

# **Selacs Insurance Limited**

**Annual Report**

**for the year ended 31 December 2018**

## **Selacs Insurance Limited**

### **Contents**

<b>Directory</b>	<b>3</b>
<b>Directors' report</b>	<b>4</b>
<b>Directors' responsibility statement</b>	<b>5</b>
<b>Statement of Comprehensive Income</b>	<b>6</b>
<b>Statement of Changes in Equity</b>	<b>7</b>
<b>Statement of Financial Position</b>	<b>8</b>
<b>Statement of Cash Flows</b>	<b>9</b>
<b>Notes to the financial statements</b>	<b>10</b>

## **Selacs Insurance Limited**

### **Directory**

#### **Board of Directors**

A J Borland  
A R Isaac  
S B Kennelly

#### **Auditor**

##### **Deloitte Limited**

Level 4  
151 Cambridge Terrace  
Christchurch 8013

#### **Bankers**

##### **ANZ Bank New Zealand Limited**

Level 3  
ANZ Centre  
267 High Street  
Christchurch 8011

#### **Solicitors**

##### **Anthony Harper**

Level 9  
HSBC Tower  
62 Worcester Boulevard  
Christchurch 8011

#### **Registered Office**

52 Cashel Street  
Christchurch 8013  
New Zealand

#### **Postal Address**

PO Box 1590  
Christchurch 8140  
New Zealand

#### **Shareholder**

Scales Holdings Limited - 1,600,000 ordinary shares

## **Selacs Insurance Limited**

### **Directors' Report for the year ended 31 December 2018**

#### **Results**

The year's operation after providing for taxation resulted in a net profit of \$473,557 (2017: \$598,729).

#### **Dividends**

No dividend was paid in respect of the year ended 31 December 2018 (2017: 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 been available to them.

#### **Indemnification and Insurance of Directors**

As permitted by the Company's Constitution and in accordance with Section 162 of the Companies Act 1993, the Company has indemnified all Directors and arranged Directors' and Officers' liability Insurance which ensures that, to the extent permitted by law, Directors will incur no monetary loss as a result of actions undertaken as Directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines, which may be imposed in respect of breaches of law.

#### **Disclosures of Interests by Directors**

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

#### **Auditor**

The Auditor, Deloitte Limited, continues in office in accordance with Section 207T 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  
25 March 2019



A R Isaac  
Director  
25 March 2019

## **Selacs Insurance Limited**

### **Directors' Responsibility Statement for the year ended 31 December 2018**

The Directors are pleased to present the financial statements of Selacs Insurance Limited for the year ended 31 December 2018 on pages 6 to 16.


The Directors are responsible for the preparation and presentation of the Selacs Insurance Limited financial statements for the year ended 31 December 2018, 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 25 March 2019 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 R Isaac  
Director

  
\_\_\_\_\_  
A J Borland  
Director

# Selacs Insurance Limited

## Statement of Comprehensive Income for the year ended 31 December 2018

	Note	2018 NZD	2017 NZD
Premium income from related parties		3,467,053	3,419,562
Outward reinsurance expense		(3,197,600)	(2,940,564)
<b>Net premium income</b>		<b>269,453</b>	<b>478,998</b>
Claims expense paid to related parties		-	-
<b>Net claims incurred</b>		<b>-</b>	<b>-</b>
Commission income		227,298	202,787
Management fee expense		(48,000)	(48,000)
<b>Net underwriting profit</b>		<b>448,751</b>	<b>633,785</b>
Interest income received from the ultimate parent company		236,403	229,939
Audit fee to auditor for the audit of financial statements		(5,500)	(5,500)
Fee to auditor for the assurance services regarding the RBNZ solvency return		(6,000)	(6,000)
Directors' fees		(12,000)	(11,560)
Other expenses		(3,935)	(9,096)
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>		<b>657,719</b>	<b>831,568</b>
Income tax expense	2	(184,162)	(232,839)
<b>PROFIT FOR THE YEAR</b>		<b>473,557</b>	<b>598,729</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>473,557</b>	<b>598,729</b>

*The notes to the financial statements on pages 10 to 16 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 2018

	Share Capital NZD	Retained Earnings NZD	Total NZD
Balance at 1 January 2017	1,600,000	4,991,258	6,591,258
Profit for the year	-	598,729	598,729
Other comprehensive income for the year	-	-	-
<b>Balance at 31 December 2017</b>	<b>1,600,000</b>	<b>5,589,987</b>	<b>7,189,987</b>
Balance at 1 January 2018	1,600,000	5,589,987	7,189,987
Profit for the year	-	473,557	473,557
Other comprehensive income for the year	-	-	-
<b>Balance at 31 December 2018</b>	<b>1,600,000</b>	<b>6,063,544</b>	<b>7,663,544</b>

*The notes to the financial statements on pages 10 to 16 form part of and should be read in conjunction with this statement.*

