Assetinsure Holdings Pty Limited
and its Controlled Entities
ABN 52 103 489 265

Annual Financial Report
31 December 2013

Registered office: 44 Pitt Street
Sydney NSW 2000

Assetinsure Holdings Pty Limited and its Controlled Entities
ABN 52 103 489 265

Contents

Directors' report	1
Auditor's independence declaration	6
Consolidated statement of comprehensive income	7
Consolidated statement of changes in equity	8
Consolidated statement of financial position	9
Consolidated statement of cash flows	10
Notes to the consolidated financial statements	11
Directors' declaration	69
Independent auditor's report	70

Assetinsure Holdings Pty Limited and its Controlled Entities

ABN 52 103 489 265

Directors' report

The Directors present their report together with the consolidated financial report of Assetinsure Holdings Pty Limited ("the Company") comprising the Company and its controlled entities together referred to as ("the Group"), and the Group's interest in associates for the financial year ended 31 December 2013 and the auditor's report thereon.

Directors

The names of the Directors of the Company in office during the year and until the date of signing are as follows:

Mr John Fahey – Chairman	(appointed 1 September 2003)
Mr Brian Cairns	(appointed 1 January 2007)
Mr Christopher Old	(appointed 7 April 2009)
Mr Henricus Sprangers	(appointed 1 September 2003)
Mr Beverley Walters	(appointed 1 September 2003)
Mr Peter Wedgwood	(appointed 1 September 2003)
Mr Volker Weisbrodt	(appointed 8 April 2009)

Principal activities

The principal activities of the Group during the course of the financial year were of an insurance underwriter, underwriting agent and reinsurer in run-off.

In 2012 the decision was made to restructure the Group and distribute to the Company's shareholders the equity investments in Assetsecure Pty Limited, a debtor securitisation origination and management business, and Cumulus Wines Pty Limited, a wine production and marketing business. The restructure was completed in August 2013 with the distribution of the shares held in Assetsecure Pty Limited to shareholders. The assets, liabilities and results of these businesses were separately classified as discontinued operations (held for distribution) in the consolidated financial statements (see Note 38). There were no other significant changes in the nature of the activities of the Group during the year.

Review and results of operations

The profit from continuing operations of the Group after income tax amounted to $3,560,000 (2012: $4,545,000). Profit before tax was only slightly down on the 2012 result prior to making allowance for a very large surety claim that occurred early in 2014. The claim arose from the collapse of the Forge Group and is the largest surety claim ever experienced by the business. Although the claim occurred in 2014 it is necessary to fully reflect its expected impact on bonds issued prior to balance date in the 2013 insurance liability valuation. After absorbing the margins for future losses allowed for in the valuation, additional acquisition cost write-offs and commission adjustments were required to account for the Forge Group claim. These reduced after the tax profit for the 2013 year by $899,500 (see Note 41).

The total results for the Group after tax including discontinued operations was a profit of $4,838,000 (2012: $1,151,000 profit). The results from discontinued operations were a $1,278,000 profit (2012: $211,000 loss). In 2012 other comprehensive income also included an impairment charge of $3,183,000 after tax applied to the investment in Cumulus Wines Pty Limited. This reflected the director's assessment of the investment's fair value in the current market as at 31 December 2012. No further impairment charge was required in 2013. The 2013 profit from discontinued operations comprises the after tax gain realised on the distribution of Assetsecure Pty Limited's shares to shareholders. This distribution was made at fair value as assessed by the Directors at the time of distribution. This exceeded the book value of the net assets of the company on its deconsolidation from the Group by $2,942,000.

The principal activity of the Group during the year was the insurance business comprising direct insurance underwriting, underwriting agency and reinsurance run-off activities.

Review and results of operations (continued)

Direct Insurance

Gross written premium from business written by the Group, either directly or as inwards reinsurance, in 2013 was $61,903,000 (2012: $56,497,000). When combined with the gross premium written by the underwriting agency business, the total gross written premium generated by the Group in 2013 was $97,792,000 (2012: $103,235,000).

In 2013 business written on the Assetinsure Pty Limited's paper grew by 15% to $54,129,000 (2012: $47,003,000). This business is written in a number of specialist classes including farm, SME, corporate property and professional risks.

Premium on business underwritten by the Group as underwriting agent was down 22% in 2013 primarily due to lower surety premium income. Under the agency arrangements the Group underwrites insurance for several highly rated third party insurers. In doing so the Group provides underwriting expertise for which it receives fee and expense recovery income and also takes a share of the insurance risk and premium by providing reinsurance.

In 2013 the underwriting agency business generated $43,663,000 of gross written premium for the insurers it represents (2012: $56,232,000). The inwards reinsurance share of this premium only, and not the full gross premium amount, is able to be reported as gross written premium revenue in the financial statements. Inwards reinsurance premium income from agency business was $7,774,000 in 2013 down from $9,494,000 in the previous year. Surety premium income was lower in 2013 as income in the prior year included premium from bonding several large one-off projects and the benefit of increased limits provided to some of the high volume surety clients. Bonding requirements were lower in 2013 and commencement of some large projects has been deferred.

Agency fee, cost recovery and other service fee income decreased by 3% to $11,051,000 in 2013 (2012: $11,402,000). The reduction in surety underwriting agency fee income during the year was largely offset by increased fees generated from the motor and SME business lines. The continued expansion of the IT services business also contributed. IT Services fee income is generated from providing the insurance administration systems, developed by the Group, and support to third party users.

Reinsurance Run-off

For the reinsurance business, premium adjustments received in 2013 on reinsurance treaties incepting prior to the reinsurance business being placed in run-off on 1 November 2002, produced gross written premium of $52,000 (2012: $25,000).

The Group has reserved, in accordance with independent actuarial advice, for outstanding claims incurred and unpaid at year end. During the year the reinsurance run-off continued to perform favourably with most classes of business showing lower incurred loss development than expected.

Reversing the trend of the previous two years the discount rate applied to discounting outstanding claims liabilities to present value at year end increased. This assisted the underwriting result for 2013. The change in this economic factor coupled with the Appointed Actuary's reassessment of the future pattern of run-off cash flows resulted in a $1,719,548 increase in discount applied to reinsurance run-off outstanding claims liabilities at the end of the year (2012: $1,394,000 discount reduction). Overall the reinsurance run-off produced a net $1,726,000 contribution to underwriting profits in 2013 (2012: $1,915,000 underwriting profit).

As the size of the portfolios of reinsurance run-off claims has diminished so has the value of the reserves that potentially may not be required to pay claims which can be released to profits. In the period since the Assetinsure Pty Limited was acquired by Company in 2003, the reinsurance run-off outstanding claims liabilities have been reduced from $198,570,000 to $23,697,000 (2012: $29,959,000).

Review and results of operations (continued)

Investment Activities

The investment activities of continuing operations generated $5,639,000 of investment revenue during the year (2012: $6,344,000). The majority of the investment assets in 2013 comprised cash, bank term deposits and bonds. During 2012, in response to declining bond yields, $40 million was transferred out of the bond portfolios and placed on bank term deposit. This has reduced investment earnings volatility and avoided the negative impact on bond values that would have resulted from the increase in the yield curve during the year. Notwithstanding the impact of the decline in interest rates over the last two years on investment earnings, interest revenue was up 9% in 2013. This was assisted by a favourable Court of Appeal decision in the first quarter of the year that resulted in the Company recovering $2,313,602 on a previously paid property claim. Due to the length of time since the claim was originally paid, the recovery included $1,224,459 of interest.

All investments were assessed for impairment at year end and no impairment adjustments were found to be necessary.

Group Restructure

During 2013 the Group completed the restructure of its investments in Assetsecure Pty Limited and Cumulus Wines Pty Limited. The investment in these entities was transferred to the parent entity in late 2012, at book value, in preparation for distribution to shareholders and classified as "held for distribution". Cumulus Wines Pty Limited's shares were distributed to the Company's shareholders on 31 May 2013 after receipt of approval for the distribution from APRA. The shares were distributed at fair value as assessed by the Directors at the time.

Assetsecure Pty Limited's shares were distributed to shareholders on 21 August 2013. The distribution was done on the same date that a new cornerstone investor, the Challenger Group, invested in the company. This ensured that the change in ownership would not adversely affect Assetsecure Pty Limited's ability to conduct their business after they separated from the Group. These shares were also distributed at fair value as assessed by the Directors. This exceeded the book value of the net assets of the company on its deconsolidation from the Group.

Overall a $2,200,000 after tax gain on disposal resulting from the restructure has been recognised in the consolidated statement of comprehensive income.

Dividends

On 31 May 2013 a dividend of 34.76 cents per share amounting to $7,300,000 was declared and satisfied by the distribution of equity shares in Cumulus Wines Pty Limited. The dividend was franked at the rate of 30%. On 21 August 2013 a dividend of 11.43 cents per share amounting to $2,400,000 was declared and satisfied by the distribution of equity shares in Assetsecure Pty Limited. The dividend was franked at the rate of 30%.

State of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group or the Company during the financial year, other than those disclosed above.

Events subsequent to reporting date

In the interval between the end of the financial year and the date of this report, other than the dividend proposed and the events disclosed in Note 40, no item, transaction or event of a material and unusual nature has occurred which is likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' report

Likely developments

The Group expects to be able to meet its financial obligations for the run-off of the reinsurance book of business and will continue with the orderly run-off of the book. The Group will also proceed to further develop its insurance business.

Indemnification and insurance of directors' and officers

Indemnification

The Group has agreed to indemnify the following present and past Directors and Officers of the Company, Mr P B Wedgwood, Mr B H Walters, Mr G M Pfitzer and Mr J M Hewitt to the full extent permitted by the law, against any liability that may arise from their position as Directors of Assetsecure Pty Limited and Cumulus Wines Pty Limited up to the date the Company ceased holding shares in the companies except where the liability arises due to dishonest or grossly negligent conduct.

Insurance premiums

Since the end of the previous financial year the Company has paid insurance premiums in respect of a directors' and officers' liability and legal expenses insurance contract, insuring past and present directors and officers, including executive officers of the Company and directors and executive officers and secretaries of its controlled entities. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

Environmental regulation

The Group's operations are not significantly impacted by any environmental regulations under either Commonwealth or State legislation. The Group is not aware of any breach of these environmental regulations.

Directors' benefits

During or since the financial period no director of the Company has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors, by reason of a contract entered into by the Company or a body corporate that was related to the Company when the contract was made or when the director received, or became entitled to receive the benefit, with:

- a Director; or
- a firm of which a Director is a member; or
- an entity in which a Director has a substantial financial interest.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the financial year ended 31 December 2013.

Directors' report

Rounding off

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

P B Wedgwood
Director

Dated at Sydney this 26th day of March 2014.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Assetinsure Holdings Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2013 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Andrew Reeves
Partner

Sydney

26 March 2014

Assetinsure Holdings Pty Limited and its Controlled Entities
Consolidated statement of comprehensive income
For the year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Continuing operations			
Revenue	5	90,746	76,632
Finance costs	8	400	400
Other expenses	8	85,650	70,097
Total expenses		86,050	70,497
Profit before income tax		**4,696**	**6,135**
Income tax expense	10	1,136	1,590
Profit from continuing operations net of tax		**3,560**	**4,545**
Discontinued operations			
Profit / (Loss) after tax from discontinued operations	38	1,278	(211)
Profit for the year		**4,838**	**4,334**
Other comprehensive income – items that will never be reclassified through the profit and loss			
Impairment of assets held for distribution	38	-	4,753
Tax (benefit)	38	-	(1,570)
Other comprehensive income for the period, net of income tax		**-**	**3,183**
Total comprehensive income for the period attributable to members of Assetinsure Holdings Pty Limited		**4,838**	**1,151**

The consolidated statement of comprehensive income are to be read in conjunction with the Notes to the consolidated financial statements set out on pages 11 to 68.

