

T&G INSURANCE LIMITED
ANNUAL REPORT
31 DECEMBER 2020

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**T&G INSURANCE LIMITED
DIRECTORY
31 DECEMBER 2020**

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 2020**

Results

The profit for the year ended 31 December 2020 after tax is \$431,591 (31 December 2019: \$400,412).

Dividends

No dividend was paid in respect of the year ended 31 December 2020 (31 December 2019: 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

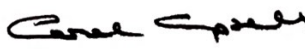
Comparative balances are for the year ended 31 December 2019.

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
7 April 2021


Carol Campbell
Director
7 April 2021

**T&G INSURANCE LIMITED
DIRECTORS' RESPONSIBILITY STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The Directors are pleased to present the financial statements of T&G Insurance Limited for the year ended 31 December 2020 on pages 4 to 15.

The Directors are responsible for the preparation and presentation of the Company's financial statements for the year ended 31 December 2020, 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.

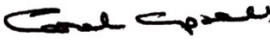
The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Company and to prevent and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

This Annual Report is dated 7 April 2021 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 2020

	NOTE	2020 NZ\$	2019 NZ\$
Premium income		4,673,332	4,313,817
Outward reinsurance expense		(3,999,796)	(3,694,787)
Net premium income		<u>673,536</u>	<u>619,030</u>
Claims expense		(2,890)	(2,239,897)
Reinsurance recovery		2,174	2,239,897
Net claims incurred		<u>(716)</u>	<u>-</u>
Commission income		148,974	136,258
Management fee expense		(45,000)	(45,000)
Net underwriting profit		<u>776,794</u>	<u>710,288</u>
Interest income		98,148	106,468
Fee to auditor for the audit of financial statements		(6,000)	(6,000)
Fee to auditor for the assurance services regarding the annual solvency return		(5,496)	(3,504)
Interest expense		(48,059)	(51,282)
Other expenses		(218,113)	(176,920)
PROFIT BEFORE INCOME TAX EXPENSE		<u>597,274</u>	<u>579,050</u>
Income tax expense	2	(165,683)	(178,638)
PROFIT FOR THE PERIOD		<u>431,591</u>	<u>400,412</u>
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		<u><u>431,591</u></u>	<u><u>400,412</u></u>

The notes to the financial statements on pages 8 to 15 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 2020

	Share Capital NZ\$	Retained Earnings NZ\$	Total NZ\$
Balance at 1 January 2019	1,000,000	529,280	1,529,280
Profit for the period	-	400,412	400,412
Total comprehensive income for the period	-	400,412	400,412
Balance at 31 December 2019	<u>1,000,000</u>	<u>929,692</u>	<u>1,929,692</u>
 Balance at 1 January 2020	 1,000,000	 929,692	 1,929,692
Profit for the period	-	431,591	431,591
Total comprehensive income for the year	-	431,591	431,591
Balance at 31 December 2020	<u>1,000,000</u>	<u>1,361,283</u>	<u>2,361,283</u>


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

T&G INSURANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	NOTE	2020 NZ\$	2019 NZ\$
EQUITY			
Share capital			
Retained earnings	3	1,000,000	1,000,000
		<u>1,361,283</u>	<u>929,692</u>
TOTAL EQUITY		<u><u>2,361,283</u></u>	<u><u>1,929,692</u></u>
Represented By:			
CURRENT ASSETS			
Cash and cash equivalents		857,909	1,041,006
Investments in term deposits		2,100,000	1,800,000
Other receivables			
Deferred reinsurance premium	4	3,079,120	2,690,470
Prepayments		3,018,846	2,737,984
		-	16,055
TOTAL CURRENT ASSETS		<u><u>9,055,875</u></u>	<u><u>8,285,515</u></u>
TOTAL ASSETS		9,055,875	8,285,515
CURRENT LIABILITIES			
Trade and other payables	11	3,057,950	2,933,326
Unearned premium		3,525,271	3,175,156
Unearned ceding commission		111,371	98,471
Current tax payable	2	-	148,870
TOTAL CURRENT LIABILITIES		<u><u>6,694,592</u></u>	<u><u>6,355,823</u></u>
TOTAL LIABILITIES		6,694,592	6,355,823
NET ASSETS		<u><u>2,361,283</u></u>	<u><u>1,929,692</u></u>



Douglas Bygrave
Director
7 April 2021



Carol Campbell
Director
7 April 2021

The notes to the financial statements on pages 8 to 15 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 2020

