

Selacs Insurance Limited

Annual Report

for the year ended 31 December 2023

Selacs Insurance Limited

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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

Banker

ANZ Bank New Zealand Limited

Level 3

ANZ Centre

267 High Street

Christchurch 8011

Solicitor

Anthony Harper

Level 9

Anthony Harper Tower

62 Worcester Boulevard

Christchurch 8013

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 2023

Results

The year's operations after providing for taxation resulted in a net profit of \$324,284 (2022: \$312,051).

Dividends

No dividend was paid in respect of the year ended 31 December 2023 (2022: 5,000,000).

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 have 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.

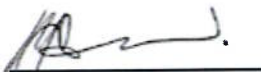
General

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
17 April 2024


A R Isaac
Director
17 April 2024

Selacs Insurance Limited

Directors' responsibility statement for the year ended 31 December 2023

The Directors are pleased to present the financial statements of Selacs Insurance Limited for the year ended 31 December 2023 on pages 6 to 24.

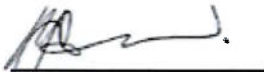
The Directors are responsible for the preparation and presentation of the Selacs Insurance Limited financial statements for the year ended 31 December 2023, in accordance with New Zealand law and generally accepted accounting practice.

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 judgements 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 17 April 2024 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 2023

	Note	2023 NZD	2022 (Restated) NZD
Insurance service result			
Insurance revenue	4	2,245,020	2,287,134
Insurance service expense		-	-
Insurance service result from insurance contracts issued	9	2,245,020	2,287,134
Amounts recovered from reinsurance contracts	9	-	-
Allocation of reinsurance premiums paid	6, 9	(2,017,870)	(2,098,621)
Net expenses from reinsurance contracts held		(2,017,870)	(2,098,621)
Total insurance service result		227,150	188,513
Other income			
Service revenue	4, 9	197,910	224,902
Interest income received from the ultimate parent company	4	145,161	106,843
Total other income		343,071	331,745
Expenses			
Management fee expense		(48,000)	(44,000)
Financial statements audit fee		(19,000)	(17,000)
RBNZ solvency return assurance fee		(8,000)	(8,000)
Directors' fees	4	(12,000)	(12,000)
Other expenses		(32,826)	(5,854)
PROFIT BEFORE INCOME TAX EXPENSE		450,395	433,404
Income tax expense	2	(126,111)	(121,353)
PROFIT FOR THE YEAR		324,284	312,051
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		324,284	312,051

The above statement should be read in conjunction with the accompanying notes.

Selacs Insurance Limited

Statement of changes in equity for the year ended 31 December 2023

	Share Capital NZD	Retained Earnings NZD	Total NZD
Balance at 1 January 2022	1,600,000	7,033,422	8,633,422
Profit for the year	-	312,051	312,051
Other comprehensive income for the year	-	-	-
Dividends paid	-	(5,000,000)	(5,000,000)
Balance at 31 December 2022	1,600,000	2,345,473	3,945,473
Profit for the year	-	324,284	324,284
Other comprehensive income for the year	-	-	-
Dividends paid	-	-	-
Balance at 31 December 2023	1,600,000	2,669,757	4,269,757

The above statement should be read in conjunction with the accompanying notes.

