T&G INSURANCE LIMITED
ANNUAL REPORT
31 DECEMBER 2017

Contents

DIRECTORY
31 DECEMBER 2017

Board of Directors:
Douglas James Bygrave
Carol Anne Campbell
Dirk Helmut Kamutzky

Auditor:
Deloitte Limited
Deloitte Centre
80 Queen Street
Auckland 0622

Banker:
Bank of New Zealand
60 Waterloo Quay
Pipitea
Wellington 6011
New Zealand

Solicitor:
Russell McVeagh
Level 30, Vero Centre
48 Shortland Street
Auckland 1140

Registered Office:
1 Clemow Drive, Mount Wellington
Auckland 1060

Postal Address:
1 Clemow Drive, Mount Wellington
Auckland 1060

Shareholder:

T&G Global Limited	1,000 ordinary shares

DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2017

Results
The profit for the period ended 31 December 2017 after tax is $38,452.

Dividends
No dividend was paid in respect of the period ended 31 December 2017.

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 Limited, was appointed into office in accordance with Section 207T of the Companies Act 1993.

General
This is the first period of accounts for the Company after incorporation on 7 August 2017.

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

Douglas Bygrave	Carol Campbell
Director	Director
19 March 2018	19 March 2018

DIRECTORS' RESPONSIBILITY STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2017

The Directors are pleased to present the financial statements of T&G Insurance Limited for the period ended 31 December 2017 on pages 4 to 15.

The Directors are responsible for the preparation and presentation of the Company's financial statements for the period ended 31 December 2017, 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 19 March 2018 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

Douglas Bygrave
Director

Carol Campbell
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2017

	NOTE	2017 NZ$
Premium income		275,342
Outward reinsurance expense		(217,099)
Net premium income		58,243
Claims expense		-
Net claims incurred		-
Commission income		11,453
Management fee expense		(3,750)
Net underwriting profit		65,946
Interest income		6,430
Audit fee to auditor for the audit of financial statements		(6,000)
Fee to auditor for the assurance services regarding the annual solvency return		(3,500)
Directors' fees		-
Interest expense		(6,430)
Other expenses		(3,040)
PROFIT BEFORE INCOME TAX EXPENSE		53,406
Income tax expense	2	(14,954)
PROFIT FOR THE PERIOD		38,452
OTHER COMPREHENSIVE INCOME		-
TOTAL COMPREHENSIVE INCOME		38,452

The notes to the financial statements on pages 8 to 15 form part of and should be read in conjunction with this statement.

STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2017

	Share Capital NZ$	Retained Earnings NZ$	Total NZ$
Balance at 7 August 2017	-	-	-
Capital introduced on 18 October 2017	1,000,000	-	1,000,000
Profit for the period	-	38,452	38,452
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	38,452	38,452
Balance at 31 December 2017	1,000,000	38,452	1,038,452

The notes to the financial statements on pages 8 to 15 form part of and should be read in conjunction with this statement.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	NOTE	2017 NZ$
EQUITY		
Share capital	3	1,000,000
Retained earnings		38,452
TOTAL EQUITY		1,038,452
Represented By:		
CURRENT ASSETS		
Cash and cash equivalents		1,000,000
Other receivables	4	3,406,303
Deferred reinsurance premium		2,424,272
TOTAL CURRENT ASSETS		6,830,575
TOTAL ASSETS		6,830,575
CURRENT LIABILITIES		
Trade and other payables		2,574,629
Unearned premium		3,074,657
Unearned ceding commission		127,883
Current tax payable	2	14,954
TOTAL CURRENT LIABILITIES		5,792,123
TOTAL LIABILITIES		5,792,123
NET ASSETS		1,038,452

Douglas Bygrave
Director
19 March 2018

Carol Campbell
Director
19 March 2018

The notes to the financial statements on pages 8 to 15 form part of and should be read in conjunction with this statement.

STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2017

	NOTE	2017 NZ$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers and commissions		-
Interest received		-
		-
Cash was disbursed to:		
Payments to suppliers		-
Reinsurance premiums paid		-
Tax paid		-
NET CASH GENERATED BY OPERATING ACTIVITIES	6	-
CASH FLOWS FROM INVESTING ACTIVTIES		-
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Capital contribution		1,000,000
		1,000,000
NET CASH GENERATED FROM FINANCING ACTIVITIES		1,000,000
NET (DECREASE) INCREASE IN NET CASH		1,000,000
Cash and cash equivalents at 7 August 2017		-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1,000,000
Represented by:		
Cash at bank		1,000,000

The notes to the financial statements on pages 8 to 15 form part of and should be read in conjunction with this statement.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity Reporting

The financial statements presented are those of T&G Insurance Limited (the Company). The Company's primary business is the provision of insurance services to T&G Global Limited and its subsidiaries.