Assetinsure Holdings Pty Limited and its Controlled Entities

Consolidated statement of changes in equity

For the year ended 31 December 2013

	Issued capital $'000	Retained earnings $'000	Foreign exchange reserve $'000	Asset revaluation reserve $'000	Total $'000
Balance at 1 January 2012	**19,050**	**20,092**	**(7)**	**7,267**	**46,402**
Issue of share capital	1,950	-	-	-	1,950
Dividends paid	-	(381)	-	-	(381)
Share-based payment transactions		33			33
Total transaction with owners	1,950	(348)	-	-	1,602
Profit for the year	-	4,334	-	-	4,334
Impairment of assets held for distribution after tax	-	-	-	(3,183)	(3,183)
Total comprehensive income for the year	-	4,334	-	(3,183)	1,151
Balance at 31 December 2012	**21,000**	**24,078**	**(7)**	**4,084**	**49,155**
Balance at 1 January 2013	**21,000**	**24,078**	**(7)**	**4,084**	**49,155**
Issue of share capital	-	-	-	-	-
Dividends paid	-	(5,623)	7	(4,084)	(9,700)
Share-based payment transactions	-	-	-	-	-
Total transaction with owners	-	(5,623)	7	(4,084)	(9,700)
Profit for the year	-	4,838	-	-	4,838
Impairment of assets held for distribution after tax	-	-	-	-	-
Total comprehensive income for the year	-	4,838	-	-	4,838
Balance at 31 December 2013	**21,000**	**23,293**	**-**	**-**	**44,293**

The consolidated statement of changes in equity are to be read in conjunction with the Notes to the consolidated financial statements set out on pages 11 to 68.

Assetinsure Holdings Pty Limited and its Controlled Entities

Consolidated statement of financial position

As at 31 December 2013

	Note	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents	35	13,047	8,413
Trade and other receivables	12	32,702	23,135
Reinsurance and other recoveries receivable	13	8,173	6,635
Deferred acquisition costs	14	3,762	4,949
Investments	15	48,564	64,103
Current tax assets	17	105	55
Deferred reinsurance expense	18	16,191	13,312
Assets held for distribution	38	-	8,564
Other assets	19	402	-
Total current assets		**122,946**	**129,166**
Non-current assets			
Trade and other receivables	12	600	-
Reinsurance and other recoveries receivable	13	13,393	13,334
Investments	15	25,346	23,779
Property, plant and equipment	20	1,145	1,521
Intangible assets	21	3,877	3,740
Net deferred tax asset	27	498	2,218
Other assets	19	1,500	523
Total non-current assets		**46,359**	**45,115**
Total assets		**169,305**	**174,281**
Current liabilities			
Trade and other payables	22	14,962	18,184
Interest-bearing loans and borrowings	23	5,000	-
Employee benefits	24	5,044	1,466
Current tax liabilities	17	282	802
Outstanding claims liabilities	25	26,900	23,921
Unearned premium liabilities	26	36,374	32,508
Liabilities held for distribution	38	-	375
Total current liabilities		**88,562**	**77,256**
Non-current liabilities			
Trade and other payables	22	-	1,016
Interest-bearing loans and borrowings	23	-	5,000
Employee benefits	24	148	3,858
Outstanding claims liabilities	25	36,302	37,996
Total non-current liabilities		**36,450**	**47,870**
Total liabilities		**125,012**	**125,126**
Net assets		**44,293**	**49,155**
Equity			
Issued capital	28	21,000	21,000
Foreign exchange reserve	28	-	(7)
Asset revaluation reserve	28	-	4,084
Retained earnings		23,293	24,078
Total equity		**44,293**	**49,155**

The consolidated statement of financial position are to be read in conjunction with the Notes to the consolidated financial statements set out on pages 11 to 68.

Assetinsure Holdings Pty Limited and its Controlled Entities

Consolidated statement of cash flows

For the year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Cash receipts from customers		58,916	62,059
Reinsurance and retrocession premiums paid		(32,037)	(27,720)
Claims paid		(29,089)	(36,355)
Reinsurance and retrocession claim recoveries		11,609	18,050
Interest received		4,023	4,776
Rent received		431	431
Tax (paid)		(697)	-
Goods and services tax (paid)		(2,993)	(3,320)
Other underwriting expenses paid		(8,891)	(6,356)
Other operating income received		10,398	10,649
Borrowing costs paid		(400)	(400)
Payments to suppliers and employees		(17,579)	(18,340)
Net cash provided by/(used in) operating activities	**35(ii)**	**(6,309)**	**3,474**
Cash flows from investing activities			
Proceeds of sale of intangibles		1,000	-
Loans advanced to employees		(1,379)	-
Proceeds from sale of investments		16,487	96,714
Purchase of investments		(3,953)	(99,906)
Purchase of intangibles		(909)	(851)
Purchase of plant and equipment		(94)	(1,036)
Net cash (used in)/provided by investing activities		**11,152**	**(5,079)**
Cash flows from financing activities			
Proceeds from the issues of shares		-	1,950
Dividends paid		-	(381)
Net cash (used in) financing activities		**-**	**1,569**
Net (decrease)/ increase in cash held		**4,843**	**(36)**
Cash at the beginning of the financial year	**35(i)**	**11,487**	**11,523**
Cash at the end of the financial year	**35(i)**	**16,330**	**11,487**

The consolidated statement of cash flows are to be read in conjunction with the Notes to the consolidated financial statements set out on pages 11 to 68.

Assetinsure Holdings Pty Limited and its Controlled Entities
Notes to the consolidated financial statements
For the year ended 31 December 2013

Note	Contents
1	Summary of significant accounting policies
2	Accounting estimates and judgements
3	Actuarial assumptions and methods
4	Insurance risk management
5	Revenue
6	Insurance underwriting result
7	Net claims incurred
8	Expenses
9	Profit / (loss) before income tax
10	Income tax expense
11	Dividends
12	Trade and other receivables
13	Reinsurance and other recoveries receivable
14	Deferred acquisition costs
15	Investments
16	Investments accounted for using the equity method
17	Current tax balances
18	Deferred reinsurance expense
19	Other assets
20	Plant and equipment
21	Intangible assets
22	Trade and other payables
23	Loans and borrowings
24	Employee benefits
25	Outstanding claims liabilities
26	Unearned premium liabilities
27	Deferred tax balances
28	Issued capital and reserves
29	Auditors' remuneration
30	Commitments
31	Capital management
32	Key management personnel disclosures
33	Non-director and executive related parties
34	Consolidated entities
35	Notes to the statement of cash flows
36	Financial risk management
37	Parent entity disclosures
38	Discontinuing operations
39	Contingencies
40	Unexpired risk liability
41	Events subsequent to balance date

1 Summary of significant accounting policies

Assetinsure Holdings Pty Limited (the "Company") is a for profit company domiciled in Australia. The address of the Company's registered office is 44 Pitt Street Sydney NSW 2000, Australia. The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise the Company and its controlled entities (together referred to as the Group and individually as Group entities) and the Group's interest in associates.

The principal activities of the Group during the course of the financial year were of a direct insurance underwriter, underwriting agent, reinsurer in run-off and debtor securitisation programme originator and manager.

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

The consolidated financial report was authorised for issue by the Directors on 26th March 2014.

(b) Basis of preparation

The consolidated financial report is presented in Australian dollars, which is the functional currency of the Company and the Group.

The Group has applied amendments to the Corporations Act (2001) that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in Note 37.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company except for:

- AASB 9 *Financial Instruments*, which becomes mandatory for the Company's 31 December 2015 financial statements and may change the classification and measurement of financial assets.

The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value – outstanding claims, investments backing insurance liabilities. Receivables and payables are recognised at fair value and after initial recognition are measured at amortised cost.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

1 Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in Notes 2 and 3.

(c) Basis of consolidation

(i) Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in controlled entities are carried at their cost of acquisition in the Company's financial statements less any impairment losses.

(ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(iii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate. Investments in associates are carried at cost less impairment with any resultant gain or loss recognised in the statement of comprehensive income.

1 Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

(iv) Joint ventures

In the consolidated financial statements investments in the jointly controlled entities are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and the recoverable amount.

The Group's share of jointly controlled entities net profit or loss is recognised in the consolidated statement of comprehensive income. Other movements in reserves are recognised directly in the consolidated reserves.

(d) Classification of insurance contracts

Contracts under which the Group accepts significant insurance risk from another party (the policy holder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

(e) Revenue recognition

Revenue is recognised for the major business activities as follows:

Premium revenue

Direct insurance premium comprises amounts charged to policyholders excluding taxes collected on behalf of third parties. Inwards reinsurance premium comprises premiums ceded by insurers, but excluding taxes collected on behalf of third parties. Premiums are brought to account from the date of attachment of risk and are earned over the period of indemnity in accordance with the pattern of incidence of risk.

The pattern of recognition of income over the policy, treaty or indemnity period is based on time where this closely approximates the pattern of risks underwritten. Unearned premium is determined by apportioning the premiums written in the year using the daily pro rata method.

Rendering of services

Revenue from the rendering of services is recognised upon delivery of the service to the customer.

Interest revenue

Interest is recognised as it accrues using the effective interest method.

1 Summary of significant accounting policies (continued)

(f) 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 at the reporting date.

(g) Acquisition costs

Acquisition costs incurred in obtaining general insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable they will give rise to premium revenue that will be recognised in the statement of comprehensive income in subsequent periods.

Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

(h) Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Group, with an additional risk margin to allow for the inherent uncertainty in the central estimate.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not reported ("IBNR"), claims incurred but not enough reported ("IBNER") and anticipated claims handling costs.

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can be indirectly associated with individual claims, such as claims administration costs.

The expected future payments are discounted to present value using a risk free rate. The risk free rate is derived from the yield curve for Australian Government Bonds at balance date as provided by the Reserve Bank of Australia.

A risk margin is applied to the outstanding claims liability, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate. This risk margin increases the probability that the net liability is adequately provided for to a 75% probability of sufficiency.

(i) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, IBNR, IBNER and unexpired risk liabilities are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

1 Summary of significant accounting policies (continued)

(j) Unexpired risk liability

Provision is made for unexpired risks arising from general business where the expected value of claims and expenses attributed to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs and related intangible assets. The provision for unexpired risk is calculated separately by reference to classes of business which are managed together and have broadly similar risks.

Any unexpired risk liability remaining after writing off insurance related intangible assets and deferred acquisition costs is recognised immediately in the statement of comprehensive income.

(k) Assets backing general insurance liabilities

The assets backing general reinsurance and direct insurance liabilities are those assets required to cover the technical insurance liabilities (outstanding claims and unearned premium) plus an allowance for solvency.

The accounting policies applying to assets held to back general insurance activities are:

Investments

The Group values financial assets and any assets backing insurance activities at fair value with any resultant unrealised profits and losses recognised in the statement of comprehensive income.

The valuation methodology of assets valued at fair value are summarised below:

- Cash assets and bank overdrafts are carried at face value of the amounts deposited or drawn;
- Shares, fixed interest securities, options and units in trusts listed on stock exchanges are initially recognised at cost on the date the Group commits to purchase the investment. The subsequent fair value is taken as the quoted bid price of the investment.
- Unlisted shares are recorded at cost less any impairment losses; and
- Unlisted fixed interest securities are recorded at cost plus accrued interest less any impairment losses.

The fair value of financial instruments classified as fair value through profit and loss is their quoted bid price at the reporting date. Purchases and sales are accounted for on the date of settlement, and any realised net gains or losses upon sale are recognised in the statement of comprehensive income excluding any interest or dividend income.

(l) Financial assets not backing general insurance liabilities

Investments that do not back general insurance liabilities comprise investments in subsidiaries, associates and joint ventures which are stated at cost less impairment losses, with any resultant gain or loss recognised in the statement of comprehensive income (refer Note 15).

1 Summary of significant accounting policies (continued)

(m) Assets held for sale or held for distribution, and discontinued operations

Assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale or held-for-distribution if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use.

Immediately before classification as held-for-sale or held-for-distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's other accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held-for-sale or held-for-distribution intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(n) 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 are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment.

1 Summary of significant accounting policies (continued)

(o) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. The following temporary differences are not provided for: goodwill not deductible for taxation purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; nor any differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The Company and its wholly owned Australian resident entities formed a tax-consolidated group with effect from 1 January 2005 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Assetinsure Holdings Pty Limited.

The current and deferred tax amounts for the tax-consolidated group are allocated among the entities in the group using a stand-alone taxpayer approach whereby each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be a separately taxable entity in its own right. Intercompany transactions are not eliminated. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the individual entity's statements of financial position and their tax values applying under tax consolidation. Each entity assesses the recovery of its unused tax losses and tax credits only in the period in which they arise, and before assumption by the head entity, in accordance with AASB 112 *Income Tax* applied in its own circumstances without regard to the circumstances of the tax consolidated group.

Any current tax liabilities (or assets) arising from unused tax losses assumed by the head entity from subsidiaries in the tax-consolidated group are recognised in conjunction with any tax funding arrangements (refer below).

