acs claims services

ACS (NZ) Limited

Company Number: 115156

Annual Report for the financial year ended 31 December 2022

Contents

Directors' Report

The Directors of ACS (NZ) Limited (ACS) (the Company) submit their Annual Report including the Annual Financial Statements for the year ended 31 December 2022 and the Independent Auditor's Report thereon. In order to comply with the provisions of the *Companies Act 1993*, the Directors report as follows:

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

David Harrison FNZIM Chairperson and Non-executive Director	David has extensive experience in insurance. He is the former Chairperson and Chief Executive of Marsh Limited in New Zealand and the Pacific Islands and a member of the international team of Managing Directors, Chairperson of Aviation and Marine Underwriting Agency Limited, and has extensive interest at board level in the Charitable and Not for Profit sectors. David is a Director and 50% shareholder of Canterbury Earthquake Church and Heritage Trustee Limited which as Trustee owns 100% of the ordinary share capital of the Company.
Warren Hutcheon MBA, GAICD, Fellow ANZIIF (CIP) Executive Director	Warren was appointed Chief Executive Officer on 26 February 2018 and as Executive Director on 12 November 2018. Warren is the Chief Executive Officer and Executive Director of Ansvar Insurance Limited in Australia. Prior to joining Ansvar Insurance Limited he was the Chief Executive Officer of the Victorian Managed Insurance Authority, the risk and insurance advisor to the Victorian Government in Australia. Warren has over 30 years' experience in risk and insurance. He has held senior management positions in underwriting, claims, operational management, strategy and organisational change. Warren is an active supporter of the Australian insurance industry and served as Chairperson of the Australian and New Zealand Institute of Insurance and Finance (ANZIIF) General Insurance Faculty Advisory Board.
Bruce Harris CA, CPA, ICSA, AGIA Non-executive Director	Bruce was appointed to the Board in 2011. He is a former Executive Director of CGU Insurance Limited with experience in financial management, strategy, governance, compliance and risk management. He is also a former Executive Officer of Ridley College and a former Director of Ansvar Insurance Limited and Arrow Leadership Australia Limited. Bruce currently serves on several Not for Profit committees. Bruce is a Director and 50% shareholder of Canterbury Earthquake Church and Heritage Trustee Limited. Bruce is the Chairperson of the Audit, Risk and Compliance Committee.

As at the date of this report, the Directors held no direct interests in the shares and options of the Company.

Principal activities

ACS' principal activity is the run-off of claims which primarily relate to the devastating earthquakes in New Zealand in 2010 and 2011. ACS operates under its provisional license as permitted by the Reserve Bank of New Zealand (RBNZ).

As part of ensuring a fair, managed process for finalising all outstanding claims, ACS began operating under a Contingent Scheme of Arrangement (the Scheme) with effect from 20 June 2012. The Scheme was implemented to protect the interests of claimants, and is part of the Company's commitment to ensuring as fast and efficient a claims settlement process as possible. It means that, under certain circumstances such as the Company becoming insolvent, certain procedures for managing the Company and settling claims would be followed. The Board of Directors holds the view that this will result in better outcomes for claimants, who are called Creditors under the Scheme, than the alternative, which would be to go into liquidation. The Company is currently in an Initial Scheme Period, meaning it is continuing normal day to day operations. If the Scheme is triggered, ACS will write to creditors to advise them of the implications.

Canterbury Earthquake Church and Heritage Trustee Limited, a company domiciled in New Zealand, as Trustee became the sole ordinary shareholder of ACS on 15 May 2012. From that date, its former holding companies, Benefact Trust Limited, Ecclesiastical Insurance Office Plc and Ansvar Insurance Limited no longer controlled ACS. In accordance with a management services agreement, Ansvar Insurance Limited, domiciled in Australia, provides certain management services to ACS.

Directors' Report

Review of operations
ACS generated a loss before income taxation of $339,788 during the financial year ended 31 December 2022 (2021 profit: $63,160). The key drivers of the loss were net claims incurred adverse development of $1,238,151 offset by a favourable impact from the Management Services Fee of $860,351 due to the extension of the forecast winding up date to 30 June 2029 (2021: 31 December 2022) and interest income of $236,070.

At 31 December 2022 ACS' RBNZ Solvency Capital was $8,316,495 (2021: $8,656,283) which was $5,316,495 (2021: $5,656,283) greater than the RBNZ Minimum Solvency Capital requirement of $3,000,000 (2021: $3,000,000) resulting in a Solvency Margin of 277% (2021: 289%).

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

Dividends
The Board of Directors has resolved that no dividend be paid or payable in respect of the financial year ended 31 December 2022 (2021: Nil).

Auditors
In terms of the *Companies Act 1993*, Deloitte Touche Tohmatsu is to continue in office as the Company's auditors.

Section 211 disclosure
The shareholder of the Company has exercised its right under section 211(3) of the *Companies Act 1993* and agreed that this Annual Report need not comply with paragraphs (a) and (e) to (h) of section 211(1) of the *Companies Act 1993*.

