acs
claims services

ACS (NZ) Limited

Company Number: 115156
Annual Report for the financial year ended 31 December 2024

Contents

Directors' Report

The Directors of ACS (NZ) Limited (ACS or the Company) submit their Annual Report including the Annual Financial Statements and accompanying notes for the year ended 31 December 2024 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 was appointed to the Board in 2011. 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 as Trustee became the sole ordinary shareholder of ACS on 15 May 2012. From that date, ACS' former holding companies, Benefact Trust Limited (formerly AllChurches 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

Financial results

ACS generated an audited loss after income taxation of $388,965 for the financial year ended 31 December 2024 (2023: profit of $495,815). This was due to the insurance service result loss of ($732,238), insurance finance expenses of ($27,518) and other operating expenses of ($312,368) offset by interest income of $682,790.

At 31 December 2024, ACS' RBNZ Solvency Capital, at the 90th percentile probability of sufficiency for run-off insurers, was $7,780,027 (31 December 2023: $8,199,653) which was $4,780,027 (31 December 2023: $5,199,653) higher than the RBNZ Minimum Solvency Capital requirement of $3,000,000 (31 December 2023: $3,000,000) resulting in a Solvency Margin of 259% (31 December 2023: 273%).

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 declared or paid in respect of the financial year ended 31 December 2024 (31 December 2023: Nil).

Application for exemptions from the Fair Conduct Programme and Licensing COFI Act requirements

ACS has sought exemptions from the licensing and fair conduct programme requirements under the new Financial Markets (Conduct of Institutions) Amendment Act 2022 (CoFI Act) requirements. The Financial Markets Authority has granted ACS an exemption, effective 31 March 2025.

Auditors

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

For and on behalf of the Board of Directors, who authorised the issue of these Financial Statements on 29 April 2025:

………………………………………..	……………………………………………..
D J Harrison	**B G Harris**
Chairperson	Director
29 April 2025	29 April 2025

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 2024, the statement of comprehensive income, the statement of changes in equity, and the cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Entity’s financial position as at 31 December 2024 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 auditor and the provision of assurance services relating to the solvency return, we have no relationship with or interests in the Entity. 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 of the current period. These matters were addressed in the context of our audit of the financial statements 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
Insurance Contract Liabilities – Refer to Note 3 The Entity has insurance contract liabilities of $2.07m representing a significant portion of its total liabilities. Insurance contract liabilities are determined in accordance with NZ IFRS 17 *Insurance Contracts* (“NZ IFRS 17”).	In conjunction with our actuarial specialists our procedures included, but were not limited to: • Assessing the appropriateness of key controls in relation to the application of actuarial valuation methodology, selection of key assumptions and the collection and analysis of data;

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
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.	• Assessing the appropriateness of the disclosures in note 3 to the financial statements. With the assistance of actuarial specialists, tested the reasonableness of expenses, claims development, risk adjustment for non-financial risk, discount rates and the assumed loss ratios assumptions by: • Reviewing and confirming whether management's assumptions were determined in accordance with the requirements of NZ IFRS 17; • Reviewed the appropriateness of certain valuation models used in the estimation of the liability for incurred claims; • Reviewing inputs used in the determination of the expenses, claims development, risk adjustment for non-financial risk and discount rates to determine if these are reasonable; • Testing claims data from the period used in the valuation.

Other Information

The Directors on behalf of the Entity are responsible for the other information. The other information comprises the Directors' Report included in the Entity's Financial Report for the year ended 31 December 2024, 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) and 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 management 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'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 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 auditor also provides those charged with governance with a statement that the auditor has 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 the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, the auditor determines 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. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Gaudreault

David Gaudreault

Partner
Chartered Accountants
Sydney, Australia, 29 April 2025

Statement of Comprehensive Income
For the financial year ended 31 December 2024

	Note	2024 $	2023 $
Insurance service expenses	3.4	(468,924)	111,756
Insurance service result from insurance contracts issued		**(468,924)**	**111,756**
Amounts recovered from reinsurance		(263,314)	263,500
Net expenses from reinsurance contracts held		**(263,314)**	**263,500**
Net Insurance service result		**(732,238)**	**375,256**
Interest revenue from financial instruments not measured at fair value through profit or loss	4.4	682,790	578,153
Net investment income		**682,790**	**578,153**
Finance income/(expense) from insurance contracts issued		(34,490)	(31,647)
Finance income/(expenses) from reinsurance contracts held		6,972	(6,972)
Net insurance financial result		**(27,518)**	**(38,619)**
Other income		369	-
Other operating expenses		(312,368)	(418,975)
Profit /(loss) before income taxation		**(388,965)**	**495,815**
Income taxation	8	-	-
Profit /(loss) after income taxation		**(388,965)**	**495,815**
Other comprehensive income		-	-
Comprehensive result		**(388,965)**	**495,815**

