In it for the long haul

Annual Report and Financial Statements

2022-2023

FMG
Advice & Insurance

A resilient and sustainable mutual insurer, that continues to deliver on its purpose of a 'better deal for rural Aotearoa/New Zealand' for the next 118 years.

Supporting rural Aotearoa/New Zealand

He aha te mea nui o te ao?
He tāngata, he tāngata, he tāngata.

What is the most important thing in the world? It is the people, it is the people, it is the people.

As a mutual, FMG is 100% owned by our members. Your success is our success, which is why any conversation about sustainability starts with looking after people.

Partnership with Melanoma New Zealand

We have entered the third year of our partnership with Melanoma New Zealand, where we help to share life-saving advice and provide access to spot checks, to prevent avoidable deaths and suffering from melanoma.

Aotearoa/New Zealand has the highest rate of melanoma in the world. In fact, more people die from skin cancer each year than on our roads. Those who work outside are exposed to up to 10 times the UV light as those who work indoors, so it makes sense to use our rural connections and influence to be proactive in this area.

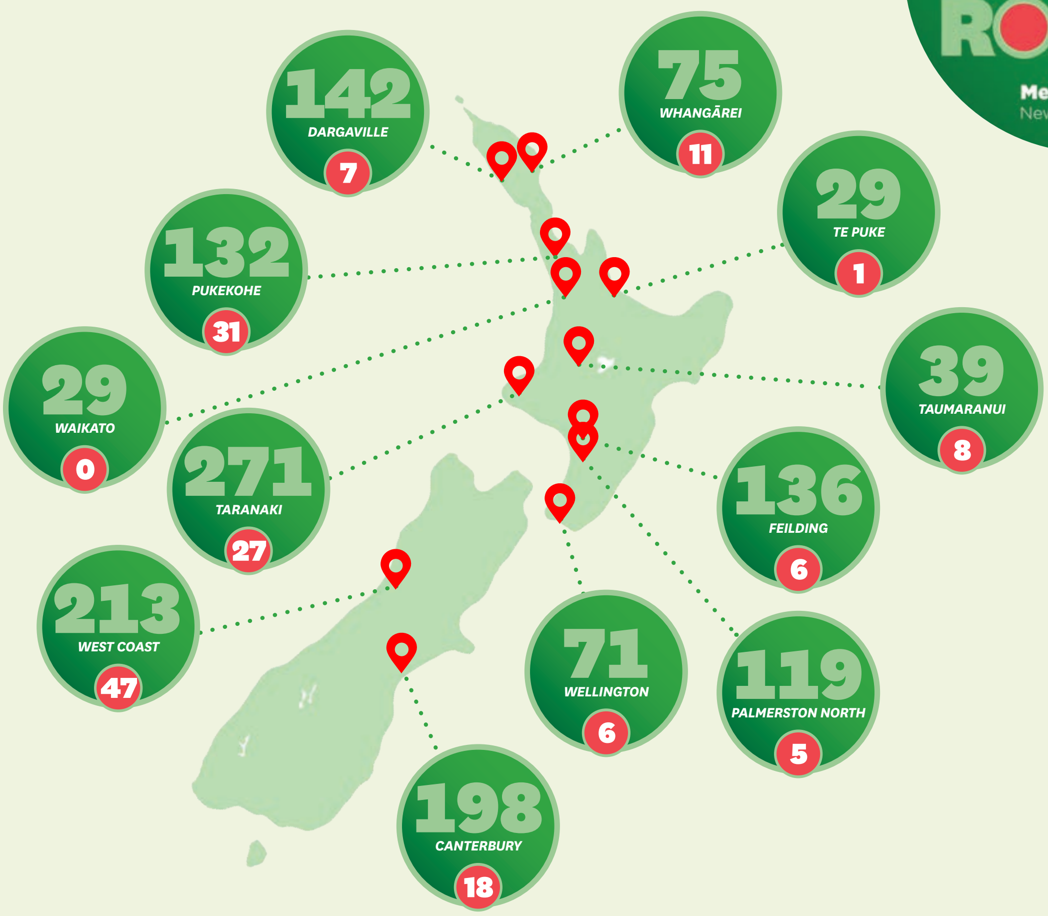
FMG Spot Check Roadie

The good news is that if found early, melanoma is highly treatable and almost 100% curable, however access to rural healthcare is still a big challenge for many rural communities. That's why we're helping to bring Melanoma New Zealand to these communities with our FMG Spot Check Roadie.

To date, the FMG Spot Check Roadie has visited regions across the country, providing free spot checks, information and tools. This means rural communities such as Taumaranui, Normanby, and Feilding get access to this health advice and expertise. The FMG Spot Check Roadie also made its inaugural visit to the South Island, heading to Canterbury and the West Coast.

WHAT WE'VE SPOTTED SO FAR

FMG Spot Check Roadie results, March 2022 to May 2023



suspicious lesions identified and referred 2022 to 2023, FMG Spot Check Roadie

1,454
SPOTS CHECKED

167
SUSPICIOUS SPOTS IDENTIFIED AND REFERRED FOR FOLLOW-UP (11% of spots checked)

It's not just about spot checks

All FMG clients can access Melanoma New Zealand's online education for free at fmg.co.nz. This includes practical information and interesting facts – for instance did you know there are two types of UV rays – UVA and UVB? UVA rays penetrate deeper into our skin, but UVB rays are more aggressive, which is why it's crucial to use sunscreen that protects you from both.

Rural communities can't succeed without their people, so we're committed to helping rural New Zealanders look after themselves in the sun – whether that's helping provide access to spot checks or providing education and information.

New Zealand has the highest rate of melanoma in the world. More than

6,000

PEOPLE

are diagnosed each year

Source: Melanoma New Zealand

Neilsen IQ Research revealed

46%

OF CLIENTS

surveyed felt more positive about FMG's brand because of the partnership with Melanoma New Zealand

So far, because of FMG's rural partnership with Melanoma New Zealand, we've helped identify

25

SUSPECTED

melanomas in rural communities

Farmstrong – helping farmers and growers to see themselves as the most important asset

As Farmstrong celebrates its 8th birthday this year, recent events have brought home why a mutually owned insurer would invest in and champion a rural wellbeing programme. While the direct link between diminished wellbeing and on-farm injuries and accidents is one aspect, the fundamental reason is our rural communities needed a programme dedicated to their needs.

Farmstrong is a non-commercial, community give back, founded by FMG and the Mental Health Foundation (MHF) in 2015. The Movember Foundation were an important funder for the first three years and ACC joined as a strategic partner in 2016.

Farmstrong helps farmers, growers and their families to cope with the ups and downs of farming. The programme offers practical tools and resources from the science of wellbeing to help people working in rural industries to live well so they can farm and grow well.

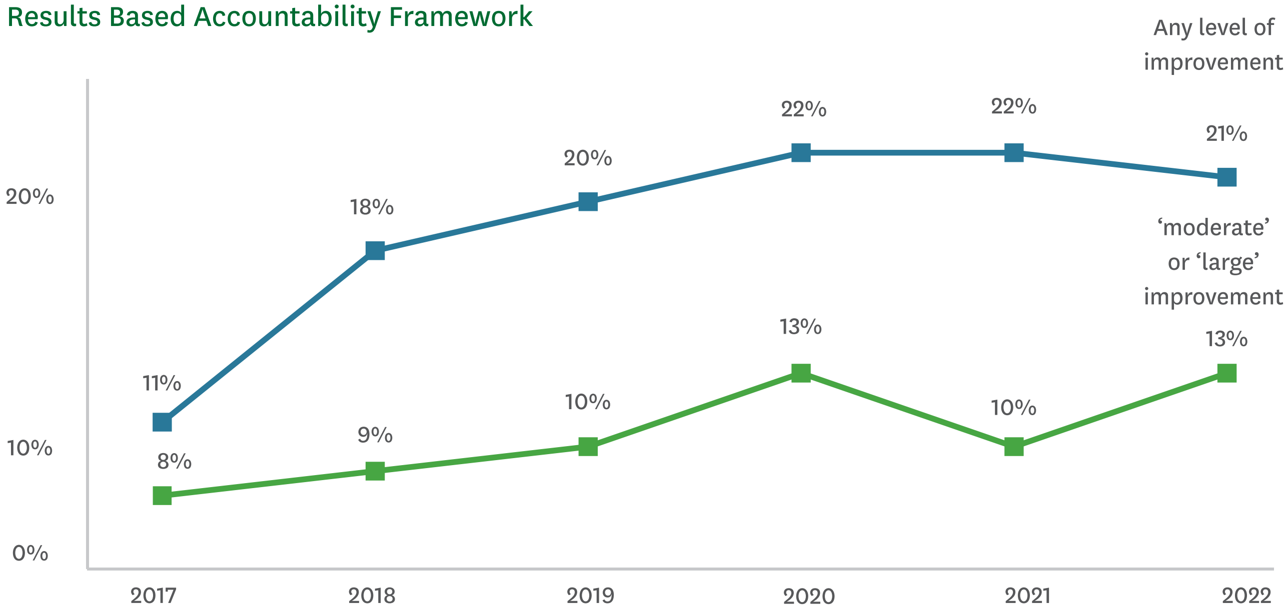
What makes the programme successful is its foundation in research, science, measurable outcomes, and the ability to take complex topics such as managing stress and pressure, sleep, nutrition – and package them up into farmer-friendly, accessible chunks using relatable, farm-based examples.

Farmstrong is further strengthened by its focus on authentically reflecting the experience and insights of farmers and growers across Aotearoa/New Zealand, as they talk openly about their challenges and share their tips for getting through. Sam Whitelock is a natural ambassador for Farmstrong. There are close similarities between professional sport and farming - and his respect as a leader does a lot of heavy lifting when it comes to delivering advice on some quite sizeable topics.

When launched, Farmstrong aimed to make a difference to the lives of 1,000 farmers. Now eight years on, more than 15,000 farmers and growers are attributing an improvement in their wellbeing due to their involvement with Farmstrong.

Farmstrong Ambassador, All Black Sam Whitelock

Results Based Accountability Framework



Source: Farmstrong Seventh Year Monitoring Report - July 2022, Allan Wyllie

The Results Based Accountability Framework graph shows the percentage of farmers and growers attributing any level of improvement to Farmstrong in one or more of the nine wellbeing measures that Farmstrong tracks each year.

The figure of 21% on the top line equates to 16,800 farmers and growers attributing wellbeing improvements to their engagement in Farmstrong. The figure of 13% on the bottom line equates to 9,800 farmers and growers who have attributed a moderate or large improvement in their wellbeing due to their engagement with Farmstrong.

Farmstrong launches in Scotland

Inspired by the success of Farmstrong, a group of Scottish farmers reached out for help to set up a programme of their own, drawing on the Aotearoa/New Zealand blueprint but making it fit for Scotland.

“The success of Farmstrong Scotland will be down to strong collaboration with industry partners and we want to make sure we align with the unique needs of farmers and crofters here”, says John Scott, chair of Farmstrong Scotland.

What appealed to Scott was Farmstrong’s unique approach to tackling poor mental health within the farming industry—one centred around ‘wellness not illness’. “Investing in your wellbeing is good for business” says John.

Aotearoa/New Zealand based dairy farmer, and Farmstrong supporter Marc Gascoigne, recently spent two and a half weeks travelling around Scotland helping to launch the programme and described the experience as life changing.“Farmers around the world face a lot of similar challenges and to be involved in helping export the successful Farmstrong programme overseas was amazing” says Marc.

Harsh Scottish winter conditions

Marc says that while the weather is always a challenge with farming no matter where you are, farmers in Scotland face incredibly harsh conditions in winter.

“They have to keep their animals indoors during winter, which requires high-cost systems. Up in the north, it’s light for only a few hours a day so that can be incredibly tough.”

“Lambing is really intensive and adds a lot of stress, plus there’s uncertainty around the farming subsidies many farmers rely on due to Brexit.”

“Add to that all your other typical farming challenges like making sure you have a break, getting off the farm and grabbing enough sleep, then you can see there is a definite need for Farmstrong there.”

Marc also took copies of Farmstrong’s book *Live Well Farm Well: Farmers on Being Farmstrong*, which were in hot demand.

Marc says a swim in the freezing North Sea and the occasional misunderstanding with the Scottish and Kiwi accents all added to the fun.

> “It was an honour to be asked by Farmstrong to help get Farmstrong Scotland up and running.”

Farmstrong is overseen by a Governance Group made up of executives from the founding and strategic partners, and delivered by a small, specialised team. It is supported by a wider group of contributors including farmers, growers, FMG employees, industry groups, businesses and community members who donate their time and funding.

