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 Liability classes have the highest volatility as the longer average time to settle provides a greater opportunity for sources of uncertainty to emerge. Short tail classes such as Property and Motor have lower levels of volatility.

As the volatility for each class of insurance is partially correlated with other classes, when combined across the entire Group, 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 claims liabilities proving adequate may be produced.

The assumptions with regard to uncertainty for each class of insurance 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 claims liability that is intended to have a 75% probability of sufficiency (2016: 80%).

(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also calculated using the above method. 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 Group may not receive amounts due to it and these amounts can be reliably measured. Refer to Note 17 for a breakdown of reinsurance and other recovery assets.

(c) Recoverability of future taxation losses

At the balance sheet date Ansvar makes an assessment whether it is probable that it will have taxable profits against which any temporary differences or unused taxation losses can be utilised before the unused taxation losses or unused taxation 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 net claims liabilities:

	2017		2016	
Company and Consolidated	**Long tail**	**Short tail**	**Long tail**	**Short tail**
Inflation rate	2.75%	-	2.75%	-
Superimposed inflation rate	2.84%	-	3.28%	-
Discount rate	2.49%	-	2.13%	-
Weighted average term to settlement (years)	4.29	0.70	4.14	0.70
Discounted mean term (years)	3.81	0.70	3.80	0.70
Large claim frequency (per annum)	1.25	-	1.25	-
Claim handling expense rate as a % of gross claims liabilities	8.00%	4.50%	9.43%	2.51%
Risk margin	17.51%	13.33%	18.96%	17.46%

(b) Processes used to determine assumptions

The net claims liabilities are calculated using assumptions including the following:

Inflation rate

Insurance costs are subject to inflationary pressures over time.

For the Liability classes, claim costs associated with personal injuries may be 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 Property and Motor classes, claim costs are related to the inflationary pressures of the materials and goods insured as well as labour costs to effect repairs. It is therefore expected that these costs will increase at an appropriate blend between the Consumer Price Index and wage inflation. The Property and Motor classes typically use an actuarial method in which the inflation assumption is implicit and incorporated in historical levels of claims 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 net claims liabilities for the Liability classes 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.

For the Property and Motor classes the net claims liabilities are not discounted due to their expected payment in the near term.

Weighted average term to settlement

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

Claims handling expense allowance

An estimate of 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 various classes of insurance.

Risk margin

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

The assumptions with regard to uncertainty for each class of insurance 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 claims liability that is intended to have a 75% probability of sufficiency (2016: 80%).

4. Actuarial assumptions and methods (continued)

(b) Processes used to determine assumptions (continued)
Ultimate claims ratio
This is the ratio of ultimate net claims incurred to ultimate net premium earned.

(c) Sensitivity analysis
The Group conducts sensitivity analysis to quantify the exposure to the risk of changes in the underlying assumptions used in the annual financial statements.

The sensitivity of the Group's net claims liabilities and profit before income taxation to key actuarial valuation assumptions is disclosed in the table below:

		Company and Consolidated	
		Impact net of recoveries	
Variable	Movement in variable	Long tail $'000	Short tail $'000
Inflation rate	+1.0%	3,345	-
	-1.0%	(3,081)	-
Superimposed inflation rate	+1.0%	2,237	-
	-1.0%	(2,115)	-
Discount rate	+1.0%	(3,081)	-
	-1.0%	3,345	-
Ultimate gross claims ratio for the latest policy year (Long tail 54%;	+10.0%	2,391	741
Short tail 86%)	-10.0%	(2,391)	(741)
IBNR for prior policy years	+10.0%	5,187	25
	-10.0%	(5,187)	(25)
Claims handling expense rate	+1.0%	1,091	298
	-1.0%	(1,091)	(298
Risk margin	+1.0%	762	50
	-1.0%	(762)	(50)

5. Risk management

(a) Risk management framework
The Group acknowledges that risk management is an integral part of the governance framework and its decision making process. The Board has ultimate responsibility for:
- Reviewing the Group's risk management framework.
- Ensuring the effectiveness of the risk management framework and the systems of internal and accounting control.
- Compliance with legislative and regulatory obligations including capital and insolvency requirements.

The Group has a Risk and Compliance function led by its Chief Risk Officer who is responsible for the development of its risk management framework, policies and standards. The application of the risk management framework across the Group provides reasonable assurance that key risks are adequately managed. The risk management framework is regularly reviewed so it remains appropriate and effective. The Group has outsourced its internal audit function which reviews aspects of the risk management framework across the Group's business units.

The risk management framework is outlined in the Risk Management Strategy. The Risk Management Strategy addresses the Group's approach to managing its risks. The Risk Management Strategy includes a statement of intent, risk objectives, description of material risks, clearly defined Board and management roles and responsibilities and the key processes to identify, assess, monitor, report on and mitigate material risks.

The Risk Management Strategy is reviewed and updated annually so it remains appropriate and effective, approved by the Board and any material changes are submitted to APRA.

5. Risk management (continued)

(a) Risk management framework (continued)

In addition to the Risk Management Strategy, the Group's risk management framework includes the following key documents:

- Risk Management Policy – defines the risk management principles that support the effective implementation of the risk management framework.
- Reinsurance Management Strategy – is part of the Group's risk management strategy and details the reinsurance management framework, including the selection, implementation, monitoring, review, control and documentation of reinsurance arrangements.
- Risk Appetite Statement – a set of principles, guidance, boundaries and limits set by the Board as part of the authorisation given to management to execute the Corporate Plan. It also sets out the process for risk appetite breach reporting.
- Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement – provides a summary of the capital assessment and management processes of the Group. It serves as a roadmap to the ICAAP and allows the Board and APRA to understand the Group's capital management process.