The members of the tax-consolidated group at balance date have entered into tax funding arrangements which set out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments equal to the current tax liability (asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity.

The members of the tax-consolidated group at balance date have also entered into valid Tax Sharing Agreements under the tax consolidation legislation which sets out the allocation of income tax liabilities between entities should the head entity default on its payment obligations and the treatment of entities leaving the tax-consolidated group.

1 Summary of significant accounting policies (continued)

(o) Income tax (continued)

Tax consolidation (continued)

The Group recognises deferred tax assets from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only.

(p) Receivables

The collectability of debts is assessed at year-end and specific provision is made for any impairment losses.

Trade debtors

Trade debtors are stated at fair value, being the amounts due, as they are generally settled within 120 days.

(q) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In those circumstances, the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the tax authority is included as part of current asset or liability in the statement of financial position.

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

1 Summary of significant accounting policies (continued)

(r) Foreign currency transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable or receivable in foreign currencies are translated to Australian currency at rates of exchange current at the balance date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at balance date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

Hedge of net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to a translation reserve. When the hedged part of a net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

(s) Property, plant and equipment

Property, plant and equipment is stated at deemed cost less accumulated depreciation and impairment losses.

Depreciation is provided on a straight line basis over the estimated useful life to the Group of each class of asset.

The estimated useful lives in the current and comparative periods are as follows:

Plant and equipment	7 - 20 years
Fixtures and fittings	5 years
Computer equipment	2.5 - 5 years

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is expensed.

Sale of non-current assets

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

1 Summary of significant accounting policies (continued)

(t) Operating assets

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative method is more representative of the pattern of benefits to be derived from the leased property.

Lease incentives are initially recognised as a liability and are subsequently reduced through recognition in profit or loss as an integral part of the total lease expense on a straight line basis over the period of the lease.

(u) Intangible assets

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the statement of comprehensive income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the remaining estimated useful life of intangible assets. The estimated useful life in the current and comparative period is:

Capitalised software development costs	10 years

Amortisation of the capitalised software development costs will commence when the development is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

(v) Loans

Loans are carried on the statements of financial position at their principal amount. Interest expense is accrued at the contracted interest rate and included in "Other creditors and accruals".

(w) Borrowing costs

Borrowing costs include interest paid and/or payable.

(x) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and in banks and other short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1 Summary of significant accounting policies (continued)

(y) Employee benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages and salaries (including non-monetary benefits), and annual leave representing present obligations resulting from employees' services provided up to the reporting date. Current amounts are calculated based on remuneration rates that the Group expects to pay and are not discounted. Any non-current amounts are discounted to current value.

Long service leave

The provision for employee benefits for long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to reporting date.

The provision is calculated using expected future increases in wage and salary rates and expected settlement dates based on turnover history and is discounted using the rates attaching to national government securities at balance date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

Share-based payment transactions

The share option plan allows Company employees to acquire options of the Company. The fair value of the options granted is recognised as an employee expense spread over the period during which the employees become unconditionally entitled to the options. The fair value is measured at grant date based on an independent valuation of the underlying Company shares taking into account the terms and conditions under which the options are granted.

(z) Impairment

An asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

1 Summary of significant accounting policies (continued)

(z) Impairment (continued)

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is recognised in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amount of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in the statement of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised in the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(i) Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated 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 risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversal of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1 Summary of significant accounting policies (continued)

(aa) Trade and other payables

Trade and other payables are stated at fair value.

(ab) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, risks specific to the liability.

(ac) Contributed equity

Ordinary share capital is recognised at fair value of consideration received by the Company. Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

2 Accounting estimates and judgements

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may vary from estimates.

These 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 if the revision effects only that period, or in the period of the revision and future periods if the revision effects both current and future periods.

(a) Estimation of Outstanding Claims Liabilities (refer Note 25)

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

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

2 Accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

(a) Estimation of Outstanding Claims Liabilities (continued)

The estimation of claims incurred but not reported ("IBNR"), as defined in Note 1(h) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where more information about the claim event is generally available. IBNR claims may often not be apparent to the insured until many years after the events giving rise to the claims have happened. The liability classes of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. For the Motor and Property classes, claims are typically reported soon after the claim event, and hence tend to display lower levels of volatility.

In calculating the estimated cost of unpaid claims, the entity uses a variety of estimation techniques, generally based upon statistical analysis of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortion in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Group has regard to the claim circumstances as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims impacting each relevant business class are 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.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurance based upon the gross provisions.

Details of specific assumptions used in deriving the outstanding claims liability at year end are detailed in Note 3.

(b) Reinsurance recoveries receivable (refer Note 13)

Assets arising from reinsurance recoveries 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 Actuarial assumptions and methods

The Group utilises valuations performed by the Appointed Actuary to value the outstanding claims and related reinsurance recoveries.

The actuarial methods used are based on the underlying attributes of the claims portfolios. The valuations have been performed by grouping business expected to exhibit similar characteristics. The methodology for determining the outstanding claims liability for the major lines of business is summarised below.

Direct Insurance and Inwards Reinsurance

The Group commenced writing direct insurance in 2004. While the volume of business written and claims incurred has increased significantly since 2004, for some classes, there is still insufficient claims history to model future loss developments using the Group's experience alone. For these classes industry benchmarks from comparable insurers writing similar risks have been used to develop the Group's losses to their ultimate levels. For those classes where more credible Group claims experience is available past patterns of loss development have been used in modelling developing losses to their ultimate levels.

The Bornhuetter-Ferguson ("BF") approach has continued to be used to estimate the total insurance liability for each class of business. The BF method blends the actual claims experience to date with a loss estimate based on a combination of assumed ultimate loss ratios and the assumed loss development patterns. The assumed loss development patterns adopted as part of the application of the BF method have been updated (as described above) and the assumed ultimate loss ratios have been based on the Group's own recent experience together with adjustments to allow for increases in premium rates and restrictions the Group has placed on the risks underwritten. Where relevant, an explicit IBNR/IBNER allowance is made for large claims as part of the valuation.

The valuation models include an implicit inflation assumption and so there is no explicit allowance for future inflation. Projected claims payments are discounted to allow for the time value of money.

Claims handling expenses are assumed to be 2.5% of the net outstanding claims liability.

Reinsurance Recoveries for Direct and Inwards Reinsurance

The reinsurance recoveries are calculated with reference to the actual reinsurance treaties entered by the insurer having regard to the large loss assumptions explicitly allowed for in the actuarial valuation techniques.

Inwards Reinsurance - Run-off

Claims estimates for the Group's inwards reinsurance run-off portfolio are derived from analysis of past experience with respect to claim payments and changes in case estimates. The main valuation method used for this is the Incurred Cost Development ("ICD") method. The central estimate of outstanding claims liabilities is calculated by deducting the cumulative paid losses from the central estimate of the ultimate claims losses. For future molestation claim reports and payments a stochastic model with key inputs surrounding expected claim reports, average settlement sizes, the Group's policy exposure periods, policy retentions, shares of each treaty layer, limits and indexation were utilised.

An explicit inflation assumption of 6.00% and 5.75% per annum is allowed for in the Asbestos and Molestation valuation models respectively. For all other valuation classes the models allow for inflation implicitly and therefore there is no explicit allowance for inflation.

It is assumed that there are no retrocessions recoveries for the Inwards Reinsurance – Run off classes.

3 Actuarial assumptions and methods (continued)

Inwards Reinsurance - Run-off (continued)

The 75th percentile ultimate loss is used to generate the risk margin included in the liability valuation. The Paid Cost Development model is also studied to determine the appropriate cash flow pattern for outstanding and future claim payments. Projected claims payments are discounted to allow for the time value of money.

Actuarial assumptions

The actuarial assumptions used in determining the outstanding claims liabilities are:

	2013 Direct Insurance	2013 Inwards Reinsurance	2012 Direct Insurance	2012 Inwards Reinsurance
Weighted average term to settlement from reporting date (years)	1.24	2.36	1.27	1.95
Claims handling expenses (% of net central estimate)	2.5%	2.5%	2.5%	2.5%
The following discount rates were used in the measurement of outstanding claims:			%	%
For the succeeding year (%)	2.35 - 2.45	2.35 - 2.45	2.70-2.85	2.70-2.85
For the subsequent years (%)	2.50 - 4.38	2.50 - 4.38	2.68-3.13	2.68-3.13

	2013 Inwards Reinsurance – Run-off	2012 Inwards Reinsurance – Run-off
Weighted average term to settlement from reporting date (years)	6.35	5.08
Claims handling expenses (% of net central estimate)	1.8%	1.8%
The following discount rates were used in the measurement of outstanding claims:	%	%
For the succeeding year	2.45	2.71
For the subsequent years	2.67 – 6.00	2.64 - 4.74

Sensitivity Analysis – Insurance Contracts

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's estimation process in respect of its valuation of outstanding claims. The table presented below demonstrates the sensitivity of insured liability estimates in the estimation process. Certain variables can be expected to impact outstanding claims liabilities more than others, and consequently a greater degree of sensitivity to these variables can be expected.

3 Actuarial assumptions and methods (continued)

Sensitivity Analysis – Insurance Contracts (continued)

The tables presented below demonstrate the sensitivity of insured liability estimates to particular movements in assumptions used in the estimation process. The impact on reported profits of changes in key variables is:

	Change in Variable %	Change in Gross Outstanding Claims 2013 $'000	Change in Net Outstanding Claims 2013 $'000
Economic Factors			
Discount rate	+1%	(1,609)	(1,424)
Discount rate	-1%	1,780	1,587
Inflation and superimposed inflation rates	+1%	1,780	1,587
Inflation and superimposed inflation rates	-1%	(1,609)	(1,424)
Claims handling expense	+1%	521	357
Claims handling expense	-1%	(521)	(357)
Inwards Reinsurance – Run-off			
IBNR Run-off	+10%	400	400
IBNR Run-off	-10%	(400)	(400)
Average weighted time to settlement	+ 1 year	(769)	(769)
Average weighted time to settlement	- 1 year	801	801
Direct Insurance			
Change in expected loss ratios	+5%	1,900	753
Change in expected loss ratios	-5%	(1,900)	(753)
Average weighted term to settlement	+1 year	(786)	(316)
Average weighted term to settlement	-1 year	810	326
Inwards Reinsurance			
Change in expected loss ratios	+5%	498	483
Change in expected loss ratios	-5%	(498)	(483)
Average weighted time to settlement	+1 Year	(206)	(203)
Average weighted time to settlement	-1 Year	212	209

The changes above are relative to the outstanding claims and reinsurance set out in Note 25 and 13 respectively. The change in net claims equates to the change in equity before tax.

Process used to determine assumptions

A description of the processes used to determine these assumptions is provided below:

Discount rate

Discount rates are derived from the yield curve on Australian Government Bonds as at the balance date.

Inflation and superimposed inflation

Superimposed inflation occurs due to non-economic effects such as court settlements increasing at a faster rate than wages or CPI inflation. All valuation models used implicitly project ordinary and superimposed inflation at the average levels evident in recent experience (3-5 years).

3 Actuarial assumptions and methods (continued)

Sensitivity Analysis – Insurance Contracts (continued)

Claims handling expenses

Claims handling expenses are estimated after considering management's projected cost of running off claims over the average term to settlement.

Average weighted term to settlement

The weighted average term to settlement is estimated by projecting the payment profile based on historic claim settlement patterns and industry data. The claim payment profile is separately calculated by major class of claim.

Average claim frequency

Claims frequency is not calculated due to the type of business written.

4 Insurance risk management

Risk management objectives and policies for mitigating insurance risk

The Group has established policies for accepting insurance risks. The risk under any one insurance contract arises out of the uncertainty surrounding the timing and severity of claims under the contract.

The majority of the reinsurance business is in run-off. The Group manages its insurance risk on its direct insurance business through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, underwriting and pricing guidelines, centralised management of reinsurance and monitoring of emerging issues. These policies and procedures are consistently applied to both businesses written by the Group as a direct insurer and as an agent for other insurers (where the Group shares in the risk via inwards reinsurance).

Several methods are used to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

Objectives in managing risk arising from insurance and policies for mitigating those risks

The Group has an objective to control insurance risk thus reducing the volatility of operating profits. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, profits from insurance business are affected by market factors, particularly competition and movements in asset values. Short-term variability is, to some extent, a feature of insurance business.