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

Balance Sheet
As at 31 December 2024

	Note	2024 $	2023 $
Assets			
Cash and cash equivalents			
Financial assets	4	12,987,108	12,816,747
Other receivables	4	79,213	121,003
Reinsurance contract assets	4	15,718	101,910
Total assets	3.5.2	-	257,726
		13,082,039	**13,297,386**
Liabilities			
Other payables	9	136,721	165,377
Insurance contract liabilities	3.5.1	2,066,488	1,975,527
Provision for management services fee	10	2,431,101	2,319,788
Total liabilities		**4,634,310**	**4,460,692**
Net assets		**8,447,729**	**8,836,694**
Equity			
Share capital	11	33,000,001	33,000,001
Accumulated loss		(24,552,272)	(24,163,307)
Total equity		**8,447,729**	**8,836,694**

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

Statement of Changes in Equity
For the financial year ended 31 December 2024

	Share capital	Accumulated loss	Total
	$	$	$
Balance at 31 December 2022 (restated)	**33,000,001**	**(24,659,122)**	**8,340,879**
Comprehensive result for the period	-	495,815	495,815
Balance at 31 December 2023	**33,000,001**	**(24,163,307)**	**8,836,694**
Comprehensive result for the period	-	(388,965)	(388,965)
Balance at 31 December 2024	**33,000,001**	**(24,552,272)**	**8,447,729**

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 2024

	Note	2024 $	2023 $
Cash flows from operating activities			
Claims paid		(228,788)	(598,900)
Reinsurance recoveries settled		1,384	13,054
Other income		369	-
Other attributable expenses paid		(183,665)	(181,188)
Other non-attributable expenses paid		(143,519)	(240,211)
Interest received		724,580	514,424
Net cash inflow/(outflow) from operating activities		**170,361**	**(492,821)**
Cash and cash equivalents at beginning of period	4	12,816,747	13,309,568
Cash and cash equivalents at end of period	4	**12,987,108**	**12,816,747**

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 2024

Note 1 Corporate information

ACS (NZ) Limited (ACS) is a limited company incorporated and domiciled in New Zealand. The principal activity of the Company is to run-off claims which primarily relate to the earthquakes in Canterbury, New Zealand in 2010 and 2011.

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 run-off company and changed its name to ACS (NZ) Limited on 1 February 2012. ACS has continued to operate under its provisional license as permitted by the Reserve Bank of New Zealand (RBNZ).

Note 2 Material accounting policy information - Basis of preparation

The financial report has been prepared in accordance with New Zealand Generally Accepted Accounting Practices (NZ GAAP). 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. Compliance with the NZ GAAP and NZ IFRS ensures that the financial statements and notes of ACS comply with International Financial Reporting Standards.

The financial report has been prepared on a historical cost basis, except for investments which have been measured at amortised cost (refer to Note 4) and insurance contract liabilities and reinsurance contract assets, which have been measured as outlined in Note 3.

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.

The financial report is 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 RBNZ's requirements.

Note 3 Insurance operations

Note 3.1 Summary of material accounting policies for insurance contracts

ACS has applied NZ IFRS 17 *Insurance Contracts* (NZ IFRS 17), including consequential amendments to other standards, to account for insurance contracts issued and reinsurance contracts held.

Note 3.1.1 Recognition, measurement and presentation of insurance contracts issued and reinsurance contracts held

Insurance contracts are contracts under which ACS accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As ACS is in run-off, the insurance risk is limited to the payment of claims relating to the Canterbury Earthquakes of 2010 and 2011. In the normal course of business, ACS used reinsurance to mitigate its risk exposure, transferring insurance risk from the insured portion of the underlying insurance contract. The transferred insurance risk is significant where substantially all the insurance risk is passed to the reinsurer, even if it does not expose the reinsurer to the possibility of significant loss. As ACS no longer issues new products, no reinsurance premiums are currently paid and only recoveries for incurred and paid claims are received from reinsurers.

NZ IFRS 17 establishes principles for the recognition, measurement and presentation of insurance contracts issued and reinsurance contracts held, and requires the measurement of insurance contract liabilities and reinsurance contract assets to include two components:

- A liability (or asset) for remaining coverage; and
- A liability (or asset) for incurred claims

(where assets represent insurance services outstanding or amounts receivable from reinsurance contracts).

Note 3.1 Summary of material accounting policies for insurance contracts (continued)

Note 3.1.1 Recognition, measurement and presentation of insurance contracts issued and reinsurance contracts held (continued)

Liability (or asset) for remaining coverage

Measurement of the liability (or asset) for remaining coverage represents the outstanding insurance coverage that is to be provided to a policyholder. The liability (or asset) for remaining coverage is nil at the end of an insurance contract's coverage period.