FMG at a glance

110,000+

CLIENTS

FY22 107,000+

-$15.7M

NET LOSS AFTER TAX

FY22 $22.8M

$326.2M

NET CLAIMS INCURRED

FY22 $256.7M

A

EXCELLENT

A.M. BEST CREDIT RATING

FY22 A EXCELLENT

$329.9M

CAPITAL RESERVES

FY22 $345.6M

$514.3M

GROSS WRITTEN PREMIUM

FY22 $458.5M

57,000+

CLIENTS USING FMG CONNECT

FY22 35,000+

2022

CANSTAR MOST SATISFIED CUSTOMER AWARDS HOME AND CONTENTS AND CAR INSURANCE

2022

CONSUMER PEOPLE'S CHOICE AWARD HOUSE, CONTENTS AND CAR INSURANCE

2023

GALLUP EXCEPTIONAL WORKPLACE AWARD

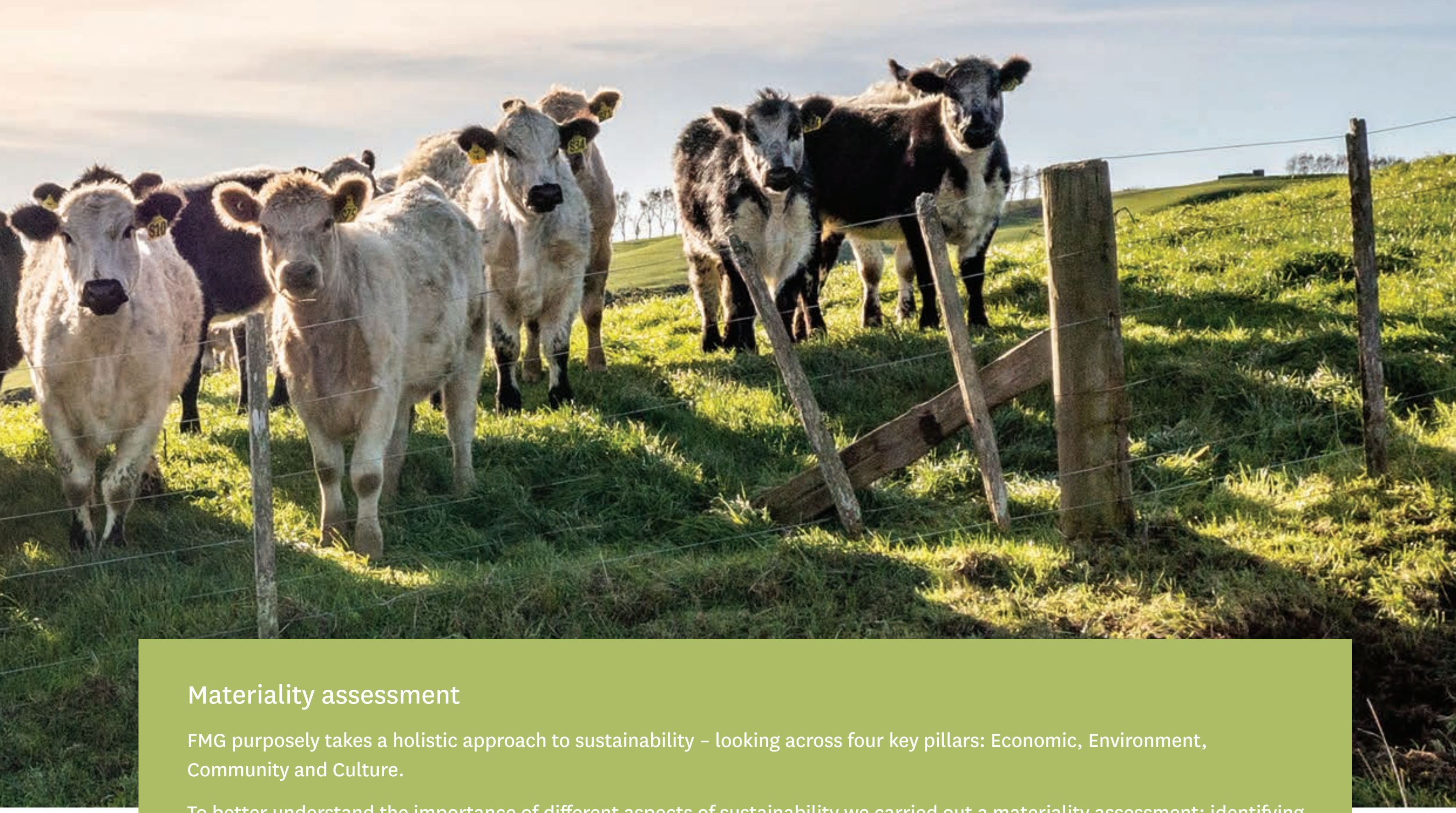
FMG Sustainability Report

Mutuality is a guiding principle that shapes our approach to sustainability. Just as sustainability is about meeting the needs of the present, without compromising the ability of future generations to meet their own, mutuals emphasise the importance of shared benefits and building long-term relationships. Mutuals also try to put the needs of people and planet ahead of maximising profits, reinvest back into the business and support their local communities. Fundamentally, mutuals believe in using business as a force for good.

As climate risks become increasingly evident and costly, we're proud of the resilience and sustainability practices demonstrated by Aotearoa/New Zealand farmers and growers.

FMG is strongly connected to the rural sector, and we recognise our responsibility to help farmers and growers continue to navigate their risks and continuously improve on what they already do well.

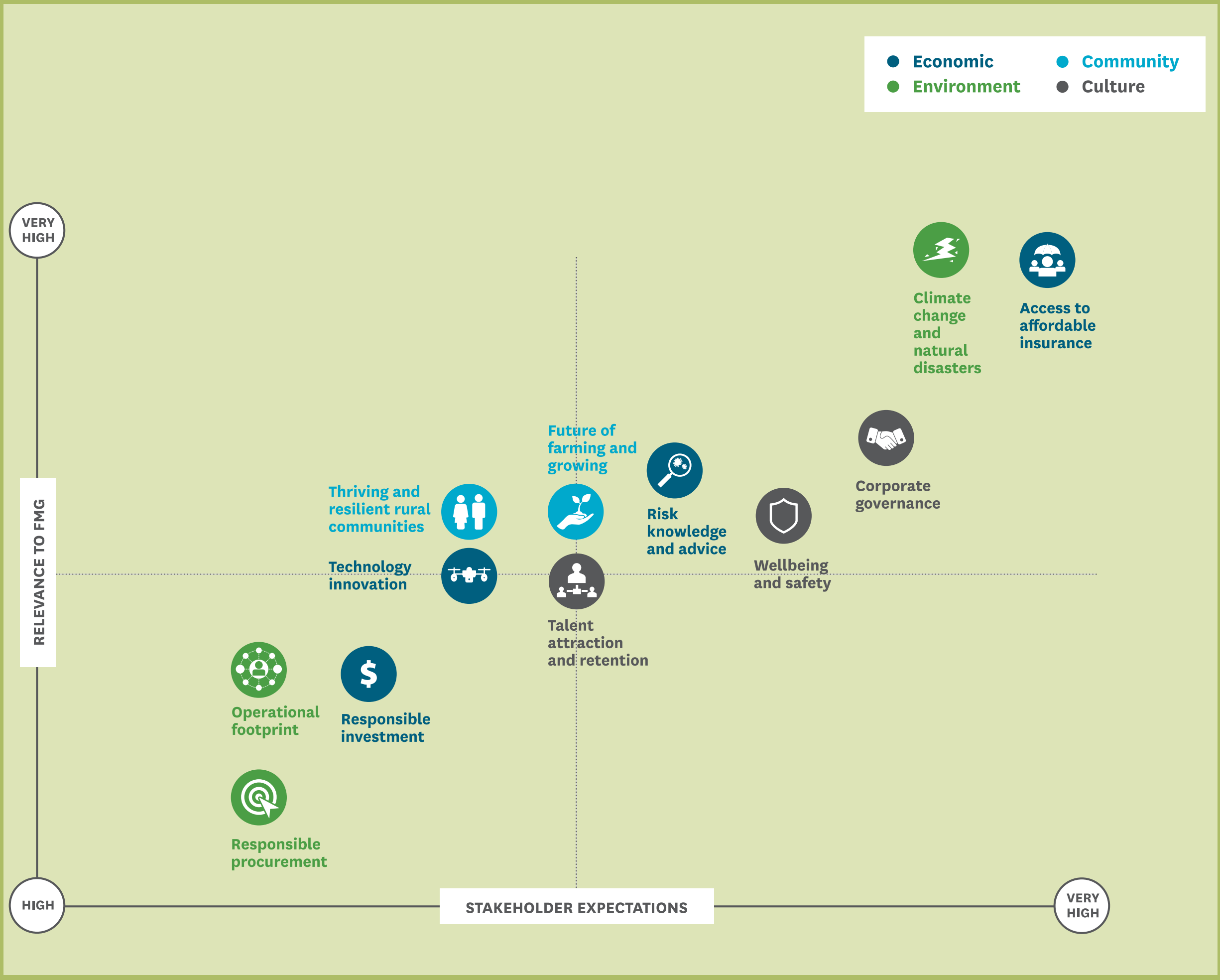
We aim to be a trusted partner, offering not only specialist rural insurance, but also advice and expertise to help further enhance rural lives and livelihoods. This extends beyond insurance, into actively supporting strong and prosperous rural communities.



Materiality assessment

FMG purposely takes a holistic approach to sustainability – looking across four key pillars: Economic, Environment, Community and Culture.

To better understand the importance of different aspects of sustainability we carried out a materiality assessment; identifying 12 key risks and opportunities and then asking our clients, FMG's Board of Directors and our employees to rank them in terms of their priority and importance to FMG.



Source: 895 clients through Nielsen Research, 600 FMG employees through internal surveys

Key risks and opportunities

Access to fair and affordable insurance

Maintaining fair and affordable insurance is the priority for FMG. Reality is that the frequency and intensity of major weather events, alongside supply shortages, inflation and other global influences is having an impact on insurance. With a mutual model, and by taking a long-term view, FMG is well placed to support people through these challenges.

We aim to keep premium increases to a minimum, while building a resilient and solvent business.

Many of our reinsurers have been business partners of FMG for decades. They have confidence in FMG because we have a clear and consistent business model and a good understanding of the risks we insure.

FMG also prides itself on being an advice-led insurer. We take our 118 years' of experience and expertise – coupled with the knowledge of our support partners, to help clients identify and reduce the risk of damage to property and disruption to their lives and businesses.

Climate change and natural disasters

FMG is focused on building financial and operational resilience, products and advice to ensure we can respond and support clients through the impacts of a changing climate.

Our research shows that members and clients have a good level of comfort and certainty that FMG is making decisions that will keep FMG profitable (without maximising profits). This involves continuing to improve our data around the impacts of climate risk, helping to ensure we can maintain the affordability of insurance into the future.

Corporate governance

Aotearoa/New Zealand is the first country in the world that requires the financial sector to report on climate-related risks by 2024. FMG is working closely with the Insurance Council of New Zealand and other relevant bodies to build the additional expertise and resource needed – ensuring that we are compliant with legislative and regulatory requirements.

FMG has maintained our "A" Excellent AM Best credit rating and continues to comply with the Fair Insurance Code.

Wellbeing and safety

Like our farmers and growers, FMG prioritises the wellbeing and safety of employees to create a mature and integrated wellbeing and safety culture. Alongside a dedicated wellbeing and safety team, accountability extends to both Executive and Board leadership.

Our goal is to achieve a 70% Safety Maturity score in the Safe 365 index, a measurement of safety performance and governance within FMG. Striving for this will help us provide an even safer environment for our people.

Risk knowledge and awareness

FMG underwrites more rural risk than anyone else in Aotearoa/New Zealand. This means our claims data provides unique insights into the challenges facing rural businesses. By drawing on this data, partnering with experts and researching industry best practice, FMG is able to provide loss prevention and risk management advice, helping clients avoid losses and minimise disruption to their lives and livelihoods.

To continuously improve our advice, FMG is exploring the provision of more tailored risk management solutions, helping clients better understand both their existing and emerging risks, including driver safety, cyber security, and the impacts of climate change.

Future of farming and growing

FMG will continue to take an active role in addressing future challenges and risks facing farmers and growers. For FMG this extends beyond our advice-led insurance – supporting new and emerging leaders with opportunities such as our new FMG Board, Associate Director position and rural leadership programmes; Nuffield, Kellogg, New Zealand Young Farmers, Agri-women's Development Trust and FMG's own Ag Scholarships. FMG will also continue to strengthen our partnerships with like-minded organisations: Federated Farmers, Farmlands, Ruralco and Irrigation New Zealand.

Talent attraction and retention

FMG has long believed that everything is about people. We will always strive to maintain a positive, skilled and diverse employee culture, because the better we look after ourselves, the better we look after the business.

For the second year running, FMG has been ranked one of the best places to work in the world in the Gallup Exceptional Workplace Awards. Compared against 800,000 organisations across the globe, winners are based on exceptionally high employee engagement, driven by factors including professional development, a winning culture and strong leadership.

FMG continues to support the growth of our people's careers, and in the last year, 45% of all career opportunities were internal promotions.

FMG commits to an annual remuneration review to ensure we maintain market competitiveness for all our permanent employees. This year there has been a heightened focus on employees in entry level roles. FMG is proud to implement a framework that has all entry level roles above the living wage.

Thriving and resilient rural communities

We believe in investing back into the communities that support us, and know how important it is to be there at local events – not just the big ones. You may have seen us out and about at dog trials, lamb and calf days, Melanoma New Zealand Spot Checks, community fundraisers, Golden Shears, Horticulture Champs, and of course, the coveted FMG Young Farmer of the Year Contest.

Last year, FMG partnered with Maniototo farmer, Becks Smith, to launch a brand-new podcast series – The Whole Story, inspiring holistic sustainability in agriculture. Guest speakers included Lindy Nelson, Kane Briscoe, Wayne Langford and Julia Jones. Based on its success, FMG has signed on to produce a second season.

Technology innovation

FMG is responding to the changing needs of how our clients want to do business. FMG Connect, our online service, provides 24/7 support for clients, allowing them to access their insurance information, manage their policies and make claims.

FMG Connect has grown in the last 12 months, and there are now 57,000 registered users who enjoy the choice, convenience and control of making a claim and managing their insurances online.

The value of the mutual model is that we've added a digital service that future-proofs the business, while complimenting our traditional client service, in-person and over the phone.

Responsible investment

Sustainability plays an important role in our investments and is considered as part of the decision-making process. When assessing a fund manager, we emphasise the importance of sustainable investing.

All of FMG's current fund managers meet these three requirements:

1. Operate policies that prevent investment in companies that are directly involved in the activities excluded by the New Zealand Superannuation Fund.
2. Be signatories to the United Nations Principles for Responsible Investment (UNPRI).
3. Have a socially responsible investment policy, ethical investment policy, or similar policy that can be inspected and reviewed.

