CentrePort Captive Insurance Limited

Financial Statements
for the financial year ended 30 June 2023

CentrePort Captive Insurance Limited

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for the financial year ended 30 June 2023

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Directors' report

The Board of Directors presents the Directors' report together with the financial statements of CentrePort Captive Insurance Limited (the Company) for the financial year ended 30 June 2023.

Directors

The Directors of the Company at the end of the financial year are:

Sophie Haslem
Lachlan John Campbell Johnstone
Martin Paul Lewington

Registered office

2 Fryatt Quay
Pipitea
Wellington, 6011
New Zealand

Auditor

Deloitte Limited on behalf of the Auditor General
Level 12
20 Customhouse Quay
Wellington, 6011
New Zealand

Dividends

During the financial year, the Company did not pay any dividends to the immediate holding company (CentrePort Limited).

Principal activities

The principal activities of the Company is to insure its parent (CentrePort Limited) and sister companies for the Material Damage and Business Interruption risk.

The Company received its full insurance licence on 14 October 2022 post the insurance renewal date which was 30 June 2022. Therefore, the Company did not underwrite any risk for the financial periods ended 30 June 2023 and 30 June 2022.

Review of operations

The net profit after income tax for the financial year ended 30 June 2023 was $460,556 (27 May 2021 to 30 June 2022: $53,800).

Events subsequent to reporting date

On 1 July 2023, the Company insured its Parent (CentrePort Limited) $20 million Material Damage and Business Interruption for the earthquake risk and there was no reinsurance contract purchased for the financial year 2023/24. This subsequent event does not require adjustment to the amounts reflected in the 30 June 2023 financial statements or disclosures thereto.

This financial report of the Company was approved for issue by the Board on 27 September 2023. Signed in accordance with a resolution of the Directors.

Director **Director**

CentrePort Captive Insurance Limited
Statement of comprehensive income
for the financial year ended 30 June 2023

	Note	30 June 2023	Unaudited 27 May 2021 - 30 June 2022
Premium revenue		-	-
Outwards reinsurance premium expense		-	-
Net premium revenue		-	-
Claims expense		-	-
Reinsurance and other recoveries revenue		-	-
Net incurred claims		-	-
Acquisition costs		-	-
Other underwriting expenses		-	-
Underwriting expenses		**-**	**-**
Reinsurance commission revenue		-	-
Underwriting result		**-**	**-**
Investment Income	3	705,611	1,658
Insurance trading result		**705,611**	**1,658**
Other income	3	-	100,000
Other expenses		(65,951)	(26,938)
Profit before tax		**639,660**	**74,721**
Income tax (expense)	4	(179,104)	(20,920)
Profit after tax and total comprehensive income		**460,556**	**53,800**

The statement of comprehensive income is to be read in conjunction with the accompanying notes.

CentrePort Captive Insurance Limited
Statement of financial position
as at 30 June 2023

	Note	30 June 2023	Unaudited 30 June 2022
Assets			
Cash and cash equivalents		1,446,442	1,085,679
Receivables and other assets	5	328,663	-
GWRC Commercial Paper		18,960,054	-
Loan to immediate holding company	13.2	995,041	-
Total assets		21,730,200	1,085,679
Liabilities			
Payables and other liabilities	6	15,820	-
Loan from immediate holding company	13.2	-	10,959
Current tax liabilities	4	200,024	20,919
Total liabilities		215,844	31,879
Net assets		**21,514,356**	**1,053,800**
Equity			
Share capital	8	21,000,000	1,000,000
Retained profits		514,356	53,800
Total equity		**21,514,356**	**1,053,800**

The Board of Directors of CentrePort Captive Insurance Limited approved these financial statements issued on 27 September 2023.

For, and on behalf of the Board.

Director

Director

The statement of financial position is to be read in conjunction with the accompanying notes.

CentrePort Captive Insurance Limited
Statement of changes in equity
for the financial year ended 30 June 2023

	Note	Share Capital	Retained Profits	Total
Balance as at 27 May 2021 (unaudited)		-	-	**-**
Profit for the financial period ended 30 June 2022		-	53,800	**53,800**
Total comprehensive income for the financial ended 30 June 2022		-	53,800	**53,800**
Transactions with owners				
Capital issued		1,000,000	-	**1,000,000**
Balance as at 30 June 2022 (unaudited)		**1,000,000**	**53,800**	**1,053,800**
Balances as at 1 July 2022		**1,000,000**	**53,800**	**1,053,800**
Profit for the financial year ended 30 June 2023		-	460,556	**460,556**
Total comprehensive income for the financial year ended 30 June 2023		-	460,556	**460,556**
Transactions with owners				
Capital issued		20,000,000	-	**20,000,000**
Balance as at 30 June 2023		**21,000,000**	**514,356**	**21,514,356**

The statement of changes in equity is to be read in conjunction with the accompanying notes.