In accordance with Prudential Standards GPS 220 *Risk Management,* GPS 221 *Risk Management: Level 2 Insurance Groups* and GPS 230 *Reinsurance Management* issued by the Australian Prudential Regulation Authority (APRA), the Board and senior management have developed, implemented and maintain a sound and prudent Risk Management Strategy (RMS) and a Reinsurance Management Strategy (REMS).

4 Insurance risk management (continued)

Objectives in managing risk arising from insurance and policies for mitigating those risks (continued)

The RMS and REMS identify the Group's policies and procedures, processes and controls that comprise its risk management and controls systems. These systems address all material risks, financial and non-financial, likely to be faced by the Group. Annually, the Board of Assetinsure Pty Limited, the group entity underwriting insurance risk, certifies to APRA that adequate strategies have been put in place to monitor those risks, that the company has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to the compliance with the RMS and REMS.

Key features of the processes established in the RMS and REMS to mitigate risks include:

- The use of sophisticated management information systems to provide up to date data on the risks to which the Group is exposed at any point in time.
- Documented procedures are followed for underwriting and accepting insurance risks.
- The mandatory use of proven premium rating tools to calculate required premium and deductibles when accepting insurance risks.
- Reinsurance is used to limit Group exposure to large single claims and catastrophes. Reinsurance is obtained only from reinsurers which have been assessed as providing high security.
- Where feasible the concentration of credit risk to any individual reinsurer or group of related reinsurers is limited.
- The nature and term of insurance liabilities is monitored and investment assets are selected that match investment the maturity dates with the expected pattern of claims payments.

Underwriting strategy

The Group's underwriting strategy seeks to limit claims frequency through the application of clearly defined underwriting guidelines. Risks are underwritten by a small team of experienced underwriters who will only underwrite risks which fall within well defined parameters and authorities. Adherence to underwriting authorities is closely monitored.

The underwriting strategy is documented in an annual business plan that sets out the classes of business to be written and industry sectors to which the Group is prepared to expose itself. This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business, territory and industry in order to enforce appropriate risk selection within the portfolio. Authorisation from the Chief Executive Officer must be obtained before entering into any contract which exceeds an individual underwriter's authority. The majority of contracts are annual in nature and the underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal.

Adherence to the underwriting authorities is closely monitored using a combination of regular management, peer and internal audit reviews.

4 Insurance risk management (continued)

Reinsurance strategy

The Group buys a combination of proportional and non-proportional reinsurance treaties to reduce the net exposure to the Group to a maximum of $3.0 million per event for property exposures and $4.6 million for a small number of credit and surety exposures. In addition, underwriters are allowed to buy facultative reinsurance in certain specified circumstances. The process and authorities for the purchase of reinsurance is governed by the REMS which is reviewed and approved by the Board annually. The Chief Executive Officer is responsible for ensuring compliance with the REMS.

Terms and conditions of insurance contracts

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are discussed below.

Inwards Reinsurance

Apart from some limited exceptions, the Group ceased writing inwards reinsurance in 2002. All of the inwards reinsurance treaties in existence when the reinsurance business was placed into run-off in November 2002 have expired. Activities relating to these treaties are now confined to claims handling and associated administration. (Refer additional comments on surety, aviation, financial risk and professional indemnity business written as agent below).

Direct Insurance

The Group writes insurance risks mainly in Australia. Subject to specific terms provided and any limits or excesses, insurance indemnifies the policyholder against loss or damage to their own material property and business interruption arising from this damage, or in the case of liability business against claims from 3rd parties.

The return to shareholders from direct insurance arises from the premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the Group. There is also scope for the Group to earn investment income owing to the time delay between the receipt of premiums and payment of claims.

The Group writes direct insurance in a small number of well defined product classes comprising professional indemnity, commercial property, engineering, aviation, motor, credit, surety and financial risk. Except for financial risk, the majority of direct insurance contracts are written on a standard form basis. There are no special terms or conditions in any of the non standard contracts that have a material impact on the consolidated financial statements.

A small number of financial risk contracts are written each year. The terms and conditions of each contract are tailored to the individual risk underwritten.

During 2009 the Group commenced writing surety, financial risk and professional indemnity insurance as agent for two highly rated insurers (with an A+ or better Standard & Poor's credit rating). This was extended to include aviation in 2010. The Group shares in these risks as a reinsurer. The related reinsurance treaties are written on a standard form basis. There are no special terms or conditions in any of the non-standard contracts that have a material impact on the financial statements.

4 Insurance risk management (continued)

Concentrations of insurance risks

Insurance risk is managed primarily through risk selection, product design, sensible pricing, appropriate investment strategy and reinsurance. It is vital that the Group reacts to changes in the general economic and commercial environment in which it operates.

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

The disclosures within these financial statements are designed to assist the users understand how statistical models are applied to relevant risk factors in order to determine the insurance approach adopted. For this purpose we examine the commercial property insurance product.

Property is subject to a number of risks, including theft, fire, business interruption and weather. For property business there is a significant geographical concentration of risks so that external factors such as adverse weather conditions may adversely impact upon a large proportion of the risks insured in a particular geographical region.

The greatest likelihood of significant losses arises from catastrophe events such as damage from storms or earthquakes.

In the event of an earthquake, the Group expects the property portfolio to see high claims for structural damage to properties, and high claims for business interruption while transport links are inoperable and business properties are closed for repair.

The Group sets out the total aggregate exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes. The current aggregate position is monitored at the time of underwriting a risk and regular reports are produced which show the key aggregations to which the Group is exposed. A number of modelling tools are used to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programmes and its net exposure. A number of stress and scenario tests are run using these models during the year.

The assumptions used to calculate these risks are as follows:

- Measurement of geographic accumulations.
- Use of commercial catastrophe modelling software to assess the probable maximum loss (PML).

Excess of loss reinsurance which has been bought will protect up to at least a one in two hundred and fifty return period loss from the models.

4 Insurance risk management (continued)

Interest rate risk

The insurance or reinsurance contracts contain no clauses that expose the Group, directly to interest rate risk. The majority of insurance and reinsurance contracts are annually renewable.

Credit risk

The Group is exposed to credit risk on insurance contracts as a result of exposure to individual clients, intermediaries or reinsurers.

The Group has a Credit Quality Risk Management Strategy which is reviewed and approved by the Board annually. Other than with respect to premium receivables, the Group does not have any material exposure to individual clients or intermediaries which would materially impact the operating profit. In the event of non-payment of premium the Group has the right to cancel the policy issued. The credit risk to reinsurers is managed by having a pre-determined policy on the appropriate rating a reinsurer must have to participate in the reinsurance programme. At year end, with only some minor exceptions, the entire reinsurance programme was placed with reinsurers with either a Standard & Poor's or AM Best credit ratings of "A-" or better.

		2013 $'000	2012 $'000
5	**Revenue**		
(a)	**Revenue from insurance activities**		
	Direct		
	Gross written premiums	54,129	47,003
	Movement in unearned premium	(3,691)	(1,983)
	Premium revenue – direct	**50,438**	**45,020**
	Inwards reinsurance		
	Gross written premiums	7,826	9,519
	Movement in unearned premium	(175)	(1,911)
	Premium revenue – inwards reinsurance	**7,651**	**7,608**
	Total net premium revenue	**58,089**	**52,628**
	Reinsurance and other recoveries revenue	15,307	6,258
	Total insurance revenue	**73,396**	**58,886**
(b)	**Revenue from other activities**		
	From operating activities:		
	Serviced fees		
	IT Service fees – other corporations	2,485	1,950
	Service fees – other corporations	8,566	9,452
	Investment revenue		
	Interest – other corporations	5,681	5,215
	Rent – other corporations	312	220
	Realised gain / (loss) on investments	4	1,411
	Change in fair market value of investments	(358)	(502)
	From non-operating activities:		
	Gain on disposal of intangibles	660	-
	Total revenue from other activities	**17,350**	**17,746**
(c)	**Total revenue from all activities**		
	Insurance activities	73,396	58,886
	Other activities	17,350	17,746
	Total revenue	**90,746**	**76,632**

	2013 $'000	2012 $'000
6 Insurance underwriting result		
Premium revenue	58,089	50,130
Outwards reinsurance expense	(29,557)	(24,446)
Net premium revenue	**28,532**	**25,684**
Claims expense	(27,862)	(20,426)
Reinsurance and other recoveries revenue	15,307	8,754
Net claims incurred	**(12,555)**	**(11,672)**
Underwriting expenses	**(9,571)**	**(7,118)**
Underwriting result	**6,406**	**6,894**

7 Net claims incurred

During the year the Group underwrote direct insurance and inwards reinsurance contracts as well as continuing to manage the run-off of the reinsurance business which was placed in run-off in 2002. The net claims incurred for these activities are presented below.

Direct Insurance and Inwards Reinsurance

	2013 Current year $'000	Prior years $'000	Total $'000
Gross claims incurred and related expenses – undiscounted	34,807	(4,442)	30,365
Reinsurance and other recoveries – undiscounted	(18,746)	3,415	(15,331)
Net claims incurred – undiscounted	16,061	(1,027)	15,034
Discount movement – gross claims	(596)	27	(569)
Discount movement – reinsurance and other recoveries	300	(235)	65
Net discount movement	(296)	(208)	(504)
Net Direct and Inwards Reinsurance claims incurred	**15,765**	**(1,235)**	**14,530**

	2012 Current year $'000	Prior years $'000	Total $'000
Gross claims incurred and related expenses – undiscounted	33,278	(13,006)	20,272
Reinsurance and other recoveries – undiscounted	(16,474)	9,200	(7,274)
Net claims incurred – undiscounted	16,804	(3,806)	12,998
Discount movement – gross claims	(521)	2,621	2,100
Discount movement – reinsurance and other recoveries	276	(1,756)	(1,480)
Net discount movement	(245)	865	620
Net Direct and Inwards Reinsurance claims incurred	**16,559**	**(2,941)**	**13,618**

7 Net claims incurred (continued)

Reinsurance Run-off

	2013 Current year $'000	2013 Prior years $'000	2013 Total $'000
Gross claims incurred and related expenses – undiscounted	-	(214)	(214)
Reinsurance and other recoveries – undiscounted	-	(41)	(41)
Net claims incurred – undiscounted	-	(255)	(255)
Discount movement – gross claims	-	(1,720)	(1,720)
Discount movement – reinsurance and other recoveries	-	-	-
Net discount movement	-	(1,720)	(1,720)
Net Reinsurance Run-off claims incurred	**-**	**(1,975)**	**(1,975)**

	2012 Current year $'000	2012 Prior years $'000	2012 Total $'000
Gross claims incurred and related expenses – undiscounted	-	(3,340)	(3,340)
Reinsurance and other recoveries – undiscounted	-	-	-
Net claims incurred – undiscounted	-	(3,340)	(3,340)
Discount movement – gross claims	-	1,394	1,394
Discount movement – reinsurance and other recoveries	-	-	-
Net discount movement	-	1,394	1,394
Net Reinsurance Run-off claims incurred	**-**	**(1,946)**	**(1,946)**

8 Expenses

	Note	2013 $'000	2012 $'000
Insurance activities			
Claims expense	6	27,862	20,426
Underwriting expenses	6	9,571	7,118
Outwards reinsurance expense	6	29,557	24,446
Other expenses		18,660	18,107
Total expenses from insurance activities		**85,650**	**70,097**
Finance costs			
Interest and finance charges paid/ payable		400	400
Total finance expenses		**400**	**400**
Total expenses		**86,050**	**70,497**

		2013 $'000	2012 $'000
9	**Profit / (loss) before income tax**		
	Operating profit / (loss) before income tax expense has been arrived at after charging / (crediting) the following items:		
	Insurance activities		
	Foreign currency gains / (losses)	(2,849)	(29)
	(Decrease) in provision for impairment of reinsurance assets	(2,825)	(1,121)
	All activities		
	Depreciation	470	310
	Amortisation	323	420
	Personnel expenses:		
	Wages and salaries	10,988	8,797
	Increase in liability for long service leave	163	157
	Contributions to defined contribution plans	828	850
	Share option plan expense	408	381
10	**Income tax expense**		
	Numerical reconciliation between income tax expense and pre-tax profit		
	Profit before income tax	4,696	6,135
	Total income tax (expense)	(1,136)	(1,590)
	Profit after taxation	**3,560**	**4,545**
	Income tax at the standard rate of 30% (2012: 30%)	1,409	1,840
	(Decrease)/increase in income tax due to:		
	Net non-deductible expenses	386	467
	Tax incentives	(665)	(562)
	(Over) / under provision in prior years	6	(155)
	Total income tax expense attributable to operating profit	**1,136**	**1,590**
	Income tax expense comprises:		
	Provision attributable to current year	1,142	694
	Provision attributable to prior year	6	(155)
	Provision attributable to future years:		
	Deferred tax assets	13	1,024
	Deferred tax liabilities	(25)	27
	Total income tax expense attributable to operating profit	**1,136**	**1,590**

11 Dividends

Dividends of $9,700,000 were paid or provided for during the year (2012: 381,000).

