Partners in Progress

Annual Report and Financial Statements

2021-2022

FMG
Advice & Insurance

Strong partnerships connect and bind us for the good of the country.

Moving ahead towards a more prosperous future with confidence and trust.

FMG IN PARTNERSHIP WITH

Farmlands

At Farmlands, we talk about the concept of 'Together Stronger'. We know that we are a better business, providing better outcomes to customers, through the partnerships we have.

Separately, we are two strong businesses. Together, we create a better value proposition for our clients.

The partnership we have with FMG epitomises the term 'Together Stronger'. For over 85 years we have worked together to support rural New Zealand, providing products, advice and support to everyone who has a love of the land.

The foundations of our partnership are strong, we are both passionate about the sector and share a common purpose of a better deal for rural New Zealand. What is also really important to us, is our aligned goals and values—we're a 100% New Zealand owned and operated business, owned by our clients—that is something we're both extremely proud of.

Separately, we are two strong businesses. Together, we create a better value proposition for our clients. Earning a living off the land is becoming increasingly more complex, working together means that when you need us, we show up to help however we can. This could be in a variety of different ways; if you need specialist advice, we have a combined team of experts across the country. If you need products and services, we have a wide range to suit any need. If it's support you are looking for, we'll be right there alongside you, helping out through local events and community initiatives.

Tanya Houghton CHIEF EXECUTIVE,
Farmlands Co-operative Society Limited

Farmlands

FMG IN PARTNERSHIP WITH

Federated Farmers

It's good to have friends when you're up against tough times and the long-standing alliance between Federated Farmers of New Zealand and FMG is a natural fit.

New Zealand farmers recognised the need for an organisation to advocate for their interests way back in 1899. The first meeting of the New Zealand Farmers' Union—forerunner to today's Federated Farmers—happened in September that year.

Less than a decade later, the Farmers' Mutual Group got underway—and for similar reasons. In uncertain times, it's a huge bonus for our farmers and growers to have an organisation that specialises in the particular needs of rural New Zealand and has a deep understanding of what makes agriculture tick. After all, we were started by farmers, for farmers.

There's another similarity between our two organisations as well. Fed's members pay an annual subscription to belong to us and to benefit from our services; for many its seen as a worthwhile investment in the security of their business and their family. So it is with buying insurance with FMG. The return is peace of mind for farmers and their families that when the unexpected happens, their interests and security are insured by a specialist rural insurer.

A particular attraction of FMG, of course, is that it's a mutual. Unlike other insurers, which have a focus on dividends for shareholders, FMG is owned by those it insures and reinvests any profit in building a better and stronger mutual over time. You have to applaud an ethos that is built around being sustainable, and ensuring farmers and growers have access to affordable insurance at a reasonable price for generations to come.

So from Feds to FMG: all strength to you and we look forward to continuing our strong relationship for many more decades ahead.

From Feds to FMG: all strength to you and we look forward to continuing our strong relationship for many more decades ahead.

Terry Copeland CHIEF EXECUTIVE,
Federated Farmers of New Zealand

107,000+

CLIENTS

FY21: 100,000+

A

EXCELLENT

A.M. BEST CREDIT RATING

FY21: A EXCELLENT

$22.8M

PROFIT AFTER TAX

FY21: $59.3M

$256.7M

NET CLAIMS INCURRED

FY21: $210.3M

At a glance.

2021-

$458.5M

GROSS WRITTEN PREMIUM

FY21: $406.4M

$345.6M

CAPITAL RESERVES

FY21: $322.8M

35,000+

CLIENTS USING FMG CONNECT

FY21: 16,000+

Awards

2021

CONSUMER PEOPLE'S CHOICE AWARD 2021
HOUSE, CONTENTS AND CAR INSURANCE

2022

2022 GALLUP EXCEPTIONAL
WORKPLACE AWARD

2022

FMG SUSTAINABILITY REPORT FY22

Partnering for a sustainable future

Mutuality is often viewed as one of the oldest and most original forms of running a sustainable business.