(b) The Group's material risks

As noted in the Risk Management Strategy, the Group has identified the following risks as being its material risks. This forms the Group's risk universe and is subject to formal risk assessment and management.

Material risks	Represented by Group's failure to
Strategic	Develop and implement effective business strategy and execution.
Insurance	• Adhere to insurance limits and sound underwriting. • Provide an adequate margin and reserves on insurance underwriting. • Prevent unauthorised claims, payments or leakage. • Establish an appropriate reinsurance program.
Financial	Provide integrity of management, prudential and financial reporting.
Market and liquidity	Adequately manage assets, liabilities, exposures and investments.
Compliance	Adhere to legislative and regulatory requirements or other licence conditions.
Operational	Properly manage the Group's processes, people and Information Technology systems.
Credit	Avoid default by reinsurers, insurance counterparties and/or investment counterparties.

(c) Material risk categories and mitigation strategies

(i) Strategic risk

The Group has identified its strategic risk as the risk of failing to develop and successfully execute an effective business strategy.

To mitigate strategic risk, the Chief Executive Officer is responsible for designing and presenting a Corporate Plan to the Board on an annual basis. The Corporate Plan includes consideration of key risks as part of the strategic and business planning processes to ensure they are aligned with the Board's risk appetite.

Monitoring against key strategic objectives is performed on a regular basis through the submission of reporting to the Board and Ansvar's holding company. This reporting assesses Ansvar's performance against predefined and approved strategic and financial metrics and organisational key performance indicators.

(ii) Insurance risk

Insurance risk is defined as the risk of loss arising from the inherent uncertainties about the occurrence, timing and amount of insurance claims. Insurance risk includes a variety of risks arising from current and prospective underwriting and the development of prior year reserves.

The Group has a number of policies and procedures to mitigate insurance risk. The key policies that are used in the mitigation of insurance risk are the ICAAP, Risk Management Strategy, Reinsurance Management Strategy, Insurance Risk Policy and the Actuarial Data Integrity Policy.

The Technical Solutions and Claims Departments have their own policies and procedures which assist in enabling compliance with predefined risk appetite limits. This includes a combination of internal and external reviews, claims and underwriting approval authorities and limits and regular reporting to the Executive Leadership Team, Board and Board Committees.

5. Risk management (continued)

(c) Material risk categories and mitigation strategies (continued)

(iii) Financial risk
Financial risk focuses on the movement of financial markets and the potential adverse impacts on the Group's financial performance. Financial risk is actively monitored by the Group to mitigate any material risks to its Balance Sheet.

In accordance with the Group's Financial and Investment Overarching Policy financial risks include:
- Market risk – the risk of loss or an adverse change in a financial situation resulting, directly or indirectly, from fluctuations in the level and volatility of market prices of assets and liabilities and financial instruments.
- Liquidity risk – means the Group is unable to liquidate investments to settle its financial obligations when they fall due. Refer to Note 23(e) for details on how the Group manages its liquidity risk.
- Credit risk – the risk that relates to reinsurers, brokers and other debtors, whose financial situation may result in their inability to deliver a financial commitment to the Group. This is manifested in the form of counterparty default risk, spread risk or market concentration risk.
- Currency risk – arises from the change in price of one currency against another. This will occur when assets or operations take place in foreign denominations.

The Group has established and implemented a number of policies and procedures to mitigate its financial risks which include:
- Balance Sheet and Market Risk Policy – identifies the main sources of market risk applicable to the Group and details how these are measured, monitored and controlled.
- Credit Risk Policy – details the parties with whom credit will be granted and the controls and processes in place for maximising cash flows and dealing with defaults.
- Investment Policy – describes the risk appetite profile and gives delegated authority to minimise risks.
- Outsourcing Policy – sets out the standards required by all companies to whom the Group outsources any of its material functions.
- ICAAP Summary Statement.

(iv) Market risk and liquidity risk (incorporating currency risk, interest rate risk and price risk)
In accordance with its Balance Sheet and Market Risk Policy the Group has identified the sources of its key market risks as follows:
- Movements in interest rates and inflation and widening of credit spreads which impact on the values of fixed interest securities.
- Reduced levels of investment income.
- Contraction in market liquidity.
- Adverse changes in the value of foreign currency assets.
- Inadequate processes for valuing assets.

The Group has determined the nature and extent of the market risks to which it considers it is acceptable to be exposed. These limits are documented in Ansvar's Risk Appetite Statement and Investment Policy. The Group's Finance Department is responsible for complying with the risk appetite limits that have been imposed.

The Group's Finance Department also performs regular stress testing to determine the impact of currency risk, interest rate risk and price risk on the Group's Balance Sheet. The stress testing determines the APRA risk charge and this then forms the capital which APRA considers appropriate to hold in relation to the asset risks to which the Group is exposed.

Stress testing is the key analysis performed by the Group on the appropriateness of the matching of assets and liabilities.

5. Risk management (continued)

(c) Material risk categories and mitigation strategies (continued)

(v) Compliance risk
The Group defines compliance risk as the risk of not adhering to legislative and regulatory obligations.