On behalf of the Board of Directors:

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D J Harrison	**B G Harris**
Chairperson	Director

27 April 2023

Independent Auditor's Report to the Shareholders of ACS (NZ) Limited

Opinion

We have audited the financial statements of ACS (NZ) Limited (the "Entity") which comprise the balance sheet as at 31 December 2022, and the comprehensive operating statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 10 to 25.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Entity's financial position as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Entity in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)(IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other than in our capacity as independent auditor and the provision of assurance services relating to the solvency return, we have no relationship with or interests in ACS (NZ) Limited or any of its subsidiaries, except that partners and employees of our firm deal with ACS (NZ) Limited on normal terms within the ordinary course of trading activities of the business of ACS (NZ) Limited. These services have not impaired our independence as auditor of the Entity.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Actuarial Valuations As at 31 December 2022 the Entity's gross claims liabilities were NZ$2,860,109 calculated on the basis of recognised actuarial assumptions and methods, as disclosed in note 3.	In conjunction with our actuarial specialists our procedures included, but were not limited to: • Evaluating the appropriateness of the valuation methodology, valuation processes and valuation models with respect to actuarial standards;

Deloitte.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Significant management judgement is involved, including assumptions that have been identified as having high estimation uncertainty and include:
Appropriateness of assumptions used in the valuations, especially in respect of the Entity vs market experience;
Appropriateness of allowances for discretions and professional judgement; and
Completeness and accuracy of data used for the valuation models.</td><td>Comparing valuation assumptions (discount rate, number of incurred but not reported claims, average claim size, weighted average term to settlement, claims handling expense allowance and risk margin) to other sources of assumptions for reasonableness;
Discussing with the Appointed Actuary and Management and reviewing documentation of model integrity checks and other documented data checks produced by the Entity;
Reviewing the rationale and impact for changes in assumptions and model changes during the year; and
Assessing the appropriateness of the disclosures in notes 3 and 15 to the financial statements.</td></tr>
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Other Information

The directors on behalf of the Entity are responsible for the other information. The other information comprises the information included in the Entity's annual report for the year ended 31 December 2022, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Entity are responsible on behalf of the Entity for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards (IFRS), and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible on behalf of the Entity for assessing the ability of the Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

The engagement partner on the audit resulting in this independent auditor's report is David Gaudreault.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Gaudreault

David Gaudreault
Partner
Chartered Accountants
Sydney, Australia, 27 April 2023

Comprehensive Operating Statement
For the financial year ended 31 December 2022

	Note	2022 $	2021 $
Gross claims incurred	6	(633,533)	(147,726)
Reinsurance recoveries	6	3,310	60,381
Unallocated claims expenses	6	(607,928)	213,933
Net claims incurred	6	**(1,238,151)**	**126,588**
Legal and Consultants' Fees – Winding Up		-	(128,108)
Management services fee	14	860,350	(15,942)
Underwriting result		**(377,801)**	**(17,462)**
Administration expenses		(198,057)	-
Interest income		236,070	80,622
Profit/(loss) before income taxation	5	**(339,788)**	**63,160**
Income taxation	9	-	-
Profit/(loss) after income taxation		**(339,788)**	**63,160**
Other comprehensive income		-	-
Comprehensive result		**(339,788)**	**63,160**

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

Balance Sheet
As at 31 December 2022

	Note	2022 $	2021 $
Assets			
Cash and cash equivalents	10	13,366,842	13,665,357
Trade and other receivables	11	31,569	31,849
Reinsurers' share of gross claims liabilities	12,15	-	19,364
Total assets		**13,398,411**	**13,716,570**
Liabilities			
Trade and other payables	13	172,220	187,541
Provisions	14	2,049,587	2,909,937
Gross claims liabilities	15	2,860,109	1,962,809
Total liabilities		**5,081,916**	**5,060,287**
Net assets		**8,316,495**	**8,656,283**
Equity			
Share capital	16	33,000,001	33,000,001
Accumulated loss		(24,683,506)	(24,343,718)
Total equity		**8,316,495**	**8,656,283**

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

For and on behalf of the Board of Directors, who authorised the issue of these Financial Statements on 27 April 2023:

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D J Harrison
Chairperson

B G Harris
Director

27 April 2023

Statement of Changes in Equity
For the financial year ended 31 December 2022

	Share capital $	Accumulated loss $	Total $
Balance at 31 December 2020	**33,000,001**	**(24,406,878)**	**8,593,123**
Comprehensive result for the year	-	63,160	63,160
Balance at 31 December 2021	**33,000,001**	**(24,343,718)**	**8,656,283**
Comprehensive result for the year	-	(339,788)	(339,788)
Balance at 31 December 2022	**33,000,001**	**(24,683,506)**	**8,316,495**

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

Cash Flow Statement
For the financial year ended 31 December 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Gross claims paid		(313,260)	(908,168)
Reinsurance recoveries (paid)/received		(23,268)	546,151
Administration expenses		(198,057)	(128,108)
Interest received		236,070	80,622
Net cash outflow from operating activities	22	**(298,515)**	**(409,503)**
Cash and cash equivalents at beginning of year		13,665,357	14,074,860
Cash and cash equivalents at end of year	10	**13,366,842**	**13,665,357**

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

Notes to the Financial Statements
For the financial year ended 31 December 2022

1. Significant accounting policies

Statement of compliance
The financial report is a general purpose financial report which has been prepared in accordance with the *Financial Reporting Act 2013* and the *Financial Markets Conduct Act 2013*. On 1 January 2013 the Company became an issuer as required by the *Insurance (Prudential Supervision) Act 2010*. On 1 April 2014 the Company became a Financial Markets Conduct reporting entity under the *Financial Markets Conduct Act 2013* and its first balance sheet date as a Financial Markets Conduct reporting entity was 31 December 2015.