Operational footprint

FMG's absolute emissions have increased over the last two years. This is reflective of travel patterns returning to pre-COVID levels. Despite this, FMG remains on track to meet its emissions reduction goal of 30% by 2030 (per FTE). Importantly, this will be achieved by consuming less and investing in lower emission vehicles, rather than relying on exotic forestry offsets or other investments we deem harmful to the prosperity of rural communities.

Absolute net Green House Gas (GHG) emissions in the Financial Year ending 31 March 2023 (FY23) were 2,159.42 tonnes CO2e. This is a 21% increase on FY22 levels and a 0.2% increase on FY19 (base year) levels.

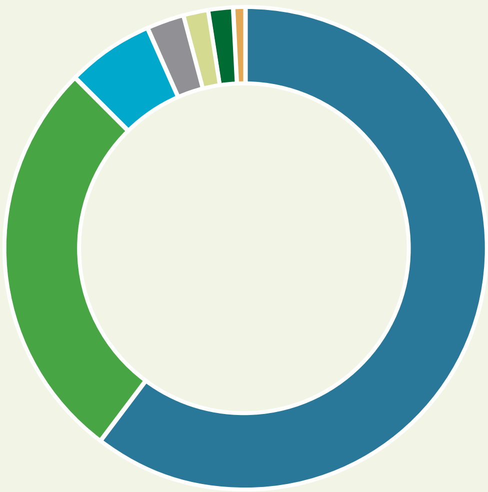
Intensity net GHG emissions in FY23 were 2.54 tonnes CO2e per FTE. This represents an 18% increase on FY22 levels and a 21% decrease on FY19 (base year) levels.

Responsible procurement

As a 100% Kiwi-owned business, and in line with our values, FMG tries to use locally produced products and services wherever possible with a view to support building strong and prosperous rural communities. An example of this is FMG's pre-approved Collision Repairer network (currently 88 repairers strong) – which was purposely built to empower local repairers to get on with the job by removing unnecessary administrative tasks.

This year, FMG extended its pre-approved network to include agricultural vehicle claims, with our pre-approved repairers: Norwood and Drummond & Etheridge.

FMG emissions by emissions source FY23



- 60% Company vehicles
- 27% Air travel
- 6% Electricity
- 2.4% Private vehicle use
- 1.7% Accommodation
- 1.5% Paper use
- 0.8% Landfill waste

CHAIRMAN'S REPORT

Relationships are at the core of what we do

Tony Cleland
CHAIRMAN, FMG

Tēnā koutou katoa.

This has been a tough year for FMG and many of our clients following the devastating impact of Cyclone Gabrielle – 11 lives tragically lost and communities and families upended and left shell-shocked. This was the biggest single event in FMG's history. It also had a significant impact on our employees.

It was shocking to travel to the area alongside Adam and see the devastation first-hand. As a mutual, we're owned by our members, so that means your success is our success. It also means that when times are tough, it's personal for us too. I am proud of how FMG stepped up in response to the massive devastation our clients suffered, noting as an impacted client the response would never be quick enough or take away the stress caused. In terms of FMG's response, we've been ahead of the industry and ahead of our Kaikōura earthquake response rate in dealing with this massive rural event.

Alongside the Auckland Anniversary Weekend and Nelson floods these catastrophic weather events have meant a net loss of $15.7m for FMG for FY23. Paying claims and being there for our clients in tough times is what we're here for, but that also means being prudent and planning during the good times. Climate change means more frequent catastrophic weather events, which will put pressure on premiums and the cost of reinsurance moving forward.

Increasing extreme weather events, alongside cost pressures and greater industry regulation means we're facing some increased external pressures at the moment. Despite this, the underlying business continues to perform well. While we ended below our planned net client numbers for the year, we still added over 4,500 clients in a tough economic environment, and we continue to grow our all-important rural market share which stands at 54.6%; up 3.1% points on last year.

Clients are also choosing to stay with FMG, with a world class retention rate of 95% – helping us to deliver our growth in premium.

Over the last 12 months we've continued to make steady progress on the long-term targets set by the Board and Management. This being the second year of an evolution of that strategic direction through to 2025.

Sustainability has been a key focus, with a number of activities undertaken to support our goal of achieving B-Corp certification. We have prioritised enhancing our systems, processes and behaviours in order to give greater benefits to employees and clients. FMG Connect remains an important strategic investment to improve clients' experience by giving them choice, convenience and control over how they interact with the Mutual – allowing our frontline teams to focus on activities where they can add more value.

Our long-term focus and vision for FMG is supported by the International Cooperative and Mutual Insurance Federation's (ICMIF) Strategy 2023-2026: 'Leading with purpose and impact'.

The strategy states purpose-led organisations are fast becoming the preferred model for long-term (infinite) business success across many industries. Mutuals and cooperatives have, in the main, been operating in this way for hundreds of years by virtue of their structure and values around creating resilience in people and the communities we serve.

In such challenging times we see the best of the mutual model, one that is built on relationships. The strength of these has proven very important both with our clients and with our reinsurers.

Strong and empathetic leadership is also critical. It has been a period of transition at an executive level with four new faces on the Executive Leadership Team (ELT). Kim Grooby our Chief Claims Officer, Alex Johnston our Chief Insurance Officer, Darrin Bull our Head of Strategy and Matt Harvey as Chief Marketing Officer.

All have adapted to their roles well and are now settled and respected members of the team, led amazingly by Adam who goes from strength to strength as our Chief Executive. This is all reflected in our Net Promoter Score (NPS), employee engagement and market share. Adam has guided FMG through a very tough year, has plenty of ideas for future improvements and is well supported by the Executive Leadership Team.

This is my last report as Chair at FMG, an organisation that will always be special to me. I am very happy to be leaving behind a very stable Board and the time is right for a new Chair.

As I look back, what I am most proud of during my time is the growth in scale of the business and the development of a thriving culture within FMG that is so critical to our continued success. Our people-first approach has seen FMG awarded a Gallup Exceptional Workplace Award for the second year in a row.

It has been a privilege to be part of the journey over the last 16 years and I would like to thank everyone at FMG for making it the unique organisation that it is.

Kind regards / Ngā mihi,

Tony Cleland
Chairman, FMG

CHIEF EXECUTIVE'S REPORT

A year of challenges and solid achievement

Adam Heath
CHIEF EXECUTIVE, FMG

Tēnā koutou katoa.

There is no question this financial year has been a challenging one for many of our clients as well as FMG and the wider insurance industry, as the sector responded to the aftermath of two unprecedented climate-related disasters in the Auckland Anniversary Weekend floods and Cyclone Gabrielle.

11 people tragically lost their lives in Cyclone Gabrielle, the most significant weather event Aotearoa/New Zealand has experienced in over a century. It was largely a rural event and caused major disruption to lives and livelihoods.

I travelled to Hawke's Bay a short time afterwards with our Board Chair, Tony Cleland, and words fail to do justice to the devastation we saw. It was a real privilege to meet and spend time with some of those impacted by the cyclone who shared their stories of remarkable endurance with us.

Together, the Auckland Anniversary Weekend floods and Cyclone Gabrielle represent the largest claims event in the Mutual's 118-year history, producing more claims than the Canterbury and Kaikōura Earthquakes combined. That is in addition to the Nelson floods with all three events qualifying as 'Catastrophes' (i.e., being greater than $4.5m in claims and/or more than 800 claims per event).

Thankfully, this is when our robust and comprehensive reinsurance programme kicks in. Hence, why it's critically important we treat reinsurers' capital with the respect it deserves to ensure ongoing relationships over the long-term. Current estimates have Cyclone Gabrielle costing rural Aotearoa/New Zealand upwards of $1 billion* in on-farm capital losses.

We also experienced Aotearoa/New Zealand's wettest winter on record and a significant increase in large losses, notably domestic fire claims. Combined, these events have resulted in a net loss of $15.7m for FY23. Despite the result, the Mutual continues to be in good health. FMG is financially secure and extremely well placed to pay claims, with $330m in reserves and strong reinsurance support.

Facing the aftermath of Cyclone Gabrielle and the Auckland Anniversary Weekend floods is the biggest job we've undertaken in our history and scaling up to respond to events of this magnitude takes time. Much like our clients, FMG has responded to significant events before and came out the other side. We're proud to be part of the rural and regional landscape of Aotearoa/New Zealand and we're working hard to get through this together. It is during such challenging times that FMG's core values shine through: Do what's right ... Make it happen ... Proud of who we are ... We're in it together. We're proudly Aotearoa/New Zealand-owned and operated and 'Here for the good for the country'.

Our values are more than mere slogans – they are lived by our employees every day. This was never more clearly illustrated for me than watching FMG's culture come to the fore with our response following these devastating weather events. Despite the massive logistical, operational and service challenges, and the sector-wide challenge of increased regulation, FMG's underlying business continues to perform well.

At the end of the financial year, Gross Written Premium was $9.5m ahead of our plan, a significant achievement given the annual growth target of $48m represented the largest year-on-year increase in FMG's history.

In addition to achieving solid underlying performance and strong revenue growth, FMG continued to advance our pursuit of becoming a 'better' business enabled by our investment in digital and data. Over the course of the year, FMG passed the milestone of 57,000 registered users on FMG Connect, with the digital channel continuing to evolve and play a critical role in helping us deliver greater choice, convenience and control to clients. The Life & Health team also continue to hold an important role in FMG's performance, delivering strong results, with both new business and an operating surplus ahead of plan.

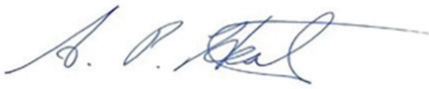
As many across the farming and growing sector will appreciate, it is critically important to remember that collectively we need to be able to cope with both the good and the bad years. For FMG, it's about being a resilient and sustainable mutual insurer, ensuring that we can continue to deliver on our purpose of a 'better deal for rural Aotearoa/New Zealand' for at least the next 118 years.

We will continue to do well by 'doing good' and doing good for us means having a determined and unwavering commitment to our purpose, vision, values, and the principles of the service-profit chain. I am confident that by doing so, we will be in good stead as we navigate what continues to be a fluid and dynamic external environment.

In closing, I wish to thank you, our clients and members, for your ongoing support and for the trust you continue to place in FMG. Without you, our business would not exist. My sincere thanks also to the Executive Leadership Team and the FMG Board of Directors for their ongoing support. A special mention to our outgoing FMG Board Chair, Tony Cleland, for his immeasurable contribution during his 16 years of service. Tony's extensive experience in the rural sector has played a vital role in FMG's growth over that period, and while he will be sorely missed, we wish him every success for what lies ahead.

Finally, I wish to acknowledge all my colleagues across FMG whose commitment and dedication continues to inspire me and whose effort and contribution continues to support our clients, members, communities and fellow FMG employees, especially during such challenging times.

Kind regards / Ngā mihi,



Adam Heath
Chief Executive Officer, FMG

*Federated Farmers estimate 03/08/23

The Directors have pleasure in presenting Farmers' Mutual Group's[1] 118th Annual Report and Financial Statements for the year ended 31 March 2023.

Principal Activities

The Group[2] is focused on the provision of competitive insurance solutions. Group activities include the delivery of insurable farm risk advice, general insurance, life and health insurance.

Farmers' Mutual Group Act 2007

Farmers' Mutual Group is governed by the Farmers' Mutual Group Act 2007 and the Farmers' Mutual Group Constitution.

Financial Results

The Mutual's financial results for the year reflect the following:

- Increase in Gross Written Premium from continuing operations to $514.3m from $458.5m
- Increase in Net Investment Income from continuing operations to $9.6m from $1.5m
- Increase in Net Claims incurred from continuing operations to $326.2m from $256.7m
- Decrease in profit from continuing operations after tax to $15.7m loss from $22.8m profit

	2023 $000	2022 $000
Profit/(loss) from continuing operations before taxation	(22,058)	30,881
Taxation	6,336	(8,081)
Profit/(loss) for the year	(15,722)	22,800

Membership

As at 31 March 2023, membership of the Parent stands at 67,928.

Directorate

In accordance with the tenure provisions of the Member Director Election & Special Director Appointment Policy, M Taggart will retire by rotation and will stand for re-election at this year's Annual General Meeting (AGM). T Cleland will retire and not seek re-election.

Role of the Directors

The Board is responsible for the strategy, direction and control of the Group. This responsibility includes areas of stewardship such as the identification and control of the Group's overall culture and conduct, business risks, the integrity of management information systems and reporting to policyholders and members.

While the Board acknowledges that it is responsible for the overall control framework of the Group, it recognises that no cost effective internal control system will preclude all errors and irregularities. The control system is based upon written procedures, policies and guidelines, organisational structures that provide an appropriate division of responsibility, a programme of internal audit and the careful selection and training of qualified personnel.

The Board meets on a regular basis.

[1] Reference to "FMG" or the "Parent" in this report and the Financial Statements means Farmers' Mutual Group.

[2] Reference to the "Group" in this report and the Financial Statements means the Parent and all subsidiaries.

Legislative and Regulatory Compliance

At 31 March 2023 FMG holds a full Financial Advice Provider Licence within the meaning of the Financial Markets Conduct Act 2013 and is directly supervised by the Financial Markets Authority.

The Group makes use of its employees and external consultants to ensure compliance with relevant legislation and regulation. This includes compliance with securities, environmental and human resource related legislation.

Remuneration of Directors

At the 2022 AGM, the Members approved remuneration for the Chair of the Board at $151.5k, Directors at $82k and the Chairs of both the Risk & Audit Committee and the People & Governance Committee at $15k. The amounts paid to each Director for both the FMG and FMG Insurance Limited Boards including Chair fees associated with the Board sub-committees are as follows:

Name	2022-2023 $000	2021-2022 $000
T Cleland	143	113
S Allen**	36	60
M Taggart	77	60
G Copstick	77	60
S Horgan	92	73
S von Dadelszen	92	74
S Smith	77	60
D Hewitt	77	31
S Hopcroft*	48	-
M Ahie***	-	26
Total	719	557

* Fees are Pro-rated as at election to the Board.