ACS is in run-off and no insurance or reinsurance contracts are in force at 31 December 2024. As such, there will be no liability (or asset) for remaining coverage recognised under NZ IFRS 17.

Liability (or asset) for incurred claims

Measurement of the liability or asset for incurred claims is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk.

When measuring the liability for incurred claims, ACS discounts the expected value of future cash flows related to claims and other expenses and includes an explicit risk adjustment for non-financial risk. When estimating future cash flows, ACS incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims experience, updated to reflect current expectations of future events. There are various sources of uncertainty as to how much the Company will ultimately pay with regard to insurance contracts. There is uncertainty as to the total number of claims made, the amounts that such claims will be settled for and the timing of any claim payments. The estimation of the ultimate liability arising from claims made under insurance contracts is a critical accounting estimate. Revisions to accounting estimates are recognised in the financial period in which the estimate is revised.

Note 3.1.2 Amounts recognised in comprehensive income

Note that as ACS is in run-off, no insurance revenue is written or earned during the normal course of business. Accordingly, amounts for this have not been disclosed.

Insurance service expense

Insurance service expenses arising from insurance contracts are recognised in the statement of comprehensive income generally as they are incurred and comprise the following:

- Incurred claims and other directly attributable insurance service expenses.
- Adjustments to the liability for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

Income from reinsurance contracts held

ACS presents income from a group of reinsurance contracts held and reinsurance finance income separately for the period in the statement of comprehensive income for the period. Income from reinsurance contracts held are made up of amounts recovered from reinsurers.

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of groups of insurance contracts issued and reinsurance contracts held arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

For all insurance contracts issued and reinsurance contracts held, ACS presents insurance finance income or expenses in the statement of comprehensive income and does not disaggregate the amounts between insurance service expense and insurance/reinsurance finance income/(expense).

Note 3.2 Significant judgements and estimates in applying NZ IFRS 17

Note 3.2.1 Estimates and assumptions

ACS estimates insurance liabilities in relation to earthquake claims incurred on insurance contracts. This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below together with information about the basis of calculation for each affected line item in the financial report.

In applying NZ IFRS 17 measurement requirements, the following inputs were used that included significant estimates:

- The present value of future cash flows is estimated using deterministic scenarios. The assumptions used in the deterministic scenarios are derived to approximate the probability weighted mean for a full range of scenarios.
- When measuring the liability for incurred claims, ACS discounts the expected value of future cash flows related to claims and other insurance expenses and includes an explicit risk adjustment for non-financial risk. The risk adjustment is estimated separately from the other estimates and is applied to the present value of estimated future cash flows and reflects the compensation ACS requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as ACS fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by ACS to the reinsurer.

For sensitivities with regard to the assumptions made that have the most significant impact on measurement under NZ IFRS 17, refer to Note 3.2.1.1.

3.2.1.1 Actuarial assumptions and methods

Actuarial information
Mr John Smeed, Fellow of the New Zealand Society of Actuaries, Fellow of the Actuaries Institute in Australia and Fellow of the Institute and Faculty of Actuaries in the United Kingdom, of Finity Consulting Pty Limited is the Appointed Actuary of the Company. Mr Smeed was satisfied with the nature, sufficiency and accuracy of the data used in the actuarial review of the net insurance contract liabilities at 31 December 2024 and there were no qualifications contained in the Insurance Contract Liabilities Review letter.

Assumptions
The following assumptions have been made or are implied in determining the net insurance contact liabilities which are short tail in nature:

	2024	**2023**
Discount rate	3.98%	5.01%
Number of incurred but not reported claims – new and reopened claims	8	12
Average claim size – new and reopened claims	$60,000	$50,000
Weighted average term to settlement (years)	1.20	1.53
Discounted mean term (years)	1.17	1.68
Claim handling expense rate as a % of the best estimate within the insurance contract liabilities	36.62%	42.63%
Risk adjustment as a % of net insurance contract liabilities	55.00%	70.00%

Notes to the Financial Statements
For the financial year ended 31 December 2024

Note 3.2 Significant judgements and estimates in applying NZ IFRS 17

3.2.1.1 Actuarial assumptions and methods (continued)

Processes used to determine assumptions

The net insurance contract liabilities are calculated using assumptions including the following:

Assumptions	**Methodology**
Discount rate	The discount rate is appropriate for the mean term of expected future claims payments, based on an empirical analysis of the current yield curve for Government bonds published by the Reserve Bank of New Zealand (RBNZ).
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.
Claims handling expense allowance	ACS is responsible for the ongoing management of all claims incurred on or before 31 December 2023. To reflect this expense an allowance has been added to the central estimate of the gross insurance contract 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 insurance contract liabilities.
Risk adjustment	A risk adjustment at a 75th percentile probability of sufficiency has been used to determine the net insurance contract liabilities at 31 December 2024 (31 December 2023: 75th percentile). For earthquake claims, an analysis of the variability of individual claim sizes was used as a basis for calculating the risk adjustment, while for non-earthquake claims a standard methodology analysing valuation class variability was used.