	NOTE	2020 NZ\$	2019 NZ\$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from customers and commissions		4,750,097	5,087,656
Receipts from reinsurance recovery		2,174	2,239,897
Interest received		46,337	55,977
		<u>4,798,608</u>	<u>7,383,530</u>
<i>Cash was disbursed to:</i>			
Payments to suppliers		(351,895)	(479,262)
Reinsurance premiums paid		(3,894,854)	(4,491,249)
Claims paid		(2,890)	(2,239,897)
Premium funding interest paid		(47,153)	(50,171)
Tax paid		(259,308)	(14,818)
		<u>(4,556,100)</u>	<u>(7,275,397)</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	6	<u>242,508</u>	<u>108,133</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Investment income		48,739	44,902
Intercompany liability		-	97,753
<i>Cash was disbursed to:</i>			
Purchase of investments		(300,000)	(550,000)
Intercompany payment		(174,344)	-
		<u>(425,605)</u>	<u>(407,345)</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(425,605)</u>	<u>(407,345)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		(183,097)	(299,212)
Cash and cash equivalents at the beginning of the year		<u>1,041,006</u>	<u>1,340,218</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>857,909</u>	<u>1,041,006</u>
Represented by:			
Cash at bank		<u>857,909</u>	<u>1,041,006</u>

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

**T&G INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

**1 BASIS OF PREPARATION AND
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 (the Parent) 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.

The accounting policies set out below have been applied in preparing these financial statements for the year from 1 January 2020 to 31 December 2020.

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 judgement in determining the quantum of any claims outstanding at balance date. There are no outstanding claims notified at the year end.

The Company considered the impact of Covid-19 on the financial statements and has concluded that there is no impact.

1 **BASIS OF PREPARATION AND
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

(a) **Goods and Services Tax**

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

(b) **Revenue Recognition**

Premium 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 **BASIS OF PREPARATION AND
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(g) **Financial Assets and Liabilities**

Classification of financial assets and liabilities

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. These financial assets are measured at amortised cost and classified as 'Measured at amortised cost'.

Impairment of financial assets

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 has 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.

i **New Standards and Interpretations Adopted in the Current Year**

The XRB has issued minor revisions to the Conceptual Framework for financial reporting and minor amendments to NZ IFRS 3 "Business Combinations", NZ IAS 1 "Presentation of Financial Statements", NZ IFRS 9 "Financial Instruments" and NZ IFRS 7 "Financial Instruments: Disclosures". The adoption of these amendments did not have a material impact on our financial statements.

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 standard provides consistent principles for all aspects of accounting for insurance contracts. This standard becomes effective for annual periods commencing on or after 1 January 2023. The impact on the financial statements has not yet been determined.

T&G INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. TAXATION

(a) Income Tax Recognised in Profit

Income tax expense comprises:

	2020 NZ\$	2019 NZ\$
Current tax expense	167,236	162,134
Previous year tax expense	(1,553)	16,504
Total income tax expense recognised in profit or loss	165,683	178,638

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	597,274	579,050
Income tax expense calculated at 28% (2019: 28%)	167,236	162,134
Previous year tax expense	(1,553)	16,504
	165,683	178,638

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 Payable Balances

Balance at beginning of the year	148,870	185,347
Taxation adjustment for the prior period	(1,553)	16,504
Tax paid for the prior period	(147,317)	(200,297)
Taxation expense	167,236	162,134
Income Tax Payable Transfer to Intercompany	(167,236)	-
Withholding Tax Transfer to Intercompany	17,296	-
Withholding tax	(17,296)	(14,818)
Balance at end of the year	-	148,870

3. SHARE CAPITAL

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

4. OTHER RECEIVABLES

Premium receivables from T&G Global	3,052,640	2,665,339
Term deposit interest receivables	26,480	25,131
	3,079,120	2,690,470

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, Turners & Growers Fresh Limited, Turners & Growers New Zealand 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.

	2020 NZ\$	2019 NZ\$
Insurance premium gross written value from companies within T&G Global Limited.	5,023,448	4,329,547
Insurance claims paid to companies within T&G Global Limited.	2,890	2,239,897
Income tax payable transfer to T&G Global Limited	149,940	-
Payable to T&G Global Limited	143,630	365,799
Intercompany payables are settled frequently on standard terms.		

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

T&G INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 NZ\$	2019 NZ\$
<u>6. NET CASH GENERATED FROM OPERATING ACTIVITIES</u>		
Reconciliation of profit after income tax for the period to net cash generated from operating activities:		
Profit for the year	431,591	400,412
Less investment income	(48,739)	(44,902)
Add/(Less) intercompany transactions	174,344	(97,753)
Changes in net assets and liabilities:		
Other receivables	(388,650)	633,417
Deferred reinsurance premium	(280,862)	66,279
Prepayments	16,055	(16,055)
Trade and other payables	124,624	(806,322)
Insurance contract liabilities	363,014	9,534
Current tax payable	(148,869)	(36,477)
Net cash generated from operating activities	242,508	108,133

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 Material Damage/Business Interruption reinsurance contracts were renewed as at 1 September 2020 and the programme continues to be arranged on a split basis. 80% of the programme provides \$250 million of cover for natural disaster and non-fire losses and \$150 million for fire losses. The remaining 20% of the reinsurance is on full declared values - \$1.104 million.