CentrePort Captive Insurance Limited
Statement of cash flows
for the financial year ended 30 June 2023

	Note	30 June 2023	Unaudited 27 May 2021 - 30 June 2022
Cash flows from operating activities			
Operating expense paid		(81,200)	-
Management fee received		-	100,000
Captive set-up expense paid		-	(26,938)
Net movement in goods and services tax		(1,221)	-
Net cash (used in)/from operating activities	10	**(82,421)**	**73,063**
Cash flows from investing activities			
Bank Interest received		21,564	1,657
Loan from immediate holding company		-	10,959
Loan to immediate holding company		(1,010,959)	-
Purchase of GWRC Commercial Paper		(18,567,420)	-
Net cash (used in)/from investing activities		**(19,556,816)**	**12,616**
Cash flows from financing activities			
Authorised capital received		20,000,000	1,000,000
Net cash from financing activities		**20,000,000**	**1,000,000**
Net increase in cash and cash equivalents		360,763	1,085,679
Cash and cash equivalents at the beginning of the financial year		1,085,679	-
Cash and cash equivalents at the end of the financial year		**1,446,442**	**1,085,679**

The statement of cash flows is to be read in conjunction with the accompanying notes.

CentrePort Captive Insurance Limited
Notes to the financial statements

1. Reporting entity
CentrePort Captive Insurance Limited (the Company) is a company incorporated and domiciled in New Zealand under the Companies Act 1993. Its registered office is 2 Fryatt Quay, Pipitea, Wellington.

The financial statements of the Company as at and for the financial year ended 30 June 2023 were issued by the Board of Directors on 27 September 2023.

The Company is a profit oriented entity in the business of insuring the Material Damage and Business Interruption risk for its parent (CentrePort Limited) and sister companies.

2. Basis of preparation
The Company is a for-profit entity and the financial statements have been prepared on the historical cost basis unless the application of fair value measurements are required by the relevant accounting standards such as the measurement of financial instruments at fair value through profit or loss and the measurement of outstanding claims liabilities and reinsurance recoveries.

Significant accounting policies applied in the preparation of these financial statements are set out in Note 15.

The reporting period was from 1 July 2022 to 30 June 2023.

These financial statements are presented in New Zealand functional and presentation currency.

These financial statements have been prepared on a going concern basis.

2.1 Statement of compliance
The financial statements are general purpose financial statements which have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the International Financial Reporting Standards (IFRS) and the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. The financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013, Financial Reporting Act 2013 and the Insurance (Prudential Supervision) Act 2010.

These financial statements are the first financial statements presented in accordance with NZ IFRS and the comparative information is unaudited.

2.2 New or amended standards which became mandatory and were adopted during the financial year
There were no new or amended standards which became mandatory and were adopted during the financial year.

2.3 Comparative information
The amounts presented in the comparative information were prepared for the financial period from the date of incorporation (27 May 2021) to the end of prior financial year, 30 June 2022.

2.4 Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and amounts reported in the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Where revisions are made to accounting estimates, any financial impact is recognised in the period in which the estimate is revised.

3. Investment and other income

	30 June 2023	Unaudited 27 May 2021 - 30 June 2022
Investment Income	705,610	1,658
Other income	-	100,000
Total investment and other income	**705,610**	**101,658**

The Company did not receive any insurance income for the financial year ended 30 June 2023 as it did not underwrite any risk due to the fact that the Company received its insurance licence from Reserve Bank of New Zealand on 14 October 2022 post the insurance renewal date 30 June 2022 (27 May 2021 to 30 June 2022: nil).

3. Investment and other income (continued)

The investment income of $705,611 included the interest income from the bank deposit and the GWRC Commercial Paper (27 May 2021 to 30 June 2022: $1,657).

The other income of $100,000 was the one-off management fee charged to its immediate holding company (CentrePort Limited) for the financial period ended 30 June 2022.