The Group has a Risk and Compliance function responsible for the development of its compliance framework, policies and standards. Business Unit General Managers are responsible for compliance with the Compliance Policy and adherence to legislative and regulatory requirements.

Any compliance breaches must be reported to the Risk and Compliance Department and recorded in the breach register. Any significant breaches are required to be reported to APRA and/or the Australian Securities and Investments Commission (ASIC) in accordance with the relevant regulatory obligations.

A Risk and Compliance Monitoring Plan has also been designed and implemented to monitor Ansvar Business Units' compliance with legislative and regulatory requirements. Findings and recommendations are provided to the Executive Leadership Team and the Risk and Compliance Committee.

(vi) Operational risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk may arise from inadequacies in the area of human resources, financial crime, outsourcing, technology and business continuity management.

Human resources
The Human Resources Department ensures that management policies, processes and procedures are in place to identify and manage operational risks involving employees, contractors and third parties. The Human Resources function is responsible for sourcing, selecting, recruiting, developing and retaining suitable staff who can meet the requirements of the role and fit into Ansvar's culture.

Financial crime
The Group has a Financial Crime Policy that addresses the risks of both internal and external fraud. The Financial Crime Policy sets out the controls to mitigate fraud and the processes to be undertaken in the event of fraud being identified.

Outsourcing
The use of a third party can be beneficial as they can provide specialist knowledge, expertise and cost efficiencies.

In accordance with the Group's Outsourcing Policy, the key controls to mitigate outsourcing risk are undertaking a due diligence on the external service provider including checks prior to appointment, regular compliance monitoring and performance reviews which are contractually mandated.

Technology
Information Technology systems provide flexibility, security and accessibility to the Group to achieve its strategic objectives. Primary risks around the use of Information Technology systems include the unacceptable use of business systems and applications, ineffective performance of Information Technology systems and breaches of privacy of information and systems and continuity of processing.

Ansvar has established a number of policies, procedures and processes covering Information Technology Security, Acceptable Use and Privacy. These policies, procedures and processes are used to identify and manage any operational risk involving Information Technology hardware, software and information.

Business continuity management
Business continuity risk is the risk of an event disrupting the Group's business operations and/or performance.

The Group has addressed its business continuity risks by developing a business continuity management framework that includes the Business Continuity Management Policy. Business continuity tests and a review of the policy are regularly performed with outcomes being reported to the Chief Executive Officer and the Risk and Compliance Committee.

5. Risk management (continued)

(c) Material risk categories and mitigation strategies (continued)

(vii) Credit risk
Credit risk is the risk of loss from a counterparty failing to fulfil its financial obligations. The Group's credit risk generally arises from investment activities, reinsurance activities and dealings with any intermediaries such as brokers. The Group has a Credit Risk Policy which is approved by the Board and reviewed on a regular basis. The Credit Risk Policy outlines the Group's approach to monitoring and managing credit risk.

Investments
The Group is exposed to credit risk from investments where it holds debt and securities issued by companies and Federal/State Governments. The Group has set limits to specific investments which are described in the Financial and Investment Overarching Policy, Investment Policy and Risk Appetite Statement and are monitored and assessed at regular intervals.

Breaches of any investment limits are reported in accordance with policies and procedures.

Reinsurers
Reinsurance arrangements are critical in mitigating insurance risk. The Group reinsures a portion of the risks it underwrites to control exposure to losses, stabilise earnings, protect capital resources and ensure efficient control and spread of the underwriting risk.

The Group purchases reinsurance based on an evaluation of the reinsurers' financial strength including its credit rating, length and quality of relationship with the Group, pricing, the Group's risk appetite limits and the specific expertise of the reinsurer. On appointment, the Group requests terms and conditions from reinsurers. These terms and conditions address coverage and price and then reinsurers respond with an offer to underwrite a percentage of the programme or layer at a selected price and with certain conditions.

The financial probity of reinsurers is determined with the assistance of the Ecclesiastical Insurance Office Plc Group Reinsurance Security Committee which performs regular analysis of reinsurers' credit ratings and performance against certain criteria.

Ansvar's Reinsurance Committee endorses the final Reinsurance Arrangements Statement prior to being submitted to the Board for approval.

The Risk Appetite Statement requirements are monitored by the Chief Financial Officer and reported to the Risk and Compliance Committee. Given the importance of the Group's reinsurance programme to provide adequate cover, reinsurer relationships are closely monitored in order to detect any change in attitude, appetite or approach, and mitigate any potentially negative effects.

Brokers
The Group engages a credit monitoring agency to provide ongoing monitoring of the credit worthiness of the Group's brokers and other intermediaries.

Any changes in credit worthiness advised by the monitoring agency are reviewed to assess whether brokers and other intermediaries continue to represent an acceptable risk.