Statutory Base

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.

Basis of Preparation

The financial statements have been prepared:
- In compliance with Generally Accepted Accounting Practice (NZ GAAP), International Financial Reporting Standards (IFRS), the New Zealand equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards, as appropriate for a profit-oriented entity ('NZ IFRS');
- On the basis of historical cost; and
- In New Zealand dollars with all values rounded to the nearest dollar.

The period covered by the financial statements is from the date of incorporation on 7 August 2017 to 31 December 2017. As this is the first period of trading for the Company there are no comparative balances. These financial statements are the first financial statements presented in accordance with NZ IFRS.

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 period from 7 August 2017 to 31 December 2017.

Key Judgements and Estimates

In the process of applying the Company's accounting policies and the application of financial reporting standards, the Company can make 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. The Company reviews the estimates and assumptions on an ongoing basis.

Actual results may differ from these estimates.

There are no significant judgements or estimates in these financial statements, other than as follows.

Outstanding claim liabilities

Outstanding claim liabilities include all claims notified but not paid at balance date and claims incurred but not yet reported. The Directors apply significant judgement in determining the quantum of any claims outstanding at balance date. There are no outstanding claims at the year end.

Summary of Significant Accounting Policies

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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 revenue

Premium revenue represents premiums relating to the current financial period and recognised in accordance with pattern of the incidence of risk. Premiums received which relate to the following financial year are deferred and recorded as 'Unearned Premium' within the Statement of Financial Position.

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.

(c) Outwards Reinsurance

Premiums ceded to reinsurers under reinsurance contracts are classified as an outwards reinsurance expense and is recognised in profit and loss over the period of the contract. Accordingly, a portion of the outwards reinsurance premium is treated at balance date as "Deferred Reinsurance Premium" in the Statement of Financial Position.

(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 comprehensive income 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.

The Company does not have any temporary differences and therefore no deferred tax has been recognised.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Assets

Financial assets are classified as loans and receivables and measured at amortised cost.

The classification depends on the nature and purpose of the financial assets and is determined at initial recognition.

Financial assets measured at amortised cost

The Company's loans and receivables, which include cash and cash equivalents and other receivables, are non-derivatives with fixed or determinable payment not quoted in an active market. These financial assets are measured at amortised cost using the effective interest method.

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) Payables

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New and Revised Standards and Interpretations

i **Standards and Interpretations Effective in the Current Period**
The Company was incorporated on 7 August 2017 and has applied all standards and amendments effective for the financial period.

ii **Standards and Interpretations in Issue not yet Effective**
The Company 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.

NZ IFRS 9 - Financial Instruments has not been adopted early. It includes a framework for classification and measurement of financial instruments and a single, forward-looking impairment model. This Standard, which becomes effective for annual periods commencing on or after 1 January 2018, will have no material impact on the financial statements.

NZ IFRS 15 - Revenue from Contracts with Customers has not been adopted early. This standard has an objective of a single revenue recognition model that applies to revenue from contracts with customers in all industries. This standard, which becomes effective for annual periods commencing on or after 1 January 2018, is not expected to have a significant impact on the financial statements.

NZ IFRS 17 - Insurance Contracts has not been adopted early. This standards provides consistent principles for all aspects of accounting for insurance contracts. This standard becomes effective for annual periods commencing on or after 1 January 2021. The impact on the financial statements has not yet been determined.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2017

	2017 NZ$
2. TAXATION	
(a) Income Tax Recognised In Profit	
Income tax expense comprises:	
Current tax expense	14,954
Total income tax expense recognised in profit or loss	14,954

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	53,406
Income tax expense calculated at 28%	14,954
	14,954

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	14,954
Balance at end of the year	14,954

3. SHARE CAPITAL

1,000 ordinary shares	1,000,000

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

4. OTHER RECEIVABLES

Premium receivables from T&G Global	3,406,303
	3,406,303

Receivables from T&G Global are unsecured and repayable on demand.

5. RELATED PARTY DISCLOSURES

The holding company is T&G Global Limited, a company incorporated in New Zealand and listed on the NZX.

Berryfruit New Zealand Limited, Delica Limited, ENZAFoods New Zealand Limited, Fruitmark NZ Limited, Status Produce Favona Road Limited, Status Produce Limited, Taipa Water Supply Limited, Turners & Growers Fresh Limited, Turners & Growers New Zealand Limited, Turners & Growers Horticulture Limited, ENZAFruit New Zealand International Limited and Fruit Distributors Limited are the subsidiaries of T&G Global Limited. The Company provides insurance services to T&G Global Limited and subsidiaries above.