4. Income tax

	30 June 2023	Unaudited 27 May 2021 - 30 June 2022
Profit before tax	639,660	74,721
Prima facie income tax @ 28%	(179,104)	(20,921)
Income after tax expense	**460,556**	**53,800**

	30 June 2023	Unaudited 27 May 2021 - 30 June 2022
Income tax liability	200,024	20,921
Current tax liabilities	**200,024**	**20,921**

5. Receivables and other assets

	30 June 2023	Unaudited 27 May 2021 - 30 June 2022
Accrued interest income	291,413	-
Prepaid Captive management fee	37,249	-
Total receivables and other assets	**328,663**	-
Current	328,663	-
Non-current	-	-
Total receivables and other assets	**328,663**	-

6. Payables and other liabilities

	30 June 2023	Unaudited 27 May 2021 - 30 June 2022
Accrued actuarial fee	2,000	-
Accrued audit fee	20,000	-
Less Goods and Services Tax asset	(6,180)	-
Total payables and other liabilities	**15,820**	-
Current	15,820	-
Non-current	-	-
Total payables and other liabilities	**15,820**	-

7. Actuarial information

Peter Davies, of Davies Financial and Actuarial Limited, is the Company's Appointed Actuary. Mr. Davies is a Fellow of the New Zealand Society of Actuaries. Mr. Davies has no financial interest in the Company.

According to section 77(1) of the Insurance (Prudential Supervision) Act 2010 (IPSA) the Appointed Actuary must review the actuarial information in, or used in the preparation of, the financial statements.

The outstanding claims reserves disclosed for the Company have been calculated in accordance with the New Zealand Society of Actuaries Professional Standard No. 30 "Valuations of General Insurance Claims".

The Appointed Actuary is satisfied that he has obtained all the information and explanations required. He is satisfied that the actuarial information has been used appropriately in the preparation of the financial statements and included appropriately in the financial statements.

In particular, the Appointed Actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liabilities on the basis there were no insurance policies written in the current year. There were no qualifications contained in their respective actuarial advice.

8. Share capital

The Company has authorised capital of $21,000,000 in respect of its issued shares. All shares are fully paid and rank equally. As at 30 June 2023, the Company had 1,000,000 ordinary shares issued to its immediate holding company (CentrePort Limited), and CentrePort Limited authorised additional $20,000,000 capital enabling the Company to underwrite $20,000,000 material damage and business interruption risk for its parent and sister companies for financial year 2023/24.

9. Capital management

9.1 Capital management policies and objectives

The capital management strategy of the Company is to optimise shareholder value, having regard to the need to hold sufficient capital to protect the interests of insureds, and comply with relevant regulatory requirements, by managing the level, mix and use of capital resources. The primary objective is to ensure there are sufficient capital resources to maintain and grow the business, in accordance with risk appetite.

The Company is a licensed insurance company in accordance with the Insurance (Prudential Supervision) Act 2010 (IPSA). The Company manages its capital in accordance with the requirements of IPSA and the Solvency Standard for Non-life Insurance Business (the Solvency Standard) issued by the Reserve Bank of New Zealand.

The Company is required to maintain a solvency capital of at least $1 million as per below, i.e. actual solvency capital as determined under the Solvency Standard should be at or above the minimum solvency capital level. The actual amount retained as minimum solvency capital and determined by the Directors of the Company as appropriate to ensure their financial soundness, and the basis for determining the amount are set out below.

The Company satisfied all externally imposed capital requirements which they were subject to during the financial year ended 30 June 2023.

The Company has embedded in their capital management framework the necessary tests to ensure continuous and full compliance with the Solvency Standard.

The Company and its Directors oversee capital computations and maintain optimal capital structure. In addition, the Company manages its required level of capital through analysis and optimisation of the reinsurance program, catastrophe exposure and investment strategy.

9.2 Regulatory capital

Regulatory capital is made up of two components, actual solvency capital and minimum solvency capital with the difference representing the solvency margin. The calculation of the solvency margin for the Company is detailed below:

	30 June 2023
Actual solvency capital	21,514,356
Minimum solvency capital	1,000,000
Solvency margin	20,514,356
Solvency ratio	21.51

10. Notes to the statement of cash flows

	30 June 2023	Unaudited 27 May 2021 - 30 June 2022
Profit for the financial period	**460,556**	**53,800**
Net cash from investing activities		
Investment income	(705,610)	(1,658)
Change in assets and liabilities		
Increase in receivables and other assets	(32,290)	-
Increase in other liabilities	15,820	-
Increase in current tax liabilities	179,105	20,919
Net cash (used in) / from operating activities	(82,421)	73,062

CentrePort Captive Insurance Limited
Notes to the financial statements (continued)

11. Accounting classification

The carrying amount of financial assets and liabilities shown in the statements of financial position are as follows:

	Financial assets at fair value	Financial assets at amortised cost	Financial liabilities at amortised cost	Carrying amount
As at 30 June 2023				
Cash and cash equivalents	-	1,446,442	-	**1,446,442**
Receivables and other assets	-	328,663	-	**328,663**
GWRC Commercial Paper	18,960,054	-	-	**18,960,054**
Loan to immediate holding company	-	995,041	-	**995,041**
Total financial assets	**18,960,054**	**2,770,146**	**-**	**21,730,200**
Payables and other liabilities	-	-	(15,820)	**(15,820)**
Total financial liabilities	**-**	**-**	**(15,820)**	**(15,820)**
As at 30 June 2022 (unaudited)				
Cash and cash equivalents	-	1,085,679	-	**1,085,679**
Total financial assets	**-**	**1,085,679**	**-**	**1,085,679**
Loan from immediate holding company	-	-	(10,959)	**(10,959)**
Total financial liabilities	**-**	**-**	**(10,959)**	**(10,959)**

12. Risk management

12.1 Risk management overview

The Company's Board has ultimate responsibility risk management and is assisted by the Directors in its oversight of material risk categories and adherence to Board approved risk appetite and risk policies.