Notes to the Financial Statements
For the financial year ended 31 December 2017

6. Profit from operations

	Note	Company and Consolidated 2017 $'000	2016 $'000
(a) Income			
Gross premium earned		88,007	74,009
Reinsurance and other recoveries	7	33,225	47,801
Interest		6,030	6,640
Fair value movements through income:			
Realised (losses)/gains		(240)	641
Unrealised gains/(losses)		296	(1,966)
Total investment income		**6,086**	**5,315**
Reinsurance commission earned		10,972	8,308
Other income		682	1,248
Total income		**138,972**	**136,681**
(b) Profit before income taxation			
Profit before income taxation is stated after charging/(crediting):			
Amortisation of intangible assets		-	2
Depreciation of furniture, fittings and equipment		155	145
Employee entitlements		948	844
Increase/(decrease) in provision for doubtful debts		109	(9)
Loss on disposal of furniture, fittings and equipment		16	17
Operating lease expenditure		1,034	1,110

7. Net claims incurred

	2017			2016		
Company and Consolidated	Current year $'000	Prior years $'000	Total $'000	Current year $'000	Prior years $'000	Total $'000
Gross claims incurred						
Undiscounted	81,130	(28,373)	52,757	58,677	5,617	64,294
Discount movement	(2,439)	(495)	(2,934)	116	384	500
	78,691	**(28,868)**	**49,823**	**58,793**	**6,001**	**64,794**
Reinsurance and other recoveries						
Undiscounted	(48,771)	13,748	(35,023)	(37,423)	(10,739)	(48,162)
Discount movement	838	960	1,798	83	278	361
	(47,933)	**14,708**	**(33,225)**	**(37,340)**	**(10,461)**	**(47,801)**
Net claims incurred	**30,758**	**(14,160)**	**16,598**	**21,453**	**(4,460)**	**16,993**

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

8. Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Ansvar, directly or indirectly, including any Director (whether executive or otherwise) of Ansvar.

The aggregate compensation of Ansvar's key management personnel is set out below.

	Company and Consolidated	
	2017	2016
	$'000	$'000
Short term employee benefits	2,692	2,671
Superannuation benefits	170	199
Termination benefits	247	-
Total	**3,109**	**2,870**

9. Remuneration of auditors

	Company and Consolidated	
	2017	2016
	$	$
Auditor of the Group		
Audit of financial statements	94,640	93,240
Other services [(i)]	70,200	69,160
Prior year overprovision	(8,120)	-
	156,720	**162,400**

[(i)] Includes engagements required by APRA.

10. Income taxation

	Company and Consolidated	
	2017	2016
	$'000	$'000
Taxation expense comprises:		
Current income taxation charge	2,160	938
Deferred taxation expense/(benefit) – current year	161	(321)
Deferred taxation expense – prior years	575	-
Total income taxation expense	**2,896**	**617**
Profit before income taxation	**7,524**	**2,006**
Income taxation expense calculated at 30%	2,257	602
Impairment of loan to Canterbury Earthquake Church and Heritage Trustee Limited Trust	625	-
Non-deductible expenses	14	15
Total income taxation expense	**2,896**	**617**

The taxation rate used for the taxation rate reconciliation above is the corporate taxation rate of 30% payable by Ansvar on taxable income under Australian taxation law.

Current taxation liability and asset		
Income taxation (payable)/receivable	(846)	1,052

Notes to the Financial Statements
For the financial year ended 31 December 2017

10. Income taxation (continued)

Temporary differences
Taxable and deductible temporary differences arise from the following:

Company and Consolidated	2017 Opening balance $'000	2017 (Charged)/ credited to income $'000	2017 Closing balance $'000	2016 Opening balance $'000	2016 (Charged)/ credited to income $'000	2016 Closing balance $'000
Gross deferred taxation liabilities						
Income receivable	(629)	10	(619)	(501)	(128)	(629)
Unrealised gains on fixed income securities	-	(168)	(168)	(45)	45	-
Total	**(629)**	**(158)**	**(787)**	**(546)**	**(83)**	**(629)**
Gross deferred taxation assets						
Provisions	491	47	538	613	(122)	491
Provision for doubtful debts	18	32	50	21	(3)	18
Claims handling expenses	3,020	(5)	3,015	2,986	34	3,020
Unrealised losses on fixed income securities	545	(545)	-	-	545	545
Purchased interest	189	(64)	125	258	(69)	189
Other	78	(43)	35	59	19	78
Total	**4,341**	**(578)**	**3,763**	**3,937**	**404**	**4,341**
Presented in the balance sheet as follows:						
Deferred taxation liability			(787)			(629)
Deferred taxation asset			3,763			4,341
			2,976			**3,712**

11. Cash and cash equivalents

	Company and Consolidated 2017 $'000	Company and Consolidated 2016 $'000
Cash at hand	18,628	6,033
Short term deposits	12,679	11,687
Total cash and cash equivalents	**31,307**	**17,720**

12. Investments

	2017 $'000	2016 $'000
Corporate bonds	109,679	103,173
Government/semi-government fixed income securities	39,819	40,106
Loans	271	436
Total investments	**149,769**	**143,715**

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

Notes to the Financial Statements
For the financial year ended 31 December 2017

13. Trade and other receivables

	Company and Consolidated 2017 $'000	Company and Consolidated 2016 $'000
Insurance premium receivables	27,629	24,393
Provision for doubtful debts	(167)	(59)
	27,462	**24,334**
Reinsurance and other recoveries receivable	6,665	12,817
Non-trade receivables	3,257	3,377
Prepaid expenses	244	350
Total trade and other receivables	**37,628**	**40,878**