Selacs Insurance Limited

Statement of financial position as at 31 December 2023

		2023	2022	2021
			(Restated)	(Restated)
	Note	NZD	NZD	NZD
EQUITY				
Share capital	3	1,600,000	1,600,000	1,600,000
Retained earnings		2,669,757	2,345,473	7,033,422
TOTAL EQUITY		4,269,757	3,945,473	8,633,422
Represented By:				
CURRENT ASSETS				
Cash and bank balances		1,402,648	1,656,065	913,126
Other related party receivables	4	569,598	466,362	395,716
Reinsurance contract asset	6	1,141,008	818,763	1,765,128
TOTAL CURRENT ASSETS		3,113,254	2,941,190	3,073,970
NON-CURRENT ASSETS				
Advance to the ultimate parent company	4	1,323,148	1,139,927	6,185,217
TOTAL NON-CURRENT ASSETS		1,323,148	1,139,927	6,185,217
TOTAL ASSETS		4,436,402	4,081,117	9,259,187
CURRENT LIABILITIES				
Trade and other payables		31,244	14,291	19,899
Income received in advance		8,870	-	-
Insurance contract liabilities	6	-	-	485,269
Current tax liabilities	2	126,531	121,353	120,597
TOTAL CURRENT LIABILITIES		166,645	135,644	625,765
TOTAL LIABILITIES		166,645	135,644	625,765
NET ASSETS		4,269,757	3,945,473	8,633,422

The above statement should be read in conjunction with the accompanying notes.

Selacs Insurance Limited
Statement of cash flows for the year ended 31 December 2023

	Note	2023 NZD	2022 (Restated) NZD
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Insurance receipts from customers	4	2,064,661	2,216,488
Commissions receipts from customers		197,910	224,902
Interest received	4	-	106,843
		2,262,571	2,548,233
<i>Cash was disbursed to:</i>			
Payments to suppliers		(102,873)	(92,462)
Reinsurance premiums paid		(2,340,115)	(1,637,525)
Income tax paid		-	(120,597)
		(2,442,988)	(1,850,584)
NET CASH (USED IN) GENERATED BY OPERATING ACTIVITIES		(180,417)	697,649
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayments from (advances to) the ultimate parent company	4	(73,000)	45,290
NET CASH (USED IN) GENERATED BY INVESTING ACTIVITIES		(73,000)	45,290
NET INCREASE (DECREASE) IN NET CASH		(253,417)	742,939
Cash and cash equivalents at the beginning of the year		1,656,065	913,126
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		1,402,648	1,656,065
Represented by:			
Cash and bank balances		1,402,648	1,656,065
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		1,402,648	1,656,065
Reconciliation of profit for the year to net cash generated by operating activities:			
PROFIT FOR THE YEAR		324,284	312,051
<i>Changes in net assets and liabilities:</i>			
Reinsurance contract asset		(322,245)	858,262
Other related party receivables		(103,236)	-
Advance to the ultimate parent company		(105,043)	-
Trade and other payables		16,953	(5,608)
Insurance contract liabilities		-	(485,269)
Income received in advance		8,870	17,457
Current tax		-	756
NET CASH (USED IN) GENERATED BY OPERATING ACTIVITIES		(180,417)	697,649

Note: claim payments were made directly to the insured party by the reinsurers. Claim preparation cost payments were made directly to service providers by the reinsurers. Hence, neither reinsurance income, nor gross claims incurred are included in the above operating cash flows.

The above statement should be read in conjunction with the accompanying notes.

Selacs Insurance Limited

Notes to the financial statements for the year ended 31 December 2023

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 and to Meateor Pet Foods Limited Partnership which is 50% owned by Scales Corporation Group. Scales Corporation Limited, fellow subsidiaries of Scales Corporation Limited and Meateor Pet Foods Limited Partnership also hold insurance contracts directly with the insurers.

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 except for adoption of NZ IFRS 17 *Insurance Contracts* (note 9)
- 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 2023 and the comparative information presented in these financial statements.

Key Judgements and Estimates

As the Company is a captive insurer company and all insured parties are related parties to the Company, the Company is fully informed of any actual or potential claims. Other than disclosed in Note 9, there are no significant judgements or estimates in these financial statements.

Summary of Material 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

Insurance revenue is recognised based on the passage of time over the coverage period of a group of contracts which approximates the incidence of risk.

Service revenue is the net amount retained by the Company equal to the administration fee charged. The Company has been determined to be an agent in the transaction with the net revenue recognised over the term of the policy.

