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Ansvar Insurance Limited

Reports and financial statements for the financial year ended 31 December 2009

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Ansvar Insurance Limited

directors' report

The directors of Ansvar Insurance Limited submit herewith the annual financial report for the financial year ended 31 December 2009. In order to comply with the provisions of the Companies Act 1993, the directors report as follows:

RESULT The surplus of Ansvar Insurance Limited for the year after tax was $839,986 (2008: $356,907)

DIVIDEND In respect of the financial year ended 31 December 2009, the directors have declared the payment of a dividend of $493,840 to the parent entity (2008: $477,778).

AUDITORS In terms of the Companies Act 1993, Deloitte are to continue in office as the company's auditors.

APPROPRIATIONS

Surplus after tax for the year	$ 839,985
Accumulated surplus brought forward	$9,574,215
Dividends paid	$ (477,778)
Accumulated surplus carried forward	$9,936,422

ACTIVITIES The principal activities during the year were those of insurance underwriting and investment

ON BEHALF OF THE BOARD

Director 16/4/10 Date

Director 16/4/10 Date

Deloitte.

AUDIT REPORT

TO THE SHAREHOLDERS OF

ANSVAR INSURANCE LIMITED

We have audited the financial statements on pages 5 to 30. The financial statements provide information about the past financial performance of Ansvar Insurance Limited and its financial position as at 31 December 2009. This information is stated in accordance with the accounting policies set out on pages 9 to 13.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the company as at 31 December 2009 and the results of operations and cash flows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board of Directors.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in Ansvar Insurance Limited

Deloitte.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by Ansvar Insurance Limited as far as appears from our examination of those records; and
- the financial statements on pages 5 to 30:
  - comply with generally accepted accounting practice in New Zealand;
  - give a true and fair view of the financial position of Ansvar Insurance Limited as at 31 December 2009 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 16 April 2010 and our unqualified opinion is expressed as at that date.

Deloitte

Chartered Accountants
AUCKLAND, NEW ZEALAND

Ansvar Insurance Limited

Statement of comprehensive income for the financial year ended 31 December 2009

	Note	2009	2008
Direct premium revenue	6a	22,072,736	18,410,784
Outwards reinsurance premium expense	21	(10,736,703)	(8,793,953)
Net premium revenue		**11,336,033**	**9,616,831**
Direct claims expense	18	(13,837,088)	(10,491,853)
Reinsurance and other recoveries revenue	18	7,842,036	4,334,618
Net claims incurred		**(5,340,981)**	**(6,157,235)**
Acquisition costs		(1,962,409)	(1,723,310)
Administrative expenses		(3,130,276)	(2,892,290)
Underwriting expenses		**(5,092,685)**	**(4,615,600)**
Underwriting result		**248,296**	**(1,156,004)**
Interest and dividend revenue		885,254	1,014,865
Changes in fair value		-	-
Realised gains on investments		54,186	27,560
Unrealised gains/(losses) on investments		(182,437)	465,333
Premium financing		175,675	166,773
Profit for the year before income tax	6b	**1,180,974**	**518,527**
Income tax expense relating to ordinary activities	7	(340,989)	(161,620)
Profit for the year		**839,985**	**356,907**
Total comprehensive income for the year		**839,985**	**356,907**

The above Statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Ansvar Insurance Limited

Statement of financial position as at 31 December 2009

	Note	2009	2008
Current assets			
Cash and cash equivalents	30 (a)	4,547,036	3,975,804
Receivables	9	15,726,468	13,679,825
Investments	10	5,466,519	9,200,371
Reinsurance recoveries receivable	11	6,603,106	3,687,136
Current tax assets	12	-	323,711
Total current assets		32,343,129	30,866,847
Non-current assets			
Investments	10	7,564,699	2,545,462
Property, plant and equipment	13	366,213	339,300
Reinsurance recoveries receivable	11	821,969	519,291
Deferred tax assets	7	-	47,055
Intangible assets	14	4,045	54,419
Total non-current assets		8,756,926	3,505,527
Total Assets		**41,100,055**	**34,372,374**
Current liabilities			
Payables	15	3,851,315	2,376,710
Bank overdraft	16, 30(a)	-	119,048
Provisions	17	1,402,627	1,185,863
Current tax liability	12	99,990	-
Outstanding claims liabilities	19	10,306,970	7,505,042
Unearned premium	20	12,820,386	11,064,980
Total current liabilities		28,481,288	22,251,643
Non-current liabilities			
Provisions	17	89,516	89,516
Deferred tax liability	7	51,829	-
Outstanding claims liabilities	19	1,141,000	1,057,000
Total non-current liabilities		1,282,345	1,146,516
Total liabilities		**29,763,633**	**23,398,159**
Net Assets		**11,336,422**	**10,974,215**
Equity			
Issued capital	24	1,400,000	1,400,000
Retained earnings	26	9,936,422	9,574,215
Total Equity		**11,336,422**	**10,974,215**

The above Statement of financial position is to be read in conjunction with the notes to the financial statements.