14. Furniture, fittings and equipment

	Note	Company and Consolidated: Furniture and fittings $'000	Computer hardware $'000	Total $'000
Cost or valuation				
Balance at 31 December 2015		**118**	**526**	**644**
Additions		39	115	154
Disposals		(112)	(39)	(151)
Balance at 31 December 2016		**45**	**602**	**647**
Additions		-	6	6
Disposals		-	(59)	(59)
Balance at 31 December 2017		**45**	**549**	**594**
Accumulated depreciation				
Balance at 31 December 2015		**(86)**	**(176)**	**(262)**
Disposals		104	30	134
Depreciation expense	6(b)	(19)	(126)	(145)
Balance at 31 December 2016		**(1)**	**(272)**	**(273)**
Disposals		-	43	43
Depreciation expense	6(b)	(8)	(147)	(155)
Balance at 31 December 2017		**(9)**	**(376)**	**(385)**
Net book value				
At 31 December 2016		**44**	**330**	**374**
At 31 December 2017		**36**	**173**	**209**

15. Deferred insurance costs

	2017		2016	
Company and Consolidated	**Acquisition costs $'000**	**Emergency Services Levy $'000**	**Acquisition costs $'000**	**Emergency Services Levy $'000**
At beginning of year	**8,588**	**1,840**	**7,722**	**1,460**
Costs deferred	9,752	3,560	8,588	3,231
Amortisation charged to income	(8,588)	(3,482)	(7,722)	(2,851)
At end of year	**9,752**	**1,918**	**8,588**	**1,840**

16. Net unearned premium liability

Company and Consolidated	2017 Gross $'000	2017 Reinsurance $'000	2017 Net $'000	2016 Gross $'000	2016 Reinsurance $'000	2016 Net $'000
At beginning of year	**43,759**	**(20,268)**	**23,491**	**41,356**	**(20,702)**	**20,654**
Premium written	96,273	(54,015)	42,258	76,412	(40,899)	35,513
Premium (earned)/incurred	(88,007)	49,987	(38,020)	(74,009)	41,333	(32,676)
At end of year	**52,025**	**(24,296)**	**27,729**	**43,759**	**(20,268)**	**23,491**

17. Reinsurance and other recovery assets

	Note	Company and Consolidated 2017 $'000	Company and Consolidated 2016 $'000
Reinsurance and other recovery assets		65,045	60,845
Discount to present value		(3,777)	(1,980)
Total reinsurance and other recovery assets	21(c)	**61,268**	**58,865**
Current		29,609	12,721
Non-current		31,659	46,144
Total reinsurance and other recovery assets		**61,268**	**58,865**

18. Trade and other payables

	Note	2017 $'000	2016 $'000
Insurance payables		797	463
Deposits from reinsurers		6,623	6,679
Reinsurance premium payable		16,448	12,277
Sundry creditors and accruals		1,214	1,259
Unsecured amount payable to holding company	26	1,747	98
Indirect taxation payable		3,721	3,697
Total trade and other payables		**30,550**	**24,473**

19. Provisions

	Company and Consolidated			
	Employee benefits $'000	Other employee provisions $'000	Provision for make good $'000	Total $'000
Balance at 31 December 2015	**1,197**	**600**	**247**	**2,044**
Additional provision recognised	389	459	62	910
Provision utilised during the year	(527)	(600)	(189)	(1,316)
Balance at 31 December 2016	**1,059**	**459**	**120**	**1,638**
Additional provision recognised	77	483	3	563
Provision utilised during the year	(17)	(390)	-	(407)
Balance at 31 December 2017	**1,119**	**552**	**123**	**1,794**
2017				
Current	548	552	-	1,100
Non-current	571	-	123	694
Total provisions at 31 December 2017	**1,119**	**552**	**123**	**1,794**
2016				
Current	489	459	58	1,006
Non-current	570	-	62	632
Total provisions at 31 December 2016	**1,059**	**459**	**120**	**1,638**

20. Liability adequacy test

At 31 December 2017 the liability adequacy test on the net unearned premium liability is a surplus (2016: surplus).The probability of sufficiency adopted in undertaking the liability adequacy test is 75% (2016: 75%). Refer to Note 4 for the process for determining the overall risk margin including the way in which diversification of risks has been allowed for.

21. Claims liabilities

	Company and Consolidated	
	2017 $'000	2016 $'000
(a) Gross claims liabilities		
Undiscounted central estimate	136,522	130,639
Discount to present value	(10,441)	(7,507)
Claims handling expenses	8,604	8,475
Risk margin	12,651	13,732
Total gross claims liabilities	**147,336**	**145,339**
Current	50,524	32,057
1-5 years	73,373	82,675
Over 5 years	33,880	38,114
Discount to present value	(10,441)	(7,507)
Total gross claims liabilities	**147,336**	**145,339**

21. Claims liabilities (continued)

(b) Net claims development table
The following table shows the development of net claims liabilities relative to the ultimate expected cost of claims for the six most recent policy years.