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

Selacs Insurance Limited

Notes to the financial statements for the year ended 31 December 2023

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(c) Allocation of reinsurance premiums paid and amounts recovered from reinsurance contracts

Premiums ceded to reinsurers are recognised in profit or loss as "allocation of reinsurance premiums paid" expense. The expense is recognised in accordance with the incidence of risk and pattern of reinsurance service received and the proportion of the policy period covered by the premium that is completed at balance date which usually approximates the incidence of risk.

Amounts recovered from reinsurance contracts represent the amounts recovered from the reinsurer and are recognised as revenue when a loss event has occurred and it is virtually certain proceeds will be received for the claims settled during the reporting period.

(d) Insurance service expenses

Insurance service expenses relate directly to the fulfilment of contracts and are recognised in profit or loss as insurance service expenses when they are incurred. Expenses that do not relate directly to the fulfilment of contracts are presented separately from the insurance service expense.

Claims incurred are recognised in profit or loss as insurance services expenses. 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 contracts and insurance contracts

Insurance contracts

The Company applies the Premium Allocation Approach to all the insurance contracts that it issues as the coverage period of each contract is one year or less including insurance contract services arising from all premiums within the contract boundary. For all insurance contracts held, the allocation is based on the passage of time for the applicable financial year.

Initial measurement of the insurance contracts at initial recognition includes premiums received at initial recognition (the insured parties pay their premiums monthly in arrears, hence nil), less any insurance acquisition cashflows (the Company chooses to recognise insurance acquisition cash flows as expenses when it incurs those costs, given that the coverage period of each contract in the group at initial recognition is no more than one year, hence also nil). There are no other cashflows related to the group of insurance contracts that would require to be included in the initial recognition.

At the end of each subsequent reporting period, the carrying amount of the insurance contracts is the carrying amount at the start of the reporting period, plus premiums received during the period, minus the amount recognised as revenue for services provided in that period. As stated above, acquisition cashflows are recognised as expenses when incurred. There are no finance components or investment components related to the insurance contracts.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of the liability for incurred claims that are expected to be paid within one year of being incurred.

Reinsurance contracts

Reinsurance contracts held are also measured by applying the premium allocation approach, and the initial and subsequent measurement of reinsurance contracts follow the same principles as stated above for the insurance contracts, including estimating the asset for recoverable claims.

Selacs Insurance Limited

Notes to the financial statements for the year ended 31 December 2023

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(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, including 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.

(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 2023

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(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) Adoption of NZ IFRS 17 Insurance Contracts

See Note 9.

(ii) Adoption of new and revised standards and interpretations; standards and Interpretations issued but not yet effective

In addition to the adoption of NZ IFRS 17 above, all other mandatory amendments and interpretations have been adopted in the current year.

The Company has reviewed all other standards, interpretations and amendments to existing standards issued but 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 2023

2. TAXATION

	2023	2022
	NZD	NZD
Income tax recognised in profit		
<i>Income tax expense comprises:</i>		
Current tax expense	126,111	121,353
Total income tax expense recognised in profit	126,111	121,353

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	450,395	433,404
Income tax expense calculated at 28%	126,111	121,353

3. SHARE CAPITAL

	2023	2022
	NZD	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

Insurance revenue is received from; Fern Ridge Produce Limited, Meateor Foods Limited, Meateor Group Limited, Meateor US LLC, Mr Apple New Zealand Limited, New Zealand Apple Limited, Scales Logistics Limited, and Scales Logistics Australia Pty Limited, which are also ultimately wholly owned by Scales Corporation Limited.

	2023	2022
	NZD	NZD
<u>Insurance revenue</u>		
Scales Corporation Limited	-	-
Subsidiaries and Joint Ventures of Scales Corporation Group	2,245,020	2,287,134
	2,245,020	2,287,134
<u>Service revenue</u>		
Scales Corporation Limited	8,381	10,255
Scales Logistics Limited	189,529	214,647
	197,910	224,902
<u>Related party receivables</u>		
Scales Corporation Limited	18,152	17,879
Scales Logistics Limited	551,446	448,483
	569,598	466,362

The holding company is Scales Holdings Limited which is a wholly owned subsidiary of the ultimate parent Scales Corporation Limited. The advance to Scales Corporation Limited is repayable on demand. The interest rate is OCR plus 2%, (refer to note 8c).