The material risks managed by the Company include strategic, financial, insurance, and operational (including compliance) risks:

Key risks	Definition
Strategic risk	The risk that the Company's business model or strategy is not viable due to external change and the risk of failed execution of the strategy.
Financial - Credit risk	The risk that the other party in an agreement will default / will not meet its contractual obligations in accordance with agreed terms.
Financial - Liquidity risk	The risk that the Company will be unable to service its cash flow obligations today or in the future.
Financial - Market/investment risk	The risk of unfavourable changes in foreign exchange rates, interest rates, equity prices, credit spreads, inflation, commodity prices, and market volatilities.
Financial - Asset and liability risk	The risk of adverse movements in the relative value of assets and liabilities due to changes in market factors (e.g. interest rates, inflation, FX), the variation in repricing profiles or from the different characteristics of the assets and liabilities.
Insurance risk	The risk that for any class of risk insured, the present value of actual claims payable will exceed the present value of actual premium revenues generated (net of reinsurance). This includes product design, pricing, reinsurance, underwriting, claims and reserving risks.
Operational risk	The risk of loss resulting from inadequate or failed internal processes and systems, errors by our people or from external events. This includes legal risk, but excludes strategic and reputational risks.
Compliance risk	Managing compliance risk ensures our legislative, regulatory and industry code obligations are met. Compliance risk must be considered as part of identifying and assessing operational risks. Compliance and operational risks management practices are embedded in the risk, obligations and controls assessment review process and the dynamic risk assessment process that supports the Company's objective to prevent and detect compliance breaches.

Further information on the application of the Company is presented in the following sections:
- Note 12.2 Insurance risk management
- Note 12.3 to 12.5 Risk management for financial instruments: credit, liquidity and market risks. Financial instrument risk is not assessed on a look through basis.

12.2 Insurance risk management

Policies and practices for mitigating insurance risk

Controls are implemented to manage the following components of insurance risk:
- pricing, including pricing strategies, technical pricing and pricing adequacy reviews;
- processes that identify and respond to changes in the internal and external environment impacting insurance products; and
- underwriting, including processes to consider the actual exposure to particular risks or an event, monitoring of significant accumulation and concentration of risk, and guidelines around the utilisation of reinsurance in pricing and underwriting.

Concentration of insurance risk is mitigated through the use of reinsurer coverage. In relation to the use of reinsurer coverage catastrophe and facultative reinsurance, contracts are purchased to ensure that any accumulation of losses from a single event or series of events is mitigated.

12.3 Credit risk

The Company is exposed to and manages the following key sources of credit risk:

Key sources of credit	How are these managed
Premiums receivable	The premium receivable is only due from related entities as the Company is solely authorised to underwrite risks of its Parent and not authorised to underwrite any Third Party risks.
Investments in financial instruments	Investments in financial instruments in the investment portfolios are held in accordance with the investment policy. The investment policy sets and monitors investment strategies and arrangements.
Reinsurance recoveries	Credit risk with respect to reinsurance programs is managed by the Company’s Risk Management Programme which authorises only the engagement of reinsurers who hold a credit rating of A- or stronger. The credit rating of all participating reinsurers is monitored by Marsh Limited, Captive Adviser to the Company. The Reinsurance Broker is responsible for advising of any changes to the credit ratings of any reinsurer involved in the reinsurance programme. The reinsurer credit ratings are reviewed formally each year by the CentrePort Captive Insurance Board.

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentration of credit risk is managed by individual counterparty and by credit rating. The Company do not expect any counterparties to fail to meet their obligations given their credit ratings and therefore does not require collateral or other security to support credit risk exposures. Over-concentration of credit risk is avoided by placement of cover with a number of reinsurers as well as setting participation limits and minimum security requirements on the reinsurance programme. Reinsurance is placed only with companies with Standard & Poor's credit ratings (or equivalent if a Standard & Poor's rating is unavailable of "A minus" or better in accordance with policy.

The carrying amount of the relevant asset classes in the statements of financial position represents the maximum amount of credit exposures.