Sensitivity analysis

ACS conducts sensitivity analysis to quantify the exposure to the risk of changes in the underlying assumptions used in the financial report.

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

	Impact on profit & equity		
Variable	**Movement in variable**	**2024 $**	**2023 $**
Discount rate	+1.0%	(23,591)	(25,077)
	-1.0%	24,295	25,879
Number of incurred but not reported claims – new and reopened claims	+5	465,000	425,000
	-5	(465,000)	(425,000)
Average claim size – new and reopened claims	+$25,000	310,000	510,000
	-$25,000	(310,000)	(510,000)
Claims handling expense rate	+5.0%	51,150	43,750
	-5.0%	(51,150)	(43,750)
Risk adjustment	+5.0%	49,412	33,102
	-5.0%	(49,412)	(33,102)

Note 3.3 Composition of the balance sheet

An analysis of the amounts presented on the balance sheet for insurance contracts is included in tables 3.5.1 and 3.5.2, including presentation of current and non-current portions of the balances. For credit risk disclosures relating to insurance and reinsurance contract assets, refer to Note 4.5.

Note 3.4 Insurance revenue and expenses

Note 3.4.1 Insurance service result

An analysis of insurance service expenses and net expenses from reinsurance contracts held for 2024 and 2023 is included in the following tables. Additional information on amounts recognised in profit or loss is included in the insurance contract balances reconciliations below in Notes 3.5.1 & 3.5.2.

	2024 $	2023 $
Insurance service expenses		
Incurred claims and other directly attributable expenses	(468,924)	111,756
Total insurance service expenses	**(468,924)**	**111,756**
Net income/(expenses) from reinsurance contracts held		
Claims recovered	(263,314)	263,500
Total net income/(expenses) from reinsurance contracts held	**(263,314)**	**263,500**
Total insurance service result	**(732,238)**	**375,256**

Notes to the Financial Statements
For the financial year ended 31 December 2024

Note 3.5 Insurance contracts issued and reinsurance contracts held

Note 3.5.1 Reconciliation of the liability for incurred claims

	2024		
	Liability for incurred claims		Total
	Present value of future cash flows	Risk adjustment for non-financial risk	
Opening insurance contract liabilities	**1,162,075**	**813,452**	**1,975,527**
Insurance service expense			
Incurred claims and other insurance service expenses	549,106	(80,182)	468,924
Insurance service result	**549,106**	**(80,182)**	**468,924**
Finance expenses from insurance contracts issued	34,490	-	34,490
Total amounts recognised in comprehensive income	**583,596**	**(80,182)**	**503,414**
Cash flows			
Claims paid	(228,788)	-	(228,788)
Other directly attributable expenses paid	(183,665)	-	(183,665)
Total cash flows	**(412,453)**	**-**	**(412,453)**
Closing insurance contract liabilities	**1,333,218**	**733,270**	**2,066,488**

	2023		
	Liability for incurred claims		Total
	Present value of future cash flows	Risk adjustment for non-financial risk	
Opening insurance contract liabilities	**2,025,517**	**810,207**	**2,835,724**
Insurance service expense			
Incurred claims and other insurance service expenses	(115,001)	3,245	(111,756)
Insurance service result	**(115,001)**	**3,245**	**(111,756)**
Finance expenses from insurance contracts issued	31,647	-	31,647
Total amounts recognised in comprehensive income	**(83,354)**	**3,245**	**(80,109)**
Cash flows			
Claims paid	(598,900)	-	(598,900)
Other directly attributable expenses paid	(181,188)	-	(181,188)
Total cash flows	**(780,088)**	**-**	**(780,088)**
Closing insurance contract liabilities	**1,162,075**	**813,452**	**1,975,527**

The current portion of insurance contract liabilities is $2,066,488 (2023: $1,975,527).