The financial report has been prepared in accordance with New Zealand Generally Accepted Accounting Practice. The financial report also complies with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other authoritative pronouncements of the New Zealand Accounting Standards Board, as appropriate for profit oriented entities. The financial report also complies with International Financial Reporting Standards.

The Company cancelled all insurance policies and ceased writing new business with effect from 31 December 2011. From 1 January 2012 the Company has operated as a claims management business and changed its name to ACS (NZ) Limited on 1 February 2012.

The financial statements of the Company for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 27 April 2023.

Basis of preparation
The financial report has been prepared on a historical cost basis, except for net claims liabilities which have been measured in accordance with *NZ IFRS Insurance Contracts*.

All amounts are presented in New Zealand Dollars.

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

These financial statements are prepared on a going concern basis as the Company expects to be able to pay its debts as they fall due. The Company's level of capital exceeds the requirements of the Reserve Bank of New Zealand.

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

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

(b) Reinsurance premium incurred
Premium ceded to reinsurers is recognised as an expense in accordance with the indemnity period of the corresponding reinsurance contract.

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

Gross claims liabilities are measured as the present value of the expected future claim payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as inflation. The expected future payments are discounted to present value at the balance sheet date using risk free discount rates.

Notes to the Financial Statements
For the financial year ended 31 December 2022

1. Significant accounting policies (continued)

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

The reinsurers' share of gross claims liabilities is actuarially assessed in a manner similar to the assessment of gross claims liabilities and is measured as the present value of the expected future receipts, calculated on the same basis as the gross claims liabilities [refer to Note 1(c)].

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

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

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

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

In principle deferred taxation liabilities are recognised for all taxable temporary differences. Deferred taxation assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused taxation losses and taxation offsets can be utilised. However, deferred taxation assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities, other than as a result of a business combination, which does not affect either taxable income or accounting profit before income taxation.

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

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

1. Significant accounting policies (continued)

(h) Goods and Services Taxation
Income, expenses, assets and liabilities are recognised net of Goods and Services Taxation (GST) except:

- Where the amount of GST incurred is not recoverable from Inland Revenue.
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from or payable to Inland Revenue is included as part of receivables or payables.

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

(i) Financial instruments issued by the Company
Debt and equity instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

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

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

(j) Impairment of non-financial assets
At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

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

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

(k) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Balance Sheet.

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

Notes to the Financial Statements
For the financial year ended 31 December 2022

1. Significant accounting policies (continued)

(l) Receivables
Trade receivables represent receivables associated with claims and reinsurance recoveries. All other receivables are classified as non-trade receivables.

Receivables are stated at the amounts to be received in the future, less any allowance for expected credit losses. The amounts are discounted where the effect of the time value of money is material. The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is made based on objective evidence and with regard to past default experience. The impairment charge is recognised in the Comprehensive Operating Statement. Receivables which are known to be uncollectible are written off.

Receivables are non-interest bearing and are normally settled between 30 days and 12 months. The net carrying amount of receivables is a reasonable approximation of the fair value of the assets due to the short term nature of the assets.

(m) Trade and other payables
Trade payables represent payables associated with reinsurance premium and claims. All other payables are classified as non-trade payables.

Trade and other payables are measured at amortised cost using the effective interest method. Payables are recognised when the Company becomes obliged to make these payments. The amounts are discounted where the effect of the time value of money is material.

Trade and other payables are non-interest bearing and normally settled within 12 months.

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

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

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

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

(o) Accounting Standards adopted
All mandatory Standards, Amendments and Interpretations have been adopted in the current year. None had a material impact on these financial statements.

(p) New Accounting Standards and Interpretations

Accounting Standards not yet effective
At the date of authorisation of these financial statements, certain new Accounting Standards, Amendments and Interpretations to existing Accounting Standards have been published but are not yet effective and have not been early adopted by the Company.

Standard	Summary	Application date of Standard	Note	Application date for Company
NZ IFRS 17	*NZ IFRS 17 Insurance Contracts* *NZ IFRS 17* replaces *NZ IFRS 4 Insurance Contracts* and establishes the principles for recognition, measurement, presentation and disclosure of insurance contracts. *NZ IFRS 17* applies to all types of insurance contracts, i.e., life, non-life, direct	1 January 2023	A	1 January 2023