	Company and Consolidated						
	2012 $'000	**2013 $'000**	**2014 $'000**	**2015 $'000**	**2016 $'000**	**2017 $'000**	**Total $'000**
Original estimate of ultimate net claims incurred at end of policy year	39,225	37,218	17,664	18,068	18,063	22,812	
One year later	34,165	37,050	16,636	14,841	17,080		
Two years later	31,590	35,824	14,745	13,568			
Three years later	30,687	32,441	11,913				
Four years later	31,593	32,815					
Five years later	30,151						
Current estimate of ultimate net claims incurred	**30,151**	**32,815**	**11,913**	**13,568**	**17,080**	**22,812**	**128,339**
Cumulative payments	(26,337)	(27,406)	(4,780)	(4,296)	(4,745)	(2,913)	(70,477)
Net claims liabilities – undiscounted	**3,814**	**5,409**	**7,133**	**9,272**	**12,335**	**19,899**	**57,862**
2011 and prior years							13,615
Total net claims liabilities – undiscounted							**71,477**
Discount to present value							(6,664)
Claims handling expenses							8,604
Risk margin							12,651
Net claims liabilities							**86,068**

(c) Reconciliation of movement in discounted claims liabilities

	2017			2016		
Company and Consolidated	**Gross $'000**	**Reinsurance and other recoveries $'000**	**Net $'000**	**Gross $'000**	**Reinsurance and other recoveries $'000**	**Net $'000**
At beginning of year	**145,339**	**(58,865)**	**86,474**	**151,147**	**(60,170)**	**90,977**
Movement in claims liabilities for current policy year	60,169	(35,113)	25,056	53,278	(37,855)	15,423
Movement in claims liabilities for prior policy years	(13,135)	1,887	(11,248)	9,655	(10,903)	(1,248)
Net claim payments during the year	(45,037)	30,823	(14,214)	(68,741)	50,063	(18,678)
At end of year	**147,336**	**(61,268)**	**86,068**	**145,339**	**(58,865)**	**86,474**

22. Share capital

	Company and Consolidated	
	2017 $'000	**2016 $'000**
Issued share capital 7,307,692 ordinary shares each fully paid (2016: 7,307,692)	7,308	7,308

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

23. 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 income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

(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 the function of overseeing the establishment and maintenance of risk based systems and controls across the Group to the Chief Executive Officer.

As part of the overall governance framework the Group has established a number of Board and management committees to oversee and manage the financial risks facing the Group which are outlined in Note 5.

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 Risk Appetite Statement. Both the risk policies and Risk Appetite Statement are subject to annual review to ensure they reflect the changing risk profile of the business.

(c) Categories of financial instruments

		Company and Consolidated	
		2017	**2016**
	Note	**$'000**	**$'000**
Financial assets			
Cash and cash equivalents	11	31,307	17,720
Investments	12	149,769	143,715
Trade and other receivables	13	37,384	40,528
Financial liabilities			
Trade and other payables	18	(26,829)	(20,776)

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

The table below 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 is determined by using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – fair value is determined by using inputs other than quoted prices included in 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 is determined by using inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

23. Financial instruments (continued)

(c) Categories of financial instruments (continued)

	Note	Company and Consolidated Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets and financial liabilities					
2017					
Cash and cash equivalents	11	31,307	-	-	31,307
Corporate bonds	12	109,679	-	-	109,679
Government/semi-government fixed income securities	12	39,819	-	-	39,819
Loans	12	-	2	269	271
Trade and other receivables	13	1,124	36,260	-	37,384
Trade and other payables	18	-	(26,829)	-	(26,829)
Total financial assets and financial liabilities		**181,929**	**9,433**	**269**	**191,631**
2016					
Cash and cash equivalents	11	17,720	-	-	17,720
Corporate bonds	12	103,173	-	-	103,173
Government/semi-government fixed income securities	12	40,106	-	-	40,106
Loans	12	-	3	433	436
Trade and other receivables	13	1,194	39,334	-	40,528
Trade and other payables	18	-	(20,776)	-	(20,776)
Total financial assets and financial liabilities		**162,193**	**18,561**	**433**	**181,187**

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

(i) Valuation technique and significant unobservable input for Level 3 financial instrument
The table below discloses the valuation technique and the significant unobservable input used in the fair value measurement of the financial instrument categorised within Level 3 of the fair value hierarchy:

Financial instrument measured at fair value

Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable input and fair value measurement
Loans – unlisted	Discounted cash flows – the valuation considers the present value of the net cash flows expected to be generated under the loan arrangements. The expected net cash flows are discounted using a risk adjusted discount rate.	Risk adjusted discount rate – 5.26% (2016: 5.82%).	The fair value would increase if the risk adjusted discount rate was lower.

(ii) Level 3 fair value hierarchy reconciliation

Loans	Company and Consolidated 2017 $'000	2016 $'000
Balance at beginning of year	**433**	**456**
Unrealised losses charged to income	(164)	(23)
Balance at end of year	**269**	**433**

23. Financial instruments (continued)

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. 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.

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 reinsurer payments to date.

The table below discloses the maximum exposure to credit risk for the components of the financial assets. 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.

		Company and Consolidated					
		AAA	AA+/AA-	A+/A-	BBB+/BBB-	Not rated	Total
	Note	$'000	$'000	$'000	$'000	$'000	$'000
2017							
Cash and cash equivalents	11	-	28,307	-	3,000	-	31,307
Corporate bonds	12	28,499	24,410	35,274	21,496	-	109,679
Government/semi-government fixed income securities	12	15,481	24,338	-	-	-	39,819
Loans	12	-	-	-	-	271	271
Insurance premium receivables	13	-	-	-	-	27,629	27,629
Reinsurance and other recoveries receivable	13		3,183	2,108		1,374	6,665
Non-trade receivables	13	-	-	-	-	3,257	3,257
Total		**43,980**	**80,238**	**37,382**	**24,496**	**32,531**	**218,627**
2016							
Cash and cash equivalents	11	-	9,033	8,687	-	-	17,720
Corporate bonds	12	29,697	27,300	29,540	16,636	-	103,173
Government/semi-government fixed income securities	12	15,806	24,300	-	-	-	40,106
Loans	12	-	-	-	-	436	436
Insurance premium receivables	13	-	-	-	-	24,393	24,393
Reinsurance and other recoveries receivable	13	-	11,107	1,710	-	-	12,817
Non-trade receivables	13	-	-	-	-	3,377	3,377
Total		**45,503**	**71,740**	**39,937**	**16,636**	**28,206**	**202,022**

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with financial instruments. Ultimate responsibility for liquidity risk management rests with the Board of Directors which oversees the 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 Risk Management*, the Group has developed and implemented a Risk Management Strategy which is outlined in Note 5.