Notes to the Financial Statements
For the financial year ended 31 December 2024

Note 3.5 **Insurance contracts issued and reinsurance contracts held (continued)**

Note 3.5.2 *Reconciliation of measurement components of reinsurance contracts held*

	2024		
	Asset for incurred claims		Total
	Present value of future cash flows	Risk adjustment for non-financial risk	
Opening reinsurance contract assets	149,226	108,500	257,726
Recoveries of incurred claims and other insurance service expenses	(154,814)	(108,500)	(263,314)
Total Net income/(expense) from reinsurance contracts held	**(154,814)**	**(108,500)**	**(263,314)**
Effect of changes in reinsurance contracts held	6,972	-	6,972
Finance income/(expense) from reinsurance contracts held	**6,972**	**-**	**6,972**
Total amounts recognised in comprehensive income	**(147,842)**	**(108,500)**	**(256,342)**
Cash flows			
Recoveries from reinsurance settled/(received)	(1,384)	-	(1,384)
Total cash flows	**(1,384)**	**-**	**(1,384)**
Closing reinsurance contract assets	**-**	**-**	**-**

	2023		
	Asset for incurred claims		Total
	Present value of future cash flows	Risk adjustment for non-financial risk	
Opening reinsurance contract assets	14,252	-	14,252
Recoveries of incurred claims and other insurance service expenses	155,000	108,500	263,500
Total Net income/(expense) from reinsurance contracts held	**155,000**	**108,500**	**263,500**
Effect of changes in reinsurance contracts held	(6,972)	-	(6,972)
Finance income/(expense) from reinsurance contracts held	**(6,972)**	**-**	**(6,972)**
Total amounts recognised in comprehensive income	**148,028**	**108,500**	**256,528**
Cash flows			
Recoveries from reinsurance settled/(received)	(13,054)	-	(13,054)
Total cash flows	**(13,054)**	**-**	**(13,054)**
Closing reinsurance contract assets	**149,226**	**108,500**	**257,726**

The current portion of reinsurance contracts held is $0 (2023: $257,726).

In March 2012, ACS entered into a commercially priced arm's 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.

All of ACS' insurance contract 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.

Note 3.6 Claims development

As ACS has been in run-off since 31 December 2011, no claims have been made for more than ten accident years, with the only claims reported and paid relating to accident years from 2011 and prior. Hence, no claims development tables have been provided as the undiscounted and discounted gross and net claims experience are provided in the notes above.

Note 4 Financial operations

Note 4.1 Summary of material accounting policies for financial instruments

ACS has applied NZ IFRS 9 *Financial Instruments* (NZ IFRS 9), including consequential amendments to other standards, to account for financial assets and liabilities held. It should be noted that NZ IFRS 9 does not apply to any balances that arise from insurance contracts issued or reinsurance contracts held. Therefore, any amounts due from reinsurers are not accounted for under NZ IFRS 9, but are subject to NZ IFRS 17.

NZ IFRS 9 does not apply to provisions or income taxation balances.

Note 4.1.1 Summary of measurement categories for financial assets and liabilities

ACS classifies its financial assets and liabilities into the following categories:

Type of financial instrument	Classification	Reason
Cash and cash equivalents	Amortised cost	Solely payments of principal and interest (SPPI), hold to collect business model Mandatory
Other financial assets and liabilities	Amortised cost	Mandatory

Note 4.1.2 Initial recognition and measurement

Financial assets and financial liabilities are recognised when ACS becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date, the date on which ACS commits to the purchase or sale of the asset.

At initial recognition, ACS measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), the transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after initial recognition, an expected credit loss allowance is recognised for financial assets measured at amortised cost (AC), where material.

Note 4.1.3 Amortised cost and effective interest rate

AC is the amount at which the financial asset or liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method for any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its AC before any impairment allowance) or to the AC of a financial liability. The calculation does not consider the ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the EIR.

When ACS revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original EIR. Any changes are recognised in profit or loss.

Interest revenue is calculated by applying the EIR to the gross carrying amount of financial assets recognised at AC.

Notes to the Financial Statements
For the financial year ended 31 December 2024

Note 4.1 Summary of material accounting policies for financial instruments (continued)

Note 4.1.4 Classification and subsequent measurement

ACS classifies its financial assets as at amortised cost and has not classified any financial assets at FVTPL or at fair value through other comprehensive income.

Cash and cash equivalents include cash at hand and short-term deposits of maturities up to 90 days from inception. These are measured at amortised cost.

Other financial assets that are measured at amortised cost include:
- Interest receivable on short-term deposits
- Non-trade receivables

In both the current and prior period, financial liabilities are classified and subsequently measured at AC. These liabilities include other payables, such as sundry creditors and accruals, and amounts owing to Ansvar Insurance Limited.

Note 4.2 Significant judgements and estimates applied in NZ IFRS 9

Note 4.2.1 Judgements

The main judgement relevant to NZ IFRS 9 relevant for ACS is the application of expected credit losses (ECL) to financial assets measured at AC. A number of significant judgments are required in applying the accounting requirements for measuring the ECL, such as:

a. determining the criteria for a significant increase in credit risk (SICR);
b. choosing appropriate models and assumptions for the measurement of the ECL;
c. establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
d. establishing groups of similar financial assets for the purposes of measuring the ECL.

