T&G INSURANCE LIMITED
ANNUAL REPORT
31 DECEMBER 2018

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T&G INSURANCE LIMITED
DIRECTORY
31 DECEMBER 2018

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

Auditor:
Deloitte Limited
Deloitte Centre
80 Queen Street
Auckland 1010

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

T&G INSURANCE LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Results
The profit for the year ended 31 December 2018 after tax is $490,828 (31 December 2017: $38,452).

Dividends
No dividend was paid in respect of the year ended 31 December 2018 (31 December 2017: Nil).

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

Disclosures of Interests by Directors
There have been no transactions in which Directors have had an interest.

Auditor
The Auditor, Deloitte Limited, was reappointed into office in accordance with Section 207T of the Companies Act 1993.

General
This is the first full year since the Company's incorporation on 7 August 2017. Comparative balances are for the period from the incorporation date of 7 August 2017 to 31 December 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
Director
5 April 2019

Carol Campbell
Director
5 April 2019

T&G INSURANCE LIMITED
DIRECTORS' RESPONSIBILITY STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors are pleased to present the financial statements of T&G Insurance Limited for the year ended 31 December 2018 on pages 4 to 16.

The Directors are responsible for the preparation and presentation of the Company's financial statements for the year ended 31 December 2018, in accordance with New Zealand law and generally accepted accounting practice.

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

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

This Annual Report is dated 5 April 2019 and is signed in accordance with a resolution of the Directors made pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Directors

Douglas Bygrave
Director

Carol Campbell
Director

T&G INSURANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 NZ$	2017 NZ$
Premium income		3,318,566	275,342
Outward reinsurance expense		(2,637,921)	(217,099)
Net premium income		680,645	58,243
Claims expense		-	-
Net claims incurred		-	-
Commission income		128,577	11,453
Management fee expense		(45,000)	(3,750)
Net underwriting profit		764,222	65,946
Interest income		65,280	6,430
Fee to auditor for the audit of financial statements		(6,500)	(6,000)
Fee to auditor for the assurance services regarding the annual solvency return		(3,500)	(3,500)
Interest expense		(34,644)	(6,430)
Other expenses		(103,152)	(3,040)
PROFIT BEFORE INCOME TAX EXPENSE		681,706	53,406
Income tax expense	2	(190,878)	(14,954)
PROFIT FOR THE PERIOD		490,828	38,452
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		490,828	38,452

The notes to the financial statements on pages 8 to 16 form part of and should be read in conjunction with this statement.

T&G INSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	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
Total comprehensive income for the period	-	38,452	38,452
Balance at 31 December 2017	1,000,000	38,452	1,038,452
Balance at 1 January 2018	1,000,000	38,452	1,038,452
Profit for the period	-	490,828	490,828
Total comprehensive income for the year	-	490,828	490,828
Balance at 31 December 2018	1,000,000	529,280	1,529,280

The notes to the financial statements on pages 8 to 16 form part of and should be read in conjunction with this statement.

T&G INSURANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	NOTE	2018 NZ$	2017 NZ$
EQUITY			
Share capital	3	1,000,000	1,000,000
Retained earnings		529,280	38,452
TOTAL EQUITY		1,529,280	1,038,452
Represented By:			
CURRENT ASSETS			
Cash and cash equivalents		1,340,218	1,000,000
Investments in term deposits		1,250,000	-
Other receivables	4	3,323,887	3,406,303
Deferred reinsurance premium		2,804,263	2,424,272
TOTAL CURRENT ASSETS		8,718,368	6,830,575
TOTAL ASSETS		8,718,368	6,830,575
CURRENT LIABILITIES			
Trade and other payables		3,739,647	2,574,629
Unearned premium		3,159,426	3,074,657
Unearned ceding commission		104,668	127,883
Current tax payable	2	185,347	14,954
TOTAL CURRENT LIABILITIES		7,189,088	5,792,123
TOTAL LIABILITIES		7,189,088	5,792,123
NET ASSETS		1,529,280	1,038,452

Douglas Bygrave
Director
5 April 2019

Carol Campbell
Director
5 April 2019

The notes to the financial statements on pages 8 to 16 form part of and should be read in conjunction with this statement.

T&G INSURANCE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 NZ$	2017 NZ$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers and commissions		4,086,637	-
Interest received		35,365	-
		4,122,002	-
Cash was disbursed to:			
Payments to suppliers		66,978	-
Reinsurance premiums paid		2,441,347	-
Premium funding interest paid		34,722	
Withholding tax paid		5,531	-
		2,548,577	
NET CASH GENERATED BY OPERATING ACTIVITIES	6	1,573,425	-
CASH FLOWS FROM INVESTING ACTIVTIES			
Cash was provided from:			
Investment income		16,793	-
Cash was disbursed to:			
Purchase of investments		1,250,000	-
CASH FLOWS FROM INVESTING ACTIVTIES		(1,233,207)	-
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 INCREASE IN NET CASH		340,218	1,000,000
Cash and cash equivalents at the beginning of the period		1,000,000	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1,340,218	1,000,000
Represented by:			
Cash at bank		1,340,218	1,000,000

The notes to the financial statements on pages 8 to 16 form part of and should be read in conjunction with this statement.

