Ansvar Insurance Limited

ABN 21 007 216 506

Annual Financial Report for the year ended 31 December 2014

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CORPORATE INFORMATION

ABN 21 007 216 506

Directors
Nicholas Barnett, Chairman
Warren Hutcheon, Chief Executive Officer (appointed on 1 May 2014)
Bruce Harris
Jennifer George
Trevor Lloyd
Ian Campbell
Jacinta Whyte
Patricia Kelly (appointed on 1 May 2014)
Deirdre Blythe (appointed on 21 March 2014)

Company Secretaries
Simon Munday
Deirdre Blythe (resigned on 30 April 2014)

Registered Office & Principal Place of Business
Level 12
Ansvar House
432 St Kilda Road
Melbourne
VIC 3004
Phone: +61 (3) 8630 3100

Auditors
Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne
VIC 3000

DIRECTORS' REPORT

The directors of Ansvar Insurance Limited ("Ansvar") submit their report for the year ended 31 December 2014.

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

Nicholas Barnett B.Ec, CA, FAICD Chairman & Independent Non-Executive Director	Nicholas joined the Board in July 2010 and was appointed Chairman in July 2011. He has 30 years of experience as a Chartered Accountant and Business Consultant and is currently Chief Executive Officer of Insync Surveys, benchmarked stakeholder survey and consulting specialists. He is a former partner of KPMG and has been Chief Executive Officer of Ambit Group (IT Recruitment Specialists). He is also a co-founder and director of Board Benchmarking Australia Pty Ltd. Nicholas is a non-executive Director of Mission Australia Limited and was formerly a Director (and Chairman) of First Samuel Limited. Nicholas is a member of the Nominations & Remuneration Committee, Audit Committee and Risk & Compliance Committee.
Bruce Harris CA, CPA, ACIS Independent Non-Executive Director	Bruce was appointed to the Board in 2005. Bruce is a former insurance Executive Director with experience in financial management, strategy, governance, compliance and risk management. He is also the Executive Officer of Ridley Melbourne Mission and Ministry College, a Director of ACS (NZ) Ltd and a Director of Arrow Leadership Australia Ltd. Bruce is the Chairman of the Audit Committee and Risk & Compliance Committee.
Jennifer George PhD (Stanford) BSc (Hons) (Canterbury) Independent Non-Executive Director	Jennifer was appointed to the Board in July 2010. Jennifer has been a faculty member at the Melbourne Business School since 1998. Her academic and professional interests are in mathematical modelling and management education. Jennifer is a member of the Australian Institute of Company Directors, a director of Converge International and was a director of Ridley Melbourne Mission and Ministry College from 2007 to 2012. Jennifer is a member of the Nominations & Remuneration Committee, Audit Committee and Risk & Compliance Committee.
Trevor Lloyd BA, LLB, FAICD Independent Non-Executive Director	Trevor joined the Board in February 2012. Trevor has over 30 years of experience as a corporate and commercial lawyer and has extensive experience as a senior manager in both legal practice and in a corporate context. Past directorships have included appointments in the AXA group, Members Equity and the Victorian Managed Insurance Authority. Trevor currently advises independently as a lawyer, negotiator and management consultant. Trevor is the Chairman of the Nominations & Remuneration Committee and is a member of the Audit Committee and Risk & Compliance Committee.
Ian Campbell BSc (Econ) Hons, ACA Non-Executive Director	Ian was appointed to the Board in August 2013. He is Group Chief Financial Officer for Ecclesiastical Insurance Group. Ian is a Chartered Accountant with more than 25 years of experience in financial services. Ian started his career at KPMG in its Insurance and Consulting Practice covering a wide range of projects for Lloyds' London market and life insurance companies. Since then, Ian has held senior finance roles at both Cox Insurance and Aspen Insurance, focusing on property and casualty reinsurance and insurance acquisitions, finance, investment and tax management, Solvency II, capital management, capital raising, actuarial and reinsurance. Ian is a member of the Nominations & 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. Jacinta joined Ecclesiastical in 2003 as General Manager and Chief Agent of the Group's Canadian business, where she turned around the performance of the Canadian operation, building a high performing team and a successful specialist insurance business. Jacinta is responsible for the Group's general insurance operations worldwide, covering the United Kingdom, Ireland and Australia. She commenced her career as an underwriter in 1974 with the Sun Alliance in Dublin and moved with them to Canada in 1988. Over her Royal Sun Alliance career she held a number of senior executive positions in Ireland and Canada. Jacinta is a member of the Nominations & Remuneration Committee.

DIRECTORS' REPORT

Patricia Kelly
Independent Non-Executive Director
(appointed on 1 May 2014)

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 & 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 the Australian and New Zealand Institute of Insurance and Finance. Patricia is also a non-executive Director of the Royal Automobile Club of Victoria (RACV) and a non-executive Director of the Legal Practitioners Liability Committee. Patricia is a member of the Audit Committee and Risk & Compliance Committee.

Warren Hutcheon
MBA, GCM, Graduate AICD, Fellow ANZIIF (CIP), Associate Fellow AIM
Executive Director
(appointed on 1 May 2014)

Warren joined Ansvar as the CEO in May 2014. Immediately prior to joining Ansvar he was the CEO 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 is currently Chair of the ANZIIF General Insurance Faculty Advisory Board. He is also on the Board of the Victorian Building Authority and Chair of its Audit and Risk Committee. Warren is actively involved in the community as a Board member of Bayside Church Inc, Bayside Community Care and other associated entities.

Deirdre Blythe
BSc, FCA, FAICD
Executive Director
(appointed on 21 March 2014)

Deirdre joined Ansvar in 2012 in the role of CFO, with responsibility for all aspects of Ansvar's financial management, and for the risk and compliance function. Following seven months as Acting CEO, Deirdre was appointed to the Ansvar Board in March 2014. Deirdre has more than 25 years of experience in senior finance roles.

Prior to joining Ansvar, Deirdre held a number of CFO positions in Australia and overseas, including at BUPA, where she was CFO of several health insurance subsidiaries, including the expatriate and Australian insurance businesses and as Executive Director, Finance at Alfred Health. Deirdre is also a member of the Finance, Risk, Audit and Compliance Committee at Cancer Council Victoria.

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

Company Secretary

Simon Munday
BSc, CA
Company Secretary

Simon joined Ansvar as Financial Controller in March 2013 and became Company Secretary in October 2013. Simon is a chartered accountant with wide international experience in the general insurance industry. Prior to joining Ansvar in March 2013, he worked for Ernst & Young in Melbourne where he was the team leader of the Financial Services team. Prior to this, Simon was in Ernst & Young's Financial Services Transaction team in London where he managed a variety of acquisitions and capital market transactions for corporate clients, private equity firms and sovereign wealth funds.

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, heritage, education and community service organisations. It also continued to provide claims run-off services to ACS (NZ) Limited ("ACS"), its former subsidiary domiciled in New Zealand, under a management services agreement.

Ansvar continues to be ultimately owned by a charity and provided further grants of $240k during the year through its Community Education Programme.

Review of operations

In 2014, Ansvar generated a profit before tax of $11,654k compared to a profit of $9k generated in 2013. The main drivers of the significant improvement in performance were an increase in investment income due to market gains, reductions in operating expenses and the positive impact of Ansvar's new property reinsurance arrangement which commenced on 1 January 2014. The new property reinsurance arrangement is operating as expected and continues to be a more appropriate reinsurance solution for the business.

Ansvar was impacted by a higher than average level of larger losses during the year. Ansvar's underwriting result was not significantly impacted by this experience as a significant portion of the losses were reinsured.