The Group's trade and other payables are disclosed in Note 18 and are non-interest bearing and normally settled within 12 months.

23. Financial instruments (continued)

(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: market interest rates (interest rate risk), foreign exchange (currency risk) and market prices (price risk). Refer to Note 5 for details of the policies and procedures in place to mitigate the Group's exposure to market risk. There have been no changes to the Group's exposure to market risks or the manner in which it manages and measures the risk during the current financial year.

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 impact of movements in interest rates on the Group's profit or loss is mitigated by the Group's policy of investing in assets backing insurance liabilities principally in fixed interest securities that are matched to the duration of the claims liabilities. Therefore, movements in the fair value measurement of the assets broadly offset the impact of movements in the claims liabilities from changes in interest rates. The Group's Board monitors the Group's exposure to interest rate risk as outlined in Note 5.

The following table details the Group's expected maturity dates based on the undiscounted contractual maturity dates of the financial assets.

	Company and Consolidated				
2017	**Weighted average interest rate %**	**Under 1 year $'000**	**1-5 years $'000**	**Over 5 years $'000**	**Total $'000**
Non-interest bearing					
Loans	N/A	2	269	-	271
Insurance premium receivables	N/A	27,629	-	-	27,629
Reinsurance and other recoveries receivable	N/A	6,665	-	-	6,665
Non-trade receivables	N/A	3,257	-	-	3,257
Variable interest rate					
Cash and cash equivalents	2.14%	31,307	-	-	31,307
Corporate bonds	3.24%	1,081	48,784	15,549	65,414
Government/semi-government fixed income securities	2.43%	-	5,005	-	5,005
Fixed interest rate					
Corporate bonds	3.09%	4,429	26,435	13,401	44,265
Government/semi-government fixed income securities	2.41%	7,103	21,253	6,458	34,814
Total		**81,473**	**101,746**	**35,408**	**218,627**
2016					
Non-interest bearing					
Loans	N/A	3	433	-	436
Insurance premium receivables	N/A	24,393	-	-	24,393
Reinsurance and other recoveries receivable	N/A	12,817	-	-	12,817
Non-trade receivables	N/A	3,377	-	-	3,377
Variable interest rate					
Cash and cash equivalents	1.99%	17,720	-	-	17,720
Corporate bonds	3.71%	-	34,210	14,904	49,114
Fixed interest rate					
Corporate bonds	3.34%	9,605	30,547	13,907	54,059
Government/semi-government fixed income securities	2.46%	3,046	27,819	9,241	40,106
Total		**70,961**	**93,009**	**38,052**	**202,022**

23. Financial instruments (continued)

(f) Market risk (continued)

Interest rate sensitivity
The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. The sensitivity analysis assumes that the change takes place at the balance sheet date with investments marked to market as at the same date. A 1.0% increase or decrease in interest rates is used by the Appointed Actuary in the claims sensitivity analysis in respect of the discount rate in Note 4. The same percentage has been used in this sensitivity analysis to present the impact on interest bearing investments. These movements are attributable to the Group’s exposure to interest rates on its variable interest rate investments and the fair value movement on its fixed interest rate investments.

At the balance sheet date if interest rates had been 1.0% (2016: 1.0%) higher and all other variables were held constant, the Group’s investments and profit before income taxation would reduce by $2,876K (2016: $3,420K). This movement would offset the impact on the Group’s net claims liabilities due to a 1.0% increase in discount rates as disclosed in Note 4.

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.

Refer to Note 5 for details on how the Group manages exchange rate exposure. The Group's overall strategy in respect of foreign currency risk management did not change during the current financial year.

Price risk
The Group does not hold equity investments and has no exposure to equity price risks arising from equity investments.

24. Operating lease commitments

	Company and Consolidated	
	2017	**2016**
	$'000	**$'000**
Not later than one year	1,791	1,353
Later than one year and not later than five years	4,305	3,683
Later than five years	-	540
Total operating lease commitments	**6,096**	**5,576**

Operating lease commitments relate to office premises, computer hardware and office equipment with lease terms of up to six years. The Group does not have the option to purchase leased assets at the expiry of the lease periods.

25. Contingent assets and contingent liabilities

Ansvar has a bank guarantee facility totalling $533,395 (2016: $525,099) which comprises an undertaking by the bank pursuant to agreements for leased office premises in the event of extinguishing liabilities if necessary. The unused amount of the facility at 31 December 2017 is $533,395 (2016: $525,099).

26. Related parties

Ansvar's related parties fall into the following categories:

Controlled entity
Information relating to the controlled entity is set out in Note 27.