	insurance and reinsurance, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of *NZ IFRS 17* is the General (building block) Model supplemented by: • A specific adaptation for contracts with direct participation features (Variable Fee Approach). • A simplified approach mainly for short duration contracts (Premium Allocation Approach). The main features of the new accounting model for insurance contracts are: • A measurement of the present value of future cash flows, incorporating an explicit risk adjustment for non-financial risk, remeasured every reporting period, i.e., the fulfilment cash flows. • A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contract to be recognised in profit or loss over the service period (i.e., the coverage period). • Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contract service period. • The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice *Impact on the Company* *NZ IFRS 17* requires the application of new measurement models and extensive changes to presentation and disclosure. There is both a 'base' method (the General Measurement Method) and 'simplified' method (the Premium Allocation Approach) (PAA) that general insurers may use for measurement and presentation. The simplified approach may be used under specific circumstances and has many similarities to the approach applied under *NZ IFRS 4*. The impact on ACS is expected to be limited given the Company is not writing or entering into new insurance contracts and its principal activity is the run-off of claims relating to earthquake insurance cover provided in New Zealand. *NZ IFRS 17* has been evolving the Company continues to develop its policies and processes in consultation with its Appointed Actuary Key areas considered in the initial impact assessment include: • The net claim liabilities will be assessed on *NZ IFRS17* basis. • The presentation and disclosure in the Company's financial statements will change substantially as a result of adopting *NZ IFRS 17*. The requirements of *NZ IFRS 17* are complex and subject to change as the implementation progresses and as ACS continues to analyse the impacts of the standard and recent amendments. Market developments will also continue to be monitored in order to assess the impact of evolving interpretations and other changes. The financial impact on ACS of adopting *NZ IFRS 17* remains subject to uncertainty at the date of this report. *Transition* *NZ IFRS 17* will be applied retrospectively to all of ACS's insurance contracts on transition except to the extent that it is impracticable to do so, in which case either a modified retrospective or fair value approach may be applied. ACS will complete an assessment on the expected transition approach in the coming months. *Implementation* ACS has undertaken an initial impact assessment which has identified the expected key areas of impact. Accounting guidance and application methodologies have been developed and progress continues on the design and implementation of the changes required to the Company's financial reports. Having concluded on the methodology decisions in relation to the areas of judgement described above and the development and testing of actuarial			

	models, the implementation is currently focused on the consideration of the changes required to ACS's finance systems and reporting processes and determining the financial impact on adoption.			

Note:
A. Details of the impact are still being assessed.

2. Critical accounting judgements, assumptions and estimates

In the application of the Company's accounting policies outlined in Note 1 management is required to make judgements, assumptions and estimates about carrying values of assets and liabilities that are not readily apparent from other sources. The assumptions and estimates are based on historical experience and various other factors that are viewed as reasonable under the circumstances and are reviewed on a regular basis.

The estimation of the ultimate liability arising from claims made under general insurance contracts is a critical accounting estimate. There are various sources of uncertainty as to how much the Company will ultimately pay with regard to such contracts. There is uncertainty as to the total number of claims made on each class of insurance, the amounts that such claims will be settled for and the timing of any claim payments. Refer to Note 3 for details of the actuarial assumptions used in determining the net claims liabilities.

The assessment of the recovery of reinsurance assets is a critical accounting estimate. There have been no defaults or non-recoverable reinsurance receivables to date. The Company reviews the carrying amounts of its reinsurance assets for impairment at each balance sheet date.

The discount rate used and estimate of the fee payable to Ansvar Insurance Limited in relation to the provision of management services is a critical accounting estimate. The management services fee is only payable once the Company has settled all claims against it and to the extent it has surplus capital in excess of $8 million. Refer to Note 14 for further details.

Revisions to accounting estimates are recognised in the financial year in which the estimate is revised.

3. Actuarial assumptions and methods

Actuarial information
Mr. John Smeed, Fellow of the Institute of Actuaries of Australia and Fellow of the New Zealand Society of Actuaries, of Finity Consulting Pty Limited is the Appointed Actuary of the Company. The actuarial valuation of the net claims liabilities at 31 December 2022 is compliant with the New Zealand Society of Actuaries *Professional Standard 30 Valuation of General Insurance Claims*. Mr. Smeed was satisfied with the nature, sufficiency and accuracy of the data used in the actuarial valuation of the net claims liabilities at 31 December 2022 and there were no qualifications contained in the Insurance Liabilities Valuation Report.

Notes to the Financial Statements
For the financial year ended 31 December 2022

Actuarial assumptions and methods (continued)

(a) Assumptions
The following assumptions have been made or are implied in determining the net claims liabilities which are short tail in nature:

	2022	**2021**
Discount rate	4.85%	0.00%
Number of incurred but not reported claims – new claims	8	9
Average claim size – new claims	$85,000	$75,000
Number of incurred but not reported claims – reopened claims	8	5
Average claim size – reopened claims	$17,000	$15,000
Weighted average term to settlement (years)	1.33	0.74
Discounted mean term (years)	1.27	0.74
Claim handling expense rate as a % of gross claims liabilities	48.58%	32.78%
Risk margin as a % of net claims liabilities	40.00%	60.00%
Expected wind-up date	30 June 2029	31 December 2022

(b) Processes used to determine assumptions
The net claims liabilities are calculated using assumptions including the following:

Claims inflation rate and superimposed inflation rate
No explicit allowance has been made for inflation or superimposed inflation. The average claim size assumptions for future reported claims have been set at a level above the settlement costs of recently reported claims.

Discount rate
The discount rate is appropriate for the mean term of expected future claims payments.