Warren Hutcheon joined Ansvar on 1 May 2014 as Chief Executive Officer. Following a review of the business, a new operating model was announced on 1 September 2014 and is currently being embedded. The key objective of the new operating model is to better align the business with the needs of Ansvar's broker partners. A number of other key strategic projects were completed in the year which has put Ansvar in a strong position to consolidate its position as the most trusted insurer in its core sectors of faith, care, heritage, education and community service organisations.

Ansvar continues to be in a strong financial position. Its Prescribed Capital Amount increased to 3.29 times the APRA minimum during the year which is significantly above the industry average and its financial strength rating from its rating agency, A.M. Best, was reaffirmed as "Excellent" or A-.

Changes in state of affairs

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

Subsequent events

Dividends

On 20 March 2015, the directors of Ansvar Insurance Limited declared a dividend on ordinary shares in respect of the 2014 financial year. The total amount of the dividend is $6,536,928 which represents a fully franked dividend of 89.5 cents per share. The dividend has not been provided for in the 31 December 2014 financial statements. No dividend was recommended for the year ended 31 December 2013.

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the 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.

Future developments

Disclosure of information regarding 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 (while they were a Director or Committee member). During the financial year, five Board meetings, five Audit, Risk & Compliance Committee meetings, and four Nominations & Remuneration Committee meetings were held.

Directors	Board		Audit, Risk & Compliance Committee **		Nominations & Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
N Barnett	5	5	5	5	4	4
J George	5	5	5	5	2	2
T Lloyd	5	5	5	5	4	4
B Harris	5	5	5	5	n/a	n/a
P Kelly*	4	4	4	4	n/a	n/a
I Campbell	5	4	n/a	n/a	4	3
J Whyte	5	3	n/a	n/a	4	3
W Hutcheon*	4	4	n/a	n/a	n/a	n/a
D Blythe*	5	5	n/a	n/a	n/a	n/a

** Director was appointed during the period.*
*** Effective 1 January 2015, the Audit, Risk & Compliance Committee was split into two separate committees being the Risk & Compliance Committee and the Audit Committee.*

The Company's Constitution (Section 11) provides an indemnity to every director, manager or officer of the Company. During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Environmental regulations

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

Auditor's Independence Declaration

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

Rounding Off Of Amounts

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

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

On behalf of the Directors

....
N S Barnett
Chairman

....
B G Harris
Director

Melbourne
20 March 2015

Deloitte.

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

20 March 2015

Dear Directors,

INDEPENDENCE DECLARATION - ANSVAR INSURANCE LIMITED

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

As lead audit partner for the audit of the financial statements of Ansvar Insurance Limited for the financial year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

We have audited the accompanying financial report of Ansvar Insurance Limited ("the Company"), which comprises the statements of financial position as at 31 December 2014, the statements of profit and loss and other comprehensive income, the statements of cash flows and the statements of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 11 to 63.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Auditor's Independence Declaration

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

Opinion

In our opinion:

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

   (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2014 and of their performance for the year ended on that date; and

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

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

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 20 March 2015

DIRECTORS' DECLARATION

In the opinion of the Directors of Ansvar Insurance Limited:

a. The financial statements and notes of Ansvar Insurance Limited for the financial year ended 31 December 2014 are in accordance with the *Corporations Act 2001*, including:

   i. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

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

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

c. There are reasonable grounds to believe that the 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	**B G Harris**
Chairman	Director

Melbourne
20 March 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		Company & Consolidated	
		2014	2013
	Note	$'000	$'000
Continuing Operations			
Direct premium revenue	6(a)	75,266	82,839
Outwards reinsurance premium expense		(41,942)	(36,734)
Net premium revenue		**33,324**	**46,105**
Gross claims incurred	19	(77,565)	(39,033)
Reinsurance and other recoveries	6(a)	61,181	7,175
Net claims incurred	19	**(16,384)**	**(31,858)**
Acquisition costs		(16,522)	(6,396)
Fire service levy expenses		(2,606)	(5,755)
Underwriting expenses		**(19,128)**	**(12,151)**
Commission revenue	6(a)	8,987	1,541
Underwriting result		**6,799**	**3,637**
Interest and dividend revenue	6(a)	8,564	9,550
Changes in fair value			
- Realised gains /(losses)on investments	6(a)	1,546	2,040
- Unrealised gains/(losses) on investments	6(a)	3,848	(4,753)
Other operating income	6(a)	962	1,053
Finance costs		(254)	-
General and administration expenses		(9,811)	(11,518)
		4,855	**(3,628)**
Profit for the year before income tax from continuing operations		**11,654**	**9**
Income tax (expense) /benefit relating to ordinary activities	7	(4,391)	904
Profit for the year from continuing operations		**7,263**	**913**
Profit for the year		**7,263**	**913**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Company & Consolidated	
	2014	2013
	$'000	$'000
Profit for the year	**7,263**	**913**
Other comprehensive Income		
Items that will not be reclassified subsequently to profit or loss:		
Loss on revaluation of property	-	(170)
Income tax (expense) /benefit relating to ordinary activities	-	51
	-	(119)
Other comprehensive income/(loss) net of income tax	-	(119)
Total comprehensive income for the year	**7,263**	**794**

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	Company & Consolidated 2014 $'000	2013 $'000
Assets			
Cash and cash equivalents	30(a)	21,509	21,068
Investments	12	166,300	173,156
Trade and other receivables	10	37,690	35,292
Deferred expenses	11	29,156	9,923
Reinsurers' share of outstanding claims liabilities	13	67,448	30,674
Property, plant and equipment	14	388	1,409
Deferred tax assets	7	4,017	6,242
Intangible assets	15	101	290
Total Assets		**326,609**	**278,054**
Liabilities			
Trade and other payables	16	24,359	19,137
Current tax liabilities	7	866	-
Unearned premium reserve	21	39,287	41,024
Deferred revenue	17	5,158	12
Provisions	18	1,902	1,596
Deferred tax liabilities	7	1,574	274
Outstanding claims liabilities	20	171,120	140,931
Total Liabilities		**244,266**	**202,974**
Net Assets		**82,343**	**75,080**
Equity			
Issued capital	25	7,308	7,308
Reserves		-	350
Retained earnings		75,035	67,422
Total Equity		**82,343**	**75,080**

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Company & Consolidated				
	Fully paid ordinary shares $'000	**Asset revaluation reserve $'000**	**Foreign currency translation reserve $'000**	**Retained earnings $'000**	**Total $'000**
Balance at 1 January 2013	**7,308**	**469**	**-**	**66,509**	**74,286**
Profit for the year	-	-	-	913	913
Other comprehensive income	-	(119)	-	-	(119)
Total comprehensive income	**-**	**(119)**	**-**	**913**	**794**
Balance at 31 December 2013	**7,308**	**350**	**-**	**67,422**	**75,080**
Profit for the year	-	-	-	7,263	7,263
Transfer to retained earnings	-	(350)	-	350	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**(350)**	**-**	**7,613**	**7,263**
Balance at 31 December 2014	**7,308**	**-**	**-**	**75,035**	**82,343**

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Company & Consolidated 2014 $'000	2013 $'000
Cash flows from operating activities			
Premiums received		74,139	78,937
Reinsurance and other recoveries received		13,373	34,518
Interest and dividends received		9,120	9,251
Other revenue		962	1,053
Outwards reinsurance paid		(51,946)	(31,321)
Claims expense paid		(47,376)	(42,094)
Acquisition costs and other costs paid		(10,623)	(41,374)
Interest and other costs of finance paid		(254)	
Net cash generated by/(used in) operating activities	**30(b)**	**(12,605)**	**8,970**
Cash flows from investing activities			
Proceeds from/(payments for) investments		12,250	(4,998)
Proceeds from/(payments for) property, plant and equipment		796	127
Net cash generated by/(used in) investing activities		**13,046**	**(4,871)**
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Net cash generated by/(used in) financing activities		**-**	**-**
Net increase/(decrease) in cash and cash equivalents		441	4,099
Cash and cash equivalents at the beginning of the financial year		**21,068**	**16,969**
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	-
Cash and cash equivalents at the end of the financial year	**30(a)**	**21,509**	**21,068**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

1. Corporate information
The consolidated financial statements of Ansvar Insurance Limited for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 20 March 2015.