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 a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 and the financial statements comply with this Act.

Basis of Preparation

The financial statements have been prepared:
- In compliance with Generally Accepted Accounting Practice in New Zealand (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.

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

This is the first full year since incorporation on 7 August 2017. Comparable balances are for the period from incorporation to 31 December 2017.

The accounting policies set out below have been applied in preparing these financial statements for the year from 1 January 2018 to 31 December 2018.

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 are 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 material temporary differences and therefore no deferred tax has been recognised.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Assets and Liabilities

Classification of financial assets and liabilities

There are new measurement categories under NZ IFRS 9 *Financial Instruments* for each class of the Company's financial assets as at 1 January 2018.

The Company's cash and cash equivalents, investments in term deposits and other receivables are held to collect contractual cash flows that are expected to represent solely payments of principal and interest. On transition to NZ IFRS 9, these financial assets will continue to be measured at amortised cost and classified as 'Measured at amortised cost'.

The change in categories does not affect the carrying values of the financial assets with all balances remaining the same as at 1 January 2018.

There is no change in the classification of the Company's financial liabilities.

Impairment of financial assets

The new NZ IFRS 9 impairment model applies to the Company's financial assets measured at amortised cost and consequently the Company will be required to record expected credit losses, either on a 12-month or lifetime basis, on all of its other receivables.

The Company's other receivables are from its immediate parent, T&G Global, and are unsecured and repayable on demand. As the Company is part of the T&G Global Group, these receivables are considered to be at low risk of default. Because of these factors, no allowance for expected credit losses have been recognised in the current year.

(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 NZ IFRS 9 Financial Instruments (NZ IFRS 9)

The Company adopted NZ IFRS 9 during the current reporting period. As a result of the adoption, the Company had to change its accounting policies and make certain adjustments as disclosed in Note 1(g).

NZ IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces NZ IAS 39 *Financial Instruments: Recognition and Measurement* (NZ IAS 39).

The Company has applied the transition requirements of NZ IFRS 9. No comparative information was restated.

The Company has assessed that the new classification and measurement requirements will not have a material impact on its balance sheet or equity.

NZ IFRS 9 also introduces a new impairment model that requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as was the case under NZ IAS 39.

Refer to Note 1(g) for the impact of the adoption of NZ IFRS 9 on the accounts for the year.

ii Standards and Interpretations in Issue not yet Effective

The Company has evaluated all Standards, Interpretations and Amendments to existing Standards in issue not yet effective and an assessment is disclosed below.

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.

NZ IFRS 16 - Leases is effective for annual periods beginning on or after 1 January 2019. The standard deals with the recognition, measurement, presentation and disclosure of leases and replaces the current guidance in NZ IAS 17 Leases (NZ IAS 17). The new standard introduces a single model for lessees which recognises all leases on the balance sheet through an asset representing the rights to use the leased item during the lease term and a liability for the obligation to make lease payments. This removes the distinction between operating and finance leases and aims to provide users of the financial statements relevant information to assess the effect that leases have on the balance sheet, income statement and cash flows of the reporting entity. One of the key judgment areas in applying the new requirements relates to the assessment of whether an option to extend or terminate the lease contract will be exercised. The Company has assessed that there will be no impact on the adoption of NZ IFRS 16 as the Company does not have any leases commitments.

	2018 NZ$	2017 NZ$
2. TAXATION		
(a) Income Tax Recognised in Profit		
Income tax expense comprises:		
Current tax expense	190,878	14,954
Total income tax expense recognised in profit or loss	190,878	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	681,706	53,406
Income tax expense calculated at 28%	190,878	14,954
	190,878	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.

	2018 NZ$	2017 NZ$
(b) Current Tax Payable Balances		
Balance at beginning of the year	14,954	-
Taxation adjustment for the prior period	(14,954)	-
Taxation expense	190,878	-
Withholding tax	(5,531)	14,954
Balance at end of the year	185,347	14,954
3. SHARE CAPITAL		
1,000 ordinary shares	1,000,000	1,000,000

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

	2018 NZ$	2017 NZ$
4. OTHER RECEIVABLES		
Premium receivables from T&G Global	3,310,054	3,406,303
Term Deposit Interest Receivables	13,833	-
	3,323,887	3,406,303

5. RELATED PARTY DISCLOSURES

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

Delica Limited, T&G Processed Foods Limited, Status Produce Favona Road Limited, Status Produce Limited, Turners & Growers Fresh Limited, Turners & Growers New Zealand Limited, Turners & Growers Horticulture Limited and ENZAFruit New Zealand International Limited are the subsidiaries of T&G Global Limited. The Company provides insurance services to T&G Global Limited and subsidiaries above.