Statement of changes in equity for the financial year ended 31 December 2009

	Fully paid ordinary shares	Retained earnings	Total
Balance at 1 January 2008	1,400,000	9,217,308	10,617,308
Profit for the year	-	356,907	356,907
Total comprehensive income for the year	-	**356,907**	**356,907**
Payment of dividends	-	-	-
Balance at 1 January 2009	1,400,000	9,574,215	10,974,215
Profit for the year	-	839,985	839,985
Total comprehensive income for the year	-	**839,985**	**839,985**
Payment of dividends	-	(477,778)	(477,778)
Balance at 31 December 2009	**1,400,000**	**9,936,422**	**11,336,422**

The above statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Ansvar Insurance Limited

Cash flow statement for the financial year ended 31 December 2009

	Note	2009	2008
Cash flows from operating activities			
Premiums received		22,917,477	19,398,887
Outwards reinsurance paid		(10,262,987)	(9,807,517)
Claims expense paid		(11,641,165)	(8,850,437)
Reinsurance and other recoveries received		4,623,388	3,650,533
Acquisition costs and other costs paid		(4,915,578)	(4,438,375)
Interest received		1,007,731	1,053,709
Other revenue		791,219	438,689
Income tax received / (paid)		181,596	(73,949)
Net cash provided by operating activities	30b	**2,701,681**	**1,371,540**
Cash flows from investing activities			
Payments for investments		(18,691,258)	(10,343,543)
Proceeds from sale of investments		17,277,622	8,911,999
Payments for plant and equipment		(119,987)	(128,507)
Proceeds from sale of plant and equipment		-	-
Payments for intangible assets		-	(15,078)
Net cash used in investing activities		**(1,533,623)**	**(1,575,129)**
Cash flows from financing activities			
Dividends paid		(477,778)	-
Net cash used in financing activities		**(477,778)**	-
Net increase / (decrease) in cash and cash equivalents		**690,280**	**(203,590)**
Cash and cash equivalents at the beginning of the financial year		3,856,756	4,060,346
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	30a	**4,547,036**	**3,856,756**

The above cash flow statement is to be read in conjunction with the notes to the financial statements.

1. Significant accounting policies

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Financial Reporting Act 1993, Accounting Standards and Interpretations, and complies with other requirements of the law.

The Financial report has been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to IFRS and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities that qualify for and apply differential reporting concessions.

The financial statements of the company were authorised for issue by the directors on 12 April 2009.

Basis of Preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

All amounts are presented in New Zealand dollars.

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

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

(c) **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.

(d) **Outwards reinsurance**

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

(e) **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.

(f) **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.

(g) **Unearned premium liabilities**

Unearned premium liability is determined by apportioning the premium written over the period from date of attachment of risk to the expiry of the policy term. Liability adequacy testing is performed in order to recognise any deficiencies in the Statement of comprehensive income arising from the carrying amount of the unearned premium liability less any related deferred acquisition costs and intangible assets not meeting the estimated future claims under current insurance contracts.

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

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

(h) Financial Assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets that back the insurance provisions of the entity are designated as at fair value through profit or loss (FVTPL) on initial recognition as permitted by NZ IAS 39.

Financial Assets at FVTPL

Financial Assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

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

Loans and receivables

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

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

All debtors exceeding 90 days overdue are considered doubtful and any movements in the resultant provision are recognised in profit or loss.

Recoverability of Reinsurance Debtors is assessed on the basis of the Financial Strength rating of each Reinsurer with an allowance made for impairment based on the rating. The provision for impairment is recognised in the profit or loss.

If, in a subsequent period, the amount of the impairment provision changes and the change can be related objectively to an event occurring after the impairment provision was recognised, the previously recognised impairment provision is reversed.

(i) Financial instruments issued by the company

Debt and equity instruments

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

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

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

(j) Property, plant and equipment

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 and is calculated on a diminishing value so as to write off the cost less the estimated residual value of these assets over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Leasehold improvements are depreciated at a straight line rate of 20%

• Office furniture and fittings	11.40 % to 31.20%
• Computer hardware	36.00 % to 60.00 %
• Office Equipment	31.00 % to 67.00 %

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

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(l) **Foreign currency**
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.

(m) **Borrowings**
Borrowings are recorded initially at fair value, plus any transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(n) **Cash and cash equivalents**
Cash and cash equivalents comprise cash on hand, cash in banks and current accounts in banks, net of outstanding bank overdrafts, short term deposits and commercial bills. 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.

(o) **Goods and Services Tax**
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) 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
(ii) 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 exclusive of GST.