Number of incurred but not reported claims
The number of incurred but not reported claims is calculated based on past experience of claim notification patterns and information on the changes in the profile of risk over time.

Average claim size
The estimated average claim size is based primarily on historical experience.

Weighted average term to settlement
The weighted average term to settlement is calculated based on recent settlement patterns of historic and recently reported claims.

Claims handling expense allowance
The Company is responsible for the ongoing management of all claims incurred on or before 31 December 2022. To reflect this expense an allowance has been added to the central estimate of the gross claims liabilities. This claims handling expense allowance has been calculated using projected claims handling expenses discounted back to present value at the same discount rate as the gross claims liabilities.

Risk margin
A risk margin at a 75% probability of sufficiency has been used to determine the net claims liabilities at 31 December 2022 (2021: 75%). For earthquake claims an analysis of the variability of individual claim sizes was used as a basis for calculating the risk margin while for non-earthquake claims a standard methodology analysing valuation class variability was used.

Notes to the Financial Statements
For the financial year ended 31 December 2022

Actuarial assumptions and methods (continued)

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

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

		Impact net of recoveries	
		2022	2021
Variable	Movement in variable	$	$
Discount rate	+1.0%	(38,825)	(13,131)
	-1.0%	40,083	13,356
Number of incurred but not reported claims – new claims	+5	595,000	600,000
	-5	(595,000)	(600,000)
Average claim size – new claims	+$25,000	280,000	360,000
	-$25,000	(280,000)	(360,000)
Claims handling expense rate	+5.0%	73,735	46,467
	-5.0%	(73,735)	(46,467)
Risk margin	+5.0%	69,335	45,499
	-5.0%	(69,335)	(45,499)

4. Risk management

The financial condition and operation of the Company are affected by a range of governance, financial and operational risk exposures.

The Board of Directors and management recognise the importance of contemporary risk management in ensuring the Company's financial position is maintained.

The Company has embedded a Risk Management Programme in accordance with the *Insurance (Prudential Supervision) Act 2010*. The Risk Management Programme supports the achievement of strategic and operational goals through the early identification and management of risks. It comprises three core components:
- Risk Management Policy – sets out roles and responsibilities, risk appetite and governance arrangements.
- Risk Management Procedure – details the processes for assessing, mitigating, monitoring and reporting financial and non-financial risk exposures.
- Risk Profile and Risk Management Strategy – defines key risk exposures and associated mitigation strategies.

The overarching strategy for mitigating risks includes:
- Maintaining robust information systems to provide timely access to business information for monitoring the Company's performance and risk exposures.
- Close monitoring of claims movement and management, including regular engagement with the Earthquake Commission.
- Actuarial modelling and analysis to provide early warning of changes in risk exposures.
- Ongoing monitoring, management and reporting of the Company's cash flow position and capital adequacy.
- A framework for ensuring compliance obligations are met.

The Board of Directors sets the tone by leading a culture of risk awareness, transparency and accountability. This commitment is reflected in the active oversight of and engagement in the Risk Management Programme. Progress in the management of governance, financial and operational risks is reported at each Audit, Risk and Compliance Committee meeting where Directors have the opportunity to challenge management's approach to assessing and mitigating risks.

4. Risk management (continued)

(a) Governance risk
Governance risks are events or circumstances that could have a material impact on the achievement of the Company's Corporate Plan and Budget. Typically, these exposures arise from changes in the business environment or corporate governance arrangements.

Key controls for managing governance risks include scenario analysis, environmental scanning and ongoing engagement with regulators and other stakeholders. Identification and management of governance risks is a core component of the Board's planning and reporting cycle.

The Company maintains a Compliance Register for managing its legal and regulatory obligations which are monitored and reported on at each Audit, Risk and Compliance Committee meeting.

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

Financial risks include:
- Market risk – a weakened financial position as a result of changes in market conditions, such as equity prices, interest rates and commodity prices. Market risk incorporates interest rate risk, currency risk and price risk.
- Liquidity risk – the Company is unable to liquidate assets to settle its financial obligations when they fall due. Refer to Note 17(e) for details on how the Company manages its liquidity risk.
- Credit risk – the Company's liquidity may be impacted by the timeliness of payments received from reinsurers or other debtors. This may arise from counterparty default risk or market concentration risk.
- Currency risk – arises from the change in price of one currency against another when transactions involve foreign currency.

Interest rate risk and currency risk
None of the financial assets or financial liabilities arising from insurance or reinsurance contracts entered into by the Company is directly exposed to interest rate risk. Exposure is closely monitored and assets and liabilities are appropriately matched in terms of currency.

Credit risk
The Company is exposed to credit risk mainly through its holding of cash and cash equivalents and reinsurance receivables. The Company actively monitors the credit ratings and payment history of its reinsurers to ensure there are no significant exposures that require immediate attention and action. There have been no defaults or non-recoverable reinsurance receivables to date.

The Company has placed a high emphasis on only dealing with reinsurance counterparties with the appropriate credit standing and capacity to meet their obligations under the respective reinsurance contracts. The reinsurance programmes are structured so as to ensure that there are no concentrations of credit risk which would create large exposures or detract from diversification benefits.

Refer to Note 17(d) for details of the Company's credit risk exposure.