Mutuals take a long-term view, they seek to be profit making rather than maximising and are highly relationship driven. They reinvest profits back into the business to keep premiums fair and affordable, while giving back to the communities around them. Mutuals know that everything is about people, and when you invest in your employees, and seek continuous, value driven improvement—you build a better business.

After all, you don't get to be 117 years old without doing something right.

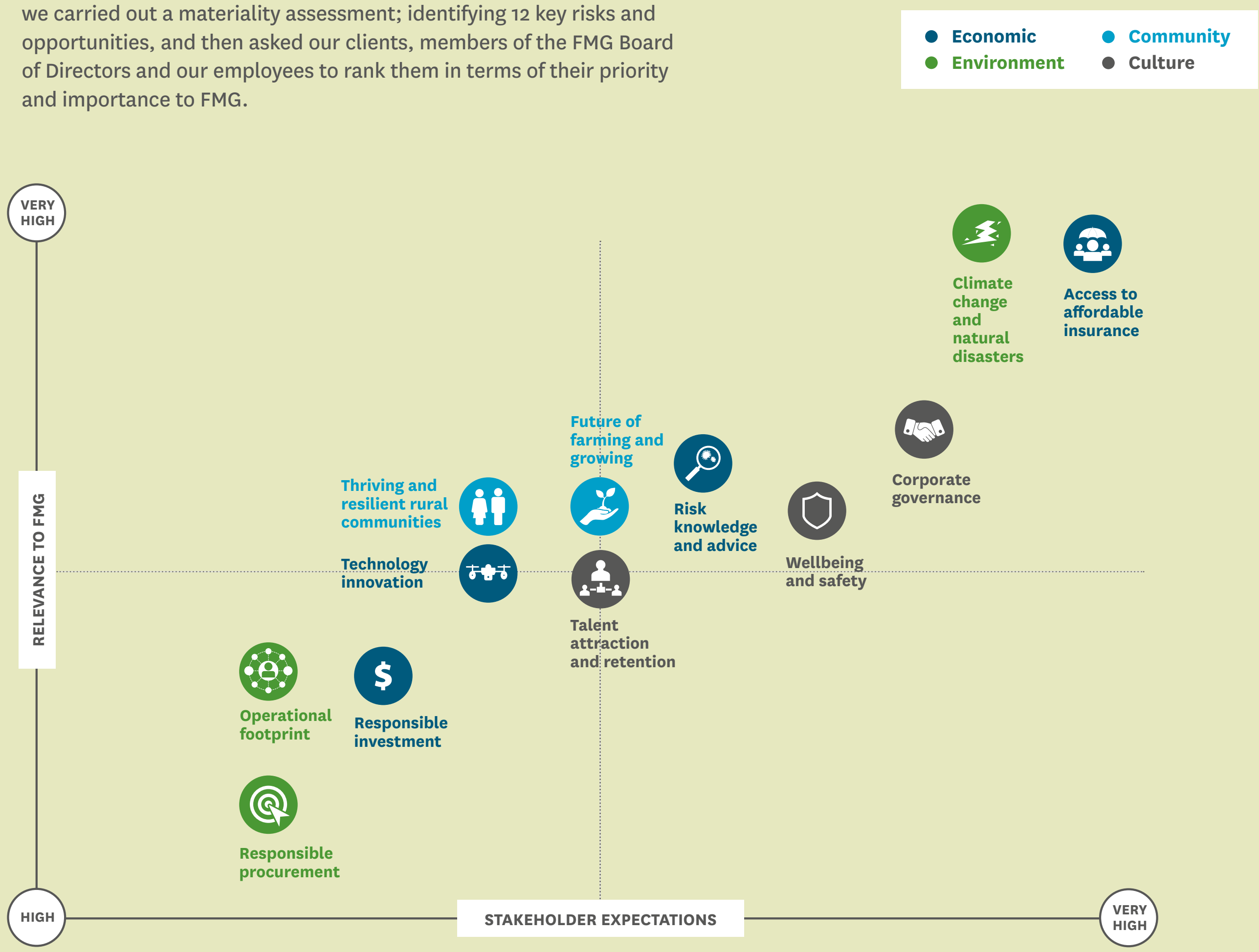
New Zealand farmers and growers currently produce the most sustainable food and dairy in the world. But global and consumer demands are changing, and if we want to continue leading the way in sustainable agriculture, we will have to adapt for change.