** Retired at the 2022 AGM and Pro-rated fees.

*** Retired at the 2021 AGM and Pro-rated fees.

FMG Board of Directors

The Board as at 31 March 2023

The FMG Directors are Tony Cleland (Chair), Geoff Copstick, Murray Taggart, Sinead Horgan, Sarah Smith, Sarah von Dadelszen, Debbie Hewitt and Simon Hopcroft. The Board appointed an Associate Director role (Jolene Germann) with effect August 2022. This role is a development role which incurs no Director fees.

The following are the Directors' qualifications and expertise:

TONY CLELAND
Chair

Tony heads the Board as Chairman and has extensive experience in the rural sector. Tony has several dairy farming businesses in Southland and a vineyard in Central Otago. A founder of FarmRight which manages agriculture and viticulture assets through Aotearoa/New Zealand and Australia. Tony's been a Director on FMG's board since 2007 and has also held a range of other governance roles, including Director of several large-scale farming businesses.

GEOFF COPSTICK

Geoff was the Chief Financial Officer of Gallagher Group in Hamilton for nine years. He is now on Gallagher's board and Chair of their Audit & Risk Committee. Geoff also serves as a Director on Northland Inc Ltd. Geoff is a Director on ChildFund New Zealand and has 20 years of executive-level finance experience with New Zealand companies. He has specialised in corporate governance, risk management and corporate treasury operations.

MURRAY TAGGART

Murray farms sheep, beef and arable crops under irrigation near Oxford in North Canterbury. Prior to going farming, Murray worked for seven years at ANZ Bank. Murray was a Nuffield scholar in 1996 and in 2006 won the Tasman region FMG Rural Excellence Award. He is a former National Meat and Fibre Chairman of Federated Farmers and is a past Director of CRT Society and Ballance Agri-Nutrients. Murray is experienced in corporate governance and is currently chairman of Alliance Group and Taumata Plantations.

SINEAD HORGAN

Sinead trained as a Chartered Accountant and has over 20 years' consulting and financial services experience. Sinead has held senior roles in accounting, private equity and commercial banking across Europe, the Americas, Asia, Australia, and Aotearoa/New Zealand. Sinead is a Director and Chair of the Audit & Risk Committees, for Bank of China, Eco central and Trustee and Chair of the Māia Health Foundation. She is a Director/Chair of the Audit & Risk Committees of Rakon and Leighs Construction Ltd.

SARAH SMITH

Sarah is an insurance and banking professional with over 30 years' experience, 15 of which have been in senior management. Sarah's more recent positions have included Chief Technology Officer of Heartland Bank, CEO of MARAC Insurance and General Manager of Insurance for ANZ. Sarah is currently a Director of Metis Consulting, Partners Life Ltd, and Iris Group. Sarah has a strong working knowledge of the regulatory requirements and conduct and culture expectations of the industry.

SARAH VON DADELSZEN

Sarah has spent the last 21 years in a variety of agricultural and energy-related governance and leadership roles. These positions have been with organisations that are committed to maintaining strong communities, particularly in the rural sector. These include the New Zealand Beef Council, Fonterra Shareholders Council, and New Zealand Young Farmers. Currently, Sarah sits on the Ballance Agri-Nutrients Board and Centralines Ltd. Sarah also owns a large farming business with sheep and beef and dairy interests.

DEBBIE HEWITT

Debbie has a strong primary sector background, with extensive governance experience in agribusiness, civil engineering, infrastructure, project management, and regulatory environment sectors. Alongside being a co-founder of her family business Hewitt Livestock Ltd., Debbie is currently Deputy Chair on the Cranford Foundation Trust, and a Rockit Global appointed Director for ROP2, licensed growers of Rockit apples. Previous governance roles include serving as a Hawke's Bay Regional Councillor and holding Director positions for Hawke's Bay Regional Investment Company and Horticulture New Zealand.

SIMON HOPCROFT

Simon runs a dairy farming operation in Southland, is a former Fonterra Cooperative Councillor and was winner of the 2004 Young Farmer of the Year contest. Simon has completed various governance and leadership courses including Fonterra's 'Governance Development Programme' and Farmlands 'To the Core' programme. Through Simon's farming experience he understands the current risks and challenges facing many businesses and rural communities.

FMG Executive Leadership Team

ADAM HEATH
Chief Executive Officer

Adam joined the Mutual as Chief Executive Officer in December 2021. In his previous role he was the Executive General Manager, Insurance Solutions with Suncorp New Zealand.

Adam has a strong background in general and life insurance, banking and telecommunications and has a real connection to and empathy for FMG's values, the mutual model and the rural sector.

Adam describes FMG as an iconic Aotearoa/New Zealand and rural brand, with a long and proud history of supporting rural communities. He sees FMG having an ambitious growth strategy to improve and support clients and members in an increasingly digitalised world.

DAVE KIBBLEWHITE
Chief Financial, Investment and Risk Officer

When Dave joined FMG as Chief Financial Officer (CFO) in 2003, he brought a wealth of knowledge after 10 years with Ernst & Young, and from his experience working for insurers Tower and Colonial. Dave has also worked in Australia and Hungary prior to joining FMG, giving him a good understanding of industry practice including regulation.

Sixteen years in the CFO role has provided Dave with a thorough understanding of FMG's business and niche rural insurance market, as well as the Aotearoa/New Zealand insurance industry. This has allowed a seamless progression to Chief Financial, Investment and Risk Officer.

GLENN CROASDALE
Chief Client Officer

Glenn has been with FMG since February 2011 and is responsible for the overall sales and service performance of the business in respect of both General and Life & Health Insurance.

In his previous roles Glenn has led the Marketing, Communications and Risk Services functions of the mutual and has over 20 years experience working within the insurance, construction, forestry, mining and primary industries.

At an industry level, Glenn is Chair of the International Cooperative and Mutuals Insurance Federation (ICMIF) Intelligence Committee and has represented FMG on the Insurance Council of New Zealand (ICNZ).

PETE FRIZZELL
Chief People Officer

Pete is a passionate supporter of the mutual model and how FMG is striving to help grow strong and prosperous rural communities. Joining FMG in 2010, Pete is responsible for our People & Culture team, and is the FMG sponsor for Farmstrong – FMG's rural wellbeing programme.

Pete's role also involves overseeing the challenges and opportunities around FMG's responsibility to sustainability. Prior to joining FMG, Pete completed a PhD in Operations Research at Massey University. Pete has worked in a number of technology-based analysis, management and consulting roles across various industries in Aotearoa/New Zealand and the United Kingdom.

COLIN PHILP
Chief Information Officer

Before joining FMG, Colin was Chief Information Officer at the New Zealand Racing Board for four years and held a number of roles at Spark Digital including Head of ICT Operations and Head of Client Delivery at Technology Australia.

Colin has also held several roles at the Bank of New Zealand including Head of Application Development and Testing. Colin is based out of FMG's Palmerston North office.

KIM GROOBY
Chief Claims Officer

Kim joined FMG as Chief Claims Officer in October 2022. Kim has spent most of his career working in the insurance sector, including in a range of senior leadership roles across Suncorp and IAG. These roles included Executive Manager Business Transformation, General Manager Claims, Executive Manager Earthquake Strategy, Head of Strategy & Portfolio (Technology), and Programme Director.

He has strong experience in change management and process development and has an excellent understanding of technology in an insurance context.

ALEX JOHNSTON
Chief Insurance Officer

Alex joined FMG as Chief Insurance Officer in October 2022, having previously held the role of Manager Actuarial Funding and Advice at ACC. Alex brings over 20 years' general insurance experience to the Mutual, more recently as the National Manager Personal Pricing and Analytics at IAG, where she led the team through significant industry change following the Canterbury earthquakes.

Alex has extensive experience in the insurance sector, previously working for several large UK insurers, including Direct Line, Norwich Union, and AXA Insurance, in pricing, procurement and HR roles. She holds a Master of Science degree in Statistics from Otago University.

DARRIN BULL
Head of Strategy

Darrin joined the Mutual as Head of Strategy in October 2022. After 12 years with the ASB Group in product management and development, Darrin shifted his focus to strategy and business transformation. Most recently, Darrin has provided independent strategy consulting for a wide range of organisations across Aotearoa/New Zealand and Australia.

A big believer in helping the community, Darrin is a Justice of the Peace and Chairperson of ADHD New Zealand, focusing on improving outcomes for the ADHD community.

MATT HARVEY
Chief Marketing Officer

Matt has been with FMG since 2011 and is responsible for our marketing, advice and market propositions, as well as our digital channel, FMG Connect.

In previous roles, Matt supported the Risk Services team as an analyst before moving through a range of operational roles including leadership of our phone-based sales and service channels. Matt is a big believer in setting our people up for success and was named a finalist in the Gallup Manager of the Year at the Global Gallup Workplace Awards in 2022.

Matt has an MBA from Victoria University and prior to joining FMG worked in the public sector, including four years at the New Zealand Defence Force (NZDF) culminating in a deployment to Afghanistan as the NZDF's Finance Officer.

The Board is subject to the FMG Board Charter which outlines the specific role and responsibilities of the Board. The Board is also subject to the Member Election & Special Director Appointment Policy which articulates the process for the election and appointment of prospective Directors, as well as the evaluation of Member Directors due to retire by rotation who intend to stand for re-election.

Each Director must be assessed as being fit and proper in accordance with FMG's Fit & Proper Policy and be reassessed at least every three years. All Directors are independent as they are free from any associations that could materially interfere with the exercise of independent judgement. The Directors are all subject to FMG's Code of Ethics.

The Board Committees as at 31 March 2023

The Risk & Audit Committee is currently comprised of S Horgan (Chair), M Taggart, G Copstick, S Smith and T Cleland (ex officio). This Committee is governed by its own Charter. The function of the Risk & Audit Committee is to assist the Board in carrying out its responsibilities under the Farmers' Mutual Group Act 2007, which incorporates by reference provisions of the Companies Act 1993 and the Financial Markets Conduct Act 2013. These responsibilities include ensuring compliance with legal and regulatory standards and the New Zealand equivalents to International Financial Reporting Standards, reviewing management's accounting practices, policies and controls relative to the Group, identification and management of key risks and reviewing and making appropriate inquiry into the audits of the Group by both internal and external auditors.

The People & Governance Committee is currently comprised of S von Dadelszen (Chair), Tony Cleland, S Hopcroft, S Smith and D Hewitt. The Committee, which is governed by its own Charter, is responsible for the evaluation of new Directors, Chief Executive and senior management appointments, corporate governance and remuneration policies of the Group.

The number of Board and Board Committee meetings Directors were able to attend and their actual attendance (based on election and retirement dates) is detailed below:

	Number of meetings	Number attended
FMG Board Meetings (Total 8)		
T Cleland (Chair)	8	8
S Allen*	4	4
M Taggart	8	8
G Copstick	8	8
S Horgan	8	8
S von Dadelszen	8	8
S Smith	8	7
D Hewitt	8	7
S Hopcroft**	4	4

*Retired at the 2022 AGM
**Elected at 2022 AGM

	Number of meetings	Number attended
Risk & Audit Committee (Total 3)		
S Horgan (Chair)	3	3
M Taggart	3	3
G Copstick	3	3
S Smith	3	3

Noting Ex-Offico participation from other Directors

	Number of meetings	Number attended
People & Governance Meetings (Total 3)		
S von Dadeleszen (Chair)	3	3
T Cleland	3	3
S Allen*	1	1
S Smith	3	3
D Hewitt	3	2
S Hopcroft**	2	2

* Retired at AGM 2022
**Elected at AGM 2022
Noting Ex-Officio participation from other Directors

Directors of FMG’s Subsidiaries as at 31 March 2023

The current FMG Insurance Limited Directors are Tony Cleland, Geoff Copstick, Murray Taggart, Sinead Horgan, Sarah Smith, Sarah von Dadelszen, Debbie Hewitt and Simon Hopcroft. The amount paid to each Director is reflected in the remuneration of Directors of the Group.

Interest Registers of the Group as at 31 March 2023

(a) There are no related party transactions recorded in the interest registers.

(b) A majority of Directors are required to be members of FMG. Any associated insurance policies or transactions are administered according to normal business practice at arm’s length.

(c) Directors’ remuneration is disclosed on page 23.

(d) The Group has arranged policies of Directors’ Liability Insurance which ensures that generally Directors will incur no monetary loss as a result of action 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 statutory regulations.

Auditors

EY has been appointed as Auditors for the Group.

Consolidated Income Statement

For the year ended 31 March

	Notes	Group 2023 $000	Group 2022 $000
General insurance activities			
Gross written premium		**514,297**	458,459
Movement in unearned premium		**(25,760)**	(23,899)
Gross earned premium	1	**488,537**	434,560
Outwards reinsurance premium expense		**(84,464)**	(50,236)
Net premium revenue		**404,073**	384,324
Claims expense	8	**(660,832)**	(270,629)
Reinsurance and other recoveries revenue	1, 8	**334,648**	13,907
Net claims incurred		**(326,184)**	(256,722)
Other income	1	**24,611**	22,729
Operating expenses	2	**(134,189)**	(120,909)
General insurance underwriting result		**(31,689)**	29,422
Investment income	1	**9,631**	1,459
Profit/(loss) before taxation		**(22,058)**	30,881
Income tax (expense)/benefit	3	**6,336**	(8,081)
Net profit/(loss)		**(15,722)**	22,800
Profit/(loss) from continuing operations for the year attributable to members		**(15,722)**	22,800
Total comprehensive income/(loss) for the year, net of tax, attributable to members		**(15,722)**	22,800

The financial statements should be read in conjunction with the accounting policies and notes on pages 34 to 65.