Capital management

Capital management plays a central role in managing risk to protect the interests of the Company's policyholders and shareholder and to satisfy the regulator. The Board of Directors and management are committed to ensuring that capital is effectively managed. The Company monitors its capital position on a continuous basis to ensure that its level of capital remains above the Minimum Solvency Capital required by the Reserve Bank of New Zealand.

Terms and conditions of general insurance contracts
There are no special terms and conditions in any non-standard general insurance contracts that have a material impact on the financial statements.

(c) Operational risk
Operational risk is the risk of losses resulting from inadequate or failed internal systems and processes or gaps in workforce capability or capacity.

The Company maintains a suite of policies and resources for managing operational activities.

Notes to the Financial Statements
For the financial year ended 31 December 2022

5. Profit before income taxation

	2022 $	2021 $
Profit before income taxation is stated after charging:		
Employee entitlements	-	5,803

6. Net claims incurred

	2022 $	2021 $
Gross claims incurred		
Undiscounted	(840,993)	147,726
Discount movement	207,460	-
Unallocated claims expenses	(607,928)	(213,933)
	(1,241,461)	**(66,207)**
Reinsurance recoveries		
Undiscounted	3,310	(60,381)
	3,310	**(60,381)**
Net claims incurred	**(1,238,151)**	**(126,588)**

7. Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company. The Chief Executive Officer of the Company, Mr. Warren Hutcheon, was Chief Executive Officer and Executive Director of Ansvar Insurance Limited during 2021-22 and received no remuneration from the Company during such period. Directors' fees incurred during the financial year amounted to $82,750 (2021: $82,750).

8. Remuneration of auditors

	2022 $	2021 $
Audit of financial statements	43,323	38,853
Other services (i)	6,160	5,944
	49,483	**44,797**

(i) Includes engagements required by regulator.

9. Income taxation

The Company's income taxation losses relating to prior periods were forfeited on 15 May 2012 due to the change in the Company's shareholder from Ansvar Insurance Limited to Canterbury Earthquake Church and Heritage Trustee Limited. The Company had an assessable loss of $21,621,414 at 31 December 2022 (2021: $20,505,798) and unrecognised deferred taxation assets relating to income taxation losses of $6,053,996 at 31 December 2022 (2021: $5,741,623). Deferred taxation assets are not recognised as the Company does not anticipate generating sufficient taxable income in the future to allow these deferred taxation assets to be utilised.

10. Cash and cash equivalents

	2022 $	2021 $
Cash at bank	208,968	249,698
Short term deposits	13,157,874	13,415,659
Total cash and cash equivalents	**13,366,842**	**13,665,357**

11. Trade and other receivables

	2022 $	2021 $
Reinsurance receivables	14,252	-
Goods and Services Taxation	1,648	16,481
Prepaid expenses	15,669	15,368
Total trade and other receivables	**31,569**	**31,849**

Notes to the Financial Statements
For the financial year ended 31 December 2022

12. Reinsurers' share of gross claims liabilities

	2022 $	2021 $
Current		
Undiscounted central estimate of reinsurers' share of gross claims liabilities		
Reported claims	-	19,364
Total reinsurers' share of gross claims liabilities	**-**	**19,364**

In March 2012 the Company entered into a commercially priced arms length reinsurance arrangement with Ecclesiastical Insurance Office Plc whereby the latter provided a fixed maximum upper limit Property catastrophe excess of loss reinsurance contract in respect of the February 2011 earthquake event.

Almost all of the Company's claims liabilities are from earthquakes that occurred between September 2010 and December 2011. In assessing the projected payment pattern of these claims, payments to date have been benchmarked against other earthquake events and then projected forward.

13. Trade and other payables

Reinsurance payables	-	31,690
Sundry creditors and accruals	165,715	149,244
Amount owing to Ansvar Insurance Limited	6,505	6,607
Total trade and other payables	**172,220**	**187,541**

14. Provisions

	Employee benefits $	Management services fee $	Total $
Balance at 31 December 2020	**11,596**	**2,893,995**	**2,905,591**
Provision utilised during the year	(11,596)	-	(11,596)
Discount to present value	-	15,942	15,942
Balance at 31 December 2021	**-**	**2,909,937**	**2,909,937**
Provision utilised during the year	-	-	-
Discount to present value	-	(860,350)	(860,350)
Balance at 31 December 2022	**-**	**2,049,587**	**2,049,587**
Non-current	-	3,000,000	3,000,000
Discount to present value	-	(950,413)	(950,413)
Balance at 31 December 2022	**-**	**2,049,587**	**2,049,587**

The Company signed a management services agreement with Ansvar Insurance Limited with effect from 30 June 2012 under which Ansvar Insurance Limited provides certain management services to the Company. A performance based management fee of up to $3 million may be payable to Ansvar Insurance Limited once the Company has settled all claims against it to the extent it has surplus capital in excess of $8 million. The Company recognised a provision of $2,049,587 at 31 December 2022 (2021: $2,909,937) representing the present value of the management services fee payable. The projected payment date of the management services fee is 30 June 2029 which is in line with the projected wind-up date of 30 June 2029 (2021: 31 December 2022) following the projected ultimate final claim payment date of 31 December 2026 (2021: 31 December 2022). The estimated settlement date of all claims has been reassessed during the year and is changed to 30 June 2029 from 31 December 2022. The provision is carried at the discounted present value The movement in the provision is recognised as an expense in the Comprehensive Operating Statement.