(p) **Impairment of Assets**
At each reporting date, the company 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 company 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.

(q) **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 tax 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.

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.

(r) Intangible assets
Other intangible assets are non-monetary assets other than goodwill with no physical substance, which are separately identifiable 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. Software is amortised on a straight line basis at a rate of 36% to 48%

(s) Payables
Payables are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

(t) Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease rentals are recognised evenly over the expected period of benefit to the company.

(u) Cash flows
The following are the definitions of the terms used in the statement of cash flow:

- Cash and cash equivalents are considered to be cash on hand and current accounts in the banks, net of bank overdrafts, short term deposits and commercial bills
- Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.
- Financing activities are those activities which result in changes in the size and composition of the capital structure of the company. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- Operating activities include all transaction and other events that are not investing or financing activities.

(v) Standards and interpretations effective in current period
In the current year, the company has adopted NZ IAS1 presentation of financial statements (revised 2007) which is applicable for annual reporting periods beginning on or after 1 January 2009. Initial application of standard did not affect any of the amounts recognised in the financial statements but changed the presentation of the statement of comprehensive income and statement of changes in equity. There were no changes in accounting policy relating to recognition or measurement due to the initial adoption of this standard.

(w) Capital structure
The capital structure of the company consists only of equity, comprising issued capital, reserves and retained earnings as disclosed in notes 28 and 30 and on the statement of changes in equity. There is no debt in the structure.

2. Differential reporting

The company qualifies for differential reporting exemptions as described in the Framework for Differential Reporting issued by the Institute of Chartered Accountants of New Zealand because the company is not publicly accountable and there is no separation between the shareholders and the governing body. The company has elected to apply all available exemptions except those available under NZIAS7 cashflow statements, NZIAS12 income taxes and NZIAS18 which allows revenue and expenses to be recognised inclusive of goods and services tax.

3. Risk management

The financial condition and operation of the company are affected by a number of key risks including insurance risk, interest rate risk, credit risk, market risk, liquidity risk, financial risk, compliance risk, fiscal risk and operational risk.

(a) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks
The company has an objective to control insurance risk thus minimising substantial unexpected losses that would expose the consolidated entity to an adverse financial capital loss.

The Board and senior management of the Company has developed, implemented and maintain a sound and prudent Risk Management Strategy (RMS) and a Reinsurance Management Strategy (REMS).

The RMS and REMS identify the Company's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Group.

Key aspects of the processes established in the RMS to mitigate risks include:

- The maintenance and use of sophisticated management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- Actuarial models, using information from the management information systems, are used to calculate premiums and monitor claims patterns. Past experience and statistical methods are used as part of the process.
- Documented procedures are followed for underwriting and accepting insurance risks.

- Reinsurance is used to limit the Company's exposure to large single claims and catastrophes.
- The mix of assets in which the company invests is driven by the nature and term of insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match the maturity dates of assets with the expected pattern of claim payments.
- The diversification of business over classes within the reinsurance portfolio, separate geographical segments and large numbers of uncorrelated individual risks seeks to reduce variability in loss experience.

(b) Interest rate risk

None of the financial assets or liabilities arising from insurance or reinsurance contracts entered into by the company is directly exposed to interest rate risk.
Insurance and reinsurance contracts are entered into annually. At the time of entering into the contract, all terms and conditions are negotiable or, in the case of renewals, renegotiable.

The company is exposed to interest rate risk as the company invests funds in fixed interest securities of various maturities. This exposure is closely monitored by the Investment Committee. Assets and liabilities are appropriately matched in terms of type, duration and currency. The Committee's functions include reviewing the effectiveness of the company's investment strategy, recommending specific investment action; also, reviewing the investment risk management statement and recommending any changes of this statement to the Board of Directors.

(c) Credit risk

Financial assets or liabilities arising from insurance and reinsurance contracts are stated in the statement of financial position at the amount that best represents the maximum credit risk exposure at balance date. There are no significant concentrations of credit risk.

(d) Terms and conditions of insurance business

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

(e) Concentration of insurance risk

The company's exposure to concentrations of insurance risk is mitigated by a portfolio diversified into different classes of business comprising personal and commercial markets and short and long tail classes of risk written out of New Zealand.

The company lays high emphasis on selection of reinsurance counterparties with good credit standing and capacity to meet obligations under the contract. The reinsurance programmes are drawn in a way that there is no concentration which would create large exposures or detract from diversification benefits. Reinsurance arrangements are entered with at least 15 reinsurers with credit ratings ranging from A to AAA.

(f) Terms and conditions of reinsurance contracts

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

The company's reinsurance program is structured to adequately protect the company's solvency and capital position. It covers per risk and event losses assessed as the worst possible scenario. Reinsurance is placed to cover losses in excess of the company's agreed retention for each class of business. No inwards reinsurance is written by the company.