Consolidated Statement of Changes in Equity

For the year ended 31 March

	Notes	Group 2023 $000	Group 2022 $000
Retained earnings			
Retained earnings at the beginning of the year		**345,581**	322,781
Total profit/(loss) and other comprehensive income		**(15,722)**	22,800
Retained earnings at the end of the year		**329,859**	345,581
Total equity at the end of the year		**329,859**	345,581
Attributable to:			
Members		**329,859**	345,581
		329,859	345,581

The financial statements should be read in conjunction with the accounting policies and notes on pages 34 to 65.

Consolidated Balance Sheet

For the year ended 31 March

	Notes	Group 2023 $000	Group 2022 $000
Assets			
Cash and cash equivalents	4	**47,705**	72,105
Trade and other receivables	6	**200,772**	161,523
Insurance recoveries	7, 8	**328,768**	17,982
Investments	5	**497,331**	457,137
Deferred acquisition costs	9	**3,667**	3,667
Current tax asset		**6,135**	-
Property, plant and equipment	10	**4,538**	5,572
Intangible assets	11	**6,739**	8,291
Right of use assets	12	**17,808**	19,137
Deferred tax assets	13	**8,603**	2,267
Total assets		**1,122,066**	747,681
Liabilities			
Trade and other liabilities	14	**72,090**	34,296
Current tax liability		**-**	4,779
Make good provision		**480**	400
Underwriting provisions	7	**700,182**	342,057
Lease liabilities	12	**19,455**	20,568
Total liabilities		**792,207**	402,100
Net assets		**329,859**	345,581
Equity			
Retained earnings		**329,859**	345,581
Attributable to:			
Members		**329,859**	345,581
Total equity		**329,859**	345,581

Signed on behalf of the Board of Directors, who authorised the issue of these financial statements on 22 June 2023.

T D Cleland
Chairman
22 June 2023

S Horgan
Director
22 June 2023

The financial statements should be read in conjunction with the accounting policies and notes on pages 34 to 65.

Consolidated Statement of Cash Flows

For the year ended 31 March

	Notes	Group 2023 $000	Group 2022 $000
Cash flows from operating activities			
Premium and other receipts from clients		**505,893**	470,580
Reinsurance recoveries		**23,862**	14,583
Interest and fees received		**6,003**	3,232
Other income		**10**	129
Claims paid		**(329,617)**	(257,920)
Reinsurance premium paid		**(58,598)**	(48,801)
Cash paid to suppliers and employees		**(112,169)**	(110,294)
Tax (paid)		**(14,333)**	(13,233)
Lease interest paid		**(832)**	(866)
Net cash flows from operating activities	4	**20,219**	57,410
Proceeds from the sale of investment securities		**2,493**	20,773
Outflows from investment dealings with fund managers		**(38,442)**	(65,951)
Purchase of property, plant and equipment and intangible assets		**(4,182)**	(3,926)
Net cash flows from investing activities		**(40,131)**	(49,104)
Cash flows from financing activities			
Lease principal payments		**(4,488)**	(4,447)
Net cash flows from financing activities		**(4,488)**	(4,447)
Net (decrease) / increase in cash and cash equivalents		**(24,401)**	3,859
Cash and cash equivalents at the beginning of the year		**72,105**	68,246
Cash and cash equivalents at the end of the year	4	**47,705**	72,105

The financial statements should be read in conjunction with the accounting policies and notes on pages 34 to 65.

Statement of Accounting Policies

For the year ended 31 March

Reporting entity

The consolidated financial statements consist of Farmers' Mutual Group and its subsidiaries (the "Group").

Farmers' Mutual Group (the "Parent") is a mutual domiciled in New Zealand, registered under the Farmers' Mutual Act 2007.

This financial report includes financial statements for the consolidated entity (the "Group") which consists of the parent entity and all entities that the parent entity controlled during the year and at the balance date.

The Group is primarily involved in the delivery of insurable farm risk advice, general insurance, life and health insurance.

Statement of compliance

The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

The financial statements are prepared in accordance with the Constitution of the Mutual.

Significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) as appropriate for profit-oriented entities.

The consolidated financial statements have been prepared on a historical cost basis with any exceptions noted in specific accounting policies below.

The consolidated financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand ($000), unless otherwise stated.

The consolidated financial statements provide comparative information in respect of the previous period. Certain comparatives have been changed to ensure consistency with the current period.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

General insurance contracts

The insurance operations of the Group comprise administration and claims management of insurance contracts. These contracts transfer significant insurance risk by agreeing to compensate the insured on the occurrence of a specified insured event, such as damage to property or the crystallisation of a third party liability (or the reinsurance thereof), within a given timeframe. Under accounting standards, such contracts are defined as general insurance contracts. In addition, the Group distributes personal insurance (life insurance contracts) underwritten by third parties.

General insurance liabilities

The outstanding claims for general insurance contracts are measured as the best estimate of the present value of expected future payments for claims incurred at the balance date. The estimate is inclusive of claims management expenses required to settle the claim but is net of reinsurance and other recoveries. The outstanding claims liability also includes a risk margin to allow for the inherent uncertainty in the best estimate and to increase the probability that the liability is adequately provided for.

Outstanding claims are determined by the actuary in accordance with actuarial and prudential standards.

Liability Adequacy Testing is performed in order to ascertain any deficiencies in profit and loss arising from the carrying amount of the unearned premium liability not meeting the estimated future claims in prevailing market conditions. Any deficiency is taken to the income statement and written off against any Deferred Acquisition Costs. Liability Adequacy is determined for groups of contracts that are subject to broadly similar risks and are managed together as a single portfolio.

Assets backing general insurance contract liabilities

These assets are measured on a basis that is consistent with the measurement of the liabilities, to the extent permitted under accounting standards. The Group has identified its funds under management as assets backing general insurance contract liabilities.

As general insurance contract liabilities are measured as described in these accounting policies, assets backing such liabilities are measured at fair value, to the extent permitted under accounting standards. Realised and unrealised gains and losses arising from changes in the fair value are recognised in the income statement, to the extent permitted under accounting standards. The accounting policies for individual asset classes, and any restrictions on application of fair value, are described in the statement of accounting policies.

Claims expense

Claims expenses in respect of general insurance contracts are recognised in the income statement either as claims are incurred or as movements in outstanding claims owing.

Policy acquisition costs

Policy acquisition costs comprise the costs of acquiring and recording new business, including policy issue and underwriting costs, agency expenses and other sales costs. Acquisition costs incurred in obtaining general insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in subsequent reporting periods.

Deferred Acquisition Costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

Outwards reinsurance

Premiums ceded to reinsurers under reinsurance contracts are recorded as an outwards reinsurance expense and are recognised over the period of indemnity of the reinsurance contract. Accordingly, a portion of outwards reinsurance premium is treated at balance date as a prepayment, and netted off against reinsurance creditors.

Reinsurance recoveries

Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer’s policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the income statement.

Statement of Accounting Policies

For the year ended 31 March

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

The specific recognition criteria described below must also be met before revenue is recognised.

Premium revenue

Premium revenue is recognised in the period in which the premiums are earned during the term of the contract that matches the incidence of risk. The proportion of premiums not earned in the income statement at the reporting date is recognised in the Balance Sheet as a provision for unearned premiums.

Other fee income

Fees relating to specific transactions or events are recognised in the income statement when the service is provided to the client.

Interest income

The effective interest method is used to measure the interest income recognised in the income statement. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period to provide a constant yield to maturity. Interest income recognised on assets recorded at fair value through profit and loss is recognised on a cash basis.

Taxes

Current income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised using the Balance Sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised for taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, the carry forward or unused tax credits and any unused tax losses.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

GST

All revenues, expenses and assets are recognised net of Goods and Services Taxes (GST) except where the GST is not recoverable. In these circumstances the GST is included in the related asset or expense. Receivables and payables are reported inclusive of GST. The net GST payable to or recoverable from the tax authorities as at balance date is included as a receivable or payable in the Balance Sheet. Cash flows are included in the statement of cash flows on a net basis.

Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement of financial assets

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value through profit and loss; and
- Those to be measured at amortised cost.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets backing insurance contracts. The Group has equity, debt securities and units in unlisted funds that are recognised at fair value through profit or loss. These assets are carried in the Balance Sheet at fair value with net changes in fair value presented as investment loss (negative net changes in fair value) or investment income (positive net changes in fair value) in the statement of profit or loss.

Derecognition of financial assets

A financial asset is derecognised (i.e. removed from the Group's consolidated Balance Sheet) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party through a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

Assets measured at fair value (like equity and debt securities), where changes in value are reflected in the income statement, are not subject to impairment testing. Other assets such as receivables are subject to impairment testing.

Asset quality

Past due assets are receivables in which a customer has failed to make payment contractually due within their key terms, and which are not impaired assets.

Initial recognition and measurement of financial liabilities

All of the Group's financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Amortisation and foreign exchange gains and losses are recognised in the income statement.

The Group has not designated any financial liability as at fair value through profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Fair value measurement

The fair value of financial instruments traded in active markets is based on quoted market prices at the Balance Sheet date. The quoted market price used for financial assets held by the Group is the current bid price, the quoted market price for financial liabilities is the current offer price.

The fair value of financial instruments not traded in an active market is determined using valuation techniques. Valuation techniques include Net-Present-Value techniques, discounted cash-flow methods, earning multiple valuation method and comparison to quoted market prices or dealer quotes for similar instruments.

Statement of Accounting Policies

For the year ended 31 March

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. Cash and cash eqivalents are measured at amortised cost.

Trade and other receivables

“All receivables reflecting rights arising under an insurance contract as defined in NZ IFRS 4 Insurance Contracts are recognised at the amount receivable less a provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivable.

Receivables within the scope of NZ IFRS 9 are managed to collect contractual cash flows and their contractual terms generate cash flows that are solely payments of principal (and interest thereon, if any). Receivables are initially recognised at fair value and are subsequently measured at amortised cost less a provision for impairment if appropriate.

Impairment is calculated as a provision for Expected Credit Losses (ECLs). The provision for ECLs is based on the difference between the cash flows due in accordance with the contract and the cash flows that the Group expect to receive. The assessment of ECLs reflect judgements and assumptions that take into account prior credit risk and loss history, current and expected future market conditions and individual debtor circumstances.

The Group adopts the simplified approach permitted by NZ IFRS 9 with regard to non-insurance trade receivables and calculates the provision with reference to lifetime ECLs. For all other receivables, the provision is based on the portion of lifetime ECLs that result from possible defaults events within 12 months from reporting date unless there has been a significant increase in credit risk since initial recognition in which case the provision is based on lifetime ECLs.

Any increase or decrease in the provision for impairment is recognised in the statement of profit or loss and other comprehensive income. When a receivable is uncollectable, it is written off against the provision for impairment account. Subsequent recoveries of amounts previously written off are credits against expenses.”

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation

Depreciation is calculated using the Straight Line Method. Land is not depreciated. The estimated depreciation rates for the current and comparative periods, along with depreciation method, are as follows:

Buildings	2% Straight Line
Leasehold improvements	20% Straight Line or the term of the lease
Furniture and office equipment	20% Straight Line
Computer equipment	25% Straight Line
Motor vehicles	20% Straight Line
Capital work in progress	Not depreciated until the asset is commissioned

Intangible assets

Recognition and measurement

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates and that asset is controlled by the Mutual.

Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated amortisation rates for the current and comparative periods are as follows:

Software	30% Straight Line

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the income statement, being the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value (including realisation costs) and its value in use.

Leases

"On entering into a contract, the Group determines whether the contract contains a lease that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Determining whether there is a right of control involves the assessment of whether the contract involves the use of an identified asset, whether the Group has the right to obtain substantially all of the economic benefits from use of that asset through the period of use, and whether the Group has the right to direct the use of the asset.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost net of any lease incentives received and is subsequently depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at the Group's incremental borrowing rate or the interest rate implicit in the lease, if this can be determined. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option, with a corresponding adjustment made to the carrying value of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leaser of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short term leases (lease term less than 12 months) or leases of low-value assets including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term."

Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unsettled. Payables are stated at cost as the impact of discounting is immaterial due to their short term nature.

Provisions

Provisions are only recognised when the Group has a present legal or constructive obligation as a result of a past event or decision, and it is more likely than not that an outflow of resources will be required to settle the obligation. Provisions are recognised at the best estimate of future cash flows discounted to present value where the effect is material.

Statement of Accounting Policies

For the year ended 31 March

Employee entitlements

Provision is made for employee entitlements for services rendered up to the balance date. This includes salaries, wages, bonuses, annual leave and long service leave. Liabilities arising in respect of employee entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts. All other employee entitlements are measured at the present value of the estimated future cash outflows to be made in respect of services provided up to the balance date.

Statement of cash flows

The statement of cash flows is prepared exclusive of GST, which is consistent with the method used in the income statement. The following are definitions of the terms used in the statement of cash flows:

- cash is considered to be cash on hand and current accounts in banks, net of overdrafts;
- investing activities are those relating to the acquisition, holding and disposal of property, plant and equipment and of investments;
- financing activities are those activities which result in changes in the size and composition of the capital structure of the Group. This includes debt not falling within the definition of cash; and
- operating activities include all transactions and other events that are not investing or financing activities.

Significant accounting judgements, estimates and assumptions

The Mutual makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas where critical accounting estimates and assumptions are applied are noted below.

Claims liabilities under general insurance contracts

Provision is made at the end of the year for the estimated cost of claims incurred but not settled at the balance sheet date, including:

- claims which have been reported but not yet paid;
- claims incurred but not yet reported;
- claims incurred but not enough reported;
- the anticipated direct and indirect costs of settling these claims; and
- a risk margin to allow for the inherent uncertainty in the best estimate.

