

SELACS INSURANCE LIMITED
ANNUAL REPORT
31 DECEMBER 2015

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SELACS INSURANCE LIMITED
DIRECTORY
31 DECEMBER 2015

Board of Directors:

A J Borland
A R Isaac
S B Kennelly

Auditor:

Deloitte
Level 4
151 Cambridge Terrace
Christchurch 8013

Banker:

ANZ Bank New Zealand Limited
37-41 Rotherham Street
Christchurch 8041

Solicitor:

Anthony Harper Lawyers
Level 9
HSBC Tower
62 Worcester Boulevard
Christchurch 8011

Registered Office:

52 Cashel Street
Christchurch 8013

Postal Address:

PO Box 1590
Christchurch 8140

Shareholder:

Scales Holdings Limited 1,600,000 ordinary shares

SELACS INSURANCE LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

Results

The year's operation after providing for taxation resulted in a net profit of \$714,145 (2014 \$745,129).

Dividends

No dividend was paid in respect of the year ended 31 December 2015 (2014 \$nil).

Use of Company Information by Directors

No notices were received from Directors pursuant to section 145 of the Companies Act 1993 to use Company information, received in their capacity as Directors, which would otherwise not have been available to them.

Directors' Indemnity and Insurance

The Company has arranged, as provided for under its Constitution, policies of Directors and Officers Liability Insurance which, with a Deed of Indemnity, entered into with all Directors, ensures that to the extent permitted by law, Directors will incur no monetary loss as a result of actions undertaken by them as Directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines, which may be imposed in respect of breaches of the law.

Disclosures of Interests by Directors

There have been no transactions in which Directors have had an interest.

Auditor

The Auditor, Deloitte, continues in office in accordance with Section 207 of the Companies Act 1993.

General

There has been no change in the main activities of the Company during the year.

The shareholder has resolved that the information required by section 211(1)(a) and (e) to(i) of the Companies Act 1993 need not be disclosed.

The Directors consider the state of the Company's affairs to be satisfactory.

For and on behalf of the Board of Directors



A J Borland
Director
4 April 2016



A R Isaac
Director
4 April 2016

**SELACS INSURANCE LIMITED
DIRECTORS' RESPONSIBILITY STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

The Directors are pleased to present the financial statements of Selacs Insurance Limited for the year ended 31 December 2015 on pages 4 to 14.

The Directors are responsible for the preparation and presentation of the Selacs Insurance Limited financial statements for the year ended 31 December 2015, in accordance with New Zealand law and generally accepted accounting practice.

The Directors consider that the financial statements of the Company have been prepared using accounting policies appropriate to the Company circumstances, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable New Zealand Equivalents to International Financial Reporting Standards have been followed.

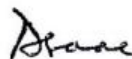
The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

This Annual Report is dated 4 April 2016 and is signed in accordance with a resolution of the Directors made pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Directors



A J Borland
Director



A R Isaac
Director

SELACS INSURANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTE	2015 NZ\$	2014 NZ\$
Premium income		2,969,849	2,828,716
Outward reinsurance expense		(2,248,947)	(2,183,297)
Net premium income		<u>720,902</u>	<u>645,419</u>
Claims expense		-	884
Net claims incurred		<u>-</u>	<u>884</u>
Commission income		100,307	213,350
Management fee expense		(48,000)	(48,000)
Net underwriting profit		<u>773,209</u>	<u>809,885</u>
Interest income		283,589	239,079
Audit fee to auditor for the audit of financial statements		(8,000)	(5,000)
Fee to auditor for the assurance services regarding the RBNZ solvency return		(8,500)	(5,000)
Directors' fees		(10,000)	-
Other expenses		(38,430)	(4,063)
PROFIT BEFORE INCOME TAX EXPENSE		<u>991,868</u>	<u>1,034,901</u>
Income tax expense	2	277,723	289,772
PROFIT FOR THE YEAR		<u>714,145</u>	<u>745,129</u>
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		<u>714,145</u>	<u>745,129</u>



The notes to the financial statements on pages 8 to 14 form part of and should be read in conjunction with this statement.

SELACS INSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital NZ\$	Retained Earnings NZ\$	Total NZ\$
Balance at 1 January 2014	1,600,000	2,801,800	4,401,800
Profit for the year	-	745,129	745,129
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	745,129	745,129
Balance at 31 December 2014	<u>1,600,000</u>	<u>3,546,929</u>	<u>5,146,929</u>
Profit for the year	-	714,145	714,145
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	714,145	714,145
Balance at 31 December 2015	<u>1,600,000</u>	<u>4,261,074</u>	<u>5,861,074</u>



The notes to the financial statements on pages 8 to 14 form part of and should be read in conjunction with this statement.