Selacs Insurance Limited

Notes to the financial statements for the year ended 31 December 2023

4. RELATED PARTY DISCLOSURES

Key management personnel

The Directors of the Company (who are: an independent director, the managing director and the chief financial officer of Scales Corporation Limited) are the key management personnel, the compensation for the managing director and chief financial officer is paid by Scales Corporation Limited. 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 CONTRACT ASSETS AND INSURANCE CONTRACT LIABILITIES

The Company has reinsurance cover in the market of \$175 million (2022: \$175 million) in respect of earthquake and other natural disaster losses and \$75 million (2022: \$50 million) in respect of fire and perils losses, in annual aggregate, but retains risk of up to \$0.9 million per claim (2022: \$0.9 million).

The Company no longer has reinsurance cover in the market (2022: \$0 million) in respect of the apple crop. Insurance for apple crop was held up until August 2022 and as a result is included in the opening balance of the comparative year reconciliation for reinsurance contract assets.

The following table shows the reconciliation from the opening to the closing balances of the reinsurance asset for the remaining coverage and the assets for incurred claims recoverable from reinsurance. The coverage period of the reinsurance contracts held is for a period of one year and have been assessed as qualifying for measurement under the Premium Allocation Approach. See Note 9 for further details on the accounting policies applied.

2022	Remaining coverage component		Incurred claims component		Total
	MD & BI	Crop insurance	MD & BI	Crop insurance	
	NZD	NZD	NZD	NZD	
Statement of financial position - opening balance					
Opening reinsurance asset	770,432	509,427	485,269	-	1,765,128
Opening insurance contract liability	-	-	(485,269)	-	(485,269)
Net opening balance	770,432	509,427	-	-	1,279,859
Statement of profit or loss for the year					
Allocation of reinsurance premiums paid	(1,589,194)	(509,427)	-	-	(2,098,621)
Recoveries on incurred claims & other expenses	-	-	-	-	-
Net expenses from reinsurance contracts held	(1,589,194)	(509,427)	-	-	(2,098,621)
Cashflows for the year					
Premiums paid	1,637,525	-	-	-	1,637,525
Total cashflows	1,637,525	-	-	-	1,637,525
Amounts paid by reinsurers directly to the insureds					
Claim amounts received from reinsurers	-	-	(485,269)	-	(485,269)
Claim amounts paid to insureds	-	-	485,269	-	485,269
Total amounts settled directly with insureds	-	-	-	-	-
Statement of financial position - closing balance					
Closing reinsurance asset	818,763	-	-	-	818,763
Closing insurance contract liability	-	-	-	-	-
Net closing balance	818,763	-	-	-	818,763

Selacs Insurance Limited

Notes to the financial statements for the year ended 31 December 2023

6. REINSURANCE CONTRACT ASSETS AND INSURANCE CONTRACT LIABILITIES (CONTINUED)

2023	Remaining coverage component		Incurred claims component		Total NZD
	MD & BI*	Crop insurance	MD & BI	Crop insurance	
	NZD	NZD	NZD	NZD	
Statement of financial position - opening balance					
Opening reinsurance asset	818,763	-	-	-	818,763
Opening insurance contract liability	-	-	-	-	-
Net opening balance	818,763	-	-	-	818,763
Statement of profit or loss for the year					
Allocation of reinsurance premiums paid	(2,017,870)	-	-	-	(2,017,870)
Recoveries on incurred claims & other expenses	-	-	-	-	-
Net expenses from reinsurance contracts held	(2,017,870)	-	-	-	(2,017,870)
Cashflows for the year					
Premiums paid	2,340,115	-	-	-	2,340,115
Claim amounts received from reinsurers	-	-	-	-	-
Claim amounts paid to insureds	-	-	-	-	-
Total cashflows	2,340,115	-	-	-	2,340,115
Statement of financial position - closing balance					
Closing reinsurance asset	1,141,008	-	-	-	1,141,008
Closing insurance contract liability	-	-	-	-	-
Net closing balance	1,141,008	-	-	-	1,141,008