In calculating the estimated cost of unpaid claims the Group uses a variety of estimation techniques, generally based on statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Claims are separated into classes of business with broadly similar reporting and settlement behaviour and the results from each class combined to determine the value of unpaid claims. Gross claims costs are established with a separate assessment of reinsurance and other recoveries.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims. Accumulations of losses from a single event are also assessed separately to allow for delays in the settlement pattern and higher degrees of uncertainty as well as any reinsurance programs that are specific to these losses.

Further information is contained in Notes 7 and 8.

Changes in accounting policies and disclosures

There have been no signficant changes in accounting policies during the current period. Accounting policies have been applied on a basis consistent with the prior year, where applicable.

New standards and interpretations not yet adopted

The following standards and interpretations have been issued but are not yet effective for the period ending 31 March 2023. The Group does not intend to adopt any new standards and amendments early. The adoption of NZ IFRS 17 for the financial period ending 31 March 2024 is expected to have a significant impact on the Group's financial statement disclosures.

NZ IFRS 17 Insurance Contracts

NZ IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of NZ IFRS 17 is the General (building block) Model, supplemented by a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

The main features of the new accounting model for insurance contracts are:

- The effect of changes in discount rates will be reported in either profit or loss or Other Comprehensive Income (OCI), determined by an accounting policy choice
- A presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance and reinsurance contracts and the nature and extent of risks arising from these contracts

Existing insurance and reinsurance contract line items on the balance sheet (including premium receivables arising from general insurance contracts, unearned premium, deferred insurance costs, gross outstanding claims and reinsurance and other recoveries on outstanding claims) will be replaced by insurance contract assets and liabilities (liability for remaining coverage), and reinsurance contract assets and liabilities. Insurance contract liabilities under NZ IFRS 17 will include all cash flows that directly relate to the fulfilment of insurance contracts (direct business and inward reinsurance), including acquisition, claims settlement, policy administration and maintenance costs. It also includes other costs such as direct overheads which are currently recognised in trade and other payables on the balance sheet.

Transition

NZ IFRS 17 will be applied retrospectively to all insurance contracts held as at 1 April 2022 on transition. Comparative figures will be reclassified as required within the 31 March 2024 annual report. The nature and effect of key changes in the Group's accounting policies resulting from its adoption of NZ IFRS 17 are summaried below.

Classification and measurement

Under NZ IFRS 17, the Group's insurance contracts issued, and reinsurance contracts held are all eligible to be measured by applying the premium allocation approach (PAA). The PAA simplifies the measurement of insurance contracts in comparison with the general model in NZ IFRS 17. The measurement principles of the PAA differ from the 'earned premium approach' used by the Group under NZ IFRS 4 in the following key areas:

- the liability for remaining coverage reflects premiums received less amounts recognised in revenue for insurance services provided
- measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component
- measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Group's obligation to pay other incurred insurance expenses.

For groups of contracts that apply the premium allocation approach and have a coverage period of one year or less, NZ IFRS 17 provides an option to recognise any insurance acquisition costs as expenses when incurred. The Group intends to apply this option upon adoption and expense all insurance acquisition costs immediately.

Statement of Accounting Policies

For the year ended 31 March

Onerous contracts

NZ IFRS 17 requires the identification of 'groups' of onerous contracts which will be determined at a more granular level of aggregation than the level at which the liability adequacy test is performed under NZ IFRS 4. Contracts that are measured using the 'PAA' method are assumed not to be onerous unless facts and circumstances indicate otherwise. The Group has developed a framework for identifying relevant facts and circumstances that may be indicators of possible onerous contracts which includes consideration of management information for Group planning and performance management.

If facts and circumstances that may be indicators of possible onerous contracts exist, the onerous contract losses are measured based on an estimation of fulfilment cash flows and are recognised in profit or loss. Onerous contract losses must be measured on a gross basis (excluding the effect of reinsurance), with the impact on equity and profit or loss mitigated by related income on reinsurance recoveries to the extent that the onerous contracts are covered by reinsurance.

Risk adjustment

The measurement of insurance contract liabilities will include a risk adjustment which replaces the risk margin under NZ IFRS 4. The risk margin under NZ IFRS 4 reflects the inherent uncertainty in the net discounted central estimate, whereas the risk adjustment under NZ IFRS 17 is defined as the compensation required for bearing the uncertainty that arises from non-financial risk. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount. NZ IFRS 17 requires the disclosure of the confidence level that corresponds to the risk adjustment used in the measurement of insurance contract liabilities.

Discount rates

NZ IFRS 17 requires the calculation of expected future cash flows of insurance contract liabilities to be discounted at a risk-free rate, plus an illiquidity premium where applicable. The Company will determine the risk free rates by reference to New Zealand government bond yield curve with a term profile matching the cashflow forecast. The illiquidity premium, where applicable, will be determined by reference to observable market rates.

The Group will apply the same policy to discount reinsurance contract assets, adapted where necessary to reflect features that differ from those of insurance contract liabilities. To reflect the non-performance of reinsurance counterparties, an adjustment will be made to the discount rates applied to reinsurance contract assets, determined using the credit spread on risk free rates for corporate bonds of a similar rating to the reinsurance contracts held.

Presentation and disclosure

The standard introduces changes to the presentation and disclosure of insurance line items in the financial statements, introducing new line items on the statement of comprehensive income and balance sheet and increased disclosures compared with existing reporting requirements.

Financial impact

The requirements of NZ IFRS 17 are complex and the financial impact is subject to the finalisation of key assumptions in relation to some of the key areas stated above. The Group intends to apply the Premium Allocation Approach to all direct insurance contracts issued and reinsurance contracts held, and intends to expense acquisition costs incurred. The Group's implementation of NZ IFRS 17 is well progressed and work is ongoing to finalise the impacts and to restate comparative information for reporting on this basis in 2024.

Notes to the Financial Statements

For the year ended 31 March

1. Revenue

	Group 2023 $000	Group 2022 $000
General insurance revenue		
Gross earned premiums	**488,537**	434,560
Reinsurance and other recoveries revenue	**334,648**	13,907
Investment revenue:		
Interest income	**5,999**	3,301
Realised investment gain	**2,493**	2,036
Movement in financial assets at fair value through profit and loss	**1,140**	(3,878)
Total investment revenue	**9,631**	1,459
Other income:		
Other premium income	**14,138**	12,179
Life & health revenue	**7,356**	6,957
Other revenue	**3,118**	3,593
Total other revenue	**24,611**	22,729

Interest income received on financial assets at amortised cost for the year was $2.6m (2022: $324k).

2. Operating expenses

	Group 2023 $000	Group 2022 $000
Employee expenses	**92,731**	84,598
Expenses related to low-value leases	**1,026**	710
Expenses related to short-term leases	**30**	16
Lease interest expense	**832**	866
Depreciation on property, plant and equipment	**2,639**	3,243
Depreciation on right of use assets	**4,590**	4,605
Amortisation on intangible assets	**4,137**	5,415
Gain on disposal of property, plant and equipment	**(9)**	(40)
Directors' fees	**719**	557
Donations	**2**	5
Auditors' remuneration – audit of financial statements	**198**	157
Auditors' remuneration – solvency returns	**21**	20
Auditors' remuneration – HR consulting	**25**	47
Auditors' remuneration - FMG connect benefit realisation QA	**-**	15

Notes to the Financial Statements

For the year ended 31 March

3. Income tax

	Group 2023 $000	Group 2022 $000
a) Income tax expense from continuing operations		
Current tax	-	8,844
Deferred tax benefit	(6,336)	(759)
(Over)/under provided in prior years	-	(4)
Income tax expense/(benefit) for the year from continuing operations	(6,336)	8,081
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before taxation		
Continuing operations	(22,058)	30,881
Total profit/(loss) before taxation	(22,058)	30,881
Prima facie income tax @ 28%	(6,176)	8,647
Tax effect of amounts which are non-deductible expenses/non-assessable revenue:		
Non-assessable investment income and other items	(334)	(446)
Non-deductible expenses and other items	162	148
Imputation credits on dividends	(126)	(82)
Foreign tax credit	-	(182)
(Over)/under provided in prior years	138	(4)
Income tax expense/(benefit) for the year	(6,336)	8,081
c) Imputation credit account		
Balance at the beginning of the year	99,133	84,999
Net taxation paid	10,913	14,052
Imputation credit attached to dividends received	126	82
Balance at the end of the year	110,172	99,133

4. Cash and cash equivalents

	Group 2023 $000	Group 2022 $000
Cash at bank and in hand	47,705	72,105
Total cash and cash equivalents	47,705	72,105
a) Reconciliation of profit to net cash flows from operating activities		
Profit/(loss) for the year	(15,722)	22,800
Adjustments for non-cash items		
Amortisation	4,137	5,415
Depreciation	7,229	7,847
Lease incentives received	113	-
Movement in deferred tax	(6,336)	(760)
Movement in unearned premium	26,910	24,664
Movement in outstanding claims	331,215	12,709
Movement in bad debts provision	527	(156)
Movemnt in make good provision	80	-
Unrealised investment (gain)/loss	(1,751)	3,281
	362,124	53,105
Movements in other working capital items		
Movement in accounts receivable and insurance recoveries	(350,562)	(14,797)
Movement in accounts payable	38,037	3,121
Movement in accrued leave/incentives	(244)	404
Movement in taxation payable	(10,911)	(5,147)
	(323,680)	(16,419)
Items classified as investing activities		
Net gain on sale of property, plant and equipment	(9)	(40)
Realised investment gain	(2,493)	(2,036)
	(2,502)	(2,076)
Net cash flows from operating activities	20,219	57,410

Notes to the Financial Statements

For the year ended 31 March

5. Investments

	Group 2023 $000	Group 2022 $000
Unit trust investments		
New Zealand equities	**17,114**	15,617
Offshore equities	**81,855**	77,847
Fixed interest investments - New Zealand	**200,479**	184,233
Fixed interest investments - Offshore	**77,265**	65,921
Total unit trust investments	**376,713**	343,618
Fixed interest investments		
Fixed interest investments - New Zealand	**120,618**	113,519
Total fixed interest investments	**120,618**	113,519
Total investments	**497,331**	457,137

Determination of fair value hierarchy 2023

	Level 1 $000	Level 2 $000	Level 3 $000	Total fair value $000
Financial assets at fair value through profit and loss:				
Unit trust investments	-	**376,713**	-	**376,713**
Fixed interest investments	-	**120,618**	-	**120,618**
Total financial assets	-	**497,331**	-	**497,331**

Determination of fair value hierarchy 2022

	Level 1 $000	Level 2 $000	Level 3 $000	Total fair value $000
Financial assets at fair value through profit and loss:				
Unit trust investments	-	343,618	-	343,618
Fixed interest investments	-	113,519	-	113,519
Total financial assets	-	**457,137**	-	**457,137**

Included in the level 1 category are financial assets and liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 financial assets and liabilities are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Level 3 financial assets are valued based on non market observable inputs meaning that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

During the year there were no transfers between categories.

Reconciliation of movements in level 3 instruments measured at fair value

	As at 1 April 2021 $000	Sale of shares $000	Total gain in profit and loss $000	As at 31 March 2022 $000
Equity securities	18,737	(20,773)	2,036	-
	18,737	**(20,773)**	**2,036**	**-**

Notes to the Financial Statements

For the year ended 31 March

6. Trade and other receivables

	Notes	Group 2023 $000	Group 2022 $000
Trade debtors		**178,748**	153,817
Reinsurance debtors		**13,966**	2,674
Other receivables		**7,637**	4,649
Uninsured third party recoveries		**4,396**	3,832
Allowance for impairment	15	**(3,975)**	(3,449)
		200,772	161,523
Current		200,772	161,523

There are no past due or impaired trade debtors, reinsurance debtors or other receivables as at 31 March 2023. The allowance for impairment relates specifically to uninsured third party recoveries when amounts are past due.

7. Underwriting provisions and reinsurance and other recoveries

	Group 2023 $000	Group 2022 $000
Underwriting provisions comprise:		
Liability for outstanding claims		
Expected future claim payments (undiscounted)	**461,111**	118,252
Discount to present value	**(13,094)**	(1,450)
	448,017	116,802
Provision for unearned premiums	**252,165**	225,255
Underwriting provisions	**700,182**	342,057
Current	**630,930**	324,243
Non-current	**69,252**	17,814
	700,182	342,057
Provision for reinsurance and other recoveries comprise:		
Expected future recoveries (undiscounted)	**(338,913)**	(18,225)
Discount to present value	**10,145**	243
Net insurance recoveries	**(328,768)**	(17,982)
Current	**(270,799)**	(13,549)
Non-current	**(57,969)**	(4,433)
	(328,768)	(17,982)

8. General insurance contracts

(a) Net general insurance claims incurred

	2023			2022		
	Risks borne in current year $000	Risks borne in prior years $000	Total $000	Risks borne in current year $000	Risks borne in prior years $000	Total $000
Group						
Gross claims expense						
Direct claims - undiscounted	**670,187**	**2,288**	**672,475**	282,860	(11,218)	271,642
Discount	**(12,146)**	**503**	**(11,643)**	(1,150)	137	(1,013)
Gross claims expense	**658,041**	**2,791**	**660,832**	281,710	(11,081)	270,629
Reinsurance and other recoveries						
Reinsurance and other recoveries revenue - undiscounted	**(343,323)**	**(1,227)**	**(344,549)**	(14,752)	689	(14,063)
Discount	**9,835**	**66**	**9,901**	53	103	156
Reinsurance and other recoveries	**(333,488)**	**(1,161)**	**(334,648)**	(14,699)	792	(13,907)
Net claims incurred	**324,554**	**1,630**	**326,184**	267,011	(10,289)	256,722

Current year amounts relate to risks borne in the current financial year. Prior period amounts relate to a reassessment of the risks borne in all previous financial years.