The financial probity of reinsurers is determined by the UK based group reinsurance security committee which decides annually which reinsurers the group will utilise. This decision is based on the nominated reinsurers meeting a desired credit rating and performance criteria.

4. S211 disclosures

No disclosure has been made pursuant to section 211(1) (a) and (e) to (j) of the Financial Reporting Act 1993 following a unanimous decision by the shareholders in accordance with section 211(3) of the act.

5. Actuarial assumptions and methods

Actuarial information

Greg Moran, AM Actuaries, Melbourne Australia. Greg Moran is the appointed actuary for the Australian operations of AM Actuaries and is a fellow of the Institute of Actuaries of Australia. The valuation of insurance liabilities report prepared by AM actuaries is compliant with the Institute of Actuaries of Australia Professional Standard PS300.

Report Date: 31 December 2009

The actuaries were satisfied with the information supplied and declared that the data provided formed a suitable basis for conducting their analysis and establishing estimates of the outstanding claims liability for all valuation classes.

(a) Assumptions

The following assumptions have been made in determining the outstanding claims liabilities

	2009		2008	
	Short-tail	Liability	Short-tail	Liability
Weighted average term to settlement (years)	0.93	1.56	1.00	1.63
Inflation rate	3.50%	3.50%	2.50%	2.50%
Superimposed inflation rate	0%	0%	0%	0%
Discount rate	0%	0%	0%	0%
Discounted mean term (years)	0.93	1.56	1.00	1.63
Claim handling expense ratio	13.00%	13.00%	11.00%	11.00%
Risk margin	17.20%	14.90%	15.30%	14.90%

(b) Processes used to determine assumptions

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

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

Claims Inflation
The Incurred Claim Development method has implicit allowance for future claims inflation and hence no explicit allowance for claims inflation has been made.

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
For the estimation of the outstanding claims no allowance has been made for future investment earnings. This reflects the short tail nature of the liabilities where the majority of the claim payments will be made over the next 12 months.

Claims Handling Expenses
Ansvar Insurance (NZ) is responsible for the ongoing management of all claims incurred on or before 31 December 2009. To reflect this expense, an allowance is included in the central estimate of the outstanding claims liability. The indirect claims expense of 13.0% of net claims has been assumed, the same rate as assumed for outstanding claims. No allowance has been made for discounting of claims costs. The loss ratios applied were the undiscounted loss ratios. This provides a small positive margin.

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

Risk margin
A risk margin at a 80% level of sufficiency has been used to determine the outstanding claims liability on the liability line of business as at 31 December 2009. The minimal risk margin reflects the predominantly short tail nature of the business.

The net claims incurred relating to a reassessment of risks borne in previous reporting periods are not significant. There is no significant concentration of insurance risk due to the nature of the portfolio and the reinsurance programme.

5. *Actuarial assumptions and methods (Continued....)*

Effects of changes in actuarial assumptions from 31 December 2008 to 31 December 2009

Assumption category		Effect on net outstanding claims liabilities Increase/(decrease)
Discount rates	No change	-
Claims inflation	1%	31,911
Claims handling expense ratio	2%	43,859
Risk margin	No change	-
Specific short tail class assumptions		
ICD assumptions		(59,190)
Specific long tail class assumptions		
ICD assumptions		(381,587)

(c) Sensitivity analysis

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

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

		Net Profit	Equity
Recognised amounts in the financial statements		839,986	11,336,420
Variable	**Movement in variable**	**Movement in amount**	
Average weighted term to settlement	+1 year	-	-
	- 1 year	-	-
Claims inflation rate	+1.00 %	-	-
	-1.00 %	-	-
Discount rate	+1.00 %	-	-
	-1.00 %	-	-
Minimum loss ratio	+1.00 %	39,020	39,020
	-1.00 %	(39,020)	(39,020)
Claims handling expenses ratio	+1.00 %	34,228	34,228
	-1.00 %	(34,228)	(34,228)

Notes to the financial statements for the financial year ended 31 December 2009

6. Profit from operations

a. Revenue
An analysis of the company's premium for the year is as follows:

	2009	2008
Premium revenue:		
Gross written premium	23,828,142	20,041,435
Movement in unearned premiums	(1,755,406)	(1,630,651)
Gross earned premiums	22,072,736	18,410,784

b. Profit before income tax
Profit for the year has been arrived at after charging the following expenses / (gains)

Loss on sale of non-current assets	10,716	31,114
Depreciation of non-current assets		
Furniture and fittings	49,454	7,971
Computer and office equipments	27,484	16,539
Leasehold improvements	5,420	1,355
Amortization of non-current assets		
Software	50,374	169,121
	132,732	194,986
Rental expense relating to operating leases	192,405	121,844
Employee benefits:		
Defined contribution plans	179,357	150,015
Salaries	2,032,908	1,794,454
Other	32,405	5,264
	2,244,670	1,949,733
Doubtful debts allowance:		
Reinsurance receivable	5,105	16,403
Trade debtors	11,117	(40,250)
	16,222	(23,847)
Loss / (gain) on fair value of financial instruments	182,437	(465,333)