Ansvar Insurance Limited is a company limited by shares that is incorporated and domiciled in Australia. Ansvar Insurance's immediate parent is Ecclesiastical Insurance Office plc which owns 100% of the ordinary shares. Ecclesiastical Insurance Office plc is a wholly owned subsidiary of Allchurches Trust Limited, which is the ultimate parent. The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. Significant accounting policies
Basis of Preparation

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

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

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

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity. For assets and liabilities that comprise both current and non-current amounts, information regarding the non-current amount is included in the relevant note of the financial statements

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

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

(a) Principles of general insurance business

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

(b) Premium revenue

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

The pattern of recognition of income over the policy period is based on time, which closely approximates the pattern of risks underwritten. The unearned portion of premium revenue is recognized as Unearned premium reserve on the statement of financial position.

2. Significant accounting policies (Cont'd)

(c) Investment income

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

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

(d) Claims

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

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

(e) Outwards reinsurance

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

(f) Reinsurance and other recoveries receivable

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

(g) Acquisition costs

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

(h) Fire brigade and other charges

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

(i) Unearned premium reserve

Unearned premium reserve is determined by apportioning the premium written over the period from date of attachment of risk to the expiry of the policy term. Premium unearned is treated at balance sheet date as unearned premium reserve.

2. Significant accounting policies (Cont'd)

(i) Unearned premium reserve (cont'd)

Liability adequacy testing is performed at each reporting date in order to recognise any deficiencies in the adequacy of unearned premium liabilities arising from the carrying amount of the unearned premium reserve less any related deferred acquisition costs and intangible assets not meeting the estimated future claims under current insurance contracts.

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

Liability adequacy testing is performed at the level of a portfolio of contracts that are subject to broadly similar risks and are managed together as a single portfolio. Any deficiency arising from the test is recognized in the profit and loss statement through the write-down of any related intangible assets and related deferred acquisition costs. If an additional liability is required, it is recognized as an unexpired risk liability in the statement of financial position.

(j) Financial Assets

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

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

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

Loans and receivables

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

(k) Financial instruments issued by the Group

Debt and equity instruments

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

Transaction costs on the issue of equity instruments

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

Interest and dividends

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

(l) Property, plant and equipment

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

2. Significant accounting policies (Cont'd)

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

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

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

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

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

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

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

(m) Employee benefits

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

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

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

<u>Defined contribution plans</u>

Contributions to defined contribution superannuation plans are expensed when incurred.

(n) Foreign currency

<u>Foreign currency transactions</u>

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

2. Significant accounting policies (Cont'd)

(o) Cash and cash equivalents

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

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

(p) Goods and Services Tax

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

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

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

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

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

(q) Impairment of Assets

At each reporting date, the 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.

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

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

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

2. Significant accounting policies (Cont'd)

(r) Income Tax

Current tax

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

Deferred tax

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the 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 tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Current and deferred tax for the period

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

(s) Intangible assets

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

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

2. Significant accounting policies (Cont'd)

(t) Leased assets

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

Group as lessee

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

(u) Trade and Other Receivables

Trade and other 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 debts is assessed on an ongoing basis and provision for impairment is made based on objective evidence and having regard to past default experience. The impairment charge is recognized in profit or loss. Debts 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 balance 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.

(v) Trade and Other 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.

(w) Principles of consolidation

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

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

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

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

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

2. Significant accounting policies (Cont'd)

(x) Adoption of new and revised Accounting Standards

The accounting policies adopted are consistent with those of the previous financial report except for the following Australian Accounting Standard adopted as of 1 January 2014:

Reference	Title	Application date of standard	Note	Application date for Group
Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	A	1 January 2014
Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	A	1 January 2014
AASB 2013-9	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1 January 2014	B	1 January 2014
AASB 2011-4	Amendments to Australian Accounting Standards to remove Key Management Personnel Disclosure Requirements. The amendment removes the requirements to include individual key management personnel disclosures in the notes to the financial statements.	1 July 2014	A	1 January 2014

Australian accounting standards issued but not yet effective

As at the date of this report, there are a number of new and revised accounting standards which have been issued by the Australian Accounting Standards Board for which the mandatory application dates fall after the end of this reporting year. None of these standards have been early adopted and applied in the current reporting year.

Title	Summary	Application date of standard	Note	Application date for Group
AASB 2014-2	Amendments to AASB 1053 Applications of Tiers of Australian Accounting Standards. This standard clarifies that AASB 1053 relates only to general purpose financial statements and the various options for transition to and between tiers. It also specifies certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements.	1 July 2014	A	1 January 2015
AASB 2014-1 Part A-C, E	Amendments to existing accounting standards, providing clarification of current / non-current classification of debt and scope exception for measuring the fair value of financial assets and liabilities on a portfolio basis.	1 July 2014	A	1 January 2015
Annual Improvements to IFRSs 2010–2012 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.	1 July 2014	A	1 January 2015

2. Significant accounting policies (Cont'd)

(x) Adoption of new and revised Accounting Standards (cont'd)
Australian accounting standards issued but not yet effective (cont'd)

Title	Summary	Application date of standard	Note	Application date for Group
	The following items are addressed by this standard: ► IFRS 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► IFRS 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37. ► IFRS 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's assets. IAS 16 & IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed			
AASB 2014-4	Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation. This standard introduces a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate and clarifies that revenue-based depreciation for property, plant and equipment cannot be used.	1 January 2016	B	1 January 2016
AASB 2014-5, Revenue	AASB 15 Revenue from Contracts with Customers replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. This standard introduces a single model that applies to contracts with customers and two approaches to recognizing revenue; at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The standard is not expected to have a significant impact as Ansvar's primary revenue stream falls under IFRS 4 Insurance Contracts which is exempt from applying AASB 15.	1 January 2017	B	1 January 2017
AASB 2015-4	Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent. This standard amends AASB 128 to require that, not withstanding paragraphs 17 and AUS 17.1 of AAS 128, the ultimate Australian entity shall apply the equity method in accounting for interests in associates and joint ventures if either the entity or the group is a reporting entity, or both entity and group are reporting entities.	1 January 2016	B	31 December 2016

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Significant accounting policies (Cont'd)

(x) Adoption of new and revised Accounting Standards (cont'd)
Australian accounting standards issued but not yet effective (cont'd)

Title	Summary	Application date of standard	Note	Application date for Group
Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different base (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Further amendments were made by AASB 2014-1 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2018. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, 2010-10 and 2010-11.	1 January 2018	B	1 January 2018

Table Note

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

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

3. Critical accounting estimates and judgments

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

Key sources of estimation uncertainty

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

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

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

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

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

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

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

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

(iii) Claim frequencies and average claim sizes;

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

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

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

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

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

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

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

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

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

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

This projection of the net central estimate is typically made without bias toward over or under estimation. As such, the resulting estimate is considered to be a net central estimate of outstanding claims liabilities. Where possible and appropriate, multiple actuarial methods will be applied to project future claim payments. This assists in providing a greater understanding of the trends inherent in the past data. The projections obtained from various methods also assist in setting the range of possible outcomes.