(b) Development of claims

The following table shows the development of net undiscounted outstanding claims relative to the current estimate of ultimate claims costs for the five most recent years.

	Incident year						
	2018 $000	2019 $000	2020 $000	2021 $000	2022 $000	2022 $000	Total $000
Ultimate claims cost estimate							
At end of accident year	178,886	177,007	212,499	230,811	274,844	673,879	
One year later	178,348	179,875	211,517	224,577	273,655		
Two years later	178,916	179,405	211,622	224,160			
Three years later	179,776	179,250	212,065				
Four years later	180,100	179,331					
Five years later	180,351						
Current estimate of ultimate claims cost	180,351	179,331	212,065	224,160	273,655	673,879	
Cumulative payments	180,146	179,023	210,552	222,835	265,372	242,456	
Undiscounted central estimate	205	308	1,514	1,325	8,283	431,423	443,057
Discount to present value	(4)	(11)	(63)	(71)	(384)	(11,938)	(12,471)
Discounted central estimate	201	296	1,451	1,254	7,899	419,485	430,586
Prior years (2016 and prior)							8,387
Risk margin							9,044
Gross outstanding claims liabilities							448,017
Reinsurance recoveries on outstanding claims and other recoveries							(328,768)
Net outstanding claims liabilities							119,250

Notes to the Financial Statements

For the year ended 31 March

(c) Analysis of outstanding claims

	Group 2023 $000	Group 2022 $000
Gross central estimate of present value of future claims payment	438,973	107,022
Risk margin	9,044	9,780
Total outstanding claims liability	448,017	116,802
The expected settlement pattern of the outstanding claims liability is as follows:		
Current	378,765	98,988
Non-current	69,252	17,814
Total outstanding claims liability	448,017	116,802

The total liability relates to direct insurance.

Assumptions adopted in calculation of General Insurance provisions

The effective date of the Actuarial Report on the Insurance Liabilities is 31 March 2023. The previous assessment of the Insurance Liabilities was performed at 31 March 2022.

The Actuarial Report was prepared by Margaret Cantwell, the appointed Actuary, a fellow of the NZ Society of Actuaries and the Institute of Actuaries of Australia. The Actuary is satisfied as to the accuracy of the data upon which the calculation of Insurance Liabilities has been made and is satisfied that the accounting provisions held in respect of the Insurance Liabilities are adequate.

The determination of the Insurance Liabilities has been prepared in accordance with New Zealand International Financial Reporting Standard (NZ IFRS 4) and with the NZ Society of Actuaries Professional Standard No. 30 governing technical liability valuations for General Insurance business.

The past patterns of claim reporting and settlement have been analysed to determine the best estimate of the current outstanding claims. Claims inflation and direct Claims Handling Expenses are implicit within the historical data and future experience is assumed to continue at similar levels. Internal claims handling expenses assume recent experience continues. The resulting cash flows have been discounted using a single discount rate determined as the average rate for a portfolio of Government Stock that matches the liability cash flows by duration.

Process for determining Risk Margin

The Risk Margin was determined initially for each portfolio, allowing for the uncertainty of the outstanding claims estimate for each portfolio. Uncertainty was analysed for each portfolio, taking into account:

- past volatility in general insurance claims
- potential uncertainties relating to the actuarial models and assumptions
- the quality of the underlying data used in the models
- the general insurance environment.

The estimate of uncertainty is generally greater for long tail classes when compared to short tail classes due to the longer time until settlement of outstanding claims.

The overall risk margin was determined allowing for diversification between the different portfolios and the relative uncertainty of each portfolio. The assumptions regarding uncertainty for each class were applied to the net central estimates, and the results were aggregated, allowing for diversification, in order to arrive at an overall provision that is intended to have a 75% probability of adequacy.

The Risk Margins for the Liability Adequacy Test at the same probability of sufficency are higher than for the outstanding claims as claims to be incurred over the remainder of the insurance contract is less certain.

The key assumptions used in determining general insurance liabilities are as follows:

	2023	2022
Inflation Rate	**Implicit**	Implicit
Discount Rate	**5.02%**	2.03%
Claims Handling Expense ratio - outstanding claims liabilities	**4.80%**	5.0%
Claims handling Expense ratio - premium liabilities	**6.00%**	6.3%
Risk Margin - outstanding claims liabilities	**8.20%**	11.0%
Risk Margin - premium liabilities	**12.00%**	13.8%
Weighted average expected term to settlement	**183 days**	234 days

Reconciliation of movements in assets and liabilities arising from general insurance contracts

	Group 2023 $000	Group 2022 $000
Outstanding claims liability		
Gross outstanding claims at the beginning of the year	**116,802**	104,093
Claims incurred during the year	**660,832**	270,629
Claims payments made during the year	**(329,617)**	(257,920)
Gross outstanding claims at the end of the year	**448,017**	116,802
Reinsurance and other recoveries receivable		
Reinsurance and other recoveries receivable at the beginning of the year	**(17,982)**	(22,257)
Reinsurance and other recoveries incurred during the year	**(334,648)**	(13,907)
Reinsurance and other recoveries received during the year	**23,862**	18,182
Reinsurance and other recoveries receivable at the end of the year	**(328,768)**	(17,982)

Notes to the Financial Statements

For the year ended 31 March

Sensitivity analysis

The impact of change in key variables on the outstanding claims liability is set out below. Each change has been calculated in isolation to other changes. The impact on net profit after tax is the same as the impact on equity.

		2023		2022	
Variable	Movement	Impact on profit after tax (net of reinsurance) $000	Impact on profit after tax (gross of reinsurance) $000	Impact on profit after tax (net of reinsurance) $000	Impact on profit after tax (gross of reinsurance) $000
Discount rate	Increase of 1%	371	1,706	389	469
	Decrease of 1%	(379)	(1,747)	(399)	(481)
Claims handling expense ratio	Increase of 1%	(716)	(716)	(652)	(652)
	Decrease of 1%	708	708	652	652
Risk margin	Increase of 1%	(790)	(790)	(640)	(640)
	Decrease of 1%	790	790	640	640
Weighted average expected term to settlement	Increase 0.5 years	2,069	7,646	709	841
	Decrease 0.5 years	(2,121)	(7,836)	(716)	(849)

(d) Risk management policies and procedures

The general insurance business of the Group involves a number of non-financial risks. Notes on the policies and procedures employed in managing these risks in the general insurance business are set out below. Financial risks involving the Group are in Notes 17 to 19.

(i) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The risk management activities include prudent underwriting, pricing, and management of risk including reinsurance together with claims management, reserving and investment management. The objective of these disciplines is to maintain sustainable insurance operations.

The key policies in place to mitigate risk arising from writing general insurance contracts include:

- comprehensive management information systems and actuarial models using historical information to calculate premiums and monitor claims;
- the use of reinsurance to limit the Group's exposure;
- prudent investment management to match the Group's liabilities.

(ii) Terms and conditions of insurance contracts that have a material effect on amount, timing and uncertainty of cash flows

The terms and conditions attached to insurance contracts affect the level of insurance risk accepted by the Group. Insurance and reinsurance contracts were written on terms and conditions generally prevailing in the market at the time they were accepted. Such contracts transferred risk by indemnifying the insured and reinsured against the occurrence of specified events. There are no special terms and conditions in any non standard contracts that have a material impact on the financial statements.

(iii) Concentration of reinsurance risk

The Group has a programme of reinsurance contracts to protect its insurance operations from volatility in claims costs due to high severity losses and catastrophic events. The Group monitors areas of concentration risk and the reinsurance programme is constructed accordingly. No inward reinsurance is written by the Group.

Reinsurance is placed to cover losses in excess of the Group's agreed retention for each class of business, using both automatic treaties and facultative (one-off) placements. Dependent upon the class of business either excess of loss or proportional reinsurance is used. The catastrophe programme provides cover up to the estimated losses from a 1 in 1,000 year event.

There are no significant concentrations of insurance risk for reinsurance recoveries. Reinsurance contracts are entered into with a number of reinsurers, all with a minimum credit rating of A-, with the exception of a 3% forestry treaty share with a credit rating of B++. The internal policy is to limit the maximum exposure to a single reinsurer to 5%-25% of the reinsurance programme depending on the credit rating of the reinsurer.

(e) Liability Adequacy Test

The probability of adequacy adopted in performing the Liability Adequacy Test is 75%.

The Liability Adequacy Test has identified a surplus for each portfolio of contracts that are subject to broadly similar risks and are managed together as a single portfolio.

	Group 2023 $000	Group 2022 $000
Net central estimate of the present value of expected future cash flows from future claims	**200,922**	167,609
Risk margin of the present value of expected future cash flows	**24,150**	23,221

(f) Insurer financial strength rating

The Company has a financial strength rating of A (Excellent) as accorded by the international rating agency AM Best Group on 2 March 2023 (2022: A (Excellent)).

9. Deferred acquisition costs

	Group 2023 $000	Group 2022 $000
Balance at the beginning of the year	**3,667**	3,667
Deferred Acquisition costs recognised during the year	**(3,667)**	(3,667)
Acquisition costs deferred during the year	**3,667**	3,667
Balance at the end of the year	**3,667**	3,667
Current	**3,667**	3,667

Notes to the Financial Statements

For the year ended 31 March

10. Property, plant and equipment

2023 - Group	Land and Buildings $000	Leasehold Improvement $000	Furniture and Fittings $000	Computer Equipment $000	Motor Vehicles $000	Total $000
Cost						
Balance at the beginning of the year	713	8,152	2,484	15,423	98	26,870
Additions	-	456	335	757	66	1,614
Disposals and transfers	-	-	-	(8,863)	(52)	(8,915)
Balance at the end of the year	713	8,608	2,819	7,317	112	19,569
Depreciation and impairment losses						
Balance at the beginning of the year	58	5,684	1,939	13,572	45	21,298
Depreciation for the year	14	1,181	372	1,050	22	2,639
Disposals and transfers	-	-	-	(8,863)	(43)	(8,906)
Balance at the end of the year	72	6,865	2,311	5,759	24	15,031
Carrying amounts						
At the beginning of the year	655	2,468	545	1,851	53	5,572
At the end of the year	641	1,743	508	1,558	88	4,538

2022 - Group	Land and Buildings $000	Leasehold Improvement $000	Furniture and Fittings $000	Computer Equipment $000	Motor Vehicles $000	Total $000
Cost						
Balance at the beginning of the year	713	7,959	2,410	14,524	164	25,770
Additions	-	193	74	915	45	1,227
Disposals and transfers	-	-	-	16	(111)	(127)
Balance at the end of the year	713	8,152	2,484	15,423	98	26,870
Depreciation and impairment losses						
Balance at the beginning of the year	44	4,476	1,589	11,940	79	18,128
Depreciation for the year	14	1,208	350	1,632	39	3,243
Disposals and transfers	-	-	-	-	(73)	(73)
Balance at the end of the year	58	5,684	1,939	13,572	45	21,298
Carrying amounts						
At the beginning of the year	669	3,482	821	2,584	85	7,642
At the end of the year	655	2,468	545	1,851	53	5,572

11. Intangible assets

2023 - Group	**Computer software $000**
Cost	
Balance at the beginning of the year	**57,155**
Acquisitions - internally developed	**2,585**
Acquisitions - other additions	**-**
Disposals	**(10,218)**
Balance at the end of the year	**49,522**
Amortisation and impairment losses	
Balance at the beginning of the year	**48,864**
Amortisation for the year	**4,137**
Disposals	**(10,218)**
Balance at the end of the year	**42,783**
Carrying amounts	
At the beginning of the year	**8,291**
At the end of the year	**6,739**

2022 - Group	**Computer software $000**
Cost	
Balance at the beginning of the year	54,380
Acquisitions - internally developed	2,775
Acquisitions - other additions	-
Disposals	-
Balance at the end of the year	57,155
Amortisation and impairment losses	
Balance at the beginning of the year	43,449
Amortisation for the year	5,415
Disposals	-
Balance at the end of the year	48,864
Carrying amounts	
At the beginning of the year	10,931
At the end of the year	8,291

Amortisation of intangible assets is included in operating expenses.

Notes to the Financial Statements

For the year ended 31 March

12. Lease assets and liabilities

(a) Right of use assets

2023 - Group	Property Leases $000	Motor Vehicles Leases $000	Other Leases $000	Total $000
Cost				
Balance at the beginning of the year	16,630	2,476	31	19,137
Additions	2,083	1,178	-	3,261
Disposals	-	-	-	-
Depreciation for the year	(3,591)	(976)	(23)	(4,590)
Balance at the end of the year	15,122	2,678	8	17,808

2022 - Group	Property Leases $000	Motor Vehicles Leases $000	Other Leases $000	Total $000
Cost				
Balance at the beginning of the year	18,627	2,504	55	21,186
Additions	1,464	1,092	-	2,556
Disposals	-	-	-	-
Depreciation for the year	(3,461)	(1,120)	(24)	(4,605)
Balance at the end of the year	16,630	2,476	31	19,137

Other leases includes leases of office equipment

(b) Lease liabilities

2023 - Group	$000
Lease liabilities	
Balance at the beginning of the year	(20,568)
Additions	(3,374)
Disposals	-
Interest Charged	(832)
Repayments	5,320
Balance at the end of the year	(19,455)

Total repayments during the year of $5,320k is made of $4,488k of principal repayments and $832k of interest repayments.