For investment securities, credit ratings of counterparties for which credit risk is assessed only relate to the interest-bearing securities of the Company which include interest-bearing securities held at fair value through profit or loss.

There has been no material change in the credit risk faced by the Company or processes for managing the risk during the financial year.

	Credit Rating		
	AA	AA-	Total
As at 30 June 2023			
Cash and cash equivalents	-	1,446,442	**1,446,442**
GWRC Commercial Paper	18,960,054	-	**18,960,054**
Total	**18,960,054**	**1,446,442**	**20,406,496**
As at 30 June 2022 (unaudited)			
Cash and cash equivalents	-	1,085,679	**1,085,679**
Total	**-**	**1,085,679**	**1,085,679**

12.4 Liquidity risk

To ensure payments are made when they fall due, the Company has the following key facilities and arrangements in place to mitigate liquidity risks:

- cash deposits are sufficient to meet day-to-day obligations;
- investment funds set aside can be realised to meet significant claims payment obligations;
- in the event of a major catastrophe, cash access is available under the terms of reinsurance arrangements;
- regularity of premiums received provides substantial liquidity to meet claims payments and associated expenses as they arise; and
- flexibility in investment strategies implemented for investment management to provide sufficient liquidity to meet claim payments as they fall due, based on actuarial assumptions.

The table below summarises the maturity profile of certain financial liabilities based on the remaining undiscounted contractual obligations.

	Carrying amount	1 year or less	1 to 5 years	Total
As at 30 June 2023				
Trade creditors and accruals	15,820	15,820	-	**15,820**
Total	**15,820**	**15,820**	**-**	**15,820**
As at 30 June 2022 (unaudited)				
Loan from immediate holding company	10,959	10,959	-	**10,959**
Total	**10,959**	**10,959**	**-**	**10,959**

12.5 Market risk

The main source of market risk comes from the investment portfolios. The Company business has distinct investment portfolios, each with their own investment mandate. The investment mandates specify investment restrictions including but not limited to, asset class limits, authorised investments, duration limits, derivative restrictions, minimum credit ratings and counterparty credit limits.

a) Interest rate risk

Interest rate risk arises from the investments in fixed rate interest-bearing securities. Interest rates have an impact on the values of both assets and liabilities and the main sources of loss are adverse changes in the valuation of investments in interest-bearing securities and outstanding claims liabilities.

A change in the market value of investments in interest-bearing securities is immediately recognised in the profit or loss. The insurance funds hold significant interest-bearing securities in support of corresponding insurance provisions and are invested in a manner consistent with the expected duration of claims payments.

The valuation of the outstanding claims liabilities includes the discounting to present value at balance date of expected future claim payments. Any assessment of the impact of changes in interest rates on investment income must include the offsetting adjustment to claims expense for changes in discount rates adopted in outstanding claims valuations.

This risk is managed by establishing investment portfolio mandates on the basis of the appropriate matching principles so as to ensure the impact on the operating result of changes in the general level of market interest rates is minimised.

At the reporting date, measurement of the cash and cash equivalents is not sensitive to movements in the interest rates and so a change in interest rates as at reporting date would have no impact on either profit or equity from the measurement of cash and cash equivalents for the current financial year.

b) Foreign exchange risk

The Company is not exposed to foreign exchange risk as all the assets and liabilities are in New Zealand dollars.

c) Credit spread risk

The Company is exposed to credit spread risk through its investments in interest-bearing securities. The risk is mitigated by investing in financial institutions with high credit rating (i.e. A) or better.

d) Equity price risks

The Company does not hold any investments that expose the Company to equity price risk.

13. Related parties

13.1 Controlling entities

CentrePort Captive Insurance Limited is a wholly owned subsidiary of CentrePort Limited. The ultimate holding entity is Greater Wellington Regional Council, a regional council of New Zealand. All members of Greater Wellington Regional Council are considered to be related parties of the Company.

	30 June 2023	Unaudited 27 May 2021 - 30 June 2022
Amount receivable from:		
Immediate holding company - CentrePort Limited	995,041	-
GWRC Commercial Paper	18,960,054	-
Amount payable to:		
Immediate holding company - CentrePort Limited	-	10,959
Total amount receivable from/payable to immediate holding company	**19,955,095**	**10,959**

The balance with CentrePort Limited is unsecured, interest bearing and repayable on demand.

As at 30 June 2023, the Group held $18.96m (2022: $19.5m) of unsecured Commercial Paper issued by GWRC. The Commercial Paper will mature on 24 March 2024 for $20.0m.