Doing things differently often means taking risks, while at the same time protecting the legacies and livelihoods that already exist. Through innovation, collaboration, technology, and stewardship, FMG will continue to partner with rural New Zealand.

Materiality assessment

FMG deliberately 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 asked our clients, members of the FMG Board of Directors and our employees to rank them in terms of their priority and importance to FMG.



12 key risks and opportunities

Access to affordable insurance

First and foremost FMG is a specialist rural insurer. Our job is to be there when the unexpected happens and to get clients back on their feet.

As supply shortages, frequent extreme weather events, inflation and Covid-19 disruptions continue to put stress on the insurance sector, the strength of FMG and the mutual model is that we take a long-term approach, meaning we're well placed to continue to support our clients into the future.

We're continuously improving our data to help make informed decisions—building on 117 years of knowledge and expertise, alongside our advice-led, relationship approach; helping clients manage their risks and make appropriate decisions to ensure they maintain sustainable livelihoods and businesses.

Climate change and natural disasters

The reality is we're experiencing an increase in both the frequency and severity of extreme weather-related events across NZ. Insurance Council of New Zealand (ICNZ) data shows 2021 was the most expensive year for weather related claims at $324.1 million, overtaking the previous record of $274 million, in 2020.

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. With over half of Kiwi farmers and growers partnered with FMG, we're also working with key stakeholders across the industry to explore potential carbon mitigation and environmental solutions for our clients.

Corporate governance

New Zealand will be the first country in the world to require the insurance sector to report on climate-related risks. To ensure the Mutual is run effectively and within legislative and regulatory requirements, FMG is working closely with the ICNZ and other relevant bodies to build the additional expertise and resources required.

FMG has established a Sustainability Steering Group with visibility that extends to both Executive and Board leadership.

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 our employees to help create a zero harm culture. Alongside a dedicated wellbeing and safety team, accountability extends to both Executive and Board leadership.

Driving is one of FMG's critical wellbeing and safety risks, and we continue to lift training and support around speed, driver fatigue and vehicle checks.

As a founding member of Farmstrong, FMG naturally applies the same wellbeing principles for our employees. FMG has introduced two additional paid Wellbeing Days per year, for all permanent and long-term fixed employees.

Talent attraction and retention

FMG values a happy, skilful and diverse employee culture because the better we look after ourselves, the better we look after our clients.

FMG has been ranked one of the best places to work in the world in the Gallup Exceptional Workplace Awards. Only 40 companies worldwide received this honour in 2021, with FMG the only business from New Zealand. Winners are based on exceptionally high employee engagement, driven by factors including professional development, a winning culture and strong leadership.

To continuously improve our working environment, FMG is exploring initiatives to improve diversity and inclusion across the Mutual.

Technology innovation

FMG is responding to the changing needs of how our clients want to do business. FMG Connect, our online service channel, has grown 102% in the last year, meaning over 35,000 clients have the ability, convenience and control to manage their claims and insurance online.

The value of the mutual model is that we've added a digital service that future proofs the business, without sacrificing jobs or closing provincial offices—all while maintaining our traditional, face-to-face relationship model and world-class customer service.

Future of farming and growing

FMG will continue to take an active role in addressing future challenges and risks facing farmers and growers in New Zealand. For FMG this extends beyond our advice led insurance—supporting new and emerging leaders with opportunities such as our new Associate Director position and rural leadership programmes; Nuffield, Kellogg, NZ Young Farmers, Agri-women's Development Trust and FMG's own Ag Scholarships.

FMG will also continue to strengthen our partnerships with likeminded organisations: Federated Farmers, Farmlands, Rural Co and Irrigation New Zealand.

Risk knowledge and awareness

Because FMG underwrites more rural risk than anyone else in New Zealand, 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 continues 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.