Notes to the financial statements for the financial year ended 31 December 2009

7. Income taxes

(a) Tax expense

	2009	2008
Current tax expense	242,105	129,919
Deferred tax expense	98,884	31,701
	340,989	**161,620**

(b) Income tax recognised in profit or loss

Tax expense comprises:		
Profit before taxation	1,180,974	518,526
Current tax expense	354,292	155,558
Adjustments recognised in the current year in relation to the current tax of prior years	(21,121)	-
Other	6,338	-
Tax effect on Non deductible expenses	1,480	6,062
	340,989	**161,620**

(c) Deferred tax

					2009
	Opening balance	Charged to income	Charged to equity	Change in tax rates	Closing balance
Deferred tax balances:					
Temporary differences					
Property, plant & equipment	10,054	(1,130)	-	-	8,924
Liability adequacy test	231,900	19,500	-	-	251,400
Provision for unpaid premiums (doubtful debts)	6,000	4,800	-	-	10,800
Provision for accounting fees	3,000	-	-	-	3,000
Provision for annual leave	33,136	6,973	-	-	40,109
Provision for indirect claims costs	105,600	(105,600)	-	-	-
Unearned reinsurance commission	322,624	58,056	-	-	380,680
Outstanding claims reserve	(12,000)	2,700	-	-	(9,300)
Deferred acquisition costs	(401,659)	(25,260)	-	-	(426,919)
Deferred agents commission	(270,731)	(81,616)	-	-	(352,347)
Make good provision	19,131	1,626	-	-	20,757
Risk margin	-	21,067	-	-	21,067
	47,055	**(98,884)**	**-**	**-**	**(51,829)**

Notes to the financial statements for the financial year ended 31 December 2009

7. *Income taxes (Continued....)*

					2008
	Opening balance	Charged to income	Charged to equity	Change in tax rates	Closing balance
Temporary differences					
Property, plant & equipment	11,336	(1,282)	-	-	10,054
Liability adequacy test	85,200	146,700	-	-	231,900
Provision for unpaid premiums (doubtful debts)	16,200	(10,200)	-	-	6,000
Provision for accounting fees	3,000	-	-	-	3,000
Provision for annual leave	25,438	7,698	-	-	33,136
Provision for indirect claims costs	83,700	21,900	-	-	105,600
Unearned reinsurance commission	264,020	58,604	-	-	322,624
Outstanding claims reserve	(13,200)	1,200	-	-	(12,000)
Deferred acquisition costs	(373,600)	(28,059)	-	-	(401,659)
Deferred agents commission	(183,663)	(87,068)	-	-	(270,731)
Make good provision	18,725	406	-	-	19,131
Risk margin	141,600	(141,600)	-	-	-
	78,756	**(31,701)**	**-**	**-**	**47,055**

8. Remuneration of auditors

	2009	2008
Audit the financial report	47,100	60,800
Tax services	30,413	11,995
Other assurance services (i)	10,162	7,600
	87,675	**80,395**

(i) Includes engagements required by regulator and other services

9. Current Receivables

Trade receivables	7,422,121	6,439,920
Allowance for doubtful debts	(36,000)	(20,000)
	7,386,121	**6,419,920**
Other debtors and prepayments	204,582	398,597
Deferred reinsurance expense (Note 20a)	6,376,210	5,393,008
Deferred acquisition costs (Note 20b)	1,759,555	1,468,300
	8,340,347	**7,259,905**
	15,726,468	**13,679,825**

Notes to the financial statements for the financial year ended 31 December 2009

10. Investments

Investments carried at fair value	2009	2008
Current		
Government securities	4,962,144	8,199,872
Debentures	504,375	1,000,499
	5,466,519	**9,200,371**
Non current		
Government securities	3,630,920	1,060,354
Debentures	3,933,779	1,485,108
	7,564,699	**2,545,462**
	13,031,218	**11,745,833**

11. Reinsurance recoveries receivable

Expected future reinsurance recoveries		
on claims reported	6,583,301	3,456,548
on claims incurred but not reported	912,000	815,000
	7,495,301	**4,271,548**
Provision for impairment of reinsurance assets	(70,226)	(65,121)
Reinsurance recoveries receivable (Note 19)	**7,425,075**	**4,206,427**
Current	6,603,106	3,687,136
Non-current	821,969	519,291
	7,425,075	**4,206,427**