14. Auditor's remuneration

	30 June 2023	Unaudited 27 May 2021 - 30 June 2022
During the financial year the auditor of the Company was paid for the following services:		
Audit of financial statements of the Company	15,000	-
Other assurance services	5,000	-
Total auditor's remuneration	**20,000**	-

Audit fees are charged to CentrePort Limited and allocated to the Company through an intercompany recharge. Other assurance services provided related to a reasonable assurance engagement in connection with the Company's annual solvency return to the Reserve Bank of New Zealand.

15. Significant accounting policies

The Company's significant accounting polices set out below have been consistently applied to the financial period presented in these financial statements.

15.1 Revenue and expense recognition

a) Premium revenue

Premium revenue comprises amounts charged to policyholders. Premiums exclude applicable levies and charges such as fire service levies and earthquake commissions collected on behalf of third parties, and are recognised net of goods and services tax. Premiums are recognised as revenue in accordance with the pattern of the underlying risk exposure from the date of attachment over the period of the insurance policy, which is one year.

b) Claims expense

Claims expense represents payments for claims and the movement in outstanding claims liabilities. Claims represent the benefits paid or payable to the policyholder on the occurrence of an event giving rise to a loss or accident according to the terms of the policy. Claims expenses are recognised in profit or loss as losses are incurred, which is usually the point in time when the event giving rise to the claim occurs.

c) Reinsurance

Reinsurance commission revenue

Commission received from reinsurers is recognised as revenue systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which it relates. This pattern of amortisation corresponds to the pattern of recognising the corresponding premium revenue.

Reinsurance recoveries revenue

Reinsurance recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as outstanding claims liabilities.

Outwards reinsurance expense

Premiums ceded to reinsurers are recognised as an expense from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk. Reinsurance premiums are deferred and recognised as an asset where there are future economic benefits to be received from reinsurance premiums.

15.1 Revenue and expense recognition (continued)

d) Investment revenue

Interest income on financial assets or liabilities at amortised cost is recognised in profit or loss using the effective interest method. Interest income and expense on financial assets or liabilities at fair value are recognised in profit or loss when earned or incurred.

15.2 Income tax

Income tax payable on profits, based on New Zealand applicable tax law, is recognised as an expense in the period in which profits arise.

Deferred income tax is provided in full and is recognised on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised.

The tax effect of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Where an item, which gives rise to a temporary difference, is recognised in or against equity, the deferred tax is also recognised in or against equity.

Goods and services tax

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

Net earned premium is net of the GST component of premium. Receivables and payables are stated inclusive of GST where applicable. The net amount of GST recoverable from, or payable to, the tax authority is included as an asset or liability in the statements of financial position.

15.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand subject to an insignificant risk of changes in value.

15.4 Receivables and other assets

Amounts due from policyholders, intermediaries and other receivables are initially recognised at fair value, being the amounts receivable. They are subsequently measured at amortised cost, using the effective interest method, less any impairment losses. Any impairment charge is recognised in the profit or loss.

The expected credit loss impairment model is introduced by NZ IFRS 9 that broadens the information that the Company is required to consider when determining its expectations of impairment. The impairment accounting expresses the amount receivables and other assets' expected credit loss as the projected present value of the estimated cash shortfalls over the expected life of the asset.

15.5 Payables and other liabilities

These amounts represent liabilities for goods and services provided to the Company prior to the end of the period, which are unpaid.

15.6 Financial assets

The Company determines whether each financial asset's contractual cash flows are solely principal payments and interest and how the financial asset is managed.

15.6 Financial assets (continued)

a) Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

- It is classified as held for trading; or
- Upon initial recognition it is classified by the Company as at fair value through profit or loss.

Financial assets that are Solely Payments of Principal and Interest (SPPI) but managed on a fair value basis are classified at FVTPL.

Financial assets at FVTPL are initially recognised on the trade date at fair value. Transaction costs are recognised in the profit or loss as incurred. Subsequently, the assets are measured at fair value on each reporting date based on the quoted market price where available. Where a quoted price is not available one of the following valuation techniques are used to value the assets at reporting date: recent arm's length transactions, discounted cash flow analysis, option pricing models or other valuation techniques commonly used by market participants.

Fair value for the financial asset is determined as follows:
- GWRC Commercial Paper which is listed government securities - by reference to the quoted market price. Due to the short term nature of the investment, the carrying value of the commercial paper represents the fair value.

Movements in fair value are taken immediately to the profit or loss.

b) Derecognition of financial assets

Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and all risk and rewards of ownership have been substantially transferred.

c) General insurance activities

Certain assets are assessed under NZ IFRS 4 Insurance Contracts (those assets that are held to back general insurance liabilities), and under NZ IFRS 9 (those assets not backing general insurance liabilities).

Financial assets backing general insurance liabilities

The assets of the Company are assessed under NZ IFRS 4 Insurance Contracts to be assets that are held to back general insurance liabilities.