SELACS INSURANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	NOTE	2015 NZ\$	2014 NZ\$
EQUITY			
Share capital	3	1,600,000	1,600,000
Retained earnings	4	4,261,074	3,546,929
TOTAL EQUITY		<u>5,861,074</u>	<u>5,146,929</u>
Represented By:			
CURRENT ASSETS			
Bank balance		141,748	-
Receivables		-	3,405
Prepayments		1,119,155	1,127,071
TOTAL CURRENT ASSETS		<u>1,260,903</u>	<u>1,130,476</u>
NON- CURRENT ASSETS			
Other financial assets	5	4,992,933	4,948,964
TOTAL NON-CURRENT ASSETS		<u>4,992,933</u>	<u>4,948,964</u>
TOTAL ASSETS		6,253,836	6,079,440
CURRENT LIABILITIES			
Bank overdraft		-	544,944
Payables	6	14,732	97,795
Income received in advance		100,307	-
Current tax payable	2	277,723	289,772
TOTAL CURRENT LIABILITIES		<u>392,762</u>	<u>932,511</u>
NET ASSETS		<u>5,861,074</u>	<u>5,146,929</u>



The notes to the financial statements on pages 8 to 14 form part of and should be read in conjunction with this statement.

SELACS INSURANCE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTE	2015 NZ\$	2014 NZ\$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from customers and commissions		3,087,740	3,127,662
Interest received		283,589	239,079
		<u>3,371,329</u>	<u>3,366,741</u>
<i>Cash was disbursed to:</i>			
Claims paid		-	23,913
Payments to suppliers		109,865	60,396
Reinsurance premiums paid		2,241,031	2,254,142
Tax paid		289,772	273,815
		<u>2,640,668</u>	<u>2,612,266</u>
NET CASH GENERATED BY OPERATING ACTIVITIES	8	<u>730,661</u>	<u>754,475</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was applied to:</i>			
Advances to Scales Corporation Limited		43,969	936,784
		<u>43,969</u>	<u>936,784</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(43,969)</u>	<u>(936,784)</u>
NET INCREASE (DECREASE) IN NET CASH		686,692	(182,309)
Cash and cash equivalents at the beginning of the year		<u>(544,944)</u>	<u>(362,635)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>141,748</u>	<u>(544,944)</u>
Represented by:			
Bank balance (bank overdraft)		<u>141,748</u>	<u>(544,944)</u>

The notes to the financial statements on pages 8 to 14 form part of and should be read in conjunction with this statement.

SELACS INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1 SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

Selacs Insurance Limited (the Company) is a for-profit entity domiciled and registered under the Companies Act 1993 in New Zealand. It is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. The principal activity of the Company is as a captive insurance company.

The financial statements have been prepared:

- in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and comply with International Financial Reporting Standards (IFRS), the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate for a Tier 1 for profit entity;
- in accordance with the requirements of the Financial Markets Conduct Act 2013;
- in accordance with accounting policies that are consistent with those applied in the previous year;
- on the basis of historical cost; and
- in New Zealand dollars with all values rounded to the nearest dollar.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The accounting policies set out below have been applied in preparing these financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

Key Judgements and Estimates

In the process of applying the Company's accounting policies and the application of financial reporting standards, Selacs has made a number of judgements and estimates. The estimates and underlying assumptions are based on historical experience and various other factors that are considered to be appropriate under the circumstances. Actual results may differ from these estimates.

There are no significant judgements or estimates in these financial statements.

Summary of Significant Accounting Policies

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

(a) Goods and Services Tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to the taxation authority are classified as operating cash flows and shown net in the statement of cash flows.

(b) Revenue Recognition

Premium Income

Premium income is recognised by reference to the pattern of risk and the proportion of the policy period covered by the premium that is completed at balance date.

Interest

Interest revenue is accrued on a time basis using the effective interest method.

Commission

Commission income is recognised as revenue when the Company's right to receive payment becomes unconditional.

SELACS INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1 SUMMARY OF ACCOUNTING POLICIES

(c) Outwards Reinsurance

Premiums ceded to reinsurers are recognised as an expense in accordance with the incidence of risk and pattern of reinsurance service received.

(d) Claims Expense and Outstanding Claims

Claims paid are treated as an expense. Provision is made for the estimated cost of all claims notified but not settled at balance date and claims incurred but not yet reported, based on past experience and any changes in circumstances such as recent catastrophic events, that may affect the pattern of unreported claims.

(e) Reinsurance and Other Recoveries Receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and claims incurred but not reported are assessed in a manner similar to the assessment of outstanding claims.