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

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

Modelling

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

Assumption selection

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

Evolution of assumptions and future events

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

Random variation

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

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

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

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

(b) Assets arising from reinsurance contracts

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

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

(c) Recoverability of future tax losses

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

4. Actuarial assumptions and methods

(a) Assumptions

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

Company & Consolidated	2014		2013	
	Short-tail	Long-tail	Short-tail	Long-tail
Weighted average term to settlement (years)	0.95	4.39	1.01	5.90
Inflation rate	0.00%	2.75%	0.00%	2.75%
Superimposed inflation rate	0.00%	5.50%	0.00%	5.50%
Discount rate	0.00%	2.29%	0.00%	3.25%
Discounted mean term (years)	0.95	4.00	1.00	4.63
Claim handling expense ratio as a % of Gross Outstanding Claims	2.66%	7.60%	7.50%	7.50%
Risk margin	17.61%	18.10%	15.95%	27.60%

(b) Processes used to determine assumptions

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

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

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

4. Actuarial assumptions and methods (Cont'd)

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

Inflation

Insurance costs are subject to inflationary pressures over time.

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

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

Superimposed inflation rate

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

Discount rate

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

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

Expense allowance

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

Risk margin

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

The assumptions regarding uncertainty for each class are applied to the gross and net central estimates and the results are aggregated, allowing for diversification, in order to arrive at an overall net provision that is intended to have an 80% probability of sufficiency (2013: 80% probability of sufficiency).

Ultimate loss ratio

This is the ratio of incurred losses to earned premium (both net of reinsurance) inherent in actual experience to date and includes an estimate of future payments.

4. Actuarial assumptions and methods (Cont'd)

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

Effects of changes in actuarial assumptions from 31 December 2013 to 31 December 2014:

Assumption category	Assumption change	Effect on net outstanding claims liabilities Increase / (decrease) $'000
Short tail class assumptions:		
Change in model assumptions		(276)
Liability class assumptions:		
Changes in Claim Numbers		(168)
Changes in models assumptions – non-PSA claims		(493)
Changes in models assumptions – PSA claims		1,532
Change in Minimum Loss Ratio assumptions		(4,677)
Superimposed Inflation	No change	0
Wage Inflation	No change	0
Discount Factor	From 3.25% to 2.16%	1,838

(c) Sensitivity analysis

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

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

	Net profit $'000	Equity $'000
Recognised amounts in the financial statements	7,263	82,343

Variable	Movement in variable	Movement in amount Profit/(Loss) $'000	
Average weighted term to settlement	+1 year - 1 year	1,959 (2,004)	1,959 (2,004)
Claims inflation rate	1.00% - 1.00%	(3,573) 3,431	(3,573) 3,431
Discount rate	1.00% - 1.00%	3,431 (3,573)	3,431 (3,573)
Minimum loss ratio	1.00% - 1.00%	(695) 695	(695) 695
Claims handling expenses ratio	1.00% - 1.00%	(874) 874	(874) 874

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:

i. Reviewing the Group's risk management framework;
ii. Ensuring the effectiveness of the risk management framework and the internal control system; and
iii. Compliance with legislative and regulatory obligations, including capital and insolvency requirements.

The Group has a Risk & Compliance function 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 business units.

The risk management framework is outlined in the Risk Management Strategy (RMS). The RMS addresses the Group's approach to managing its risks. The RMS includes a statement of intent, risk objectives, risk appetite, 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 RMS is reviewed and updated annually so it remains appropriate and effective and is approved by the Board and any material changes are also submitted to Australian Prudential Regulatory Authority (APRA).

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

- **Risk Management Policy (RMP):** The objective of the RMP is to define the risk management principles that support the effective implementation of the risk management framework.
- **Reinsurance Management Strategy (REMS):** The REMS 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 (RAS):** The RAS is a set of principles, guidance, boundaries and limits set by the Board as part of the authorization given to the Chief Executive Officer to execute the Business Plan. It also sets out the process for risk appetite breach approval and reporting.
- **Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement:** The purpose of the ICAAP Summary Statement is to provide 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 RMS, 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 the 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 and liabilities, exposures and investments
Compliance	Adhere to legislative and regulatory requirements or other licence conditions.
Operational	Properly manage the Group's processes, people and IT systems.
Credit	Avoid default by reinsurers, premium debtors and/or investment banks.

5. Risk management (Cont'd)

(c) Material Risk Categories and mitigation strategies

(i) Strategic Risk

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

To mitigate strategic risk, the CEO is responsible for presenting a corporate business plan to the Board on an annual basis. The corporate business 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. This reporting assesses Ansvar's performance against pre-defined and approved strategic 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, RMS, REMS, Insurance Risk Policy and the Actuarial Data Integrity Policy.

The Underwriting and Claims departments have their own policies and procedures which assist in enabling compliance with the pre-defined risk appetite. These include a combination of internal and external reviews, claims and underwriting approval authorities and limits and regular reporting to the Executive and Board (or its committees).

(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 Risk Overarching Policy, financial risks include:

- **Market risk** which is 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 26(e) for a detailed explanation of how the Group manages its liquidity risk).
- **Credit risk** is 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 risk concentrations.
- **Currency risk** arises from the change in price of one currency against the other. 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. These include:

- **Capital Management Plan** provides an overview of the Group's approach to capital management.
- **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 maximizing cash flows and dealing with defaults.
- **Investment Policy** describes the risk appetite profile and gives delegated authority to minimize risks.
- **Outsourcing Policy** sets out the standards required by all companies to whom the Group outsources any of its material functions.
- **Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement**.

5. Risk management (Cont'd)

(c) Material Risk Categories and mitigation strategies (cont'd)

(iv) Market Risk and Liquidity Risk (incorporating Currency Risk, Interest Rate Risk and Price Risk)

In accordance with the Balance Sheet and Market Risk Policy, the Group has identified the sources of its key market risks as being:

- Falls in equity prices
- 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 current 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 the Risk Appetite Policy and the Investment Policy. The Finance department is responsible for enforcing compliance with the acceptable 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.

(v) Compliance Risk

The Group defines compliance risk as the risk of not complying with legislative and regulatory obligations.

The Group has a Risk & 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 with legislative and regulatory requirements.

Any compliance breaches must be reported to Risk & Compliance, and are recorded in the Breach register. Any significant breaches are required to be reported to APRA / ASIC in accordance with the relevant regulatory obligations.

(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.

(a) Human Resources

The Human Resources function is responsible for identifying and assessing human resource risks during the risk assessment process and annual strategic planning.

Human Resources ensure 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 people who can meet the requirements of the role and fit into Ansvar's culture.

(b) Financial Crime

Annual risk profiling and assessment is performed to identify weaknesses in controls and procedures that could lead to potential fraud. Any weakness is then linked to a risk management strategy or management action to reduce the risk.

5. Risk management (Cont'd)

(vi) Operational Risk (cont'd)
(b) Financial Crime (cont'd)

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

(c) Outsourcing

The use of a third party can be beneficial as they can provide specialist knowledge, expertise and cost efficiencies. However, it also increases the risk of poor performance and breach of contract.

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

(d) Technology

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

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

(e) Business Continuity Management

Business continuity risk is the chance of any event that disrupts 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 CEO and the Risk & Compliance Committee.

(vii) Credit Risk

Credit risk is the risk of loss from a counterparty failing to fulfil their 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 the monitoring and management of credit risk.

i. Investments

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

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

ii. Reinsurers

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

5. Risk management (Cont'd)

(vii) Credit Risk (cont'd)
ii. Reinsurers (cont'd)

The Group places 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 condition from reinsurer(s). These terms and conditions address coverage and price and then reinsurer(s) 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 UK-based Group Reinsurance Security Committee which performs regular analysis of reinsurers' credit ratings and performance against certain criteria.