ACS has not recognised any allowances for ECL as these are not material as at balance date. Furthermore, no facts and circumstances existed that would imply a significant increase in credit risk for any of ACS' financial assets.

Note 4.2.2 Estimates

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The main estimate relevant to ACS that is more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods is the calculation of expected credit losses.

ACS recognises a forward-looking loss allowance for ECL on financial assets measured at AC. ECL is an unbiased, probability-weighted estimate of credit losses and considers all reasonable and supportable information, as well as considering whether there has been a significant increase in credit risk.

For financial assets measured at AC that fall within the treatment of NZ IFRS 9, ACS applies:
- a probability of default (PD), being the weighted-average probability of a credit loss occurring, and
- a loss given default (LGD) factor, being the estimated exposure should a credit loss occur.

In measuring ECL, the loss allowance calculated was immaterial as at 31 December 2024.

Cash balances are classified as financial assets measured at amortised cost and, therefore, require ECL to be determined under NZ IFRS 9. Due to the nature of cash, it is considered reasonable where the counterparty bank is low risk and a bank authorised by a relevant competent regulatory authority, such as RBNZ, no ECL provisions should be made. ACS does not hold cash with counterparties with credit ratings lower than investment grade. For details of ACS' credit risk exposures, refer to Note 4.5.

Notes to the Financial Statements
For the financial year ended 31 December 2024

Note 4.3 Financial assets and liabilities

The carrying amounts of the financial assets and liabilities held by ACS are:

	2024 $	2023 $
Cash and cash equivalents		
- Cash at hand	549,959	420,960
- Short-term deposits	12,437,149	12,395,787
Interest receivable on short-term deposits	79,213	121,003
Other receivables	15,718	101,910
Total financial assets	**13,082,039**	**13,039,660**
Other payables	136,721	165,377
Total financial liabilities	**136,721**	**165,377**

All financial assets and liabilities are held at AC.

Note 4.4 Investment income and insurance finance expenses

An analysis of net investment income and net insurance finance expenses is presented below:

	2024 $	2023 $
Net investment income/(expenses)		
Interest revenue from financial assets measured at AC	682,790	578,153
Investment expenses	-	-
Total net investment income/(expenses)	**682,790**	**578,153**
Finance income/(expenses) from insurance contracts issued		
Effect of changes in interest rates and other financial assumptions	(34,490)	(31,647)
Total finance income/(expenses) from insurance contracts issued	**(34,490)**	**(31,647)**
Finance income/(expenses) from reinsurance contracts held		
Effect of changes in interest rates and other financial assumptions	6,972	(6,972)
Total finance income/(expenses) from reinsurance contracts held	6,972	**(6,972)**
Net insurance finance income/(expenses)	**655,272**	**539,534**
Summary of the amounts recognised		
Insurance service result	(732,238)	375,256
Net investment income	682,790	578,153
Net insurance finance income/(expenses)	(27,518)	(38,619)
Net insurance and investment result	**(76,966)**	**914,790**

Notes to the Financial Statements
For the financial year ended 31 December 2024

Note 4.5 Credit risk for financial instruments

The table below discloses the maximum exposure to credit risk for the components of financial assets. 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 security obtained.

	2024		
	AA+/AA-	**Not rated**	**Total**
	$	**$**	**$**
Cash and cash equivalents	12,987,108	-	12,987,108
Financial assets	79,213	-	79,213
Reinsurance recoveries receivable within reinsurance contract assets	-	-	-
Other receivables	-	15,718	15,718
Total	**13,066,321**	**15,718**	**13,082,039**
	2023		
Cash and cash equivalents	12,816,747	-	12,816,747
Financial assets	121,003	-	121,003
Reinsurance recoveries receivable within reinsurance contract assets	-	1,198	1,198
Other receivables	-	101,910	101,910
Total	**12,937,750**	**103,108**	**13,040,858**

Note 5 Risk management

The financial condition and operation of ACS is effected 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 ACS' financial position is maintained.

ACS 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 ACS' performance and risk exposures.
- Close monitoring of claims movement and management, including regular engagement with the Natural Hazards Commission (NHC) (formerly the Earthquake Commission (EQC)).
- Actuarial modelling and analysis to provide early warning of changes in risk exposures.
- Ongoing monitoring, management and reporting of ACS' 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.

Notes to the Financial Statements
For the financial year ended 31 December 2024

Note 5 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 – ACS 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.

Market risk
Market risk is the risk that the fair value of future cash flows of financial instruments 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
ACS' activities expose it to the financial risk of changes in interest rates. Floating rate instruments expose ACS to cash flow risk, whereas fixed interest rate instruments expose ACS to fair value interest rate risk.