Thriving and resilient rural communities

With the gradual return of rural events across the regions, FMG is excited to get back to sponsoring and attending the 700+ annual events that rural communities know and love. Ranging from Lamb & Calf days and ripper rugby; through to kiwi icons such as Golden Shears, NZ Sheep Dog Trials and the coveted FMG Young Farmer of the Year Contest—we know these are at the heart of provincial and rural New Zealand.

Last year FMG partnered with Melanoma NZ, with the goal to reduce rural NZ's high risk of Melanoma deaths, through free spot checks, advice and awareness.

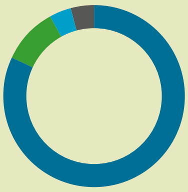
Now into its seventh year, Farmstrong has become a trusted brand in the rural sector. Last year, over 15,000 farmers directly attributed an improvement in their wellbeing thanks to Farmstrong. Awareness of the programme among farmers has also grown rapidly—from 31% in 2015 to 77% in 2021.

Operational footprint

FMG is committed to reducing our environmental footprint by a minimum of 30% by 2030 (per FTE). FMG's 200 vehicles are currently under review—supporting the transition to a lower emissions fleet.

FMG has partnered with Meridian Energy, who produce 100% renewable energy across FMG's 31 regional offices.

FMG has started weighing and tracking office waste—where we can control the disposal process. This will allow us to assess the trends in waste production and assess our wider supply chain, helping to reduce waste in general.



Absolute net green house gas emissions in FY21 were 2,211 tonnes CO2e – a 5.2% decrease on FY20.

Responsible investment

Sustainability plays an important role in our investments and is considered 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.

Responsible procurement

As a 100% Kiwi-owned and operated business, FMG uses client and locally produced products and services where possible.

FMG believes in the value of supporting small businesses by building relationships based on trust, fair pay, and prioritising the needs of our clients. A premier example is FMG's Pre-approved Collision Repairer network—purposely designed to allow selected repairers to get on with the job by removing unnecessary middle parties and paying to repair vehicles to the highest safety and quality standards.

To help continuously improve the model, we've established a Repairer Engagement Group— working with local repairers to help support what are typically family run businesses.

Work is underway to improve and prioritise ethical procurement and supply chain partners, such as seeking greater transparency from our suppliers around their environmental and social impacts.

A year to remember

CHAIRMAN'S REPORT

Tēnā koutou katoa.

I'm pleased to share another excellent year for FMG, with strong results around employee engagement, client satisfaction, growth and returning another profit for the Mutual.

Tony Cleland CHAIRMAN, FMG

The theme for this year's AGM and Annual Report, is 'Partners in Progress' and it's important that while we talk about the success of FMG this year, we do so in the context of acknowledging the many partners we work with to help deliver the service you expect.

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 first year of an evolution of that strategic direction through to 2025. Within this is a continued steady increase in Net Client Growth across the board of 6,387. Central to this, is our core market of farmers and growers with our rural market share up slightly to 53.4%.

FMG continues to out-perform the insurance market in terms of client growth, however this isn't growth for growth's sake. It's essential for FMG to continue growing as this enables us to progressively lower the unit cost of delivery for all clients. This reduction allows us to remain competitive in providing access to affordable insurance and deliver on our Vision of a *better deal for rural New Zealand*.

Our online offering of FMG Connect continues to go from strength to strength and supports our traditional ways of working of over the phone and where possible, face-to-face. FMG Connect allows you greater choice, convenience and control of your insurances and is something we're proud to be offering.

We have seen your overall satisfaction in the Mutual continue to reach world class levels, as measured by the globally recognised Net Promoter Score (NPS). This is due to enhancements like FMG Connect, our advice-led approach to insurance, and continued investment in the rural sector with initiatives like Farmstrong and our sponsorship of the New Zealand Young Farmer of the Year Grand Final. I'd like to thank every client for choosing to insure with us.

Financially, FMG has returned a $22.8m profit after tax. This is added to capital reserves to support the stability and growth of the business and to meet the solvency requirements as set by the Reserve Bank of New Zealand. Also, and as mentioned, it's used to invest back into rural communities.