The Reinsurance Committee will propose the final reinsurance arrangements and submit the arrangements to the Board for approval.

The Risk Appetite requirements are monitored by the Reinsurance Manager and reported to the Risk & Compliance Committee via the Risk Appetite Return on a quarterly basis. Given the importance of the Group's reinsurance program 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.

iii. Brokers

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

Any changes in credit worthiness advised by the monitoring agency will be 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 2014

6. Profit from operations	**Company & Consolidated**	
	2014 $'000	**2013 $'000**
(a) Revenue		
An analysis of the Group's revenue for the year is as follows:		
Premium revenue:		
Gross written premium	73,529	74,692
Movement in unearned premiums	1,737	8,147
Gross earned premiums	**75,266**	**82,839**
Reinsurance and other recoveries (note 19)	61,181	7,175
Total general insurance revenue	**136,447**	**90,014**
Investment income:		
Interest and dividend revenue	8,564	9,550
Changes in net market value of investments:		
Realised gains/(losses)	1,546	2,040
Unrealised gains/(losses)	3,848	(4,753)
Total investment income	**13,958**	**6,837**
Commission revenue	8,987	1,541
Other operating income	962	1,053
Total Revenue	**160,354**	**99,445**
(b) Profit before income tax		
Depreciation of non-current assets	138	304
Amortisation of intangible assets	155	146
(Profit)/loss on disposal of property, plant and equipment	(24)	231
Increases/(decreases) in the provisions for impairment		
- Trade receivables	(175)	(284)
- Reinsurance receivable	-	(109)
	(175)	**(393)**
Employee benefits:		
Defined contribution plans	968	1,010
Other	108	(207)
	1,076	**803**
Rental expense relating to operating leases	1,209	1,401

7. Income taxes

	Company & Consolidated 2014 $'000	Company & Consolidated 2013 $'000
Tax expense comprises:		
Current income tax charge	866	-
Deferred tax expense/(benefit) relating to the origination and reversal of timing differences	3,525	(904)
Total income tax expense/(benefit)	**4,391**	**(904)**
Net profit/(loss) for the year before income tax	**11,654**	**9**
Income tax expense/(credit) calculated at 30%	3,496	3
Non-deductible expenses	22	29
Allowable building allowances	(1)	(2)
Adjustments in respect of prior years in relation to current tax	874	-
Other	-	(934)
Total income tax expense/(benefit)	**4,391**	**(904)**

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

	Company & Consolidated 2014 $'000	Company & Consolidated 2013 $'000
Current tax assets and liabilities		
Income tax payable/(receivable)	866	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

7. Income taxes (Cont'd)

Temporary Differences

Taxable and deductible temporary differences arise from the following:

2014	Company & Consolidated			
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Gross deferred tax liabilities:				
Revenue receivable	(70)	58	-	(12)
Property	(150)	-	150	-
Unrealised gains on fixed interest securities	(42)	(1,520)	-	(1,562)
Other	(12)	12	-	-
Total	**(274)**	(1,450)	**150**	**(1,574)**
Gross deferred tax assets:				
Provisions	479	120	-	599
Doubtful debts allowance	69	(52)	-	17
Indirect claims settlement costs	2,930	106	-	3,036
Purchased interest	246	35	-	281
Unused tax losses and credits	2,435	(2,435)	-	-
Other	83	1	-	84
Total	**6,242**	**(2,220)**	**-**	**4,017**

Presented in the balance sheet as follows:	
Deferred tax liability	(1,574)
Deferred tax asset	4,017
	2,443

7. Income taxes (cont'd)

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

8. Key management personnel compensation

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

The aggregate compensation of the key management personnel, being the key management personnel of the Group and the Company is set out below:

	Consolidated	
	2014 $'000	2013 $'000
Short-term employee benefits	2,968	2,987
Post-term employee benefits	213	199
Termination benefits	35	473
Total	**3,216**	**3,659**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

9. Remuneration of auditors	Company & Consolidated	
	2014	2013
	$	$
Auditor of the parent entity:		
Audit of the financial report	91,862	94,185
Other services (i)	68,138	71,165
	160,000	**165,350**

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

10. Trade and other receivables

	Company & Consolidated	
	2014	2013
	$'000	$'000
Current receivables		
Trade receivables	20,845	21,631
Allowance for doubtful debts	(56)	(231)
	20,789	**21,400**
Unsecured amounts receivable from related entity	-	222
Other debtors and prepayments	3,504	5,639
Reinsurance recoveries receivable	3,416	1,401
Deferred GST on claims outstanding	2,409	1,189
Total current receivables	**30,118**	**29,851**
Non-current receivables		
Other recoveries receivable	7,572	5,441
Allowance for doubtful debts	-	-
Total non-current receivables	**7,572**	**5,441**
Total trade and other receivables	**37,690**	**35,292**

Receivables are non-interest bearing and normally settled between 30 days and 12 months. The balance has not been discounted as the effect of the time value of money is not material.

11. Deferred expenses

	Company & Consolidated	
	2014	2013
	$'000	$'000
Deferred reinsurance expenses	19,919	446
Deferred acquisition costs	7,894	7,802
Deferred fire service levies	1,343	1,675
Total deferred expenses	**29,156**	**9,923**

The increase in deferred reinsurance expenses in 2014 was mainly due to the new property reinsurance arrangements effective 1 January 2014.

12. Investments	Company & Consolidated	
	2014	2013
	$'000	$'000
Corporate bonds	117,669	122,688
Government/semi-government fixed income securities	48,171	50,007
Loans and receivables	460	461
Total investments	**166,300**	**173,156**

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

13. Reinsurers' share of outstanding claims liabilities

	Company & Consolidated	
	2014	2013
	$'000	$'000
Expected future reinsurance recoveries		
- on claims reported	43,083	13,253
- on claims incurred but not reported	26,805	29,823
Net undiscounted central estimate of reinsurers' share of outstanding claims liabilities	**69,888**	**43,076**
Discount to present value	(2,440)	(12,402)
Provision for impairment of reinsurance assets	-	-
Net discounted central estimate of reinsurers' share of outstanding claims liabilities	**67,448**	**30,674**
Current reinsurers' share of outstanding claims liabilities	27,953	13,264
less: provision for impairment of reinsurance asset	-	-
	27,953	**13,264**
Non-current reinsurers' share of outstanding claims liabilities	39,495	17,410
less: provision for impairment of reinsurance asset	-	-
	39,495	**17,410**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

14. Property, plant and equipment

	Company & Consolidated				
	Buildings $'000	Leasehold improve-ments $'000	Office furniture and fittings $'000	Computer hardware $'000	Total $'000
Cost or valuation					
Balance at 1 January 2013	**920**	**356**	**1,117**	**3,378**	**5,771**
Additions	-	-	4	59	63
Disposals	-	(356)	(555)	(354)	(1,265)
Revaluation	(170)	-	-	-	(170)
Balance at 1 January 2014	**750**	**-**	**566**	**3,083**	**4,399**
Additions	-	-	1	14	15
Disposals	(750)	-	(425)	(2,561)	(3,736)
Revaluation	-	-	-	-	-
Balance at 31 December 2014	**-**	**-**	**142**	**536**	**678**
Accumulated depreciation					
Balance at 1 January 2013	**-**	**(356)**	**(676)**	**(2,688)**	**(3,720)**
Disposals	-	356	429	249	1,034
Depreciation expense	-	-	(64)	(240)	(304)
Balance at 1 January 2014	**-**	**-**	**(311)**	**(2,679)**	**(2,990)**
Disposals	-	-	287	2,551	2,838
Depreciation expense	-	-	(20)	(118)	(138)
Balance at 31 December 2014	**-**	**-**	**(44)**	**(246)**	**(290)**
Net Book Value					
As at 31 December 2013	750	-	255	404	1,409
As at 31 December 2014	**-**	**-**	**98**	**290**	**388**