12. Current tax

Income tax (payable) / receivable	(99,990)	323,711
	(99,990)	**323,711**

Notes to the financial statements for the financial year ended 31 December 2009

13. Property, plant & equipment

2008

	Leasehold improvements	Motor vehicles	Office furniture & fittings	Computer hardware	Total
Cost of the asset	89,516	-	356,012	173,063	618,591
Accumulated Depreciation	(63,771)	-	(78,983)	(136,537)	(279,291)
Net book value as at 31 December 2008	**25,745**	**-**	**277,029**	**36,526**	**339,300**

2009

	Leasehold improvements	Motor vehicles	Office furniture & fittings	Computer hardware	Total
Cost of the asset	89,516	-	396,260	193,193	678,969
Accumulated Depreciation	(69,191)	-	(116,705)	(126,860)	(312,756)
Net book value as at 31 December 2009	**20,325**	**-**	**279,555**	**66,333**	**366,213**

14. Intangible assets

2008

	Computer software
Cost of the asset	1,021,349
Accumulated Depreciation	(966,930)
Net book value as at 31 December 2008	**54,419**

2009

	Computer software
Cost of the asset	1,021,349
Accumulated Depreciation	(1,017,304)
Net book value as at 31 December 2009	**4,045**

Notes to the financial statements for the financial year ended 31 December 2009

15. Current payables

	2009	2008
Direct insurance payables	831,087	729,873
Reinsurance ceded creditors	1,848,354	520,272
Sundry creditors and accruals	929,015	808,628
Payable to related party entities	242,859	317,937
	3,851,315	**2,376,710**

16. Bank overdraft

Bank overdraft (unsecured)	-	119,048
	-	**119,048**

17. Provisions

Current		
Employee entitlements	133,694	110,452
Deferred reinsurance commission	1,268,933	1,075,411
	1,402,627	**1,185,863**
Non-current		
Provision for makegood	89,516	89,516
	89,516	**89,516**

The above items are classed as provisions rather than liabilities because of the inherent uncertainty surrounding their ultimate value. The make good provision is made based on the estimation of future costs of returning the leasehold premises on completion of lease to a condition agreed with the landlord.

The amount provided will be paid out in September 2013, unless the lease is renewed at that time.

Notes to the financial statements for the financial year ended 31 December 2009

18. Net claims incurred

Direct business

	2009			2008		
	Current year	Prior years	Total	Current year	Prior years	Total
Gross claims expense						
Gross claims incurred	16,601,471	(2,764,383)	13,837,088	10,775,079	(283,226)	10,491,853
	16,601,471	**(2,764,383)**	**13,837,088**	**10,775,079**	**(283,226)**	**10,491,853**
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries	(9,093,000)	1,250,964	(7,842,036)	(4,792,000)	457,382	(4,334,618)
	(9,093,000)	**1,250,964**	**(7,842,036)**	**(4,792,000)**	**457,382**	**(4,334,618)**
Net claims incurred	**7,508,471**	**(1,513,419)**	**5,995,052**	**5,983,079**	**174,156**	**6,157,235**

19. Outstanding claims liabilities

	2009	2008
Gross central estimate	10,504,970	7,648,042
Claims handling costs	389,000	352,000
Risk margin	554,000	562,000
Gross outstanding claims liabilities	**11,447,970**	**8,562,042**
Current	10,306,970	7,505,042
Non-current	1,141,000	1,057,000
	11,447,970	**8,562,042**

Reconciliation of movement in outstanding claims liabilities

	2009			2008		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At 1 January	8,562,042	(4,206,427)	4,355,615	7,152,017	(3,522,342)	3,629,675
Increase due to claims incurred in the current accident year	16,601,471	(9,093,000)	7,508,471	10,775,079	(4,792,000)	5,983,079
Movement in prior year claims provisions	(2,764,383)	1,250,964	(1,513,419)	(283,227)	457,382	174,156
Claim payments/recoveries	(10,951,160)	4,623,388	(6,327,772)	(9,081,827)	3,650,533	(5,431,294)
At 31 December	**11,447,970**	**(7,425,075)**	**4,022,895**	**8,562,042**	**(4,206,427)**	**4,355,616**

No discounting has been applied to outstanding claims for both "short-tail" and "long-tail" classes as the impact is not significant.