(f) Income Tax

Current tax is calculated on the basis of the laws enacted or substantively enacted at balance date.

Income Tax

Current tax is recognised in the statement of financial performance except when the tax relates to items charged or credited to other comprehensive income, in which case the tax is also recognised in other comprehensive income.

(g) Financial Assets

Financial assets are classified as 'measured at amortised cost'.

The classification depends on the business model for managing the financial asset and the cash flow characteristics of the financial asset and is determined at the time of initial recognition or when a change in the business model occurs.

Financial assets measured at amortised cost

The Company's financial assets held in order to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding are measured at amortised cost. Bank balances, receivables and related party advances are classified in this category.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised in profit or loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

(h) Other Payables

Other payables are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Payables are recognised at amortised cost.

SELACS INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1 SUMMARY OF ACCOUNTING POLICIES

(i) Statement of Cash Flows

For the purposes of the statement of cash flows, cash and cash equivalents include bank balances net of outstanding bank overdrafts.

The following terms are used in the statement of cash flows:

Operating activities are the principal revenue producing activities of the Company and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company.

Adoption of New and Revised Standards and Interpretations

i Standards and Interpretations Effective in the Current Period

The adoption of Standards, Interpretations and Amendments that became effective in the current year has not led to any changes in the Company's accounting policies, with no measurement or recognition impact on the periods presented in these financial statements.

ii Standards and Interpretations in Issue not yet Effective

The Group has reviewed all Standards, Interpretations and Amendments to existing Standards in issue not yet effective and does not expect these Standards to have a material effect on the financial statements of the Company when adopted.

SELACS INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

2015 2014
 NZ\$ NZ\$

2. TAXATION

(a) Income Tax Recognised in Profit

Income tax expense comprises:

Current tax expense

Total income tax expense recognised in profit or loss

277,723	289,772
<u>277,723</u>	<u>289,772</u>

The prima facie income tax expense on pre tax accounting profit reconciles to the income tax expense in the financial statements as follows:

Profit from operations

991,868	1,034,901
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Income tax expense calculated at 28%

277,723	289,772
<u>277,723</u>	<u>289,772</u>

The tax rate used in the above reconciliation is the corporate tax rate of 28% payable by New Zealand companies under New Zealand tax law.

(b) Current Tax Balances

Balance at beginning of the year

Taxation paid

Taxation expense

Balance at end of the year

289,772	273,815
(289,772)	(273,815)
<u>277,723</u>	<u>289,772</u>
<u>277,723</u>	<u>289,772</u>

3. SHARE CAPITAL

1,600,000 ordinary shares

1,600,000	1,600,000
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All ordinary shares are fully paid, have equal voting rights and share equally in dividends and net assets on winding up.

4. RETAINED EARNINGS

Balance at beginning of the year

Profit for the year

Balance at end of the year

3,546,929	2,801,800
714,145	745,129
<u>4,261,074</u>	<u>3,546,929</u>

5. OTHER FINANCIAL ASSETS

Non-current assets:

At amortised cost:

Advance to Scales Corporation Limited

4,992,933	4,948,964
<u>4,992,933</u>	<u>4,948,964</u>

6. PAYABLES

Accruals

14,732	97,795
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7. RELATED PARTY DISCLOSURES

The holding company is Scales Holdings Limited which is a wholly owned subsidiary of Scales Corporation Limited.

Liqueo Bulk Storage Limited, Meateor Foods Limited, Mr Apple New Zealand Limited, New Zealand Apple Limited, Polarcold Stores Limited, Scales Logistics Limited and Whakatu Coldstores Limited are also subsidiaries of Scales Corporation Limited.

	2015 NZ\$	2014 NZ\$
Insurance premium income from companies within the Scales Corporation Limited Group.	2,568,913	2,667,879
Interest income received from Scales Corporation Limited	283,589	239,079
Insurance claims paid to companies within the Scales Corporation Limited Group.	-	23,913
Advance to Scales Corporation Limited included in other financial assets	4,992,933	4,948,964

The Company, as a member of the Scales Corporation Limited Tax Group, receives tax compliance services from the independent auditor.

The advance to Scales Corporation Limited is repayable on demand. The interest rate is OCR plus 2%.

The Directors, who are also an independent director, the managing director and chief financial officer of Scales Corporation Limited, are the key management personnel.