Aggregate depreciation allocated, recognised as an expense during the year and disclosed in note 6 to the financial statements:

	Company & Consolidated	
	2014 $'000	2013 $'000
Office furniture and fittings	20	64
Computer hardware	118	240
	138	**304**

15. Intangible assets

	Company & Consolidated		
	Trademarks $'000	**Computer software $'000**	**Total $'000**
Gross carrying amount			
Balance at 1 January 2013	**23**	**3,066**	**3,089**
Additions	-	223	223
Disposals	-	(24)	(24)
Balance at 1 January 2014	**23**	**3,265**	**3,288**
Additions	-	2	2
Disposals	-	(2,949)	(2,949)
Balance at 31 December 2014	**23**	**318**	**341**
Accumulated amortisation			
Balance at 1 January 2013	**(4)**	**(2,861)**	**(2,865)**
Amortisation expense (i)	-	(146)	(146)
Disposals	-	13	13
Balance at 1 January 2014	**(4)**	**(2,994)**	**(2,998)**
Amortisation expense (i)	(15)	(140)	(155)
Disposals	-	2,913	2,913
Balance at 31 December 2014	**(19)**	**(221)**	**(240)**
Net Book Value			
As at 31 December 2013	19	271	290
As at 31 December 2014	**4**	**97**	**101**

(i) Amortisation expense is included in the line item 'general and administration expenses' in the Statement of Profit or Loss & Other Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

16. Trade and other payables

	Company & Consolidated	
	2014	2013
	$'000	$'000
Direct insurance payables	291	190
Deposits from reinsurers	9,687	10,275
Reinsurance ceded creditors	-	5,082
Accrued reinsurance premiums	9,868	401
Trade creditors	270	187
Sundry creditors and accruals	2,969	2,122
Unsecured amount payable to parent entity	157	-
Indirect taxes	1,117	880
Total trade and other payables	**24,359**	**19,137**

Trade and other payables are non-interest bearing and normally settled between 30 days and 12 months. The balance has not been discounted as the effect of the time value of money is not material.

17. Deferred revenue

	Company & Consolidated	
	2014	2013
	$'000	$'000
Deferred reinsurance commission	5,147	-
Other deferred revenue	11	12
	5,158	**12**

The increase in deferred reinsurance commission in 2014 was mainly due to the new property reinsurance arrangements effective 1 January 2014.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

18. Provisions

	Company & Consolidated 2014 $'000	Company & Consolidated 2013 $'000
Current		
Employee entitlements	613	611
Other employee provisions	433	200
Provision for make good	15	76
	1,061	**887**
Non-current		
Employee entitlements	628	529
Provision for make good	213	180
	841	**709**
Total provisions	**1,902**	**1,596**

Company & Consolidated	**Employee entitlements $'000**	**Other employee provisions $'000**	**Provision for make good $'000**	**Total $'000**
Balance at 1 January 2014	**1,140**	**200**	**256**	**1,596**
Additional provisions recognised	209	433	-	642
Used during the year	(108)	(200)	(28)	(336)
Balance at 31 December 2014	**1,241**	**433**	**228**	**1,902**

19. Net claims incurred

Company & Consolidated	2014			2013		
	Current year $'000	Prior years $'000	Total $'000	Current year $'000	Prior years $'000	Total $'000
Gross claims expense						
Gross claims incurred (undiscounted)	47,442	22,191	69,633	45,385	(3,202)	42,183
Discount movement	1,536	6,396	7,932	(3,071)	(79)	(3,150)
	48,978	**28,587**	**77,565**	**42,314**	**(3,281)**	**39,033**
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries (undiscounted)	(28,098)	(23,121)	(51,219)	(2,433)	(1,810)	(4,243)
Discount movement	(1,928)	(8,034)	(9,962)	(2,858)	(74)	(2,932)
	(30,026)	**(31,155)**	**(61,181)**	**(5,291)**	**(1,884)**	**(7,175)**
Net claims incurred	**18,952**	**(2,568)**	**16,384**	**37,023**	**(5,165)**	**31,858**

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

20. Outstanding claims liabilities

	Company & Consolidated	
	2014 $'000	2013 $'000
a) Gross outstanding claims liabilities		
Gross undiscounted central estimate	146,951	126,448
Discount to present value	(10,113)	(18,044)
Claims handling expenses provision	8,574	8,130
Risk margin	25,708	24,396
Gross outstanding claims liabilities	**171,120**	**140,931**
Current	34,956	32,496
Non-current	136,164	108,435
	171,120	**140,931**

20. Outstanding claims liabilities (Cont'd)

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

Company & Consolidated	Accident year						
	Prior	**2010**	**2011**	**2012**	**2013**	**2014**	**Total**
Ultimate claims cost estimate	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At end of accident year		47,021	44,333	37,179	34,997	15,907	
One year later		44,412	43,127	32,119	34,829		
Two years later		42,538	40,163	29,544			
Three years later		41,927	38,640				
Four years later		41,569					
Current estimate of ultimate claims cost		41,569	38,640	29,544	34,829	15,907	
Cumulative net payments		(36,873)	(31,504)	(19,250)	(20,393)	(1,173)	
Undiscounted net central estimates	**27,045**	**4,695**	**7,135**	**10,294**	**14,435**	**14,733**	**78,340**
Net discount							(7,563)
Claims handling expenses provision							8,574
Net risk margin							14,340
Net outstanding claims liabilities							**93,691**
Reinsurers' share of outstanding claims liabilities							67,448
Other recoveries on outstanding claims							9,981
Gross outstanding claims liabilities							**171,120**

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

Company & Consolidated	2014			2013		
	Gross	**Re-insurance and other recoveries**	**Net**	**Gross**	**Re-insurance and other recoveries**	**Net**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 January	140,931	(37,304)	103,627	143,992	(36,415)	107,577
Increase due to claims incurred in current accident year	52,768	(35,022)	17,746	41,011	(7,700)	33,311
Movement in prior year claims provisions	24,798	(26,160)	(1,362)	(5,662)	(6,381)	(12,043)
Claim payments / recoveries	(47,377)	21,057	(26,320)	(38,410)	13,192	(25,218)
At 31 December	**171,120**	**(77,429)**	**93,691**	**140,931**	**(37,304)**	**103,627**

21. Unearned premium and deferred insurance costs

a) Unearned premium

Company & Consolidated	2014			2013		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**41,024**	**(446)**	**40,578**	**49,171**	**(5,956)**	**43,215**
Premiums on contracts written	73,529	(61,415)	12,114	74,692	(31,224)	43,468
Earning of premiums written	(75,266)	41,942	(33,324)	(82,839)	36,734	(46,105)
At 31 December	**39,287**	**(19,919)**	**19,368**	**41,024**	**(446)**	**40,578**

b) Deferred insurance costs

Company & Consolidated	2014		2013	
	Acquisition costs $'000	Fire service levy $'000	Acquisition costs $'000	Fire service levy $'000
At 1 January	**7,802**	**1,675**	**-**	**4,145**
Costs deferred in the year	7,894	2,357	7,802	4,138
Amortisation charged to income	(7,802)	(2,689)	-	(6,608)
At 31 December	**7,894**	**1,343**	**7,802**	**1,675**

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22. Liability Adequacy Test

At 31 December 2014, the liability adequacy test resulted in a surplus of $526,000 (2013: surplus of $565,000). The probability of sufficiency ("POS") adopted in performing the liability adequacy test is set at the 75th percentile which is the same as the prior year. The POS for outstanding claims liability ("OCL") is set at a level that is appropriate and sustainable to cover the Group's and the claims obligations after having regard to the prevailing market environment and prudent industry practice.