	2013 $'000	2012 $'000
Franking balances as at the end of the financial year	3,943	7,403
Franking credits that will arise from the payment / refund of income tax payable / receivable as at the end of the financial year	53	694
Franking total	**3,996**	**8,097**

12 Trade and other receivables

Current

Trade receivables		
Other corporations	28,126	20,163
Total trade receivables	**28,126**	**20,163**
Other receivables		
Other corporations	3,967	2,409
Other corporations - subordinated	609	-
Related corporations	-	563
Total other receivables	**4,576**	**2,972**
Total trade and other receivables	**32,702**	**23,135**

Non-current

Other receivables		
Other corporations	**600**	**-**
Total trade and other receivables (non-current)	**600**	**-**

		2013 $'000	2012 $'000
13	**Reinsurance and other recoveries receivable**		
	Reinsurance and other recoveries		
	Current	8,173	6,635
	Non-current	13,393	13,334
		21,566	**19,969**
	The reinsurance and other recoveries comprises:		
	Expected future reinsurance recoveries undiscounted:		
	On paid claims	5,493	8,641
	On outstanding claims liability	19,241	17,769
	Total recoveries – undiscounted	24,734	26,410
	Discount to present value	(65)	(513)
	Provision for impairment of reinsurance assets:		
	Non-current	(3,103)	(5,928)
	Total reinsurance and other recoveries receivable	**21,566**	**19,969**
	The reconciliation of reinsurance recoveries is included in "Outstanding Claims".		
14	**Deferred acquisition costs**		
	Deferred acquisition costs at 1 January	4,949	4,218
	Acquisition costs incurred in year	8,913	6,861
	Amortisation charge	(9,430)	(6,130)
	Write-off of acquisition costs (see Note 40)	(670)	-
	Deferred acquisition costs at 31 December	**3,762**	**4,949**
15	**Investments**		
	Current		
	Other investments – unquoted		
	Deposits at call	3,284	3,074
	Fixed term deposits	35,885	58,810
	Bank bills	1,986	688
	Bank bonds	2,511	1,531
	Corporate bonds	4,898	-
	Total investments (current)	**48,564**	**64,103**

	2013 $'000	2012 $'000
15 Investments		
Non-current		
Other investments – unquoted:		
Fixed term deposits	9,298	-
Bank bonds	3,270	6,107
Corporate bonds	5,098	9,992
Corporate floating rate notes	3,000	3,000
Loans to related corporations *	4,680	4,680
Total investments (non-current)	**25,346**	**23,779**

* Loan to related corporations represent the amount due from Cumulus Wines Pty Limited. The loan is secured by a fixed and floating charge over the assets of the company along with a second mortgage over their winery and vineyard properties. Interest is payable at the rate of 8.25% per annum (2012: 8.25% per annum).

Fair value hierarchy

The investments carried at fair value have been classified under the three levels of the IFRS fair value hierarchy as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset whether directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset that are not based on observable market data (unobservable inputs)

	2013 $'000	2012 $'000
Level 1	-	-
Level 2	17,763	18,318
Level 3	-	-
Total investments carried at fair value through the profit and loss	**17,763**	**18,318**
Other investments	56,147	69,564
Total investments	**73,910**	**87,882**

There were no transfers between levels in the current or prior year.

16 Investments accounted for using the equity method

(a) Investments in associate held for distribution

In the consolidated financial statements investments in associates are accounted for using the equity method. On 31 May 2013 the Company transferred its investment in associate to its shareholders at fair value in full satisfaction of the $7,300,000 dividend declared on that date. At 31 December 2012 the investment was classified as held for distribution and valued at fair value (refer Note 38).

	Principal activities	Country	Reporting date	Ownership 2013	Ownership 2012
Cumulus Wines Pty Limited	Producer and marketer of wine	Australia	31 December	-	49.80%

$'000	Revenues 100%	(Loss) 100%	Share of net loss recognised	Total assets (100%)	Total liabilities (100%)	Net assets as reported by associates (100%)	Share of associate's net assets equity accounted
2013	4,323	(1,023)	(509)	-	-	-	-
2012	14,488	(1,085)	(540)	44,700	20,506	24,194	12,049

		2013 $'000	2012 $'000
16	**Investments accounted for using the equity method (continued)**		
(b)	**Results of associates**		
	Share of associate loss before income tax	(509)	(540)
	Share of income tax expense	-	-
	Share of associates net profit/ (loss) accounted for using the equity method	**(509)**	**(540)**
(c)	**Commitments**		
	Share of associates capital commitments contracted for but not provided for payable:		
	Within one year	-	-
	One year or later	-	-
		-	**-**
17	**Current tax balances**		
	Current tax assets		
	Provision for goods and services tax – refund	105	55
	Total current tax assets	**105**	**55**
	Current tax liabilities		
	Provision for income tax	53	694
	Provision for withholding tax payable	192	89
	Provision for goods and services tax - payable	37	19
	Total current tax liabilities	**282**	**802**
18	**Deferred reinsurance expense**		
	Deferred reinsurance expense		
	Current	16,191	13,312
		16,191	**13,312**
	Reconciliation of changes in deferred reinsurance expense:		
	Deferred reinsurance expense at 1 January	13,312	12,661
	Deferral of reinsurance premiums in current year	32,436	27,596
	Expensing of reinsurance premiums previously deferred	(29,557)	(26,945)
	Balance at 31 December	**16,191**	**13,312**

		2013 $'000	2012 $'000
19	**Other assets**		
	Employee loans (refer Note 24)		
	Current	402	-
	Non-Current	1,500	523
	Total other assets (non-current)	**1,902**	**523**
20	**Plant and equipment**		
	Plant and equipment – owned		
	Valuation basis	At cost	At cost
	Balance at 1 January	5,484	4,448
	Acquisitions	94	1,036
	Disposals	-	-
	Balance at the end of the year	**5,578**	**5,484**
	Depreciation and impairment losses		
	Plant and equipment – owned		
	Valuation basis	At cost	At cost
	Balance at 1 January	3,963	3,653
	Depreciation charge for the year	470	310
	Disposals	-	-
	Balance at the end of the year	**4,433**	**3,963**
	Carrying amounts at the end of the year	**1,145**	**1,521**
21	**Intangible assets**		
	Capitalised development costs at beginning of year	5,525	4,674
	Other acquisitions – internally developed	460	851
	Capitalised development costs at the end of the year	**5,985**	**5,525**
	Amortisation		
	Accumulated amortisation at beginning of year	1,785	1,365
	Amortisation expense during the year	323	420
	Accumulated amortisation at the end of the year	**2,108**	**1,785**
	Carrying amount at the end of the year	**3,877**	**3,740**

		2013 $'000	2012 $'000
22	**Trade and other payables**		
	Current		
	Trade payables	12,413	16,827
	Other payables – related corporations	15	15
	Other payables and accruals	2,534	1,342
	Total trade and other payables - current	**14,962**	**18,184**
	Non-current		
	Other payables and accruals	-	1,016
	Total trade and other payables – non-current	**-**	**1,016**
	Australian dollar equivalent of amounts payable in foreign currencies not effectively hedged (other than the natural hedge in debtors):		
	Hong Kong dollars	25	24
23	**Loans and borrowings**		
	Current		
	Subordinated debt – related corporation	5,000	-
		5,000	**-**
	Non-Current		
	Subordinated debt – related corporation	-	5,000
		-	**5,000**

In December 2009 GLOBAL Group of Australia Pty Limited provided $5.0 million of subordinated debt. The term of the subordinated debt is 5 years. The debt is subordinated to all other creditors (including policyholders), except those creditors (not policyholders) expressed to rank equally with or behind the lender. The subordinated debt bears interest at 8% per annum.

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 36.

		2013 $'000	2012 $'000
24	**Employee benefits**		
	Current		
	Accrued wages and salaries	1,079	1,025
	Liability for annual leave	413	375
	Liability for long service leave	650	-
	Share option plan benefits	2,830	-
	Superannuation contributions accrued	72	66
		5,044	**1,466**
	Non-current		
	Share option plan benefits	-	3,226
	Liability for annual leave	12	-
	Liability for long service leave	136	632
		148	**3,858**
	Total employee benefits	**5,192**	**5,324**

Defined contribution plans

The Group makes contributions to the defined contribution superannuation plans chosen by employees as required under the Choice of Fund legislation which commenced operation on 1 July 2005. The amount recognised as expenses was $868,548 for the year ended 31 December 2013 (2012: $909,834).

Share based payments

At 1 July 2004, the Company established a share option plan that entitles key management personnel, senior employees and non-executive directors to elect to direct their annual bonus or director's fees payments to be paid into the share option plan and receive an entitlement to share options. As at 1 July on each subsequent year, except in 2009 and 2013, grants of option entitlements on the same terms have been made to these employees.

The options are issued to the Assetinsure Holdings Pty Limited Bonus Option Plan ("Trust"), a trust established to administer the plan. The Trust acquires options, at fair value, of an amount equal to the dollar value of the participating employee's bonus entitlements. Fair value is determined by an independent valuation of the Company's shares completed at each allocation date by Duncan Dovico, Chartered Accountants. Assets based valuation method taking into account the terms and conditions under which the options are allocated was applied for each of the valuations. The assets based valuations included consideration of the appropriate value for the net assets assuming either an orderly realisation of the assets of the business or as a "going concern". The valuations incorporated an assessment of the premium or discount on net asset values that would be likely to apply to either a sale or going concern business.

The options are held in trust for the benefit of the employees until a liquidity event occurs at which time the Company may buy back the options from the Trust at market value or enable the participating employees to exercise some or all of the options at a zero exercise price. What constitutes a liquidity event is defined in the plan rules and generally occurs if there is a substantial change (greater than 50%) in the shareholding of the Company. The options expire ten years after their allocation date. The options also expire on cessation of the participating employee's employment with the Company.

24 Employee benefits (continued)

Share based payments (continued)

Participating employees who elect to include the value of their option entitlement in their taxable income in the year the options are granted may obtain an interest free loan from the Company for the personal income tax liability arising from making this election. The loan is repayable on the employees' withdrawal from the plan or on a liquidity event. The Company may set off any loan funds outstanding against any option plan settlement due to the employee (refer Note 19)

Employees may withdraw from the option plan. On withdrawal the withdrawing employee will be paid a withdrawal value calculated based on the market value of the allocated option entitlement at the original allocation date plus an increase factor ranging from 0% to 25% depending on the period the options have been held. The withdrawal value calculation includes an interest factor for withdrawals occurring more than three years after their allocation date. The fair value of the options granted during the current financial year plus the impact of the increase factor on the withdrawal value amounting to $408,351 (2012: $380,766) has been recognised as an expense in profit or loss for the year ended 31 December 2013.

Commencing 1 January 2008 senior executives of the previously controlled entity, Assetsecure Pty Limited were allowed to acquire options in that company under the terms of individual option agreements. The options were acquired at market value at the time of allocation.

	2013 $'000	2012 $'000
25 Outstanding claims liabilities		
(a) Outstanding claims liabilities		
Outstanding claims liabilities:		
Current	26,900	23,921
Non-current	36,302	37,996
	63,202	**61,917**
Central estimate	60,468	56,445
Prudential margin	9,916	10,437
Claims handling costs	1,173	1,102
	71,557	67,984
Discount to present value	(8,355)	(6,067)
Gross outstanding claims liabilities	**63,202**	**61,917**

25 Outstanding claims liabilities (continued)

(b) Risk margin

Process for determining risk margin

The risk margin is an additional allowance for uncertainty in the ultimate cost of claims. The overall margin adopted is determined by the Board after considering the uncertainty in the portfolio, industry trends and the entity's risk appetite. The overall risk margin was determined allowing for diversification between the different portfolios.