SELACS INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

2015
NZ\$

2014
NZ\$

8. NET CASH GENERATED BY OPERATING ACTIVITIES

Reconciliation of profit for the period to net cash generated by

Profit for the year	714,145	745,129
Changes in net assets and liabilities:		
Receivables	3,405	(532)
Other current assets	7,916	(70,845)
Claims and other payables	(83,063)	64,766
Income received in advance	100,307	-
Current tax payable	(12,049)	15,957
Net cash generated by operating activities	730,661	754,475

9. SECURITIES GIVEN

Selacs Insurance Limited was previously a party to a registered General Security Deed and had granted a charge over all of its assets to secure the borrowings of the Scales Corporation Limited group of companies. The total facility was \$102,000,000. Selacs Insurance Limited was removed from the General Security Deed on 15 April 2015.

- 60,000,000

10. CREDIT RATING

The Company does not have, has not sought and is not required to have a credit rating.

11. REINSURANCE

Selacs Insurance Limited has reinsurance cover in the market of \$200 million in respect of earthquake and other natural disaster losses but \$75 million in respect of fire and perils losses, in annual aggregate, but retains risks of up to \$0.9 million (2014: \$2.875 million) per claim. There are no unexpected catastrophe risks or adverse claim numbers that would impact the Company since reporting date. Selacs Insurance Limited has a credit risk with respect to the reinsurers. This risk is mitigated by choosing reinsurers with good financial strength.

12. INSURANCE CONTRACTS - RISK MANAGEMENT POLICIES AND PROCEDURES

The Company was issued with a licence under the Insurance (Prudential Supervision) Act 2010 on 31 July 2013.

The financial condition and operation of the company is affected by a number of key risks including insurance risk, interest rate risk, market risk, compliance risk and operational risk. The Company's policies and procedures in respect of managing insurance risk are set out in this note.

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

The Company has an objective to control insurance risk thus minimising substantial unexpected losses that would expose the Company to an adverse financial capital loss.

The Board of the Company has developed, implemented and maintained policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Company. Annually, the Board reviews these systems.

12. INSURANCE CONTRACTS - RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

Key aspects of the processes established to mitigate risks include:

- The maintenance and use of management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- Models, using information from the management information systems, are used to calculate premiums and monitor claims patterns. Past experience is used as part of the process.
- Reinsurance is used to limit the Company's exposure to large single claims and catastrophes.
- The management of assets and liabilities is closely monitored to attempt to match the maturity dates of assets with the expected pattern of claims.
- The mix of assets in which we invest is driven by the nature and term of insurance.
- The diversification over separate geographical areas (Canterbury, Hawke's Bay and Otago) seeks to reduce variability in loss experience.

Insurance Risk

Insurance exposures are managed by the Company through:

- Implementation of a reinsurance programme that limits the Company's insurance exposures. This reinsurance programme is reviewed annually by the Board.
- The ability to review insurance contracts in place and in particular adjust future premium rates.
- Geographical spread, with properties being located within Canterbury, Hawke's Bay and Otago.

SELACS INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

13. FINANCIAL INSTRUMENTS

(a) Capital Management

The Company's capital includes share capital and retained earnings. The Company's policy is to maintain a strong capital base so as to maintain shareholder, creditor and customer confidence and to sustain the future development of the business.

Solvency Requirements under the Insurance (Prudential Supervision) Act 2010

Separate to the insurance contract liabilities (ie the Unearned Premium Liabilities and/or Liability for Outstanding Claims) recognised in the financial statements, insurance companies are required to maintain sufficient capital to meet solvency requirements. These are amounts required to provide protection against the impact of fluctuations and unexpected adverse circumstances on the insurance businesses. The methodology and bases for determining the solvency requirements are in accordance with the requirements of the Insurance (Prudential Supervision) Act 2010.

The actual equity and minimum equity required to be retained to meet solvency requirements over and above the insurance contract liabilities for the Company are:

	2015	2014
	NZ\$	NZ\$
Actual solvency capital	5,861,074	5,146,929
Minimum solvency capital	974,415	7,478,789
Overall minimum per Standard	1,000,000	7,478,789
Solvency margin (deficit)	4,861,074	(2,331,860)
Solvency coverage ratio	5.86	0.69

The solvency return completed as at 31 December 2014 reported a solvency margin deficit of \$2,331,860. This breach of the minimum capital requirements under the RBNZ Solvency Standard for Captive Insurers transacting Non-Life Business had occurred due to the inclusion of the Company in a General Security Agreement (GSA) applying to the Scales Corporation Limited Group.

The RBNZ was advised of this breach on 23 March 2015. The Group's bankers subsequently removed Selacs Insurance Limited from the GSA effective 15 April 2015.

If Selacs Insurance Limited had not been included in the GSA at 31 December 2014, the minimum solvency capital would have been \$1,328,789, the solvency margin \$3,818,140 and the solvency coverage ratio 3.87.