	Company & Consolidated	
	2014	2013
	$'000	$'000
Unearned premium liability (excl. FSL)	37,945	39,349
Related deferred expenses and other items	(22,677)	(8,238)
	15,268	**31,111**
Central estimate of present value of expected future cash flows on insurance contracts issued	12,853	28,690
Risk margin at 75th percentile	1,889	1,856
	14,742	**30,546**
Net surplus	**526**	**565**

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

23. Employee benefits

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

	Company & Consolidated	
	2014	2013
	$'000	$'000
Current provision for employee benefits (note 18)	613	611
Non-current provision for employee benefits (note 18)	628	529
Aggregate employee benefits	**1,241**	**1,140**
Number of employees at end of financial year	**95**	**103**

24. Commitments

	Company & Consolidated	
Operating lease commitments:	2014	2013
	$'000	$'000
Not later than one year	1,711	1,738
Later than one year and not later than five years	1,345	2,617
Later than five years	-	-
	3,056	**4,355**

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

25. Share capital

a) Share capital

	Company & Consolidated 2014 $'000	Company & Consolidated 2013 $'000
Issued share capital 7,307,692 ordinary shares each fully paid (2013: 7,307,692)	7,308	7,308

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

b) Dividends

On 20 March 2015, the directors of Ansvar Insurance Limited declared a dividend on ordinary shares in respect of the 2014 financial year. The total amount of the dividend is $6,536,928 which represents a fully franked dividend of 89.5 cents per share. The dividend has not been provided for in the 31 December 2014 financial statements.

	Consolidated 2014 $'000	Consolidated 2013 $'000
89.5 cents per ordinary share	6,537	-

26. Financial instruments

a) Significant accounting policies

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

b) Financial risk management objectives

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

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

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

c) Categories of financial instruments

	Company & Consolidated	
	2014 $’000	2013 $’000
Financial assets		
Cash and cash equivalents	21,509	21,068
Financial assets at fair value through profit or loss	166,300	173,156
Trade and other receivables	37,690	35,292
Reinsurers’ share of outstanding claims liabilities	67,448	30,674
Financial liabilities		
Trade and other payables	24,359	19,137
Outstanding claims liabilities	171,120	140,931

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

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

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

26. Financial instruments (Cont'd)
c) Categories of financial instruments (cont'd)

Company & Consolidated	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Fair value through profit and loss				
Corporate bonds	117,669	-	-	117,669
Government/semi-government fixed income securities	48,171	-	-	48,171
Loans and receivables	-	3	457	460
As at 31 December 2014	165,840	**3**	**457**	**166,300**
Fair value through profit and loss				
Corporate bonds	122,688	-	-	122,688
Government/semi-government fixed income securities	50,007	-	-	50,007
Loans and receivables	-	7	454	461
As at 31 December 2013	**172,695**	**7**	**454**	**173,156**

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

(i) Valuation techniques and significant unobservable inputs for Level 3 financial instruments

The following table presents the valuation technique and the significant unobservable inputs used in the fair value measurements of the financial instruments categorized within Level 3 of the fair value hierarchy:

Financial instruments measured at fair value

Type	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Loans and Receivables - unlisted	*Discounted cash flows:* The valuation considers the present value of the cash flows expected to be generated under the loan arrangement. The expected net cash flows are discounted using a risk-adjusted discount rate.	• Risk-adjusted discount rate – 6.61% (2013: 7.22%)	The estimated fair value would increase if the risk-adjusted discount rate was lower.

(ii) Reconciliation of Level 3 fair value measurements

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Company & Consolidated
	Loans and other receivables $'000
Balance at 1 January 2013	741
Unrealised losses recognised in profit or loss	(287)
Balance at 31 December 2013	**454**
Unrealised gains recognised in profit or loss	3
Balance at 31 December 2014	**457**

26. Financial instruments (Cont'd)

d) Credit risk

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

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

The Group's reinsurance assets comprise the following percentage split based on Standard & Poor's ratings (except where noted):

	2014	2013
Credit Rating	**Proportion**	**Proportion**
AAA	-	-
AA+	46.6%	4.2%
AA	19.3%	3.4%
AA-	1.0%	16.8%
A+	11.6%	14.3%
A	13.3%	24.4%
A-	8.1%	33.5%
A- (AM Best)	0.1%	0.5%
BBB+	-	2.9%

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

	Company & Consolidated	
	2014	**2013**
	$'000	**$'000**
Cash and cash equivalents	21,509	21,068
Financial assets at fair value through profit or loss		
Corporate bonds	117,669	122,688
Government/semi-government fixed income securities	48,171	50,007
Loans and receivables	460	461
Trade and other receivables		
Trade receivables	20,845	21,631
Unsecured amounts receivable from related entity	-	222
Other debtors and prepayments	3,504	5,639
Reinsurance recoveries receivable	3,416	1,401
Deferred GST on claims outstanding	2,409	1,189
Other recoveries receivable	7,572	5,441
Reinsurers' share of outstanding claims liabilities	67,448	30,674
Total	**293,003**	**260,421**

26. Financial instruments (Cont'd)

d) Credit risk (cont'd)

Credit risk exposure by credit rating

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

Company & Consolidated	**Neither past-due nor impaired**				
	Investment grade (i) $'000	**Non-investment grade: satisfactory (ii) $'000**	**Non-investment grade: unsatis-factory (iii)) $'000**	**Past-due or impaired $'000**	**Total $'000**
2014					
Cash and cash equivalents	21,509	-	-	-	21,509
Financial assets at fair value through profit or loss					
Corporate bonds	117,669	-	-	-	117,669
Government/semi-government fixed income securities	48,171	-	-	-	48,171
Loans and receivables	-	460	-	-	460
Trade and other receivables					
Trade receivables	-	20,845	-	-	20,845
Other debtors and prepayments	-	3,504	-	-	3,504
Unsecured amounts receivable from related entity	-	-	-	-	-
Reinsurance recoveries receivable	3,416	-	-	-	3,416
Deferred GST on claims outstanding	-	2,409	-	-	2,409
Other recoveries receivable	-	7,572	-	-	7,572
Reinsurers' share of outstanding claims liabilities	67,448	-	-	-	67,448
Total	**258,213**	**34,790**	**-**	**-**	**293,003**
2013					
Cash and cash equivalents	21,068	-	-	-	21,068
Financial assets at fair value through profit or loss					
Corporate bonds	122,688	-	-	-	122,688
Government/semi-government fixed income securities	50,007	-	-	-	50,007
Loans and receivables	-	461	-	-	461
Trade and other receivables					
Trade receivables	-	21,631	-	-	21,631
Other debtors and prepayments	-	5,639	-	-	5,639
Unsecured amounts receivable from related entity		222			222
Reinsurance recoveries receivable	1,401	-	-	-	1,401
Deferred GST on claims outstanding	-	1,189	-	-	1,189
Other recoveries receivable	-	5,441	-	-	5,441
Reinsurers' share of outstanding claims liabilities	30,674	-	-	-	30,674
Total	**225,838**	**34,583**	**-**	**-**	**260,421**

26. Financial instruments (Cont'd)

d) Credit risk (cont'd)