Notes to the financial statements for the financial year ended 31 December 2009

20. Unearned premium and deferred acquisition costs

a. Unearned premium

	2009			2008		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At 1 January	11,064,980	(5,393,008)	5,671,972	9,434,329	(4,441,370)	4,992,959
Premiums on contracts written	23,828,142	(12,102,824)	11,725,318	20,041,435	(10,099,023)	9,942,412
Earning of premiums written	(22,072,736)	11,119,622	(10,953,114)	(18,410,784)	9,147,385	(9,263,399)
At 31 December	**12,820,386**	**(6,376,210)**	**6,444,176**	**11,064,980**	**(5,393,008)**	**5,671,972**

b. Deferred acquisition costs

	2009	2008
At 1 January	1,468,300	1,573,543
Cost deferred in the year	272,055	290,226
Amortisation charged to income	84,200	93,531
Write down for premium deficiency	(65,000)	(489,000)
At 31 December	**1,759,555**	**1,468,300**

21. Reinsurance ceded

Reinsurance premium written	14,167,264	11,764,091
Deferred reinsurance premium	(983,202)	(951,638)
Reinsurance commissions	(2,237,898)	(1,858,315)
Reinsurance rebates	(209,461)	(160,185)
	10,736,703	**8,793,953**

Notes to the financial statements for the financial year ended 31 December 2009

22. Unexpired risk liability

The unearned premium liability in respect of both the domestic and commercial portfolios was found to be deficient as at 31 December 2009. The entire deficiency of $838,000 has been written down against the related deferred acquisition costs. No additional liability was required to be recognised in the Statement of financial position.

The probability of sufficiency (POS) adopted in performing the liability adequacy test is set at the 80th percentile which is the same as that adopted in determining the outstanding claims liabilities (OCL).

The POS for OCL is set at a level that is appropriate and sustainable to cover the company's claims obligations after having regard to the prevailing market environment and prudent industry practice.

Being a test of adequacy, the POS for LAT is set to highlight deficiencies in product pricing following an analysis of the company's profit margins that equates to the company's cost of capital after having regard to regulatory minimum requirements. The process of determining the overall risk margin, including the way in which diversification for risks have been allowed for is discussed in note 3.

Calculation of deficiency	**2009**	2008
Unearned premium liability relating to insurance contracts issued	6,444,000	5,673,000
Related deferred acquisition costs	(1,328,000)	(1,166,000)
	5,116,000	**4,507,000**
Central estimate of present value of expected future cash flows arising from future claims on insurance contracts issued	5,702,000	4,501,000
Risk margin of 17.4% (2008: 17.3%)	252,000	779,000
	5,954,000	**5,280,000**
Net deficiency	**(838,000)**	**(773,000)**

23. Commitments

Operating lease commitments:

	2009	2008
Not later than one year	205,372	194,161
Later than one year and not later than five years	529,579	735,250
	734,951	**929,411**

24. Share capital

Issued share capital 1,600,000 ordinary shares each fully paid (2008:1,600,000)	1,400,000	1,400,000

Ordinary shares carry the right to dividends and have one vote per share with equal voting rights.

Notes to the financial statements for the financial year ended 31 December 2009

25. Imputation credit account

	2009	2008
Opening balance 01 January	4,079,473	4,005,524
Income tax refunded	(435,416)	(142,973)
Income tax paid	200,000	200,000
Other	62,875	16,922
End of financial year	**3,906,932**	**4,079,473**

26. Retained profits

Balance at beginning of financial year	9,574,215	9,217,309
Net profit	839,985	356,905
Dividend paid	(477,778)	-
Balance at end of financial year	**9,936,422**	**9,574,214**

A dividend of 29.86 NZD per 100 shares was paid on 2nd March 2009.

27. Insurer financial strength rating

Ansvar Insurance Limited has a financial strength of A- (excellent) issued by A.M. Best Limited

28. 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 1 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 Manager for New Zealand, the function of overseeing the establishment and maintenance of risk-based systems and controls across the company.

As part of the overall governance framework the Group has established a number of board and management committees to overview and manage financial risks, which are described in note 3 to the financial statements.

The company 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 company 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.

Notes to the financial statements for the financial year ended 31 December 2009

28. Financial instruments (Continued...)

c. Categories of financial instruments

	Note	2009	2008
Financial Assets			
~~Fair value through profit or loss~~	~~10~~	~~13,031,218~~	~~11,745,833~~
Loans and receivables	9,11	14,811,196	10,626,347
Bank		165,025	-
Financial Liabilities			
Financial liabilities at amortised costs	15, 16	3,851,315	2,495,758

d. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company 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 company's exposure to credit risk are described in note 3 of this report.

The company does not have any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics. The table below shows the maximum exposure to credit risk for the components of the Statement of financial position. 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.

Financial assets - Credit risk

	2009	2008
Cash and cash equivalents	165,025	(119,048)
Short term bills and notes	4,387,479	3,975,504
Government/semi government securities	8,593,064	9,260,226
Debentures	4,438,154	2,485,607
Premium receivable	7,386,121	6,419,920
Other debtors and prepayments	204,582	398,597
Reinsurance assets	7,425,075	4,206,427
	32,599,500	**26,627,233**

Notes to the financial statements for the financial year ended 31 December 2009

28. *Financial instruments (Continued...)*

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, who has built a liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company 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. The company has developed and implemented a Risk Management Strategy, which is described in note 3.

The company has no significant concentration of liquidity risk. The following tables summarise the maturity profile of the company's financial liabilities.