* Material damage and business insurance

There are no unexpected catastrophe risks or adverse claim numbers that would impact the Company since reporting date. The Company has not provided crop insurance since 1 July 2022.

The Company has a credit risk with respect to the reinsurers. This risk is mitigated by choosing reinsurers with good financial strength, and therefore the credit risk is considered to be immaterial.

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 and in note 6.

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.

Selacs Insurance Limited

Notes to the financial statements for the year ended 31 December 2023

7. 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 insurance risks, including 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. For insurance contracts issued by the Company, the insureds themselves retain the first \$100,000 of any claim, and the Company retains the next \$900,000 (unless the claim relates to a natural disaster, in which case the Company's retention is zero, and the insured retains the first \$1,000,000).

Further, the \$1,000,000 deductible referred to above applies aggregate, that is the Company would only have to pay \$1,000,000 deductible during the policy year. The further loss events within the same year are only subject to a \$25,000 non-contributing working deductible.

For risks relating to leased premises as well as the Meateor Pet Foods Limited Partnership, the deductible met by the insured is \$100,000, and the Company has no net exposure, because the excess above \$100,000 is fully reinsured. Therefore, the maximum exposure of the Company to a single event is \$900,000.

- 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 an appropriate level of 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 2023

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:

	2023 NZD	2022 NZD
Actual solvency capital	4,269,757	3,945,473
Minimum solvency capital	515,562	414,527
Overall minimum per standard	1,000,000	1,000,000
Solvency margin	3,269,757	2,945,473
Solvency coverage ratio	4.3	4.0

Actuary's financial condition report

The report by the consulting actuary, Peter Davies B.Bus.Sc., FIA, FNZSA, states that the Company 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:

	2023	2022
Advance to the ultimate parent company (see note 4) - six weekly interest rate review period	7.5%	6.3%

(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 and reinsurance receivables with Scales Corporation Limited and other entities within the Scales Corporation Limited Group. The Company continuously monitors the credit quality of its related party advances and reinsurance receivables and does not anticipate non-performance of those 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 2023

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.

	2023	2022
	NZD	NZD
A 1% increase in interest rate would increase profit after income tax and equity by:	8,900	26,400

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

9. ADOPTION OF NZ IFRS 17 *INSURANCE CONTRACTS* AND RESTATEMENT OF COMPARATIVES

Transition summary

NZ IFRS 17 *Insurance contracts* became effective for the periods starting on or after 1 January 2023.

NZ IFRS 17 superseded NZ IFRS 4 *Insurance contracts* and related interpretations.

NZ IFRS 17 provides the basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The Company adopted NZ IFRS 17 under the full retrospective approach, whereby insurance and reinsurance contracts are recognised and measured as if NZ IFRS 17 had always been applied. Adoption of NZ IFRS 17 only impacted the presentation and disclosure of certain items in statement of financial performance and statement of financial position, as detailed below. There was no impact on the net profit, net assets, total assets and total liabilities for any of the comparative periods presented.

Level of aggregation

The Company treats MD and BI insurance products as a single portfolio of contracts given these are within the same product line, have similar risks, and insurance policies are short-term.

Historically, the Company issued an insurance contract and held reinsurance contract for apple crop insurance. The apple crop insurance policy ran until August 2022 and was not renewed. This policy was included in a separate portfolio because the risks differed significantly from those managed under the MD and BI insurance contracts.