Actuary's financial condition report

The report by the consulting actuary, Peter Davies B.Bus.Sc., FIA, FNZSA, states that Selacs is a tidy "captive" reinsurance operation with a satisfactory balance sheet and a conservative reinsurance structure with a panel of reinsurers with strong financial strength ratings.

The Actuary has reviewed the actuarial information including the deferred reinsurance premium and, in his opinion, the actuarial information contained in the financial statements has been appropriately included and used in the preparation of the financial statements.

(b) Financial Risk Management Objectives

The Company's activities expose it primarily to interest rate and credit risk.

(c) Interest Rate Risk Management

The Company is exposed to interest rate risk as it invests in interest bearing instruments. Management monitors the level of interest rates on an ongoing basis.

At balance date financial assets are subject to interest rate risk as follows:

	2015	2014	Interest Rate Review Period
Advances to Scales Corporation Limited	4.50%	5.50%	Six weekly

(d) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Financial instruments which potentially subject the Company to credit risk principally consist of related party advances. The Company continuously monitors the credit quality of its investments and does not anticipate non-performance of those customers.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

SELACS INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

(e) Liquidity Risk Management

The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The maturity profile of financial liabilities is disclosed in note 14.

	2015 NZ\$	2014 NZ\$
(f) Categories of Financial Instruments		
Financial Assets:		
Amortised cost	5,134,681	4,952,369
Financial Liabilities:		
Amortised cost	14,732	642,739

The Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair value.

(g) Sensitivity Analysis

In managing interest rate risk the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer-term, however, permanent changes in interest rates will have an impact on profit and equity.

At 31 December 2015 it is estimated that a general increase of one percent in interest rates would increase the Company's profit after income tax and equity by approximately \$39,600 (2014 \$33,300).

A decrease in interest rates would have the opposite impact on profit and equity to that described above.

14. MATURITY PROFILE OF FINANCIAL LIABILITIES

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Within Three Months NZ\$	Four Months to One Year NZ\$	Two to Five Years NZ\$	Total NZ\$
2015				
Payables	14,732	-	-	14,732
	14,732	-	-	14,732
2014				
Payables	97,795	-	-	97,795
Bank overdraft	544,944	-	-	544,944
	642,739	-	-	642,739

15. EVENTS OCCURRING AFTER BALANCE DATE

There have been no significant post balance date events (2014 - Nil).

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF
SELACS INSURANCE LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of Selacs Insurance Limited on pages 4 to 14, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Board of Directors' Responsibility for the Financial Statements

The Board of Directors are responsible on behalf of the company for the preparation and fair presentation of these 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 Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

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

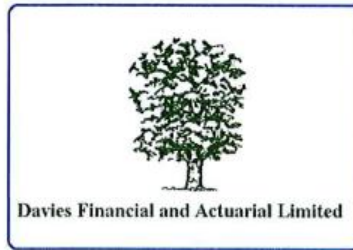
Other than in our capacity as auditor, the provision of other assurance services regarding the RBNZ Solvency Return and the provision of taxation services, we have no relationship with or interests in Selacs Insurance Limited. These services have not impaired our independence as auditor of Selacs Insurance Limited.

Opinion

In our opinion, the financial statements on pages 4 to 14 present fairly, in all material respects, the financial position of Selacs Insurance Limited as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.



Chartered Accountants
4 April 2016
Christchurch, New Zealand



23rd February 2016

To: The Directors
Selacs Insurance Limited

From: Peter Davies
Appointed Actuary

**Re: Selacs Insurance Limited ("the Company"): Report as at
31st December 2015 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 the Company as at 31st December 2015. "Actuarial information" includes the following:
 - claim provisions and unexpired risk / unearned premium provisions;
 - 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 the Company 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.

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. The Company's position as at 31st December 2015 under the RBNZ Solvency Standard for Captive Insurers Transacting Non-life Insurance Business can be summarised as follows:

	31 December 2015	31 December 2014*
Actual solvency capital:	5,861,074	5,146,929
Calculated minimum:	974,415	7,478,789
Overall minimum per Standard:	1,000,000	7,478,789
Solvency margin	4,861,074	(2,331,860)
Solvency coverage ratio:	6.01	0.69

*The shortfall at December 2014 arises because I recommended a treatment of the Company's contingent liability arising from its participation in a General Security Deed covering borrowings by the Scales Group. By 31st December 2015 the Company is released from this Deed, and removed by its' lenders involved, and accordingly is expected to meet the requirements of this Standard (and the changes to this Standard which take effect from 2015 onwards) at all times over the next three years.

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

Yours sincerely



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