ACS expects all financial assets to mature within one year, including cash and cash equivalents, reinsurance recoveries receivable and any other receivables balances. The weighted average interest rate for variable interest rate holdings was 5.26% for the financial year ended 31 December 2024 (2023: 4.36%).

Foreign currency risk
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. ACS' currency risk is not considered to be material as it does not enter into foreign currency transactions in the ordinary course of business.

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

Liquidity risk
Liquidity risk is the risk that ACS 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 ACS' short, medium and long term funding and liquidity risk management requirements. ACS manages liquidity risk by maintaining adequate reserves and by continuously monitoring actual and forecast cash flows.

ACS' other payables are disclosed in Note 9 and are non-interest bearing and normally settled within 12 months.

Note 5 Risk management (continued)

(b) Financial Risk (continued)

Credit risk

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

ACS is exposed to credit risk mainly through its holding of cash and cash equivalents and reinsurance receivables. ACS 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.

A table disclosing 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 is provided in Note 4.5. 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.

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.

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.

Note 6 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of ACS, directly or indirectly, including any Director (whether executive or otherwise) of ACS. The Chief Executive Officer of ACS, Mr. Warren Hutcheon, was Chief Executive Officer and Executive Director of Ansvar Insurance Limited during 2024 and received no remuneration from ACS during such period. Directors' fees incurred during the financial year amounted to $71,500 (2023: $82,750).

Note 7 Remuneration of auditors

	2024	2023
	$	$
Audit of the financial statements	54,045	63,100
Audit or review related services (i)	7,035	6,700
	61,080	**69,800**

(i) includes engagement required by regulator.

Notes to the Financial Statements
For the financial year ended 31 December 2024

Note 8 Income taxation

ACS's income taxation losses relating to prior periods were forfeited on 15 May 2012 due to the change in ACS's shareholder from Ansvar Insurance Limited to Canterbury Earthquake Church and Heritage Trustee Limited. ACS had an assessable loss of $21,159,421 at 31 December 2024 (2023: $20,881,769) and unrecognised deferred taxation assets relating to income taxation losses of $5,924,638 at 31 December 2024 (2023: $5,846,895). Deferred taxation assets are not recognised as ACS does not expect to generate sufficient taxable income in the future to allow these deferred taxation assets to be utilised.

Note 9 Other payables

	2024 $	2023 $
Sundry creditors and accruals	125,407	152,449
Amount owing to Ansvar Insurance Limited	11,314	12,928
Total other payables	**136,721**	**165,377**

Note 10 Provision for management services fee

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 $2,431,101 at 31 December 2024 (31 December 2023: $2,319,788) 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 (2023: 30 June 2029) following the projected ultimate final claim payment date of 31 December 2028 (2023: 31 December 2027). The provision is carried at the discounted present value. The movement in the provision is recognised as an expense in the Statement of Comprehensive Income.

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

Note 11 Share capital

	2024 $	2023 $
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 2024 (31 December 2023: 100%). Ecclesiastical Insurance Office Plc owned one special share at 31 December 2024 (31 December 2023: one). Mr Harrison and Mr Harris each owned 50% of the ordinary share capital of Canterbury Earthquake Church and Heritage Trustee Limited at 30 June 2024 and 31 December 2023.

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.

Notes to the Financial Statements
For the financial year ended 31 December 2024

Note 12 **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 for the Canterbury Earthquake Church and Heritage Trust, both domiciled in New Zealand, and Ansvar Insurance Limited, Benefact Trust Limited and Ecclesiastical Insurance Office Plc ceased to be 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 2024 and 31 December 2023.

Note 13 **Solvency margin**

	2024 $	2023 $
Solvency Capital	7,780,027	8,199,653
Prescribed Capital Requirement	3,000,000	3,000,000
Solvency Margin	4,780,027	5,199,653
Solvency Ratio	**259%**	**273%**

The Solvency Margin has been calculated in accordance with the Reserve Bank of New Zealand's *Interim Solvency Standard 2023*.

Note 14 **Insurer financial strength credit rating**

In 2013, the Reserve Bank of New Zealand granted the Company an exemption 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.

ACS has sought exemptions from the licensing and fair conduct programme requirements under the new Financial Markets (Conduct of Institutions) Amendment Act 2022 (CoFI Act) requirements. The Financial Markets Authority has granted ACS an exemption, effective 31 March 2025.