# Selacs Insurance Limited

Statement of Financial Position as at 31 December 2018

	Note	2018 NZD	2017 NZD
<b>EQUITY</b>			
Share capital	3	1,600,000	1,600,000
Retained earnings		6,063,544	5,589,987
<b>TOTAL EQUITY</b>		<b>7,663,544</b>	<b>7,189,987</b>
 Represented By:			
<b>CURRENT ASSETS</b>			
Cash and bank balances		43,000	92,516
Prepaid reinsurance premiums		1,826,528	1,581,480
<b>TOTAL CURRENT ASSETS</b>		<b>1,869,528</b>	<b>1,673,996</b>
 <b>NON-CURRENT ASSETS</b>			
Advance to the ultimate parent company	4	6,121,606	5,899,703
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,121,606</b>	<b>5,899,703</b>
<b>TOTAL ASSETS</b>		<b>7,991,134</b>	<b>7,573,699</b>
 <b>CURRENT LIABILITIES</b>			
Trade and other payables		15,220	51,783
Premium income received in advance		128,208	99,090
Current tax liabilities	2	184,162	232,839
<b>TOTAL CURRENT LIABILITIES</b>		<b>327,590</b>	<b>383,712</b>
 <b>TOTAL LIABILITIES</b>		<b>327,590</b>	<b>383,712</b>
 <b>NET ASSETS</b>		<b>7,663,544</b>	<b>7,189,987</b>

*The notes to the financial statements on pages 10 to 16 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 2018

	2018 NZD	2017 NZD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Receipts from customers and commissions	3,723,469	3,247,686
Interest received	236,403	229,939
	<b>3,959,872</b>	<b>3,477,625</b>
<i>Cash was disbursed to:</i>		
Payments to suppliers	(111,998)	(45,699)
Reinsurance premiums paid	(3,442,648)	(3,020,089)
Income tax paid	(232,839)	(283,960)
	<b>(3,787,485)</b>	<b>(3,349,748)</b>
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>	<b>172,387</b>	<b>127,877</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Advances to) repayments from the ultimate parent company	(221,903)	611,823
<b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>	<b>(221,903)</b>	<b>611,823</b>
<b>NET (DECREASE) INCREASE IN NET CASH</b>	<b>(49,516)</b>	<b>739,700</b>
Cash and cash equivalents at the beginning of the year	92,516	(647,184)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>43,000</b>	<b>92,516</b>
<i>Represented by:</i>		
Cash and bank balances	43,000	92,516
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>43,000</b>	<b>92,516</b>
<b>Reconciliation of profit for the year to net cash generated by operating activities:</b>		
<b>PROFIT FOR THE YEAR</b>	<b>473,557</b>	<b>598,729</b>
<i>Changes in net assets and liabilities:</i>		
Prepayments	(245,048)	(79,525)
Trade and other payables	(36,563)	34,457
Income received in advance	29,118	(374,663)
Current tax	(48,677)	(51,121)
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>	<b>172,387</b>	<b>127,877</b>

The notes to the financial statements on pages 10 to 16 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 2018

### 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 providing insurance to fellow subsidiaries of Scales Corporation Limited.

The financial statements have been prepared:

- In accordance with Generally Accepted Accounting Practice (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 2018 and the comparative information presented in these financial statements for the year ended 31 December 2017.

#### *Key Judgements and 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* 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 revenue* is accrued on a time basis using the effective interest method.

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

##### **(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.



# Selacs Insurance Limited

Notes to the financial statements for the year ended 31 December 2018

## 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### **(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*

The Company recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost, trade and other receivables, and advances to the ultimate parent company. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

## Selacs Insurance Limited

Notes to the financial statements for the year ended 31 December 2018

### 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

#### (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.

#### (i) Statement of Cash Flows

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

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

NZ IFRS 17 *Insurance* was issued during 2017 but is not effective until 1 January 2021. An assessment of the potential effect of this Standard has not been completed.

The Company has reviewed all other 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 2018

### 2. TAXATION

	2018 NZD	2017 NZD
<b>(a) Income Tax Recognised in Profit</b>		
<i>Income tax expense comprises:</i>		
Current tax expense	184,162	232,839
<b>Total income tax expense recognised in profit</b>	<b>184,162</b>	<b>232,839</b>

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	657,719	831,568
Income tax expense calculated at 28%	<b>184,162</b>	<b>232,839</b>

### (b) Current Tax Balances

Balance at beginning of the year	232,839	283,960
Taxation paid	(232,839)	(283,960)
Taxation expense	184,162	232,839
<b>Balance at end of the year</b>	<b>184,162</b>	<b>232,839</b>

### 3. SHARE CAPITAL

	2018 NZD	2017 NZD
1,600,000 ordinary shares	1,600,000	1,600,000

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

### 4. RELATED PARTY DISCLOSURES

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

Fern Ridge Produce Limited, Longview Group Holdings 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. George H Investments Limited is a related party by key management personnel.

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

The Directors of the Company who are also an independent director, the managing director and chief financial officer of Scales Corporation Limited, are the key management personnel. Directors' fees are only paid to the independent director.

### 5. CREDIT RATING

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

### 6. REINSURANCE

Selacs Insurance Limited has reinsurance cover in the market of \$250 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 risk of up to \$0.9 million per claim (31 December 2017: \$0.9 million). 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.