Holding companies
The ultimate holding company in the wholly-owned group is AllChurches Trust Limited, incorporated in the United Kingdom. The immediate holding company of the Group is Ecclesiastical Insurance Office Plc, incorporated in the United Kingdom.

Directors
Refer the Directors' Report for details of Ansvar's Directors during the current financial year.

Ian Campbell and Jacinta Whyte were Directors of Ecclesiastical Insurance Office Plc, Ansvar's immediate holding company, during the current financial year. Ian Campbell is Group Chief Financial Officer of Ecclesiastical Insurance Group Plc and Jacinta Whyte is Group Deputy Chief Executive of Ecclesiastical Insurance Group Plc.

Ian Campbell was a Director of ACS (NZ) Limited, Ansvar's former subsidiary domiciled in New Zealand, during the current financial year.

Nicholas Barnett was Chief Executive Officer of Insync Surveys Pty Limited, benchmarked stakeholder survey, research and consulting specialists, during the current financial year.

Other transactions with Directors or their related entities
The profit before income taxation includes the following items that resulted from transactions with Directors or their related entities:

	Company and Consolidated	
	2017 $'000	**2016 $'000**
Management services fee (expense)/income – ACS (NZ) Limited	(36)	436
Purchase of services – Insync Surveys Pty Limited	(24)	(11)

Ansvar provides management services to ACS (NZ) Limited. The management services agreement includes a performance based management fee of NZD3 million which may be payable to Ansvar once ACS (NZ) Limited has settled all claims against it. In the normal course of business, Ansvar 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 and its controlled entity. Ansvar's ownership interest in this controlled entity is set out in Note 27.

26. Related parties (continued)

Ansvar entered into the following transactions with its holding company:

	Company and Consolidated	
	2017 **$'000**	**2016** **$'000**
Income		
Reinsurance recoveries	16	68
Expenses		
Interest on collateral	117	86
Reinsurance premium incurred	200	31
Information Technology expense recharges	96	94
Other expense recharges	18	24
Other items		
Dividends declared and paid	1,200	2,553
Repayment of reinsurance collateral to holding company	-	3,019

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

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

Current		
Unsecured amount payable to holding company	1,747	98

27. Controlled entity

EA Insurance Services Pty Limited was incorporated in Australia on 28 February 2013. On this date, Ansvar Insurance Limited purchased 100% of the share capital of 1,000 shares for $100. In October 2014 EA Insurance Services Pty Limited changed its name to Ansvar Insurance Services Pty Limited. Ansvar Insurance Limited owns 100% of the share capital of Ansvar Insurance Services Pty Limited at 31 December 2017 (2016: 100%). Ansvar Insurance Services Pty Limited did not enter into any transactions during the current financial year (2016: None).

28. APRA capital adequacy

The table below sets out Ansvar's Regulatory Capital, Prescribed Capital Amount and Prescribed Capital Amount Coverage Ratio calculated in accordance with APRA's Prudential Standards.

Net Assets	80,906	77,478
Less: Regulatory Adjustments	(3,573)	(3,205)
Total Regulatory Capital	**77,333**	**74,273**
Prescribed Capital Amount		
Insurance Risk Charge	15,643	14,790
Insurance Concentration Risk Charge	2,500	2,500
Asset Risk Charge	14,495	13,065
Operational Risk Charge	3,035	2,623
Less: Aggregation Benefit	(7,252)	(6,691)
Total Prescribed Capital Amount	**28,421**	**26,287**
Prescribed Capital Amount Coverage Ratio	**2.72**	**2.83**

Notes to the Financial Statements
For the financial year ended 31 December 2017

29. Reconciliation of profit after income taxation to net cash outflow from operating activities

	Company and Consolidated	
	2017	**2016**
	$'000	**$'000**
Profit after income taxation	**4,628**	**1,389**
Amortisation of intangible assets	-	2
Depreciation of furniture, fittings and equipment	155	145
Loss on disposal of furniture, fittings and equipment	16	17
Realised losses/(gains) on disposal of investments	240	(641)
Unrealised (gains)/losses on investments	(296)	1,966
Decrease/(increase) in current taxation asset	1,052	(3,059)
Decrease/(increase) in deferred taxation asset	578	(405)
Increase in current taxation liability	846	-
Increase in deferred taxation liability	158	83
Changes in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	3,250	(3,452)
Increase in deferred Emergency Services Levy	(78)	(380)
Increase in gross deferred acquisition costs	(1,164)	(866)
(Increase)/decrease in reinsurance and other assets	(6,431)	1,739
Increase/(decrease) in trade and other payables	6,077	(2,999)
Increase/(decrease) in ceded deferred acquisition costs	1,341	(71)
Increase/(decrease) in provisions	156	(406)
Increase/(decrease) in gross insurance liabilities	10,263	(3,405)
Net cash inflow/(outflow) from operating activities	**20,791**	**(10,343)**

30. Subsequent events

There has not been any matter or circumstance that has occurred between the balance sheet date and the date of this report that has significantly affected, or may significantly affect, the Group's and the Company's operations in future financial years, the results of those operations or the Group's and the Company's state of affairs in future financial years.

On 2 March 2018 the Directors of Ansvar declared a dividend on ordinary shares in respect of the 2017 financial year. The total amount of the dividend is $4,060,000 (2016: $1,200,000) which represents a fully franked dividend of 55.6 cents per share (2016: 16.4 cents). The dividend has not been provided for in the 31 December 2017 annual financial statements (2016: Nil).