The above item is classed as a provision rather than an accrual because of the inherent uncertainty surrounding its ultimate value.

Notes to the Financial Statements
For the financial year ended 31 December 2022

15. Claims liabilities

	2022 $	2021 $
Undiscounted central estimate of gross claims liabilities		
Reported claims	568,705	154,795
Incurred but not reported claims	906,000	774,542
Claims handling expenses	716,416	304,680
Risk margin	876,448	728,792
Discount to present value	(207,460)	-
Total gross claims liabilities	**2,860,109**	**1,962,809**
Current	1,545,151	1,191,825
1-5 years	1,522,418	770,984
Discount to present value	(207,460)	-
Total gross claims liabilities	**2,860,109**	**1,962,809**

Reconciliation of movement in claims liabilities

	2022			2021		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
At beginning of year	**1,962,809**	**(19,364)**	**1,943,445**	**2,921,625**	**(446,419)**	**2,475,206**
Movement in claims liabilities	1,272,222	(3,310)	1,268,911	(349,391)	(60,302)	(409,693)
Claim payments during the year	(167,462)	22,764	(144,787)	(609,425)	487,357	(122,068)
Discount to present value	(207,460)	-	(207,460)	-	-	-
At end of year	**2,860,109**	**-**	**2,860,109**	**1,962,809**	**(19,364)**	**1,943,445**

16. Share capital

	2022 $	2021 $
Ordinary share capital – 33,200,000 shares	33,000,000	33,000,000
Special share capital – 1 share	1	1
Total issued share capital	**33,000,001**	**33,000,001**

Canterbury Earthquake Church and Heritage Trustee Limited as Trustee owned 100% of the ordinary share capital of the Company at 31 December 2022 (2021: 100%). Ecclesiastical Insurance Office Plc owned one special share at 31 December 2022 (2021: one). Mr. Harrison and Mr. Harris each owned 50% of the ordinary share capital of Canterbury Earthquake Church and Heritage Trustee Limited at 31 December 2021 and 31 December 2022

Ordinary shares carry the right to dividends and have one vote per share with equal voting rights. The special share gives Ecclesiastical Insurance Office Plc the right to appoint, replace or remove one Director of the Company.

17. Financial instruments

(a) Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

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

17. Financial instruments (continued)

(b) Financial risk management objectives (continued)
The Company has assessed the effectiveness of the controls in place to mitigate the risks and implemented appropriate policies for managing these risks. In order to establish the parameters within which risk must be managed, the Company has also developed a Risk Appetite Statement. Both the risk policies and Risk Appetite Statement are subject to annual review to ensure that they reflect the changing risk profile of the business.

(c) Categories of financial instruments
Financial assets are classified in one of the following categories at initial recognition:

- Receivables – measured initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method.
- Fair value through profit or loss – financial assets are measured at fair value with movements recognised in the Comprehensive Operating Statement.

Financial liabilities are measured at amortised cost using the effective interest method.

The carrying value of financial assets and financial liabilities closely approximate their fair value.

	Note	2022 $	2021 $
Financial assets			
Cash and cash equivalents	10	13,366,842	13,665,357
Trade and other receivables	11	15,900	16,481
Financial liabilities			
Trade and other payables	13	172,220	187,541

(d) Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The policies and procedures in place to mitigate the Company's exposure to credit risk are described in Note 4.

The Company actively monitors the credit ratings and payment history of its reinsurers to ensure there is no significant exposure that requires immediate attention and action. There have been no defaults or non-recoverable reinsurance receivables to date.

The table below discloses the maximum exposure to credit risk for the relevant components of the financial assets and the Standard & Poor's credit rating of the respective counterparties. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or taking account of the value of any collateral or other security obtained.

	Note	AA+/AA- $	Not rated $	Total $
2022				
Cash and cash equivalents	10	13,366,842	-	13,366,842
Reinsurance Receivables	11	-	14,252	14,252
Goods and Services Taxation	11	-	1,648	1,648
Total		13,366,842	15,900	**13,382,742**
2021				
Cash and cash equivalents	10	13,665,357		13,665,357
Goods and Services Taxation	11	-	16,481	16,481
Total		**13,665,357**	**16,481**	**13,681,838**

Notes to the Financial Statements
For the financial year ended 31 December 2022

17. Financial instruments (continued)

(e) Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial instruments. Ultimate responsibility for liquidity risk management rests with the Board of Directors which oversees the liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring actual and forecast cash flows. The Company has developed and implemented a Risk Management Programme which is outlined in Note 4.

The Company's trade and other payables are disclosed in Note 13 and are non-interest bearing and normally settled within 12 months.

(f) Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: market interest rates (interest rate risk), foreign exchange (currency risk) and market prices (price risk).

Interest rate risk management
The Company's activities expose it to the financial risk of changes in interest rates. Floating rate instruments expose the Company to cash flow risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk. The Board of Directors monitors the Company's exposure to interest rate risk as outlined in Note 4.