The Company has designated financial assets held in portfolios intended to match the average duration of a corresponding insurance liability as assets backing general insurance liabilities. These financial assets include investment securities and are mandatorily measured at FVTPL.

All investment securities held to back general insurance liabilities are highly liquid securities. Despite some of these securities having maturity dates beyond the next twelve months, as they are highly liquid in nature and are actively traded, they have been classified as current.

15.8 Deferred insurance activities

a) Deferred acquisition costs (DAC)

Acquisition costs include commissions and other selling and underwriting costs incurred in obtaining general insurance premiums. Acquisition costs are deferred and recognised as an asset when they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in profit or loss in subsequent reporting periods.

DAC are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate.

DAC are recognised as assets to the extent that the related unearned premiums exceed the sum of the DAC and the present value of both future expected claims and settlement costs, including an appropriate risk margin. Where there is a shortfall, the DAC asset is written down and if insufficient, an unexpired risk liability is recognised.

b) Deferred reinsurance premiums

Deferred reinsurance premiums are recognised as assets in the statements of financial position. The amortisation of deferred reinsurance premiums is in accordance with the pattern of reinsurance service received. The amount deferred represents the future economic benefit to be received from reinsurance contracts.

15.9 Outstanding claims liabilities

The outstanding claims liability is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date and includes an additional risk margin to allow for the inherent uncertainty in the central estimate.

Standard actuarial methods are applied to all classes of business to assess the net central estimate of outstanding claims liabilities. The outstanding claims liability is heavily dependent on assumptions and judgements.

15.10 Unearned premium liabilities

Premium revenue received and receivable but not earned is recognised as unearned premium liabilities. The remaining balance is recognised as an unexpired risk liability in the statements of financial position.

15.11 Contributed capital

a) Ordinary shares

Ordinary shares are recognised as equity.

b) Dividends

Provision is made for the amount of any dividend declared or determined by the Directors on or before the end of the financial year but not distributed at reporting date. Where a dividend is declared post reporting date but prior to the date of the issue of the financial reports, disclosure of the declaration is made in the financial statements but no provision is made.

15.12 New accounting standards and interpretations not yet adopted

NZ IFRS 17 Insurance Contracts (NZ IFRS 17) is a new accounting standard for all types of insurance contracts and replaces NZ IFRS 4 Insurance Contracts. NZ IFRS 17 was issued in August 2017 and following stakeholder feedback, amendments were approved in August 2020 to address implementation issues identified.

NZ IFRS 17 introduces three new measurement models. The general model measures insurance contracts based on the fulfilment cash flows (the present value of estimated future cash flows with an explicit risk adjustment for non-financial risk) and the contractual service margin (the unearned profit that will be recognised as services are provided over the coverage period). A modified version of the general model (variable fee approach) is applied to insurance contracts with direct participation features, and a simplified measurement model (premium allocation approach) is permitted in certain circumstances. The premium allocation approach is similar to the current measurement model used for general insurance. The measurement model requirements are applied at an aggregated level rather than at an individual contract level. Contracts are initially aggregated into portfolios (comprised of contracts subject to similar risks that are managed together) and then divided into groups based on the expected profitability of contracts and the periods in which the contracts are written. Contracts may not be grouped if they are written more than 12 months apart. Under the level of aggregation requirements, the identification and measurement of contracts that are expected to be loss making will be performed at a lower granularity than occurs for the liability adequacy test under NZ IFRS 4, with any loss component recognised on initial recognition of the group of contracts.

Based on the insurance contracts expected to be written after year end, the Company expects to be eligible to use the premium allocation approach for all its general insurance contracts. Applying the NZ IFRS 17 measurement models:

- Insurance contracts issued to policyholders and reinsurance contracts held are measured separately.
- Discount rates are required to reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts. This differs from the risk-free discount rates used under NZ IFRS 4.
- The risk adjustment reflects the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risks as the entity fulfils insurance contracts. This differs from the risk margin used under NZ IFRS 4 which reflects the inherent uncertainty in the central estimate of estimated future cash flows.
- Acquisition costs that form part of the fulfilment cash flows of groups of insurance contracts measured using the premium allocation approach can either be immediately expensed or included within the insurance contract balance and amortised over the coverage period. For general insurance contracts applying the premium allocation approach, the Company expects to amortise acquisition costs over the coverage period.