To determine the margin adopted the Appointed Actuary has reviewed the factors impacting the portfolio to establish a recommended margin at the level required by the Board. Factors considered include:

- variability of claims experience of the portfolio
- quality of historical data
- diversification between different classes within the portfolio

The level of uncertainty varies between classes of business, and as such the adopted risk margin varies between business classes. The risk margin adopted is the Gross Central estimate with appropriate reinsurance recoveries provided.

The aggregate risk margin, after diversification allowance, is intended to achieve a 75% probability of sufficiency.

The risk margin was determined for each of the individual valuation classes with the overall margin allowing for diversification between the classes. The risk margin for the whole portfolio is set out below.

	2013	2012
Overall margin allowing for diversification	19.1%	21.8%

25 Outstanding claims liabilities (continued)

(c) Reconciliation of movement in discounted outstanding claims liability

	Direct Insurance and Inwards Reinsurance					
	2013 $'000			2012 $'000		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
Balance at 1 January	31,958	(17,246)	14,712	42,539	(25,693)	16,846
Current year claims incurred	13,333	(6,938)	6,395	14,660	(7,884)	6,776
Change in previous years claims	17,032	(6,533)	10,499	5,612	819	6,431
Current year claims paid / reinsurance recovered	(4,391)	2,104	(2,287)	(3,035)	1,552	(1,483)
Previous year claims paid / reinsurance recovered	(17,858)	9,381	(8,477)	(29,918)	15,440	(14,478)
Undiscounted outstanding claims	**40,074**	**(19,232)**	**20,842**	**29,858**	**(15,766)**	**14,092**
Effect of change in discount allowance	(569)	65	(504)	2,100	(1,480)	620
Balance at 31 December	**39,505**	**(19,167)**	**20,338**	**31,958**	**(14,246)**	**14,712**

	Reinsurance Run-off					
	2013 $'000			2012 $'000		
	Gross	Retro-cession	Net	Gross	Retro-cession	Net
Balance at 1 January	29,959	(10)	29,949	35,873	(10)	35,863
Current year claims incurred	-	-	-	-	-	-
Change in previous years claims	(213)	(41)	(254)	(3,342)	-	(3,342)
Current year claims paid / reinsurance recovered	-	-	-	-	-	-
Previous year claims paid / reinsurance recovered	(4,329)	42	(4,287)	(3,966)	-	(3,966)
Undiscounted outstanding claims	**25,417**	**(9)**	**25,408**	**28,565**	**(10)**	**28,555**
Effect of change in discount allowance	(1,720)		(1,720)	1,394	-	1,394
Balance at 31 December	**23,697**	**(9)**	**23,688**	**29,959**	**(10)**	**29,949**

25 Outstanding claims liabilities (continued)

(d) Claims development tables

The following tables show the development of gross and net undiscounted outstanding claims relative to the ultimate expected claims for the five most recent underwriting years. The estimate of ultimate claims cost at the end of the underwriting year does not include the premium liability at that point in time. By one year later generally the entire premium has been earned and the estimate of ultimate claims cost reflects the full amount in respect of the premium written in the relevant underwriting year.

Claims development tables are disclosed in order to put the claims estimates included in the financial statements into a context, allowing comparison of those claims estimates with the claims results seen in previous years. In effect, the tables highlight the Group's ability to provide an estimate of the total value of claims. The top part of the table provides a review of current estimates of cumulative claims and demonstrates how the estimated claims have changed at subsequent reporting or accident year-ends. The lower part of the table provides a reconciliation of the total reserve included in the statement of financial position and the estimates of cumulative claims. The analysis includes the aggregated results of long tail classes. These long tail classes include Professional Indemnity.

Direct Insurance and Inwards Reinsurance business

(i) Gross

Underwriting year	**2009 and prior $'000**	**2010 $'000**	**2011 $'000**	**2012 $'000**	**2013 $'000**	**Total $'000**
Estimate of ultimate claims cost:						
At end of underwriting year	95,400	22,616	10,847	12,789	11,917	153,569
One year later	100,860	47,927	26,036	29,881		204,704
Two years later	101,164	42,755	24,931			168,850
Three years later	95,395	44,043				139,438
Four years later	95,234					95,234
Current estimate of cumulative claims cost	95,234	44,043	24,931	29,880	11,917	206,006
Cumulative payments	(88,331)	(39,732)	(21,117)	(16,817)	(4,392)	(171,389)
Cumulative claims – undiscounted	**5,903**	**4,311**	**3,814**	**13,064**	**7,525**	**34,617**
Discount	(202)	(299)	(258)	(523)	(317)	(1,599)
Outstanding claims	**5,701**	**4,012**	**3,556**	**12,541**	**7,208**	**33,018**
Prudential margin and claims handling expenses	1,120	788	699	2,464	1,416	6,487
Total gross outstanding claims recognised in the statement of financial position	**6,821**	**4,800**	**4,255**	**15,005**	**8,624**	**39,505**

25 Outstanding claims liabilities (continued)

(d) Claims development tables (continued)

Direct Insurance and Inwards Reinsurance business (continued)

(ii) Net

Underwriting year	2009 and prior $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	Total $'000
Estimate of ultimate claims cost:						
At end of underwriting year	28,268	9,837	5,654	5,818	5,661	55,238
One year later	29,266	18,442	14,103	14,486		76,297
Two years later	29,411	17,921	14,067			61,399
Three years later	28,526	19,506				48,032
Four years later	28,440					28,440
Current estimate of cumulative claims cost	28,440	19,506	14,067	14,486	5,661	82,160
Cumulative payments	(25,963)	(16,417)	(11,708)	(8,189)	(2,288)	(64,565)
Cumulative claims – undiscounted	**2,477**	**3,089**	**2,359**	**6,297**	**3,373**	**17,595**
Discount	(74)	(261)	(207)	(323)	(157)	(1,022)
Outstanding claims	**2,403**	**2,828**	**2,152**	**5,974**	**3,216**	**16,573**
Prudential margin and claims handling expenses	545	642	488	1,356	734	3,765
Total net outstanding claims recognised in the statement of financial position	**2,948**	**3,470**	**2,640**	**7,330**	**3,950**	**20,338**

Reinsurance Run-off

(i) Gross

Underwriting year	2009 and prior $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	Total $'000
Estimate of ultimate claims cost:						
At end of underwriting year	983,911	-	-	-	-	983,911
One year later	1,039,091	-	-	-	-	1,039,091
Two years later	1,053,784	-	-	-	-	1,053,784
Three years later	1,049,356	-	-	-	-	1,049,356
Four years later	1,054,336	-	-	-	-	1,054,336
Five years later	1,049,188	-	-	-	-	1,049,188
Six years later	1,045,114	-	-	-	-	1,045,114
Seven years later	1,033,147	-	-	-	-	1,033,147
Eight years later	1,030,735	-	-	-	-	1,030,735
Nine years later	1,028,229	-	-	-	-	1,028,229
Ten years later	1,017,884	-	-	-	-	1,017,884
Current estimate of cumulative claims cost	1,019,285	-	-	-	-	1,019,285
Cumulative payments	(993,434)	-	-	-	-	(993,434)
Cumulative claims – undiscounted	**25,851**	**-**	**-**	**-**	**-**	**25,851**
Discount	(6,757)	-	-	-	-	(6,757)
Outstanding claims	**19,094**	**-**	**-**	**-**	**-**	**19,094**
Prudential margin and claims handling expenses	4,603	-	-	-	-	4,603
Total gross outstanding claims recognised in the statement of financial position	**23,697**	**-**	**-**	**-**	**-**	**23,697**

25 Outstanding claims liabilities (continued)

(d) Claims development tables (continued)

Reinsurance Run-off (continued)

(ii) Net

Underwriting year	2009 and prior $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	Total $'000
Estimate of ultimate claims cost:						
At end of underwriting year	831,395	-	-	-	-	831,395
One year later	870,652	-	-	-	-	870,652
Two years later	860,191	-	-	-	-	860,191
Three years later	857,189	-	-	-	-	857,189
Four years later	862,036	-	-	-	-	862,036
Five years later	860,793	-	-	-	-	860,793
Six years later	855,534	-	-	-	-	855,534
Seven years later	843,389	-	-	-	-	843,389
Eight years later	840,661	-	-	-	-	840,661
Nine years later	839,892	-	-	-	-	839,892
Ten years later	830,938	-	-	-	-	830,938
Current estimate of cumulative claims cost	832,330	-	-	-	-	832,330
Cumulative payments	(806,488)	-	-	-	-	(806,488)
Cumulative claims – undiscounted	**25,842**	**-**	**-**	**-**	**-**	**25,842**
Discount	(6,757)	-	-	-	-	(6,757)
Outstanding claims	**19,085**	**-**	**-**	**-**	**-**	**19,085**
Prudential margin and claims handling expenses	4,603	-	-	-	-	4,603
Total net outstanding claims recognised in the statement of financial position	**23,688**	**-**	**-**	**-**	**-**	**23,688**

The Company does not operate any insurance business and amounts above apply to the Group only.

		2013 $'000	2012 $'000
26	**Unearned premium liabilities**		
	Unearned premium liabilities at 1 January	32,508	28,614
	Deferral of premiums written in the period	36,374	32,508
	Earning of premiums written in previous periods	(32,508)	(28,614)
	Unearned premium liabilities at 31 December	**36,374**	**32,508**
27	**Deferred tax balances**		
	Deferred tax (assets) and liabilities are attributable to the following:		
	Assets:		
	Plant and equipment	(305)	(360)
	Provisions	(1,011)	(849)
	Investments	(543)	(2,416)
	Other	(292)	(271)
	Deferred tax asset	(2,151)	(3,896)
	Liabilities:		
	Plant and equipment	1,074	950
	Provisions	378	432
	Investments	94	189
	Intangible assets	107	107
	Deferred tax liabilities	1,653	1,678
	Net deferred tax (Asset)	**(498)**	**(2,218)**
28	**Issued capital and reserves**		
	Ordinary shares	2013 No. of shares	2012 No. of shares
	Issued and paid-up share capital		
	As at 1 January	21,000,000	19,050,000
	Share options exercised during the year	-	1,950,000
	As at 31 December	**21,000,000**	**21,000,000**

The Company does not have authorised capital or par value in respect of its issued shares.

28 Issued capital and reserves (continued)

Foreign exchange reserve
The translation reserve comprised the Group's equity accounted share of all foreign currency differences arising from the translation of the financial statements of the foreign operations of the associate company, Cumulus Wines Pty Limited.

Asset revaluation reserve

The asset revaluation reserve comprised the Group's equity accounted share of the revaluation of vineyard and winery assets held by the associated company Cumulus Wines Pty Limited.

29 Auditors' remuneration

	2013 $	2012 $
Amounts received or due and receivable by the auditors for:		
Audit services – current year	191,500	190,000
Audit services – previous year	8,000	-
Taxation services	154,535	114,895
Actuarial services	40,750	37,750
Consulting services	263,700	243,649
Amounts paid or payable to non-KPMG audit firms for audit services	6,695	6,695
Total auditors' remuneration	**665,180**	**592,989**

30 Commitments

Leases as Lessor

The Group leases office premises under operating leases. The Group also sub-leases a portion of its Head Office premises at 44 Pitt Street, Sydney to unrelated parties.

	2013 $'000	2012 $'000
Operating lease payment commitment		
The future minimum lease payments under non-cancellable operating leases are as follows:		
Less than one year	1,176	1,221
Between one and five years	4,871	4,726
More than five years	553	1,854
	6,600	**7,801**

Bank guarantees have been provided on the Group's behalf to the lessors of its leased office premises a portion of its obligations under the respective leases. The bank guarantees are secured by cash deposits at the issuing bank and amount to $862,206 in total (2012: $862,206).

30 Commitments (continued)

Capital expenditure commitments

There was no capital expenditure commitments contracted but not paid for at the end of the year (2012: Nil).

31 Capital management

(a) Capital management strategy

The capital management strategy plays a central role in managing risk to create shareholder value whilst meeting the crucial and equally important objective of providing an appropriate level of capital to protect policyholders' and lenders' interests and satisfy regulators. Capital finances growth, capital expenditure and business plans and also provides support in the face of adverse outcomes from insurance, other activities and investment performance. The determination of the capital amount and mix is built around two core considerations:

(i) Regulatory capital

The Company and controlled entity Assetinsure Pty Limited are registered with APRA and are subject to the prudential standards which set out the basis for calculating the prudential capital requirement ("PCR") which is a minimum level of capital that the regulator deems must be held to meet policyholder obligations. The capital base is expected to be adequate for the size, business mix, complexity and risk profile of its business and so the PCR utilises a risk based approach to capital adequacy. The Group uses the standardised framework for calculating the PCR detailed in the relevant prudential standard and referred to as the prescribed method which is determined to be the sum of the capital charges for insurance, investment, investment concentration and catastrophe concentration risk.