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

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

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

e) Liquidity risk

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

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

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

Company & Consolidated	Weighted average interest rate %	Less than 1 year $'000	1 - 5 years $'000	5+ years $'000	Discount $'000	Total $'000
2014						
Financial liabilities						
Outstanding claims liabilities	-	37,022	93,446	50,765	(10,113)	171,120
Non-interest bearing:						
Trade and other payables	-	24,359	-	-	-	24,359
		61,381	**93,446**	**50,765**	(10,113)	**195,479**
2013						
Financial liabilities						
Outstanding claims liabilities	-	36,657	70,309	52,009	(18,044)	140,931
Non-interest bearing:						
Trade and other payables	-	19,137	-	-	-	19,137
		55,794	**70,309**	**52,009**	(18,044)	**160,068**

26. Financial instruments (Cont'd)

f) Market risk

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

Interest rate risk management

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

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

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

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26. Financial instruments (Cont'd)

f) Market risk (cont'd)

Company & Consolidated 2014	**Weighted average interest rate %**	**Less than 1 year $'000**	**1 - 5 years $'000**	**5+ years $'000**	**Total $'000**
Non-interest bearing:					
Trade receivables	-	20,845	-	-	20,845
Unsecured amounts receivable from related entity	-	-	-	-	-
Other debtors and prepayments	-	3,504	-	-	3,504
Reinsurance recoveries receivable	-	3,416	-	-	3,416
Deferred GST on claims outstanding	-	2,409	-	-	2,409
Other recoveries receivable	-	7,572	-	-	7,572
Reinsurers' share of outstanding claims liabilities	-	27,953	39,495	-	67,448
Loans	-	3	457	-	460
Variable interest rate instruments:					
Cash	2.64%	21,509	-	-	21,509
Corporate bonds	4.28%	-	33,332	-	33,332
Fixed interest rate instruments:					
Corporate bonds	3.33%	-	55,752	28,585	84,337
Government/semi-government fixed income securities	2.43%	-	42,886	5,285	48,171
Total		**87,211**	**171,922**	**33,870**	**293,003**

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

26. Financial instruments (Cont'd)

f) Market risk (cont'd)

Interest rate sensitivity

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

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's and the Company's equity would increase/decrease by $0.554 million (2013: decrease/increase by $0.678 million). This is mainly attributable to the Group's and the Company's exposure to interest rates on its variable rate borrowings. All other equity reserves would have been unaffected.

Foreign currency risk management

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

Exchange rate exposure is managed in line with the Group's Risk Management Statement as described in Note 5. The Group's overall strategy in foreign currency risk management remains unchanged from 2013.

Other price risks

The Group and the Company do not hold equity investments and have no exposure to equity price risks arising from equity investments.

27. Related party disclosures

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

Controlled entities

Information relating to controlled entities is set out in note 28.

Parent entities

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

The immediate parent entity of the Group is Ecclesiastical Insurance Office Plc, incorporated in the UK.

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

Directors

The names of persons who were directors of the parent entity during the financial year are set out in the Directors' Report.

Jacinta Whyte and Ian Campbell were directors of Ecclesiastical Insurance Office plc, the immediate parent entity of Ansvar during the year. Jacinta Whyte is Group Deputy Chief Executive Officer of Ecclesiastical Insurance Office plc and Ian Campbell is Group Chief Financial Officer of Ecclesiastical Insurance Office plc.

Other Transactions with Directors

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

	Company & Consolidated	
	2014 $'000	**2013 $'000**
Purchase of survey services from Insync Surveys	41	14

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

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

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

Wholly-owned group

The wholly-owned group consists of Allchurches Trust Limited and its wholly owned controlled entities, including Ansvar Insurance Limited and its controlled entities. Ownership interests in these controlled entities are set out in note 28.

27. Related party disclosures (Cont'd)

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

	Company & Consolidated	
	2014	**2013**
	$'000	**$'000**
Revenue		
Reinsurance recoveries	1,375	2,935
Expenses		
Interest on collateral	254	-
Purchase of reinsurance (net of commissions)	-	7,219
IT expenses recharges	110	91
Other expenses recharges	42	32

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 balance date were as follows:

	Company & Consolidated	
	2014	**2013**
	$'000	**$'000**
Current unsecured receivable/(payable) from/(to) parent entity	(157)	222

28. Controlled entities

Name of Entity	**Country of incorporation**	**Ownership Interest**	
		2014	**2013**
		%	**%**
Ansvar Insurance Services Pty Limited	Australia	100%	100%

On 28 February 2013, EA Insurance Services Pty Ltd was incorporated. On this date, Ansvar Insurance Limited purchased 100% of the share capital of 1,000 shares for $100. In October 2014, EA Insurance Services Pty Ltd changed its name to Ansvar Insurance Services Pty Limited. Ansvar Insurance Services Pty Limited did not enter into any transactions during the year.

29. APRA capital adequacy

From 1 January 2013, APRA revised the regulatory capital adequacy requirements applicable to all APRA authorised insurers and insurance groups. The revised requirements apply to both measurement of capital for regulatory purposes and calculation of the required minimum level of capital. The table below sets out Ansvar's capital ratio calculated in accordance with the capital adequacy requirements.

	2014 $'000	2013 $'000
Tier 1 Capital	85,317	78,773
Less: Excess of deferred tax assets over deferred tax liabilities	(2,443)	(5,968)
Other intangible assets	(101)	(291)
Other deductions required by APRA	(457)	(453)
Adjusted Tier 1 Capital	82,316	72,061
Tier 2 Capital	-	-
Total Regulatory Capital Base	82,316	72,061
Prescribed Capital Amount	24,996	28,645
Prescribed Capital Amount Coverage	329%	252%

30. Notes to the cash flow statement

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

a) Reconciliation of cash and cash equivalents

	Company & Consolidated	
	2014 $'000	2013 $'000
Cash at hand	8,625	10,576
Add: Short term deposits (i)	12,884	10,492
	21,509	21,068

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

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

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

	Company & Consolidated	
	2014	**2013**
	$'000	**$'000**
Profit / (loss) for the year	**7,263**	**913**
Depreciation and amortization	264	450
Changes in fair value of investments	(5,394)	2,713
Other	150	52
Increase / (decrease) in current tax liabilities	866	-
Decrease / (increase) in deferred tax balances	3,525	(955)
Changes in operating assets and liabilities:		
Decrease in trade debtors	611	4,246
(Increase) / decrease in reinsurance recoveries receivable	(2,015)	7,267
Decrease / (increase) in other debtors	(994)	(1,660)
Decrease / (increase) in deferred insurance costs	(19,233)	(1,795)
(Decrease) / increase in sundry creditors and accruals	4,884	4,984
Decrease in unearned premiums	(1,749)	(8,550)
(Decrease) / Increase in outstanding claims	(6,585)	2,680
Increase / (decrease) in provision for employee benefits	101	(341)
Increase / (decrease) in direct insurance payables	101	(796)
Decrease in reinsurance ceded creditors	-	(407)
(Decrease) / increase in indirect taxes	237	196
Increase in deferred reinsurance and other revenue	5,158	-
Increase in other operating provisions	205	(27)
Net cash generated by / (used in) operating activities	**(12,605)**	**8,970**

31. Subsequent events

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the 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 20 March 2015, the directors of Ansvar Insurance Limited declared a dividend on ordinary shares in respect of the 2014 financial year. The total amount of the dividend is $6,536,928 which represents a fully franked dividend of 89.5 cents per share. The dividend has not been provided for in the 31 December 2014 financial statements.

32. Contingent Assets and Liabilities

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

Ansvar has a bank guarantee facility totaling $600,000 which comprises an undertaking by the bank pursuant to agreements for leased office premises in the event of extinguishing liabilities if necessary. The amount of unused facility at 31 December 2014 is $205,575 (2013: $91,533).