15.12 New accounting standards and interpretations not yet adopted (continued)
NZ IFRS 17 also introduces significant changes to the presentation and disclosure of insurance contracts which include:

- The separate disclosure of assets and liabilities related to insurance contracts issued and reinsurance contracts held, replacing current balance sheet items such as premiums due, reinsurance and other recoveries receivable, deferred reinsurance premiums, deferred acquisition costs, amounts due to reinsurers, unearned premium liabilities and outstanding claims liabilities.
- The presentation of insurance revenue and insurance service expense gross of reinsurance. Insurance service expense includes claims expenses and operational expenses that are directly attributable to the fulfilment of insurance contracts. The reinsurance result is disclosed separately and is included in the insurance service result. The financial impact of changes to discount rates and the unwinding of the discounting of insurance and reinsurance assets and liabilities will be presented as part of the investment result rather than the insurance service result.
- Additional disclosures to provide information on amounts recognised for insurance contracts and the nature and extent of risk arising from insurance contracts.

NZ IFRS 17 is to be applied retrospectively to all insurance contracts on the transition date unless it is impracticable to do so, in which case a modified retrospective or fair value approach may be applied. The Company will use the full retrospective approach for general insurance contracts.

On transition to NZ IFRS 17 on 1 July 2022, the impact on the Company's reported equity/net assets is nil before tax for the Company, considering there was no insurance contract issued or reinsurance contract held for the period from the date of incorporation (27 May 2021) to the end of current financial year 30 June 2023.

16. Subsequent events
On 1 July 2023, the Company insured its Parent (CentrePort Limited) $20 million Material Damage and Business Interruption for the earthquake risk and there was no reinsurance contract purchased for the financial year 2023/24. This subsequent event does not require adjustment to the amounts reflected in the 30 June 2023 financial statements or disclosures thereto.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF CENTREPORT CAPTIVE INSURANCE LIMITED

The Auditor-General is the auditor of CentrePort Captive Insurance Limited ('the Company'). The Auditor-General has appointed me, Hamish Anton, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements of the Company on his behalf.

Opinion

We have audited the financial statements of the Company on pages 2 to 16, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2023, and its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Basis for our opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. 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 Company in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

In addition to the audit we have carried out an other assurance engagement on the Company's annual solvency return to the Reserve Bank of New Zealand, which is compatible with those independence requirements. Other than the audit and the other assurance engagement on the solvency return, we have no relationship or interests with CentrePort Captive Insurance Limited.

Key audit matter

We have determined that there are no key audit matters to communicate in our report.

Other matter

We were appointed auditors of the Company during the year ended 30 June 2023. The corresponding figures for the year ended 30 June 2022 are unaudited.

Other information

The Directors are responsible on behalf of the Company for the other information. The other information comprises the information included on page 1, and does not include the financial statements and our auditor's report thereon.

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Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or 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 otherwvise 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.

Directors' responsibilities for the financial statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of 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 Company for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors' responsibilities arise from the Financial Markets Conduct Act 2013.

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 the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of shareholders taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

Hamish Anton
for Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand

27 September 2023

Draft:15 September 2023

15th September 2023

To: The Directors
CentrePort Captive Insurance Limited

From: Peter Davies
Appointed Actuary

Re: CentrePort Captive Insurance Limited ("CCIL"): Report as at 30th June 2023 under Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010

You have asked me to prepare this report in terms of the above sections of the Act, and I would like to comment further as follows:

1. I have reviewed the actuarial information included in the audited accounts for CCIL as at 30th June 2023. "Actuarial information" includes the following:

    - claim provisions and unexpired risk / unearned premium provisions;
    - solvency calculations in terms of the RBNZ Solvency Standard;
    - balance sheet and other information allowed for in the calculation of the company's solvency position; and
    - disclosures regarding the methodology and assumptions used for calculating claim provisions, unexpired risk provisions, and other disclosures.

2. No limitations have been placed on my work.

3. I am independent with respect to CCIL as defined under professional standard ISA (NZ) 620 of the External Reporting Board.

4. I have been provided with all information that I have requested in order to carry out this review.

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5. In my view the actuarial information contained in the financial statements has been appropriately included, and the actuarial information used in the preparation of the financial statements has been appropriately used.

6. As at 30th June 2023, CCIL's solvency position under the RBNZ Solvency Standard for Non-Life Insurance was as follows:

	Jun 2023	Dec 2022
Solvency capital	21,514,356	1,231,617
Calculated minimum requirement:	653,109	13,598
Minimum requirement per Standard:	1,000,000	1,000,000
Solvency Margin:	20,514,356	231,617
Solvency Coverage Ratio:	2151%	123%

The solvency coverage ratio has increased from 123% to 2151%, arising from the injection of capital of $20m paid during the year.

The Company is projected to exceed the minimum RBNZ requirement at all times over the next four years.

I would be very happy to answer any queries concerning this report.

Yours sincerely

Peter

Peter Davies B.Bus.Sc., FIA, FNZSA
Appointed Actuary

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