There were no groups of insurance contracts that were considered to be onerous at initial recognition, or had a significant possibility of becoming onerous subsequently.

Measurement model

Given all contracts issued and reinsurance contracts held are 12 months or less, the Company adopted the premium allocation approach (PAA). The PAA is the simplified measurement approach available to groups of insurance contracts held and reinsurance contracts held that have a coverage period of one year or less. These contracts are priced every 12 months. The contract boundary period is from the policy start date to expiration date, of which is 12 months or less, and therefore the PAA method would not give a materially different outcome from the general model referred to in NZ IFRS 17 para 32-52.

Presentation and disclosure

Insurance service result

The insurance service result is presented in the statement of comprehensive income and is the net of insurance revenue and insurance service expenses from the group of insurance contracts issued and reinsurance contracts held.

Selacs Insurance Limited

Notes to the financial statements for the year ended 31 December 2023

9. ADOPTION OF NZ IFRS 17 *INSURANCE CONTRACTS* AND RESTATEMENT OF COMPARATIVES (CONTINUED)

Insurance revenue is comprised of the consideration for services arising from the groups of insurance contracts issued by the Company, that is premiums. Insurance premiums received are recognised evenly over the period of the contract, representing the incidence of risk.

Insurance service expenses represent the costs for incurred claims and other costs directly related to the fulfilment of insurance contracts.

Insurance revenue and insurance service expenses are presented separately in the statement of comprehensive income. Previously, under NZ IAS 4 insurance income and expenses were presented as premium income and outward reinsurance expense. Therefore, the adoption of NZ IFRS 17 merely impacted the presentation of the above items in primary financial statements, and had no impact on the net profit before tax for the years ended 31 December 2021 and 31 December 2022.

Insurance contract liability

The insurance contract liability represents the liability for remaining insurance coverage.

Insured parties pay their premiums monthly in arrears. Therefore on initial recognition there was no premium received in advance (or premium receivable), as well as no liabilities for incurred claims (as there were no outstanding claims), resulting in a remaining coverage insurance contract liability of nil as at both 31 December 2022 and 31 December 2023. Consequently, adoption of NZ IFRS 17 impacted neither presentation nor measurement in the statements of financial performance. There are no acquisition cashflows that are amortised.

Reinsurance contract asset

The Company fully reinsures the risks insured under the insurance contracts it issues to its customers. Reinsurance contracts are placed for a 12 months period, usually ending on 31 July. Reinsurance premiums are paid in advance. Under NZ IFRS 17, the prepaid portion represents a reinsurance contract asset.

A reconciliation of the opening and closing reinsurance contract asset is presented in note 6. The reconciliation shows separately the remaining coverage and incurred claims component. There were no incurred claims outstanding as at 31 December 2022 and 31 December 2023.

Reinsurance contract asset was previously presented as prepaid reinsurance premium in the statement of financial position.

Presentation of premium income

Premium income in respect of all insurance policies placed by the Company and corresponding reinsurance expense were previously presented gross in statement of profit and loss.

The policies where the Company bears significant insurance risk are in scope of NZ IFRS 17, and are presented as explained above.

The policies where the Company does not bear significant insurance risk do not meet the definition of an insurance contract under NZ IFRS 17 and NZ IFRS 4, and are not in scope of NZ IFRS 17. The Company merely helps to place these policies with the insurers and organizes premium payments in exchange for an administration fee charged to the insured parties. The Company acts as a agent in the context of NZ IFRS 15 *Revenue from Contracts with Customers*. Therefore, only the administrative fee is presented in the statement of financial performance as service revenue. This treatment has resulted in the adjustment in note 9(a) and 9(b) impacting the lines insurance revenue, allocation of reinsurance premiums paid, service revenue, prepaid reinsurance premiums and other related party receivables. Further, presentation of insurance receipts from customers, commissions receipts from customers and reinsurance premiums paid in cash flows statement was adjusted.