Note 15 **Reconciliation of profit after income taxation to net cash flows from operating activities**

	2024 $	2023 $
Profit/(loss) after income taxation	(388,965)	495,815
(Increase)/decrease in other receivables	86,192	(84,594)
(Increase)/decrease in reinsurance contract assets	257,726	(243,474)
(Decrease)/increase in other payables	(28,656)	(6,843)
(Decrease)/increase in provisions	111,313	270,201
(Decrease)/increase in insurance contract liabilities	90,961	(860,197)
(Increase)/decrease in financial assets	41,790	(63,729)
Net cash flow from operating activities	**170,361**	**(492,821)**

Notes to the Financial Statements
For the financial year ended 31 December 2024

Note 16 Subsequent events

In December 2024, the Natural Hazards Commission (NHC) advised that three re-opened claims were over-cap and that detailed files would be provided to ACS' loss adjuster, Godfrey's, in due course. Accordingly, management raised reserves for these claims of $113K each ($339K total), based on the details of the NHC files, which included ground-up quotes for the repairs, less the NHC cap. The detailed files were only provided to and reviewed by Godfrey's in March 2025. Following their review, it was recommended the reserves by increased by $204K in total to $543K. Due to these claims being over-cap at year-end, management has adjusted the reserves accordingly.

Other than the item mentioned above, there has not been any other 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, ACS' operations in future financial years, the result of those operations or ACS' state of affairs in future financial years.

Note 17 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

Note 18 Other material accounting policy information

Note 18.1 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.

Note 18.2 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.

Note 18.3 Income taxation

Note 18.3.1 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.

Note 18 Other material accounting policy information (continued)

Note 18.3 Income taxation (continued)

Note 18.3.2 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.

Note 18.3.3 Current and deferred taxation for the period

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

Note 18.4 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.

Note 18.5 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.

Note 18.6 Other receivables

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 Statement of Comprehensive Income. 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.

Note 18.7 Other payables

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.

Note 18.8 Adoption of new and revised Accounting Standards

ACS has adopted all the new and revised Standards and Interpretations issued by the External Reporting Board (XRB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2024.

Set out below are the new and revised Standards and amendments thereof effective for the current year that are relevant to the ACS:

Pronouncement	Impact
Disclosure of Fees for Audit Firms' Services – Amendments to FRS-44 *New Zealand Additional Disclosures*	Enhances disclosure requirements to improve transparency and consistency of disclosures of fees paid to an entity's audit or review firm. The amendments did not impact the disclosure of ACS' fees for audit firms' services beyond aligning the category names to the amended Standard.

Notes to the Financial Statements
For the financial year ended 31 December 2024

Note 18.9 Accounting Standards not yet effective

At the date of authorisation of the financial statements, ACS has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/Amendment	Effective for annual reporting periods beginning on or after	Nature of the change and expected impact
Lack of Exchangeability – Amendments to NZ IAS 21 *The Effects of Changes in Foreign Exchange Rates* and NZ IAS 1 *Presentation of Financial Statements*	1 January 2025	Specifies how to assess whether a currency is exchangeable and how to determine the exchange rate when it is not. Currently, ACS only transacts in New Zealand or Australian Dollars, which are highly exchangeable currencies. Hence, management expects there to be minimal impact from the adoption of this Standard.
Annual Improvements to NZ IFRS 2024 – Amendments to NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*, NZ IFRS 7 *Financial Instruments: Disclosures*, NZ IFRS 9 *Financial Instruments*, NZ IFRS 10 *Consolidated Financial Statements* and NZ IAS 7 *Statement of Cash Flows.*	1 January 2026	Based on *Annual Improvements to IFRS Accounting Standards – Volume 11* as issued by the International Accounting Standards Board. Annual improvements are limited to changes that clarify the wording in an Accounting Standard and correct relatively minor unintended consequences, oversights or conflicts between the requirements of the Accounting Standards. Management does not expect any material changes from the adoption of this Standard.
Amendments to the Classification and Measurement of Financial Instruments – Amends NZ IFRS 9 *Financial Instruments* and NZ IFRS 7 *Financial Instruments: Disclosures*	1 January 2026	Provides clarifications on accounting for the settlement of liabilities through electronic payment systems, and on the application of the classification requirements for financial assets, including financial assets with environmental, social and corporate governance (ESG) and similar features. It also introduces new disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. Management does not expect any material changes from the adoption of this Standard.
NZ IFRS 18 *Presentation and Disclosure in Financial Statements*	1 January 2027	NZ IFRS 18 replaces NZ IAS 1 *Presentation of Financial Statements*. It will not change the recognition and measurement of items in the financial statements, but will affect presentation and disclosure in the financial statements, including introducing new categories and defined subtotals in the statement of profit or loss, requiring the disclosure of management-defined performance measures, and changing the grouping of information in the financial statements. Management is currently assessing the impact of NZ IFRS 18 to the financial statements but does not expect significant changes at this stage.

All other Accounting Standards, Amendments and Interpretations that have been published but are not yet effective are either not applicable to the entity or are not expected to have a material impact on ACS.