It is the Group's policy to hold regulatory capital in excess of the PCR as required by APRA. PCR is a derivation of the required capital to meet the 1 in 200 year risk of absolute ruin. Capital calculations for regulatory purposes are based on the premium liabilities model which is different to the deferral and matching model which underpins the measurement of assets and liabilities in the financial statements. The premium liabilities model assesses future claim payments arising from future events insured under existing policies. This differs to the measurement of the outstanding claims liability on the statement of financial position which considers claims relating to events that occur only up to and including the reporting date.

Effective 1 January 2013, the Group has implemented an Internal Capital Adequacy Assessment Process (ICAAP) as part of its compliance with the new prudential standards that came into effect on that date. The purpose of ICAAP is to assist the Group in making a proactive internal assessment of its capital requirements considering the current strategy, business plan and associated risks inherent in that business plan. In addition to the internal capital requirement, the ICAAP recognises the capital required for regulatory purposes, and identifies planned and potential sources of capital required to meet these objectives. The ICAAP is also designed to further augment the current corporate governance practices undertaken in respect of the ongoing assessment of the Group's risk profile, risk appetite, strategic plan and capital adequacy.

31 Capital management (continued)

(a) Capital management strategy (continued)

(ii) Economic capital

In conjunction with the considerations set out above, which are important to the functioning of the business, consideration is given to the operational capital needs of the business. The capital objectives are achieved through dynamic management of the statement of financial position and capital mix.

(b) Capital composition

Total capital is calculated as equity as shown in the statement of financial position.

(c) Regulatory capital compliance

Existing prudential standards set out the basis for calculating the PCR of licensed insurers and Level 2 Groups. The PCR utilises a risk-based approach and is determined as the sum of the capital charges for insurance, investment, investment concentration and catastrophe risk. The PCR of the Level 2 Group is as follows:

	Note	2013 $'000	2012 $'000
Tier 1 capital			
Paid up ordinary shares	28	21,000	21,000
Retained earnings		23,320	30,123
Reserves		-	(7)
Reported Net Assets		44,320	51,116
Add: APRA accounting basis adjustments		-	2,117
Less: other deductions		(6,563)	(7,158)
Net Tier 1 capital		37,757	46,075
Tier 2 capital			
Subordinated debt		900	2,000
Less: other deductions		-	(1,200)
Net Tier 2 capital		900	800
Total capital base		38,657	46,875
Prudential capital requirement		19,214	19,928
Capital adequacy multiple		2.01	2.35

32 Key management personnel disclosures

The following were key management personnel of the Group at any time during the reporting period. Directors unless otherwise indicated were Directors for the entire period.

Non-executive Directors
Mr John Fahey (Chairperson)
Mr Brian Cairns
Mr Chris Old
Mr Henricus Sprangers
Mr Volker Weisbrodt
Mr Beverley Walters

Executive Directors
Mr Peter Wedgwood

Executives
Mr Hamish Lilly (Chief Financial Officer, Assetinsure Holdings Pty Limited)
Mr Gregor Pfitzer (Chief Executive Officer, Assetinsure Holdings Pty Limited)
Mr Terry Hartan (Executive Director, Assetsecure Pty Limited)
Mr Duncan Alexander (Director - Administration Assetsecure Pty Limited)

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

In addition to their salaries certain executive officers and one director also participate in the Group's share option plan (see Note 24). In previous years executive officers of Assetsecure Pty Limited have also subscribed to options over Assetsecure Pty Limited shares under the terms of individual option agreements (see Note 24).

The key management personnel compensation included in "personnel expenses" (see Note 9) are as follows:

	2013 $	2012 $
Short-term employee benefits	1,499,842	2,152,473
Other long term benefits	-	-
Post employment benefits	95,857	189,450
Termination benefits	-	-
Share option plan benefits	-	31,450
Total	**1,595,699**	**2,373,373**
Loans and other transactions with key management personnel		
Loans to key management personnel	358,520	358,520

Loans totalling $nil (2012: $232,865) were made to key management personnel during the year and no repayments were received (2012: $171,600). Loans provided to key management personnel are made in accordance with the terms of the share option plan (refer Note 24) and are interest free. In 2012 a $171,600 short term loan was provided to Mr P Wedgwood which was fully repaid during the year. Interest was charged on the loan provided to Mr P Wedgwood at 6.0% per annum.

32 Key management personnel disclosures (continued)

Transactions with director related entities

Directors of the Company hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

The terms and conditions of the transactions with Directors and their Director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

During the year a $1,500,000 loan was advanced to Asset Underwriting Pty Limited a company related to Mr P Wedgwood. Mr P Wedgwood is guarantor for the loan. Interest accrues at 5.0% per annum payable half yearly. The loan must be repaid by 15 March 2015.

Interests in equity instruments of the Company held by Directors and their Director related entities:

	Ordinary shares fully paid 2013	Ordinary shares fully paid 2012
Asset Shareholders Co. Pty Limited	3,450,000	3,450,000
GLOBAL Group of Australia Pty Limited	5,400,000	5,400,000
Mr B Walters	800,000	800,000
Mr P Wedgwood	6,415,000	6,415,000
	16,065,000	16,065,000

33 Non-director and executive related parties

Identified related parties

The Company has a related party relationship with its subsidiaries (see Note 34), associate (see Note 16) and with its Directors and executive officers.

Transactions with associates

During the year the Group purchased products from its associate worth $10,538 (2012: $62,730). IT and management support services were purchased from the Group by the associate worth $101,109 (2012: $194,677). All transactions were on normal commercial terms.

At year end a $4,680,000 loan balance (2012: $4,680,000) plus $907,858 accrued interest (2012: $521,758) was owed by the former associate to the Group. No new loan advances were made during 2013 (2012: Nil). No loan or interest repayments were made by the associate during the year (2012: Nil) (refer Note 15). The loans were interest bearing, advanced on commercial terms and secured by a fixed and floating charge over the assets of the company along with a second mortgage over the company's winery and vineyard properties.

Trade and other receivables also includes $nil (2012: $561,541) due from associates (refer Note 12).

34 Consolidated entities

Ultimate parent entity

The ultimate Australian entity and parent entity is Assetinsure Holdings Pty Limited.

Significant subsidiaries:	Country	2013 %	2012 %
Assetinsure Pty Limited	Australia	100	100
Assetsecure Pty Limited	Australia	-	100

* Refer Note 38

On 21 August 2013, Assetinsure Pty Limited extended the term of its $350,000 (2012: $350,000) loan provided to Assetsecure Pty Limited for a further 6 month period. The loan accrues interest at 7.0% per annum. Per the Deed of Subordination entered into in 2012 the Company's right to repayment is subordinated to the rights of any of Assetsecure Pty Limited's unsecured creditors. On 21 August 2013 Assetinsure Pty Limited entered into an additional Deed of Subordination with Challenger Specialised Finance Pty Limited in relation to the loan. Under this deed the loan cannot be repaid unless Assetsecure Pty Limited has net tangible assets of at least $1.1m.

On 21 August 2013 the Company also entered into a Deed of Subordination with Challenger Specialised Finance Pty Limited. Under this deed $259,000 included in receivables due from Assetsecure Pty Limited cannot be repaid unless Assetsecure Pty Limited has net tangible assets of at least $1.1m

35 Notes to the statements of cash flows

(i) Reconciliation of cash and cash equivalents

For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits. Cash as at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

	2013 $'000	2012 $'000
Cash at bank	13,047	8,413
Money on short term deposit	3,283	3,074
Total cash and cash equivalents in the consolidated statement of cash flows	**16,330**	**11,487**

35 Notes to the statements of cash flows (continued)

(ii) Reconciliation of profit after income tax to net cash (used in) / provided by operating activities

	2013 $'000	2012 $'000
Profit after income tax	4,838	1,151
(Profit) on sale of intangibles	(660)	-
Depreciation and amortisation	793	765
Amounts set aside to provisions	(963)	(735)
Foreign exchange loss / (gain)	2,849	(29)
(Gain) on sale of investments	(4)	(1,411)
Unrealised losses on investments	358	3,699
Share of loss of equity accounted investments	509	540
(Gain) on distribution of assets held for distribution	(2,529)	-
Net cash provided by operating activities before change in assets and liabilities	**5,191**	**3,980**
Change in assets and liabilities during the financial year:		
Receivables	(11,764)	9,449
Deferred expenses	(1,692)	(1,382)
Accounts payable	(4,327)	12,390
Provision of goods and services tax payable	(50)	(97)
Provision for withholding tax payable	103	64
Provision for income tax	(641)	694
Outstanding claims	1,285	(16,495)
Unearned premiums	3,866	3,894
Deferred income tax	1,720	(834)
Assets held for distribution	-	(8,189)
Net cash provided by/(used in) operating activities	**(6,309)**	**3,474**

36 Financial risk management

The activities of the Group expose it to a variety of financial risks such as market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Board and senior management of the Group have developed, implemented and maintain a Risk Management Strategy ("RMS") which is discussed in more detail in Note 4. The Group's risk management framework recognises the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The key objectives of the Group's asset and liability management strategy are to ensure sufficient liquidity is maintained at all times to meet the group's obligations, including its settlement of insurance liabilities and, within these parameters, to optimise investment returns for policyholders and shareholders.

36 Financial risk management (continued)

(a) Market risk

(i) Currency risk

Currency risk is the risk of loss arising from an unfavourable move in market exchange rates. The Group is exposed to currency risk on its receivables and payables denominated in a currency other than Australian dollars.

Financial assets and liabilities donominated in foreign currency are summarised in Note 22. The sensitivity analysis of financial assets/liabilities to currency risk was not prepared because the Group was not exposed to significant currency risk as at 31 December 2013 or 31 December 2012.

(ii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate and currency risk). The Group is exposed to price or market value risk on its investment in fixed interest securities. To manage its price risk arising from these investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. The potential impact of movements in the market value of securities on the Group's statement of comprehensive income and statement of financial position is shown in Note 36(a)(iv).

(iii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk arising on interest bearing assets. Assets with floating rate interest expose the group to cash flow interest rate risk. Fixed interest rate assets expose the Group to fair value interest rate risk. The Group's strategy is to invest in high quality, liquid fixed interest securities and cash and to actively manage duration. The investment portfolios are actively managed to achieve a balance between cash flow interest rate risk and fair value interest rate risk bearing in mind the need to meet the liquidity requirements of the insurance business.

The Group is also exposed to interest rate risk arising from long-term interest bearing liabilities.

36 Financial risk management (continued)

(a) Market risk (continued)

(iv) Summarised sensitivity analysis

The impact from the measurement of the Group's interest bearing assets and liabilities held at the reporting date of a change in interest rates at reporting date by +1% or -1% on profit and equity is shown in the table below:

	Carrying amount $'000	Interest rate risk -1% Profit/equity $'000	Interest rate risk +1% Profit/equity $'000
2013			
Financial assets			
Investments	17,763	220	(220)
Financial liabilities			
Outstanding claims	63,202	(1,609)	1,780
Net amount	45,439	(1,389)	1,560
2012			
Financial assets			
Investments	18,318	374	(374)
Financial liabilities			
Outstanding claims	61,917	(1,648)	1,496
Net amount	**43,599**	**(1,274)**	**1,122**

The sensitivity analysis provided in the table demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. The sensitivity analysis does not take into consideration that the Group's assets and liabilities are actively managed and so assumes no action by the Group in response to movements in the factor. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs.

(b) Credit risk

Credit risk is the risk of loss from a counterparty failing to meet their financial obligations. The Group's credit risk arises predominantly from investment activities and reinsurance activities.

The Group has a Credit Quality Risk Management Strategy which is reviewed and approved by the Board annually. Other than with respect to premium receivables, the Group does not have any material exposure to individual clients or intermediaries which would materially impact the operating profit. In the event of non-payment of premium the Group has the right to cancel the policy issued.

The credit risk to reinsurers is managed through the Group having a pre-determined policy on the appropriate rating a reinsurer must have to participate in the reinsurance programme.

The Group's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statements of financial position.