The Company retains risks of up to \$0.75 million per claim for non-natural disaster losses and zero for natural disaster risks. For certain contingencies e.g. burglary, lower deductibles existed ranging from \$5,000 to \$25,000. At the last renewal, these were increased to \$50,000 under the reinsurance contracts. The board agreed that the Company would underwrite the risk, that is, the difference between the previous deductibles and \$50,000. T&G Global therefore retains the benefit of the expiring deductibles.

In addition, some reinsurers removed certain aspects of cover. These alterations to their contracts affected coverage for Contingent Business Interruption and Live Plants. The nature of the coverage alterations was explained to the board. The total loss of cover amounted to \$1.32m cumulatively however, the maximum exposure any one event was no more than \$150,000.

It was agreed that the Company would underwrite the removed coverages. The Company has capped its maximum exposure to T&G Global for claims arising from the removed coverages under the reinsurance contracts and the deductible difference to \$250,000 for the policy period.

There are no unexpected catastrophe or adverse claim numbers that would impact the Company. The Company has a credit risk with respect to the reinsurers. This risk is mitigated by choosing reinsurers with good financial strength.

The Company renewed its reinsurance contract on the Crop Shortfall, Quality Index policy. All Risks coverage is provided for declared orchards on a parametric basis requiring two triggers to be met before the policy indemnifies. The policy limit is \$6 million. The Company carries no risk and has fully reinsured with Swiss Re.

T&G INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8. REINSURANCE (CONTINUED)

T&G Global advised that their hail exposure started earlier than 1 October and needed the policy renewal date brought forward. To address this, the Company revised the annual renewal date to 17 September.

T&G Global informed the Company of two events, the first, a hail event in Hawke's Bay and the second was a hail event in Nelson. The Hawke's Bay event in late November 2020 did not warrant any action as it was early on in the season allowing ample opportunity to manage the loss through its thinning programme. The Nelson event was significant and has the potential to impact annual production and pack-out to the extent that it could trigger the policy to generate a claim.

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 an immaterial insurance risk.

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.

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.

T&G INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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 Undearned ceding commission) 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:

	2020	2019
	NZ\$	NZ\$
Actual solvency capital	2,361,283	1,929,692
Minimum solvency capital	764,000	691,000
Overall minimum per Standard	1,000,000	1,000,000
Solvency margin	1,361,283	929,692
Solvency coverage ratio	2.36	1.93

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

(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, investments in term deposits and cash at bank. 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, reinsurance 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.

T&G INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10. FINANCIAL INSTRUMENTS (CONTINUED)

(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.

	2020 NZ\$	2019 NZ\$
(f) Categories of Financial Instruments		
Financial Assets:		
Measured at amortised cost	6,037,029	5,531,476
Financial Liabilities:		
Measured at amortised cost	3,057,950	2,933,326

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\$
2020				
Trade and other payables	1,680,786	1,377,164	-	3,057,950
2019				
Trade and other payables	1,324,720	1,608,606	-	2,933,326

12. EVENTS OCCURRING AFTER BALANCE DATE

There are no material events that occurred after the balance date that would require adjustments or disclosures in these accounts.



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 2020, 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 15, present fairly, in all material respects, the financial position of the Company as at 31 December 2020, 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 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>

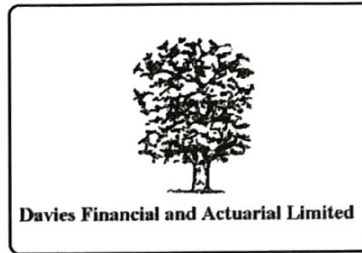
Restriction on use

This description forms part of our auditor's report.

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

Andrew Dick
Partner
for Deloitte Limited
Auckland, New Zealand
7 April 2021



23rd March 2021

To: The Directors
T&G Insurance Limited

From: Peter Davies
Appointed Actuary

Re: T&G Insurance Limited (“the Company”): Report as at 31st December 2020 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 2020. “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 2020 under the RBNZ Solvency Standard for Captive Insurers Transacting Non-life Insurance Business (2014) can be summarised as follows:

	31-Dec-20	31-Dec-19
Actual solvency capital:	2,361,282	1,929,692
Overall minimum per Standard:	1,000,000	1,000,000
Solvency margin	1,361,282	929,692
Solvency coverage ratio:	2.36	1.93

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