	2018 NZ$	2017 NZ$
Insurance premium gross written value from companies within T&G Global Limited.	3,310,054	3,406,303
	3,310,054	3,406,303
Insurance claims paid to companies within T&G Global Limited.	-	-

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

6. NET CASH GENERATED BY OPERATING ACTIVITIES

Reconciliation of profit for the period to net cash generated by operating activities:

	2018 NZ$	2017 NZ$
Profit for the year	490,828	38,452
Less investment income	(16,793)	-
Changes in net assets and liabilities:		
Other receivables	82,416	(3,406,303)
Deferred reinsurance premium	(379,991)	(2,424,272)
Trade and other payables	1,165,018	2,574,629
Insurance contract liabilities	61,554	3,202,540
Current tax payable	170,393	14,954
Net cash generated by operating activities	1,573,426	-

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

On the Material Damage/Business Interruption policy, the Company has a split reinsurance programme. 62% of the programme provides $250 million of cover for natural disaster risks and $150 million for all other losses. The remaining 38% of the reinsurance is on full declared values - $1,007,636,135. The Company retains risks of up to $0.75 million per claim for non-natural disaster risks and retains zero for natural disaster 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.

The Company has underwritten a new policy for T&G Global Limited (T&G) effective 12 October 2018 – Crop Shortfall, Quality Index Insurance. The policy provides coverage on T&G's entire apple crop (own orchards) in New Zealand on an "all risks" basis. Coverage is provided on a parametric style solution where once certain triggers are met, the policy pays out on a fixed formula basis. The policy limit is $6 million. The Company carries zero risk and has fully reinsured with Swiss Re. There are no unexpected catastrophe risks or adverse claim numbers that would impact the Company since reporting date. During the year, T&G informed the Company of a hail event. However, due to the double trigger clauses existing in the Company's insurance policies with T&G and the reinsurer, a reliable estimate at year end could not be assessed until the end of the current harvest season.

The Company has a credit risk with respect to the reinsurer. The risk is mitigated by using one of the world's largest reinsurer whose financial strength rating is very good. In any case, the directors believe the Company bears zero risk due to reinsurance arrangements.

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.

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.

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.

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 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:

	2018 NZ$	2017 NZ$
Actual solvency capital	1,529,280	1,038,000
Minimum solvency capital	784,000	757,000
Overall minimum per Standard	1,000,000	1,000,000
Solvency margin	529,280	38,000
Solvency coverage ratio	1.53	1.04

10. FINANCIAL INSTRUMENTS (CONTINUED)

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) Interest Rate Risk Management

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

(c) 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, investments in term deposits and cash at bank. Refer to Note 4 for expected credit loss disclosure for other receivables. Investments in term deposits and cash at bank are considered counter parties with low credit risks of default as the banks have investment grade credit ratings. The Company continuously monitors the credit quality of its receivables and 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.

(d) 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.

	2018 NZ$	2017 NZ$
(e) Categories of Financial Instruments		
Financial Assets:		
Measured at amortised cost	5,914,105	4,406,303
Financial Liabilities:		
Measured at amortised cost	3,739,647	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$
2018				
Trade and other payables	2,449,088	1,290,559	-	3,739,647
	2,449,088	1,290,559	-	3,739,647
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 that require adjustment to or disclosure in the financial statements.

Deloitte.

Independent Auditor's Report

To the Shareholders 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 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 4 to 16, present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

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

Other than in our capacity as auditor and review of 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Other information

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

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

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

Directors' responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

This description forms part of our auditor's report.

Restriction on use

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

Deloitte Limited
Auckland, New Zealand
5 April 2019

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 2018, 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 2018 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 Directors are responsible for preventing and detecting fraud and for identifying and ensuring that the entity complies with laws and regulations applicable to its activities. The Directors are 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 this limited assurance engagement and the audit of the Company's annual financial statements, 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 2018 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 2018 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 2018 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
5 April 2019

Davies Financial and Actuarial Limited

25th February 2019

To: The Directors
T&G Insurance Limited

From: Peter Davies
Appointed Actuary

Re: T&G Insurance Limited ("the Company"): Report as at 31st December 2018 under Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010

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

1. I have reviewed the actuarial information included in the audited accounts for the Company as at 31st December 2018. "Actuarial information" includes the following:

    - claim provisions and unexpired risk / unearned premium provisions;
    - balance sheet and other information allowed for in the calculation of the company's solvency position; and
    - disclosures regarding the methodology and assumptions used for calculating claim provisions, unexpired risk provisions, and other disclosures.

2. No limitations have been placed on my work.

3. I am independent with respect to the Company as defined under professional standard ISA (NZ) 620 of the External Reporting Board.

4. I have been provided with all information that I have requested in order to carry out this review.

Level 1, Building 1, 61 Constellation Drive, Mairangi Bay 0632 Telephone (09) 489-3551 e-mail: pdavies@actuary.co.nz
P.O. Box 35-258, Browns Bay, Auckland 0753 Facsimile: (09) 489-6613 home page: www.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 2018 under the RBNZ Solvency Standard for Captive Insurers Transacting Non-life Insurance Business (2014) can be summarised as follows:

	31-Dec-18	**31-Dec-17**
Actual solvency capital:	1,529,280	1,038,481
Overall minimum per Standard:	1,000,000	1,000,000
Solvency margin	529,280	38,481
Solvency coverage ratio:	1.53	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

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