The maturity of the contractual undiscounted cashflows is as follows:

	$000
Less than one year	5,457
One to five years	13,654
More than five years	1,812
Total undiscounted lease liabilites	**20,923**

The maturity of the lease liabilities included in the balance sheet is as follows:

	$000
Less than one year	5,108
One to five years	12,849
More than five years	1,498
Total lease liabilites	**19,455**

2022 - Group	**$000**
Lease liabilities	
Balance at the beginning of the year	(22,460)
Additions	(2,556)
Disposals	-
Interest Charged	(866)
Repayments	5,314
Balance at the end of the year	**(20,568)**

Total repayments during the year of $5,314k is made of $4,447k of principal repayments and $866k of interest repayments.

The maturity of the contractual undiscounted cashflows is as follows:

	$000
Less than one year	5,291
One to five years	14,112
More than five years	3,373
Total undiscounted lease liabilites	**22,776**

The maturity of the lease liabilities included in the balance sheet is as follows:

	$000
Less than one year	4,826
One to five years	13,762
More than five years	1,980
Total lease liabilites	**20,568**

Notes to the Financial Statements

For the year ended 31 March

13. Deferred tax

2023 - Group	Opening balance at 1 April 2022	Charged/ (credited) to profit and loss	Closing balance at 31 March 2023
Movements in deferred tax assets			
Provisions and accruals	8,524	2,016	10,540
Tax losses	-	3,480	3,480
Total deferred tax assets	8,524	5,496	14,020
Movement in deferred tax liabilities			
Property, plant & equipment & Software	(3,702)	720	(2,982)
Deferred acquisition costs	(1,027)	-	(1,027)
Other	(1,528)	120	(1,408)
Total deferred tax liabilities	(6,257)	840	(5,417)
Deferred tax assets, net	2,267	6,336	8,603

2022 - Group	Opening balance at 1 April 2021	Charged/ (credited) to profit and loss	Closing balance at 31 March 2022
Movements in deferred tax assets			
Provisions and accruals	9,082	(558)	8,524
Total deferred tax assets	9,082	(558)	8,524
Movement in deferred tax liabilities			
Property, plant & equipment & Software	(5,016)	1,314	(3,702)
Deferred acquisition costs	(1,027)	-	(1,027)
Other	(1,531)	3	(1,528)
Total deferred tax liabilities	(7,574)	1,317	(6,257)
Deferred tax assets, net	1,508	759	2,267

A deferred tax asset is recognised for tax losses carried forward to the extent that related tax benefits will be utilised through future taxable profits.

14. Trade and other liabilities

	Group 2023 $000	Group 2022 $000
Trade creditors	7,371	5,354
Reinsurance creditors	28,515	2,647
Employee benefits	9,433	9,677
Government levies payable	16,381	12,110
Remediation provision	8,405	-
Other liabilities	1,985	4,509
	72,090	34,296
Current	72,090	34,296

The Group has recognised a provision for recently identified remediation issues. The provision reflects management's best estimate of the amount to resolve those issues (including the associated costs). It is expected the provision will be utilised within twelve months of balance date. No remediation payments were made in relation to these issues during the period.

15. Allowances for impaired assets

	Total $000
Group	
At 1 April 2021	3,604
Utilised	(3,604)
Additional provision	3,449
As at 31 March 2022	**3,449**
Utilised	(3,449)
Additional provision	3,975
As at 31 March 2022	**3,975**

There was no interest income on impaired financial assets accrued for the current year (2022: $Nil). The allowance is entirely for impaired assets.

Notes to the Financial Statements

For the year ended 31 March

16. Related party transactions

a) Group Holdings

At 31 March 2023 the following percentage shareholdings were held in related entities which, unless stated otherwise, all have balance dates ending on 31 March:

	2023	2022	Principal Activities
	%	%	
Subsidiaries			
FMG Insurance Limited	100	100	General Insurance

Transactions with related parties have been entered into in the ordinary course of business and undertaken on normal commercial terms.

b) Related party transactions

The Group has related party receivables of $Nil (2022: $Nil).

c) Loans to key management personnel*

There have been no loans made to directors of the Group and other key management personnel of the Group, including their personally related parties.

d) Other transactions with key management personnel*

Key management and directors hold various policies and accounts with FMG. These are operated in the normal course of business on normal customer terms.

e) Key management personnel compensation comprised*:

	Group 2023 $000	Group 2022 $000
Short-term employee benefits	4,139	4,581

*Key management personnel comprises Directors and Executive Officers of the Group.

17. Credit risk

Insurance credit risk

Credit risk relating to insurance contracts relates primarily to:

(a) Premium receivable from individual policyholders. Concentrations of credit risk are considered low due to the large number of customers comprising the customer base and their dispersion across New Zealand;

(b) Reinsurance recoveries receivable, which are discussed further in Note 8.

Other financial assets

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and financial assets, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

18. Market risk

Foreign exchange risk

The Group undertakes transactions denominated in foreign currencies and resulting from these activities, exposures in foreign currency arise. The Group does not apply hedge accounting. The risk is not considered material.

Unit price risk

Unit price risk is the risk that the fair value of investments in unit trusts will decrease as a result of changes in unit prices. The Group holds all of its unit trust investments at fair value through the profit and loss.

Unit price risk sensitivity analysis

The following table demonstrates the impact on profit and loss and equity of a reasonably possible change in unit prices prevailing at balance sheet date.

	Group	
	Impact on profit $000	Impact on equity $000
2023		
10% increase in unit prices	**37,671**	**37,671**
10% decrease in unit prices	**(37,671)**	**(37,671)**
2022		
10% increase in unit prices	34,362	34,362
10% decrease in unit prices	(34,362)	(34,362)

Interest rate risk

Interest rate risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group's exposure to directly held fixed interest investments interest rate risk is represented by the fair value analysis shown in this note. The Group also holds cash and cash equivalents that expose the Group to cash flow interest rate risk. The Group has exposure to interest rate risk via its fixed interest unit fund investments, which would result in change in unit prices. Receivables are shown at amortised cost and as such are not exposed to interest rate risk.

Fair value interest rate sensitivity analysis - fixed interest investments

	Group	
	Impact on profit $000	Impact on equity $000
2023		
0.25% increase in interest rates	**(667)**	**(667)**
0.25% decrease in interest rates	**667**	**667**
2022		
0.25% increase in interest rates	(539)	(539)
0.25% decrease in interest rates	539	539

Notes to the Financial Statements

For the year ended 31 March

Interest rate cash flows risk analysis - bank balances

	Group	
	Impact on profit $000	Impact on equity $000
2023		
0.25% increase in interest rates	**119**	**119**
0.25% decrease in interest rates	**(119)**	**(119)**
2022		
0.25% increase in interest rates	177	177
0.25% decrease in interest rates	(177)	(177)

19. Liquidity risk

The contractual cash flows of financial assets and liabilities are as follows:

2023 - Group	Weighted average interest rate	0-6 months $000
Financial assets		
Bank deposits	**3.14%**	**47,705**
Trade and other current receivables		**200,772**
Financial liabilities		
Trade and other current liabilities		**72,090**
2022 - Group		
Financial assets		
Bank deposits	0.48%	72,105
Trade and other current receivables		161,523
Financial liabilities		
Trade and other current liabilities		34,296

There are no contractual cash flows of financial assets and liabilities greater than 6 months.

Capital management

The Group's capital includes retained earnings.

The Group's policy is to maintain a strong equity base so as to maintain members, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on members' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

FMG Insurance Limited (a subsidiary of Farmers' Mutual Group), as an insurer licensed under the Insurance (Prudential Supervision) Act 2010, is required to disclose information with regards to our solvency position. The Minimum Solvency Capital required to be retained to meet solvency requirements are shown below. The methodology and bases for determining the solvency margin are in accordance with the requirements of the Solvency Standard for Non-Life Insurance Business published by the Reserve Bank of New Zealand.

	2023 $000	2022 $000
Actual Solvency Capital	**294,037**	317,762
Minimum Solvency Capital	**187,371**	135,599
Solvency Margin	**106,666**	182,163
Solvency Ratio	**1.57**	2.34

The allocation of capital between its specific business segments' operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operation.

The Group policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. The Group also regularly reviews insurance premiums to ensure they are set at an appropriate level to cover insurance claims.

There have been no material changes in the Group's management of capital during the period. Minimum solvency has increased because of catastrophe risk capital charges and reinsurance recovery capital charges.

Notes to the Financial Statements

For the year ended 31 March

20. Financial instruments

2023 - Group	At fair value through profit or loss $000	Other financial assets at amortised cost $000	Total carrying amount at fair value $000
Bank deposits	-	47,705	47,705
Investments	497,331	-	497,331
Trade and other current receivables	-	200,772	200,772
Total assets	**497,331**	**248,477**	**745,808**

	At fair value through profit or loss $000	Other financial liabilities at amortised cost $000	Total carrying amount at fair value $000
Trade and other current liabilities	-	72,090	72,090
Total liabilities	**-**	**72,090**	**72,090**

2022 - Group	At fair value through profit or loss $000	Other financial assets at amortised cost $000	Total carrying amount at fair value $000
Bank deposits	-	72,105	72,105
Investments	457,137	-	457,137
Trade and other current receivables	-	161,523	161,523
Total assets	**457,137**	**233,628**	**690,765**

	At fair value through profit or loss $000	Other financial liabilities at amortised cost $000	Total carrying amount at fair value $000
Trade and other current liabilities	-	34,296	34,296
Total liabilities	**-**	**34,296**	**34,296**

For financial instruments not presented in the Balance Sheet at their fair value, fair value is estimated using the following methods:

- The fair value calculation of receivables is made after making allowances for the fair value of impaired assets;
- Bank deposits, other assets, related party liabilities and other liabilities are short term in nature and the related carrying amount is equivalent to their fair value.

21. Commitments

There are no capital commitments at 31 March 2023 (2022: $Nil).

The Group has commitments related to computer software which expire in September 2023, the current commitment as at 31 March 2023 is $1,560k (2022: $1,039k).

22. Contingencies

During the financial year ended 31 March 2022, the Company exercised its minority buyout rights under section 110 of the Companies Act 1993 to dispose of its holding in an unlisted New Zealand company. Following an arbitration process to determine a fair and reasonable price for the shares, the matter has been closed with the proceeds recognised in the income statement.

There are no contingent liabilities or assets at 31 March 2023 (2022: $Nil).

23. Subsequent events

There are no subsequent events.

Building a better working world

Independent auditor's report to the members of Farmers' Mutual Group

Opinion

We have audited the financial statements of Farmers' Mutual Group ("the Mutual") and its subsidiaries (together "the Group") on pages 30 to 65, which comprise the consolidated balance sheet of the Group as at 31 March 2023, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Group, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 30 to 65 present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2023 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). 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 are independent of the Group 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 we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We provide remuneration services and solvency return assurance services to the Mutual or its subsidiaries. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

Information other than the consolidated financial statements and auditor's report

Those charged with governance are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Those charged with governance responsibilities for the consolidated financial statements

Those charged with governance are responsible, on behalf of the Mutual, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as those charged with governance determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, those charged with governance are responsible for assessing on behalf of the Mutual the Mutual'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 those charged with governance either intend to liquidate the Mutual or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 International Standards on Auditing (New Zealand) 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/. This description forms part of our auditor's report.

Ernst + Young

Chartered Accountants
Wellington
22 June 2023

Employee remuneration

Remuneration and other benefits of $100,000 per annum or more received by employees in their capacity as employees were:

	Group 2023	Group 2022
100,000 - 110,000	**53**	56
110,001 - 120,000	**55**	56
120,001 - 130,000	**55**	58
130,001 - 140,000	**55**	34
140,001 - 150,000	**28**	26
150,001 - 160,000	**25**	18
160,001 - 170,000	**22**	17
170,001 - 180,000	**20**	12
180,001 - 190,000	**10**	9
190,001 - 200,000	**10**	9
200,001 - 210,000	**5**	5
210,001 - 220,000	**4**	7
220,001 - 230,000	**7**	2
230,001 - 240,000	**3**	2
240,001 - 250,000	**1**	-
250,001 - 260,000	**2**	3
260,001 - 270,000	**4**	2
270,001 - 280,000	**3**	3
280,001 - 290,000	**1**	2
290,001 - 300,000	**1**	1
300,001 - 310,000	**1**	-
310,001 - 320,000	**-**	1
320,001 - 330,000	**1**	-
330,001 - 340,000	**2**	2
340,001 - 350,000	**1**	-
360,001 - 370,000	**-**	1
400,001 - 410,000	**-**	1
410,001 - 420,000	**1**	1
440,001 - 450,000	**-**	1
450,001 - 460,000	**1**	-
460,001 - 470,000	**-**	1
520,001 - 530,000	**1**	-
610,001 - 620,000	**1**	-
620,001 - 630,000	**-**	1
730,001 - 740,000	**1**	-
1,320,001 - 1,330,000	**-**	1

Directory

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FMG Insurance Limited

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PO Box 521
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Bankers
The Bank of New Zealand

Primary External Legal Provider
DLA Piper, Wellington

Auditors
Ernst & Young, Wellington

Board of Directors
Tony Cleland – Chair of the Board
Sarah von Dadelszen – Chair of the People & Governance Committee
Sinead Horgan – Chair of the Risk & Audit Committee
Geoff Copstick
Debbie Hewitt
Sarah Smith
Murray Taggart
Simon Hopcroft

Executive Leadership Team
Adam Heath – Chief Executive Officer
Dave Kibblewhite – Chief Financial, Investment and Risk Officer
Glenn Croasdale – Chief Client Officer
Pete Frizzell – Chief People Officer
Colin Philp – Chief Information Officer
Kim Grooby – Chief Claims Officer
Alex Johnstone – Chief Insurance Officer
Darrin Bull – Head of Strategy
Matt Harvey – Chief Marketing Officer

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Visit our online service FMG Connect
www.fmg.co.nz/connect

FMG Advice & Insurance