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

2022	**Note**	**Weighted average interest rate %**	**Under 1 year $**
Non-interest bearing			
Reinsurance receivables	11	N/A	14,252
Goods and Services Taxation	11	N/A	1,648
Variable interest rate			
Cash and cash equivalents	10	1.76%	13,366,842
Total			**13,382,742**
2021			
Non-interest bearing			
Reinsurance receivables	11	N/A	-
Goods and Services Taxation	11	N/A	16,481
Variable interest rate			
Cash and cash equivalents	10	0.59%	13,665,357
Total			**13,681,838**

Foreign currency risk management
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's currency risk is not considered to be significant as it does not enter into many foreign currency transactions.

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

Notes to the Financial Statements
For the financial year ended 31 December 2022

18. Imputation credits

Due to the change in the Company's shareholder from Ansvar Insurance Limited to Canterbury Earthquake Church and Heritage Trustee Limited, the imputation credits available at 31 December 2011 were forfeited on 15 May 2012. Imputation credits were Nil at 31 December 2021 (2020: Nil) as the Company had an assessable loss of $21,621,414 at 31 December 2022 (2021: $20,505,798).

19. Related parties

Until 15 May 2012 Ansvar Insurance Limited, incorporated in Australia, was the Company's immediate holding company, Benefact Trust Limited, incorporated in the United Kingdom, was the Company's ultimate holding company and Ecclesiastical Insurance Office Plc, incorporated in the United Kingdom, was its intermediate holding company. From 15 May 2012 the Company's immediate holding company was Canterbury Earthquake Church and Heritage Trustee Limited as Trustee, domiciled in New Zealand, and Ansvar Insurance Limited, Benefact Trust Limited and Ecclesiastical Insurance Office Plc ceased to be related parties. No transactions took place between related parties.

Mr. Harrison and Mr. Harris each owned 50% of the ordinary share capital of Canterbury Earthquake Church and Heritage Trustee Limited at 31 December 2021 and 31 December 2022.

20. Solvency Margin

	2022 $	2021 $
Actual Solvency Capital	8,316,495	8,656,283
Minimum Solvency Capital	3,000,000	3,000,000
Solvency Margin	5,316,495	5,656,283
Solvency Ratio	**277%**	**289%**

The Solvency Margin has been calculated in accordance with the Reserve Bank of New Zealand's *Solvency Standard for Non-life Insurance Business in Run-off*.

At 31 December 2022 the Company continued to retain all of its equity to assist with maintaining its financial soundness.

21. Insurer financial strength rating

The Reserve Bank of New Zealand granted the Company an exemption in 2013 from the requirement to maintain a financial strength credit rating. Following the granting of this exemption, the Company ceased being rated by A.M. Best.

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

	2022 $	2021 $
Profit/(Loss) after income taxation	**(339,788)**	63,160
Decrease in trade and other receivables	281	15,913
Decrease in reinsurers' share of gross claims liabilities	19,364	427,055
(Decrease)/increase in trade and other payables	(15,321)	38,839
(Decrease)/increase in provisions	(860,351)	4,346
Increase/(decrease) in gross claims liabilities	897,300	(958,816)
Net cash outflow from operating activities	**(298,515)**	(409,503)

23. Subsequent events

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

Notes to the Financial Statements
For the financial year ended 31 December 2022

24. Additional Company information

ACS (NZ) Limited is a company incorporated and operating in New Zealand. The Company's immediate holding company is Canterbury Earthquake Church and Heritage Trustee Limited as Trustee for the Canterbury Earthquake Church and Heritage Trust.

Registered Office:
35 Benares Street
Khandallah
Wellington
6035
New Zealand

20 April 2023

The Directors
ACS (NZ)
c/o Ansvar Insurance
Level 5
1 Southbank Boulevard
MELBOURNE VIC 3006

Dear Directors

Review of Actuarial Information contained in the Financial Statements as at 31 December 2022

Finity Consulting Pty Limited (Finity) has been asked by ACS (NZ) Limited (ACS (NZ)) to carry out a review of the 31 December 2022 actuarial information contained in the financial statements and provide an opinion as to its appropriateness. This letter sets out the findings of our review, as required under Section 78 of the Insurance (Prudential Supervision) Act 2010.

John Smeed is an employee of Finity and is the Appointed Actuary of ACS (NZ). John Smeed and Finity have no relationship with ACS (NZ) apart from the Appointed Actuary role.

ACS (NZ)'s policy is to seek and adopt the advice of the Appointed Actuary in respect of the actuarial information contained in the financial statements. We confirm that the financial statements as at 31 December 2022 have been prepared in accordance with this policy, and as such satisfy the requirements of the Act.

Having completed our review, it is our opinion that:

- The actuarial information contained in the financial statements has been appropriately included in those statements.
- The actuarial information used in the preparation of the financial statements has been used appropriately.
- ACS (NZ) has maintained the solvency margin that applies under a condition imposed under section 21(2)(b), noting that there is no margin required.

No limitations were placed on us in performing our review, and all data requested was provided.

This report is being provided for the sole use of ACS (NZ) for the purpose stated above. It is not intended, nor necessarily suitable, for any other purpose and should only be relied on the purpose for which it is intended.

Yours sincerely

John Smeed
Appointed Actuary