	2017 NZ$
Insurance premium income from companies within T&G Global Limited.	3,406,303
Insurance claims paid to companies within T&G Global Limited.	-

The Directors are the key management personnel and did not receive any remuneration during the period.

6. NET CASH GENERATED BY OPERATING ACTIVITIES

	2017 NZ$
Reconciliation of profit for the period to net cash generated by operating activities:	
Profit for the year	38,452
Changes in net assets and liabilities:	
Other receivables	(3,406,303)
Deferred reinsurance premium	(2,424,272)
Trade and other payables	2,574,629
Insurance contract liabilities	3,202,540
Current tax payable	14,954
Net cash generated by operating activities	0

7. CREDIT RATING

The Company does not have, has not sought and is not required to have a credit rating according to the Insurance (Prudential Supervision) Act 2010.

8. REINSURANCE

The Company has reinsurance cover in the market of $1.1 billion in respect of earthquake and other natural disaster losses in annual aggregate. The Company retains risks of up to $0.75 million per claim for non-catastrophe risks and retains zero for catastrophe risks. There are no unexpected catastrophe risks or adverse claim numbers that would impact the Company since reporting date. The Company has a credit risk with respect to the reinsurers. This risk is mitigated by choosing reinsurers with good financial strength.

9. INSURANCE CONTRACTS - RISK MANAGEMENT POLICIES AND PROCEDURES

The Company was issued with a licence under the Insurance (Prudential Supervision) Act 2010 on 21 November 2017.

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
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.

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 the Company invests is driven by the nature and term of insurance.
- The diversification over separate geographical areas (Northland, Auckland, Wellington, Hawke's Bay, Nelson and Otago) seeks to reduce variability in loss experience.

9. INSURANCE CONTRACTS - RISK MANAGEMENT POLICIES AND PROCEDURES (CONTINUED)

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 Northland, Auckland, Wellington, Hawke's Bay, Nelson and Otago.

10. 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 (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 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:

	2017 NZ$
Actual solvency capital	1,038,000
Minimum solvency capital	757,000
Overall minimum per Standard	1,000,000
Solvency margin	38,000
Solvency coverage ratio	1.04

Actuary's financial condition report

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

The Actuary has been provided with all information requested to carry out his review.

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 not exposed to interest rate risk as it does not invest in significant interest bearing instruments.

10. FINANCIAL INSTRUMENTS (CONTINUED)

(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 receivables. 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 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. The maturity profile of financial liabilities is disclosed in note 11.

	2017 NZ$
(f) Categories of Financial Instruments	
Financial Assets:	
Amortised cost	4,406,303
Financial Liabilities:	
Amortised cost	2,574,629

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.

11. 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$
2017				
Trade and other payables	42,435	2,532,194	-	2,574,629
	42,435	2,532,194	-	2,574,629

12. EVENTS OCCURRING AFTER BALANCE DATE

There have been no significant post balance date events.

Deloitte.

Independent Auditor's Report

To the Shareholder of T&G Insurance Limited

Opinion

We have audited the financial statements of T&G Insurance Limited (the 'Company'), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies

In our opinion, the accompanying financial statements, on pages 4 to 15, present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and cash flows for the period 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 assurance services over the Company's annual solvency return, we have no relationship with or interests in the Company. These services have not impaired our independence as auditor of the Company.

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-6

This description forms part of our auditor's report.

Restriction on use

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.

Deloitte Limited

Andrew Dick, Partner
for Deloitte Limited
Auckland, New Zealand
19 March 2018

Deloitte.

INDEPENDENT ASSURANCE REPORT
TO THE BOARD OF DIRECTORS OF T&G INSURANCE LIMITED

Report on the Annual Solvency Return

Conclusion

We have conducted a limited assurance engagement relating to whether T&G Insurance Limited's ('the Company') Annual Solvency Return as at 31 December 2017, as set out in Parts 1 and 3 and excluding the Projected Solvency Position and any related forward looking comments as might be required by Section 24 of the Insurance (Prudential Supervision) Act 2010 ('the Act') ('the Projected Solvency Position'), has been prepared, in all material respects, in accordance with the Solvency Standard for Captive Insurers Transacting Non-life Insurance Business 2014 published by the Reserve Bank of New Zealand (the 'RBNZ') dated December 2014 (the 'Solvency Standard').

Based on the evidence obtained from the procedures we have performed, nothing has come to our attention that causes us to believe that the Annual Solvency Return, excluding the parts therein pertaining to the Projected Solvency Position, of the Company as at 31 December 2017 has not been prepared, in all material respects, in accordance with the Solvency Standard.