	Weighted average interest rate %	Less than 1 year	1-5 years	5+ years	Total
2009					
Outstanding claims liabilities	0%	10,306,971	1,141,000	-	11,447,971
Financial liabilities					
Non-interest bearing payables	0%	3,851,315	-	-	3,851,315
		14,158,226	1,141,000	-	**15,299,286**
2008					
Outstanding claims liabilities	0%	7,505,042	1,057,000	-	8,562,042
Financial liabilities					
Non-interest bearing payables	0%	2,376,710	-	-	2,376,710
		9,881,752	1,057,000	-	**10,938,752**

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).

Interest risk management

The company's activities expose it to the financial risk of changes in interest rates. Floating rate instruments expose the company to cash flow risk, whereas fixed interest rate instruments expose the company to fair value interest rate risk. The company's Investment Committee monitors the company's exposures to interest rate risk as described in note 3 to this financial report.

The following tables detail 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 except the company anticipates that the cash flow will occur in a different period.

Notes to the financial statements for the financial year ended 31 December 2009

28. Financial instruments (Continued...)

	Weighted average interest rate %	Less than 1 year	1-5 years	5+ years	Total
2009					
Non interest bearing					
Cash		165,025	-	-	165,025
Net trade debtors	0%	7,386,121	-	-	7,386,121
Variable interest rate instruments					
Cash		-	-	-	-
Fixed interest rate instruments					
Short term bills and notes	2.75%	4,382,011		-	4,382,011
Government/semi govt securities	3.35%	4,962,144	3,630,920	-	8,593,064
Debentures	6.12%	504,375	3,933,779	-	4,438,154
Bank overdraft		-		-	-
					24,964,375
2008					
Non interest bearing					
Cash		-	-	-	-
Net trade debtors	0%	6,419,920	-	-	6,419,920
Variable interest rate instruments					
Cash		-	-	-	-
Fixed interest rate instruments					
Short term bills and notes	5.56%	3,975,804		-	3,975,804
Government/semi govt securities	3.93%	8,199,872	1,060,354	-	9,260,226
Debentures	7.47%	1,000,499	1,485,108	-	2,485,607
Bank overdraft		(119,048)		-	(119,048)
					22,022,509

29. Related party disclosures

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

Ultimate holding company
Ecclesiastical Insurance Office plc, Incorporated in the United Kingdom, is the company's ultimate holding company.

Parent company
Ansvar Insurance Limited, incorporated in Australia, is the company's immediate parent company

29. Related party disclosures (Continued...)

Related party transactions

The immediate parent company, Ansvar Insurance Limited (Australia) pays for the following services on behalf of the company. The cost of these services is charged back to the company.

	2009	2008
Computer services	45,932	109,967
Intercompany travel expenses	15,752	51,526
Telecommunications	2,062	5,129
Reinsurance paid via Australia	1,196,880	522,436
Marketing and branding	114,025	64,396
Others	85,435	61,729
	1,460,086	**815,183**

As at 31 December 2009, the company owed Ecclesiastical Insurance Office plc $60,804 and Ansvar Insurance Limited, Australia $182,054. Amount owing to Ecclesiastical Insurance Office plc will be settled by Ansvar Insurance Limited, Australia and will be charged back to the company. The company will then settle the current account usually within 2 – 3 months or at a time when the exchange rate is favourable.

30. Notes to the cash flow statement

a. Reconciliation of cash and cash equivalents

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 Statement of financial position as follows:

	2009	2008
(Overdraft) / cash	165,025	(119,048)
Add: short term deposits (i)	4,382,011	3,975,804
	4,547,036	**3,856,756**

(i) money market instruments that qualify as cash equivalents under the Company'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.

Notes to the financial statements for the financial year ended 31 December 2009

30. Notes to the cash flow statement (Continued...)

b. Reconciliation of net surplus after taxation

	2009	2008
Profit for the year	**839,986**	**356,906**
Depreciation and amortisation	132,732	194,986
Changes in fair value of investments	128,250	(492,893)
(Profit) / loss on sale of assets	10,716	31,114
Increase / (decrease) in taxation payable	522,585	86,541
(Increase) / decrease in debtors and prepayments	(546,779)	(623,024)
Increase / (decrease) in creditors and provisions	(29,853)	331,473
(Increase) / decrease in net general insurance technical reserves	390,730	1,689,141
Increase / (decrease) in reinsurance payable	1,263,395	(257,271)
Increase / (decrease) in intercompany payable	(10,081)	54,567
	2,701,681	**1,371,540**

31. Subsequent events

Dividend of $493,840 was declared by the Board on the 11th of February 2010 and paid on 2nd March 2010. No other significant events noted.

32. Additional company information

Ansvar Insurance Limited is a proprietary company, incorporated and operating in New Zealand.

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