Selacs Insurance Limited

Notes to the financial statements for the year ended 31 December 2023

9. ADOPTION OF NZ IFRS 17 *INSURANCE CONTRACTS* AND RESTATEMENT OF COMPARATIVES (CONTINUED)

The following tables summarises the impact of the changes on the prior period comparatives presented in the financial statements.

a) Statement of Comprehensive Income

	2022, NZD		
	Previously reported	Adjustments	Restated
Insurance service result			
Insurance revenue (2022: "Premium income from related parties")	3,363,927	(1,076,793)	2,287,134
Insurance service expense	-	-	-
Insurance service result from insurance contracts issued	3,363,927	(1,076,793)	2,287,134
Amounts recovered from reinsurance contracts	-	-	-
Allocation of reinsurance premiums paid (2022: "Outward reinsurance expense")	(3,125,691)	1,027,070	(2,098,621)
Net expenses from reinsurance contracts held	(3,125,691)	1,027,070	(2,098,621)
Total insurance service result	238,236	(49,723)	188,513
Other income			
Service revenue	175,179	49,723	224,902
Interest income received from the ultimate parent company	106,843	-	106,843
Total other income	282,022	49,723	331,745
Expenses			
Management fee expense	(44,000)	-	(44,000)
Financial statements audit fee	(17,000)	-	(17,000)
RBNZ solvency return assurance fee	(8,000)	-	(8,000)
Directors' fees	(12,000)	-	(12,000)
Other expenses	(5,854)	-	(5,854)
PROFIT BEFORE INCOME TAX EXPENSE	433,404	-	433,404
Income tax expense	(121,353)	-	(121,353)
PROFIT FOR THE YEAR	312,051	-	312,051
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	312,051	-	312,051

Selacs Insurance Limited

Notes to the financial statements for the year ended 31 December 2023

9. ADOPTION OF NZ IFRS 17 *INSURANCE CONTRACTS* AND RESTATEMENT OF COMPARATIVES (CONTINUED)

b) Statement of Financial Position

	2022, NZD			2021, NZD		
	Previously reported	Adjustments	Restated	Previously reported	Adjustments	Restated
EQUITY						
Share capital	1,600,000	-	1,600,000	1,600,000	-	1,600,000
Retained earnings	2,345,473	-	2,345,473	7,033,422	-	7,033,422
TOTAL EQUITY	3,945,473	-	3,945,473	8,633,422	-	8,633,422
Represented By:						
CURRENT ASSETS						
Cash and bank balances	1,656,065	-	1,656,065	913,126	-	913,126
Reinsurance and other recoveries receivable	-	-	-	485,269	(485,269)	-
Prepaid reinsurance premiums	1,381,443	(1,381,443)	-	1,754,436	(1,754,436)	-
Other related party receivables	-	466,362	466,362	-	395,716	395,716
Reinsurance contract asset	-	818,763	818,763	-	1,765,128	1,765,128
TOTAL CURRENT ASSETS	3,037,508	(96,318)	2,941,190	3,152,831	(78,861)	3,073,970
NON-CURRENT ASSETS						
Advance to the ultimate parent company	1,139,927	-	1,139,927	6,185,217	-	6,185,217
TOTAL NON-CURRENT ASSETS	1,139,927	-	1,139,927	6,185,217	-	6,185,217
TOTAL ASSETS	4,177,435	(96,318)	4,081,117	9,338,048	(78,861)	9,259,187
CURRENT LIABILITIES						
Trade and other payables	14,291	-	14,291	19,899	-	19,899
Insurance contract liabilities	-	-	-	485,269	-	485,269
Commission income received in advance	96,318	(96,318)	-	78,861	(78,861)	-
Current tax liabilities	121,353	-	121,353	120,597	-	120,597
TOTAL CURRENT LIABILITIES	231,962	(96,318)	135,644	704,626	(78,861)	625,765
TOTAL LIABILITIES	231,962	(96,318)	135,644	704,626	(78,861)	625,765
NET ASSETS	3,945,473	-	3,945,473	8,633,422	-	8,633,422