Basis of Conclusion

We conducted our engagement in accordance with Standard on Assurance Engagements 3100 (Revised): *Compliance Engagements* ('SAE 3100 (Revised)') issued by the New Zealand Auditing and Assurance Standards Board.

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

Directors' Responsibility

The Directors are responsible for ensuring that the Annual Solvency Return has been prepared, in all material respects, in accordance with the Solvency Standard and for the information contained therein. This responsibility includes the design, implementation and maintenance of internal control relevant to the Company's preparation of the Annual Solvency Return that is free from material misstatement, whether due to fraud or error.

In addition, the Board of Directors is responsible for preventing and detecting fraud and for identifying and ensuring that the entity complies with laws and regulations applicable to its activities. The Board of Directors is responsible for ensuring that Management and staff involved with the preparation of the Annual Solvency Return are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Other than in our capacity as independent auditor, we have no relationship with or interests in the Company. These services have not impaired our independence as independent auditor of the Company.

The firm applies Professional and Ethical Standard 3 (Amended): *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* issued by the New Zealand Auditing and Assurance Standards Board, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on whether, based on the procedures performed, anything has come to our attention that causes us to believe that the Annual Solvency Return, excluding the parts therein pertaining to the Projected Solvency Position, as at 31 December 2017 has not been prepared, in all material respects, in accordance with the Solvency Standard.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussions and enquiries of management and others within the entity, as appropriate, and observations and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with the Solvency Standards is likely to arise.

In developing our understanding of the Annual Solvency Return, we developed an understanding of the process used to prepare the Annual Solvency Return in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation of the Annual Solvency Return.

The procedures we performed were based on our professional judgement and included:

- making enquiries of the Company's personnel;
- inspecting the narrative content in the Annual Solvency Return for consistency with our understanding of the Company; and
- comparing the content of the Annual Solvency Return against the RBNZ's Solvency Standard for any material omissions.

We also performed testing to ensure that the amounts stated in the Annual Solvency Return were properly extracted from the Company's underlying accounting records and/or other supporting documentation.

These procedures have been undertaken to form a conclusion that nothing has come to our attention that causes us to believe that the Annual Solvency Return as at 31 December 2017 has not been prepared, in all material respects, in accordance with the Solvency Standard.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion about whether Company's Annual Solvency Return has been prepared in all material respects, in accordance with the Solvency Standard.

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the underlying records or other sources from which the Annual Solvency Return was extracted.

We have not expressed an opinion on any individual aspects of the Annual Solvency Return including whether the Solvency Margin is correctly stated for the purpose of Section 21(2)(b) of the Act and whether the Company is solvent.

Inherent Limitations

Because of the inherent limitations of any evidence-gathering procedures and limitations in the Company's systems and processes that support the preparation of the Annual Solvency Return, it is possible that fraud, error or non-compliance may occur and not be detected.

A limited assurance engagement as at 31 December 2017 does not provide assurance on whether compliance with the Solvency Standard will continue in the future.

Use of Report

This report is provided solely for your use and solely for the purpose of meeting the Company's solvency reporting requirements as a licensed insurer under the Act. However we understand that a copy of this report has been requested by the RBNZ, pursuant to paragraph 98(c) of the Solvency Standard for Non-life Insurance Business 2014 (incorporated by paragraph 6 of the Solvency Standard for Captive Insurers Transacting Non-life Insurance Business 2014 published by the Reserve Bank of New Zealand). We agree that a copy of our report may be provided to RBNZ. This report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written consent. We accept or assume no duty, responsibility or liability to any party, other than you, in connection with the report or this engagement including without limitation, liability for negligence in relation to the conclusion expressed in our report.

Deloitte Limited

Auckland, New Zealand
19 March 2018

Davies Financial and Actuarial Limited

13th February 2018

To: The Directors
T&G Insurance Limited

From: Peter Davies
Appointed Actuary

Re: T&G Insurance Limited ("the Company"): Report as at 31st December 2017 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 2017. "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.

Level 1, Building 1, 61 Constellation Drive, Mairangi Bay 0632 Telephone (09) 489-3551 e-mail: pdavies@actuary.co.nz

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 2017 under the RBNZ Solvency Standard for Captive Insurers Transacting Non-life Insurance Business (2014) can be summarised as follows:

	31 December 2017
Actual solvency capital:	1,038,481
Minimum requirement:	1,000,000
Solvency margin	38,481
Solvency coverage ratio:	1.04

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

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

Level 1, Building 1, 61 Constellation Drive, Mairangi Bay 0632 Telephone (09) 489-3551 e-mail: pdavies@actuary.co.nz