## Selacs Insurance Limited

Notes to the financial statements for the year ended 31 December 2018

### 7. 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 these risks 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 strategies.

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 of business over separate geographical areas (Auckland, 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 reinsurance cover is for the full amount of the insurance cover provided under the policies.
- The ability to review insurance contracts in place and in particular adjust premium rates.
- Geographical spread, with properties being located within Auckland, Canterbury, Hawke's Bay and Otago.

### 8. 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. The Company has achieved this by retaining the profit earned each year within the business.

#### *Solvency Requirements under the Insurance (Prudential Supervision) Act 2010*

Separate to the insurance contract liabilities (i.e. 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 business. The methodology and bases for determining the solvency requirements are in accordance with the requirements of the Insurance (Prudential Supervision) Act 2010.



## Selacs Insurance Limited

Notes to the financial statements for the year ended 31 December 2018

### 8. FINANCIAL INSTRUMENTS (CONTINUED)

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:

	2018 NZD	2017 NZD
Actual solvency capital	7,663,544	7,189,987
Minimum solvency capital	1,339,758	1,263,632
Overall minimum per standard	1,339,758	1,263,632
Solvency margin	6,323,786	5,926,355
 Solvency coverage ratio	 5.72	 5.69

#### *Actuary's financial condition report*

The report by the consulting actuary, Peter Davies B.Bus.Sc., FIA, FNZSA, states that Selacs has a strong solvency position and is able to withstand a significant level of adverse events.

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 and liabilities are subject to interest rate risk as follows:

	2018	2017
Advance to the ultimate parent company - six weekly interest rate review period	3.75%	3.75%

#### **(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 related party advances and does not anticipate non-performance of those related parties.

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

#### **(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. All financial liabilities mature in less than three months.

#### **(f) Categories of Financial Instruments**

All financial instruments are carried at amortised cost. The carrying amount of financial assets and financial liabilities approximates their fair value.

## Selacs Insurance Limited

Notes to the financial statements for the year ended 31 December 2018

### 8. FINANCIAL INSTRUMENTS (CONTINUED)

#### (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.

	2018 NZD	2017 NZD
A 1% increase in interest rate would increase profit after income tax and equity by:	43,300	44,700

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

### 9. CAROLINE ROAD EVENT

In December 2018 an insurance claim was notified to the Company. The claim arises in consequence of the collapse of the roof of a coldstore located at Caroline Road, Hastings, Hawke's Bay.

The cause of the event is uncertain and is under investigation by the specialists. The cause of the event will determine whether it is covered by the insurance policy. The claim will not be accepted until such time that (a) the cause is established, and (b) it is confirmed that the event is covered by the insurance policy.

The risk is fully reinsured, and in the event the claim is accepted and becomes payable, there will be no impact on net income or net assets of the Company.

No claim expense, reinsurance revenue, claim payable and reinsurance receivable have been recorded in the financial statements.

### 10. EVENTS OCCURRING AFTER BALANCE DATE

There were no events occurring subsequent to balance date which require adjustment to or disclosure in the financial statements.



## Independent Auditor's Report

### To the Shareholders of Selacs Insurance Limited

#### Opinion

We have audited the financial statements of Selacs Insurance Limited (the 'Company'), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of accounting policies.

In our opinion, the accompanying financial statements, on pages 6 to 16, present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and 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 ('ISAs') and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

#### 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.

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

#### Other information

The directors are responsible on behalf of the Company for the other information. The other information comprises the information in the Annual Report that accompanies the financial statements and the audit report.

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

Our responsibility is to read the other information and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

#### Directors' responsibilities for the financial statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### 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 and 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.

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/>

This description forms part of our auditor's report.

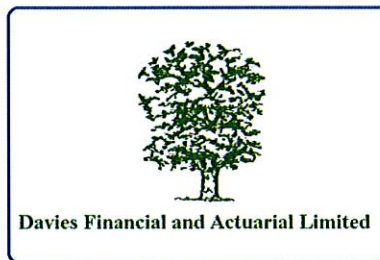
## Restriction on use

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

*Deloitte Limited*

**Michael Wilkes, Partner  
for Deloitte Limited**  
Christchurch, New Zealand  
25<sup>th</sup> March 2019





11<sup>th</sup> March 2019

To: The Directors  
Selacs Insurance Limited

From: Peter Davies  
Appointed Actuary

**Re: Selacs Insurance Limited (“the Company”): Report as at  
31<sup>st</sup> December 2018 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 31<sup>st</sup> December 2018. “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 31<sup>st</sup> December 2018 under the RBNZ Solvency Standard for Captive Insurers Transacting Non-life Insurance Business (2014) can be summarised as follows:

	31 December 2018	31 December 2017
Actual solvency capital:	7,663,544	7,189,987
Overall minimum per Standard:	1,339,758	1,263,633
Solvency margin	6,323,786	5,926,354
Solvency coverage ratio:	5.72	5.69

The Company is expected to exceed the minimum requirements of this Standard at all times over the next four years.

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

Yours sincerely



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