Selacs Insurance Limited

Notes to the financial statements for the year ended 31 December 2023

9. ADOPTION OF NZ IFRS 17 *INSURANCE CONTRACTS* AND RESTATEMENT OF COMPARATIVES (CONTINUED)

c) Statement of Cash Flows

	2022, NZD		
	Previously reported	Adjustments	Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Insurance receipts from customers (2022: "Receipts from customers and commissions")	3,556,563	(1,340,075)	2,216,488
Commissions receipts from customers	-	224,902	224,902
Interest received	106,843	-	106,843
	3,663,406	(1,115,173)	2,548,233
<i>Cash was disbursed to:</i>			
Payments to suppliers	(92,462)	-	(92,462)
Reinsurance premiums paid	(2,752,698)	1,115,173	(1,637,525)
Income tax paid	(120,597)	-	(120,597)
	(2,965,757)	1,115,173	(1,850,584)
NET CASH (USED IN) GENERATED BY OPERATING ACTIVITIES	697,649	-	697,649
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayments from (advances to) the ultimate parent company	45,290	-	45,290
NET CASH (USED IN) GENERATED BY INVESTING ACTIVITIES	45,290	-	45,290
NET INCREASE (DECREASE) IN NET CASH	742,939	-	742,939
Cash and cash equivalents at the beginning of the year	913,126	-	913,126
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,656,065	-	1,656,065
Represented by:			
Cash and bank balances	1,656,065	-	1,656,065
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,656,065	-	1,656,065
Reconciliation of profit for the year to net cash generated by operating activities:			
PROFIT FOR THE YEAR	312,051	-	312,051
<i>Changes in net assets and liabilities:</i>			
Reinsurance contract asset (2022: "Reinsurance and other recoveries receivable")	485,269	372,993	858,262
Prepayments	372,993	(372,993)	-
Other related party receivables	-	-	-
Advance to the ultimate parent company	-	-	-
Trade and other payables	(5,608)	-	(5,608)
Insurance contract liabilities (2022: "Claims payable")	(485,269)	-	(485,269)
Income received in advance	17,457	-	17,457
Current tax	756	-	756
NET CASH (USED IN) GENERATED BY OPERATING ACTIVITIES	697,649	-	697,649

Selacs Insurance Limited

Notes to the financial statements for the year ended 31 December 2023

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 2023, and 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 material accounting policy information.

In our opinion, the accompanying financial statements, on pages 6 to 24 present fairly, in all material respects, the financial position of the Company as at 31 December 2023, 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 *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)*, 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 Reserve Bank of New Zealand 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/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2>

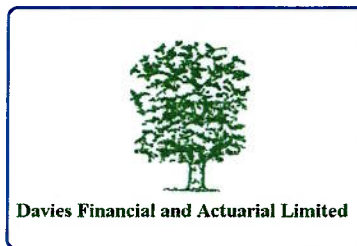
This description forms part of our auditor's report.

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

**Lisa Cruickshank, Partner
for Deloitte Limited**
Auckland, New Zealand
17 April 2024



8th April 2024

To: The Directors
Selacs Insurance Limited

From: Peter Davies
Appointed Actuary

Re: **Selacs Insurance Limited (“the Company”): Report as at
31st December 2023 under Sections 77 and 78 of the
Insurance (Prudential Supervision) Act 2010**

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

1. I have reviewed the actuarial information included in the audited accounts for the Company as at 31st December 2023. “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 2023 under the RBNZ Interim Solvency Standard can be summarised as follows:

	31 December 2023	31 December 2022
Actual solvency capital:	4,269,757	3,945,473
Overall minimum per Standard:	1,000,000	1,000,000
Solvency margin	3,269,757	2,945,473
Solvency coverage ratio:	4.27	3.95

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