36 Financial risk management (continued)

(b) Credit risk (continued)

The Group's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statements of financial position.

At balance date other than the following, the company had no significant concentrations of credit risk:

	2013 $'000	2012 $'000
National Australia Bank	31,074	35,034
Bendigo Bank	10,611	-
ING	10,502	-
Hannover Ruckversicherung AG	6,531	3,607
Cumulus Wines Pty Limited	5,726	5,202

Ageing of the Group's trade and other receivables, and reinsurance and other recoveries receivable are:

	Not yet due $'000	91-180 days $'000's	180+ days $'000's	Total past due but not impaired $'000	Past due and impaired $'000	Total $'000
2013						
Trade and other receivables	32,841	186	275	461	-	33,302
Reinsurance and other recoveries receivable	19,176	-	-	-	2,390	21,566
	52,017	**186**	**275**	**461**	**2,390**	**54,868**
2012						
Trade and other receivables	22,868	267	-	267	-	23,135
Reinsurance and other recoveries receivable	17,220	-	-	-	2,749	19,969
	40,596	**267**	**-**	**267**	**2,749**	**43,612**

36 Financial risk management (continued)

(b) Credit risk (continued)

Impaired reinsurance and other recoveries receivable and movement of allowance for impairments are:

	2013 $'000	2012 $'000
Impaired reinsurance and other recoveries before allowance for impairment	5,493	8,677
Less:		
Allowance for impairments at 1 January	(5,928)	(7,049)
Decrease in impairment recognised during the year	2,825	1,121
Allowance for impairments at 31 December	(3,103)	(5,928)
Impaired reinsurance and other recoveries after allowance for impairments	**2,390**	**2,749**

An allowance has been made against some reinsurance recoveries in view of the significant uncertainties as to whether the Group will eventually be able to recover them from the related third party reinsurers.

The credit risk relating to investments is monitored and assessed and maximum exposures are limited. The investments comprising assets held to back insurance liabilities are restricted to investment grade securities.

The table below provides information regarding the Group's credit risk exposure by classifying cash and investment assets according to the Standard & Poors (S&P) credit rating for each counterparty. AAA is the highest possible rating. As at 31 December 2013 and 2012 the Group did not hold any rated financial assets with an S&P credit rating below BBB.

	AAA $'000	AA $'000	A $'000	BBB $'000	Not rated $'000	Total $'000
2013						
Cash	-	13,045	-	-	2	13,047
Investments	3,285	50,074	12,328	543	7,680	73,910
Reinsurance and other recoveries receivable	92	16,482	2,998	-	1,994	21,566
	3,377	**79,601**	**15,326**	**543**	**9,676**	**108,523**
2012						
Cash	-	8,413	-	-	-	8,413
Investments	3,329	64,722	11,607	544	7,680	87,882
Reinsurance and other recoveries receivable	-	15,339	1,745	161	2,724	19,969
	3,329	**88,474**	**13,352**	**705**	**10,404**	**116,264**

36 Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is concerned with the risk of there being insufficient cash resources to meet payment obligations without affecting the daily operations or the financial condition of the Group.

Management of liquidity risk includes assets and liability management strategies. The assets held to back insurance liabilities consist of fixed interest securities and other very high quality securities which can generally be readily sold or exchanged for cash. The assets are managed so as to effectively match the maturity profile of the assets with the expected pattern of claims payments. The money market securities are restricted to investment grade securities with concentrations of investments managed as per the Investment mandate. Details of the Group's financial assets are provided in Note 15.

Maturity profiles

The table below summarises the maturity profile of the insurance liabilities of the Group based on the estimated timing of net cash outflows and the investments held by the Group.

The maturity profile is a key tool used in the investment of assets backing insurance liabilities in accordance with the policy of matching the maturity profile of the assets with the estimated pattern of claims payments.

	Up to a year $'000	1 – 3 years $'000	3 – 5 years $'000	More than 5 years $'000	Total $'000
2013					
Investments	48,516	18,045	2,669	4,680	73,910
Net discounted insurance liabilities	15,055	10,264	5,078	13,629	44,026
2012					
Investments	64,103	12,512	6,587	4,680	87,882
Net discounted insurance liabilities	13,970	12,629	6,314	11,748	44,661

(d) Net fair values

The Group's financial assets and liabilities are carried in the statement of financial position at amounts that approximate fair value.

The carrying amounts of all financial assets and liabilities are reviewed to ensure they are not in excess of the net fair value.

37 Parent entity disclosures

As at, and throughout, the financial year ending 31 December 2013 the parent entity of the Group was Assetinsure Holdings Pty Limited.

	2013 $'000	2012 $'000
Result of parent entity		
(Loss) for the year	(1,064)	(260)
Other comprehensive income	-	-
Total comprehensive income for the year	**(1,064)**	**(260)**
Financial position of parent entity at year end		
Current assets	4,375	12,809
Total assets	54,509	62,943
Current liabilities	13,988	2,761
Total liabilities	14,964	12,634
Total equity of the parent entity comprising of:		
Issued capital	21,000	21,000
Retained earnings	18,545	29,309
Total equity	**39,545**	**50,309**

Parent entity operating lease payment commitment

The future minimum lease payments under non-cancellable operating leases are as follows:

Less than one year	25	118
Between one and five years	-	25
More than five years	-	-
	25	**143**

38 Discontinued operations

In 2012 the Group committed to a restructuring plan involving the distribution of the equity shares held in subsidiary company, Assetsecure Pty Limited, and associate company, Cumulus Wines Pty Limited, to shareholders separating these entities from the Group.

On 10 May 2013 a new special purpose company, Cumulus Wines Holdings Pty Limited, was incorporated and on 28 May 2013 the Company's investment in Cumulus Wines Pty Limited was transferred to the new holding company. APRA approval was required for the distribution of the investment to shareholders. This was received on 16 May 2013. On 31 May 2013 the Company declared and paid a dividend of 34.76 cents per share to shareholders satisfied by the distribution of all of the shares held in Cumulus Wines Holdings Pty Limited at fair value. The fair value of the asset was assessed by Directors as at the date of distribution at $7,300,000. This transferred to shareholders the Company's remaining equity investment in Cumulus Wines Pty Limited.

On 21 August 2013 the Company declared and paid a dividend of 11.43 cents per share. The dividend was satisfied by the transfer of the Company's shareholding in Assetsecure Pty Limited at fair value. The fair value of the shares distributed was assessed by the Directors as at the date of distribution as being $2,400,000.

In 2012 Assetsecure Pty Limited's assets and liabilities along with the Group's investment in Cumulus Wines Pty Limited were presented as a disposal group held for distribution. Prior to its classification as held for distribution the shares in Cumulus Wines Pty Limited were held in investments and equity accounting was applied.

An impairment adjustment of $nil (2012 $3,394,000 loss) on the re-measurement of the disposal group to the lower of its carrying value and its fair value has been included in the "Profit / (Loss) after tax from discontinued operations" in the statement of comprehensive income.

	2013 $'000	2012 $'000
Results of discontinued operations		
Revenue	1,341	2,274
Expenses	1,884	2,046
Share of (loss) of associate	(509)	(540)
Results from operating activities	**(1,052)**	**(312)**
Tax benefit	130	101
Results from operating activities net of tax	**(922)**	**(211)**
Impairment adjustment on re-measurement of disposal group to fair value	-	(4,753)
Tax benefit on impairment adjustment	-	1,570
Realised gain on disposal of disposal group	2,942	-
Tax (expense) on disposal of disposal group	(742)	-
Profit / (Loss) for the year after tax	**1,278**	**(3,394)**

38 Discontinued operations (continued)

	2013 $'000	2012 $'000
Cash flows from (used in) discontinued operations		
Net cash provided by (used in) operating activities	306	(398)
Net cash from investing activities	-	-
Net cash from financing activities	101	727
Net cash flows for the year	**407**	**329**

At 31 December 2013, the disposal group comprised the following assets and liabilities:

Assets of disposal group held for distribution		
Assetsecure Pty Limited		
Cash and cash equivalents	-	531
Trade and other receivables	-	352
Property, plant and equipment	-	4
Intangible assets	-	371
Other assets	-	6
	-	1,264
Cumulus Wines Pty Limited		
Investment in associate company	-	12,053
Less impairment adjustment	-	(4,753)
Investment in associate company at fair value	-	7,300
	-	8,564
Liabilities of disposal group held for distribution		
Assetsecure Pty Limited		
Trade and other payables	-	108
Employee benefits	-	172
Current tax liabilities	-	37
Net deferred tax liabilities	-	58
	-	375

39 Contingencies

Bank guarantees have been provided on the Group's behalf to the lessors of its leased office premises in Sydney, Brisbane and Melbourne covering a portion of its obligations under the respective leases. The bank guarantees are secured by cash deposits at the issuing bank and amount to $862,206 in total (2012: $862,206).

40 Unexpired risk liability

The liability adequacy test (LAT) initially identified a surplus of each portfolio of contracts that are subject to broadly similar risks and are managed together as a single portfolio. After making allowance for the increase in premium liabilities necessary for surety claims flowing from the collapse of the Forge Group, an event which occurred subsequent to balance date (refer Note 41), the liability adequacy test identified a $670,000 deficit. Consequently, $670,000 of deferred acquisition expenses have been written off at the end of the year.

The LAT test has been calculated to achieve a Probability of Sufficiency ("PoS") consistent with the Outstanding Claim Liability discussed in Note 25.

For the purposes of the liability adequacy test, the present value of expected future cash flows for future claims including the risk margin for the entity of $16,260,000 (2012: $16,640,000) comprises the discounted central estimate including allowance for future claims handling expenses, policy administration expenses and reinsurance costs of $13,810,000 (2012: $14,570,000), and a risk margin of $2,450,000 (2012: $2,070,000).

41 Events subsequent to balance date

On 5 February 2014 the Company announced that its shareholders had entered into a binding agreement to sell all of the shares to Bermudan based Ironshore Inc. via its Australian subsidiary Ironshore Australia Holdings Pty Limited. The sale is subject to APRA approval and other customary closing conditions and is expected to complete in the second quarter of 2014. Ironshore Inc. has an AM Best "A" Excellent credit rating. Discussions have commenced with AM Best regarding making this rating available to the Group.

On 11 February 2014 the Forge Group went into receivership. At the time the Group had a gross exposure for reinsurance provided on surety bonds issued on the Forge Group's behalf amounting to $10,925,341 before retrocession recoveries and $4,565,068 net after retrocession. This included $3,112,324 of gross exposure relating to bonds issued subsequent to balance date.

In February 2014 bond calls were received and paid amounting to $9,968,122. The full impact of the Group's exposure on bonds issued prior to balance date has been reflected in the assessment of the present value of future cash flows in the valuation of insurance liabilities as at 31 December 2013. The increase in future cash flows results in a $670,000 LAT test deficit (refer Note 40). This Forge Group claim will also result in a $614,650 reduction in profit commission income for the surety agency activity. This has also been recognised in the statement of comprehensive income for the year.

There are no material events occurring after balance date that the Group is aware of as at the date of this report.

Assetinsure Holdings Pty Limited and its Controlled Entities

Directors' declaration

In the opinion of the Directors of Assetinsure Pty Limited ("the Company"):

(a) the consolidated financial statements and notes, set out on pages 6 to 68, are in accordance with the Corporations Act 2001, including:

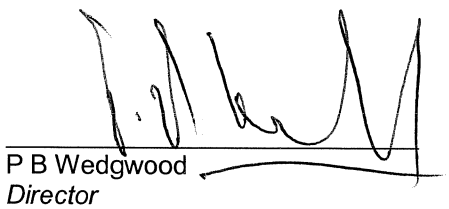
(i) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the financial year ended on that date; and

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

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) The Directors draw attention to Note 1(a) to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



P B Wedgwood
Director

Dated at Sydney this 26th day of March 2014.

KPMG

Independent auditor's report to the members of Assetinsure Holdings Pty Limited

Report on the financial report

We have audited the accompanying financial report of Assetinsure Holdings Pty Limited (the Company), which comprises the consolidated statements of financial position as at 31 December 2013, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 41 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company and the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Group 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 is free from material misstatement whether due to fraud or error. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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. These Auditing 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of their performance.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Assetinsure Holdings Pty Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position as at 31 December 2013 and of their performance for the year ended on that date; and

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

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in Note 1.

KPMG

KPMG

Andrew Reeves
Partner

Sydney

26 March 2014