Like so many across the primary sector we too are facing head winds as an insurer. We're dealing with more and more severe weather events and a greater frequency of those events. On the regulatory side we're working through more changes and requests from the government and regulators.

Whilst the word change is one that has been used a lot across the country and the world in recent times, it's one that is pertinent for FMG this year, with three members of the Executive Leadership Team stepping down.

With that I'd like to acknowledge Nathan Barrett for his 16 years at FMG. Nathan's insurance acumen was vital to the Mutual's growth and success over the years, and while he'll be sorely missed, we wish him every success for what lies ahead.

I'd like to also acknowledge Andrea Brunner and her 12 years with FMG. Andrea has been a passionate advocate and outstanding steward of the Mutual and has been responsible for FMG's Marketing, Distribution, People & Culture and more latterly our client-facing Sales, Advice and Service teams. Andrea was also central for the construction and delivery of the much-needed rural wellbeing programme, Farmstrong. The Board also wishes Andrea well for the next stage of her career.

Finally, Chris Black has completed an outstanding tenure as CEO. When he took the helm in 2009, FMG had recorded a loss of $5.9m. In 2021, he'd steered that to a $59m profit. He also oversaw a move of capital reserves from $111m to $323m and gross written premium from $119m to $406m.

During his time Chris also played a significant leadership role in building FMG's employee engagement. According to the global employee engagement agency Gallup, 71% of FMG employees are actively engaged, which was capped off by FMG being awarded a Gallup Exceptional Workplace Award in early 2022, one of 40 organisations world-wide and the only one in Australasia.

With departures come new arrivals and a special thanks to Adam Heath for a seamless transition into the CEO role. Adam has gotten up to speed quickly on what it means to be part of this incredible organisation and begun filling the vacancies on the Leadership Team.

At a Board level we farewell Steve Allen after five years of considered contribution. Steve has always had a clear picture of what we are here for and has sound business acumen on future challenges. I know all the Board will miss his thoughts around the table. Steve has been an amazing sounding board for me as Chair and is one of the most insightful and respectful people I have ever worked with.

Finally, thank you to our employees. It's been a challenging year with Covid-19 restrictions and with changes across the Executive. Despite this disruption the team has continued to support you, our clients, and Members, with your insurance needs.

Tony Cleland
Chairman, FMG

CHIEF EXECUTIVE'S REPORT

Tēnā koutou katoa.

It's a great honour to present my first report as Chief Executive Officer of FMG, a role I've now held for eight months.

Adam Heath
CHIEF EXECUTIVE OFFICER, FMG

FMG is an organisation I've long admired, and from the outside-in presented itself as a successful, well-run business. Since joining the team that observation has certainly proved true.

As detailed within this year's Annual Report, FMG has continued to perform strongly, yet it remains an organisation that's not willing to rest on its laurels. We have an ambitious growth strategy and want to improve further to support clients and the rural sector more broadly via our sponsorships and through the Mutual's involvement in initiatives such as the Farmstrong wellbeing programme.

This year's Annual Report is presented on the backdrop of a tough external environment for many of our clients and within a competitive insurance industry for FMG. These challenges have included a mix of moving into the recovery phase of the Covid-19 pandemic, increasing regulatory requirements, rising inflation, resourcing, supply chain constraints, growing geo-political tensions and the increasing environmental challenges around climate change.

In the context of these challenges, it is pleasing to show your Mutual is in overall good health with Net Client Growth across our four markets of Rural, Lifestyle, Domestic and Commercial growing by 6.3% this year. That means we now have just over 107,000 clients who put their trust in FMG for their insurance needs. This level of trust and support, in turn, helps us to support the sector in line with FMG's Vision of *helping to build strong and prosperous rural communities*.

Implicit in this is a focus on underwriting quality risk to ensure that growth remains sustainable, and this is demonstrated by gross written premiums being up 12.8% this year to $458.5m, with an after-tax profit of $22.8m.

Whilst we are a Mutual, we do need to run the business commercially. Hence, our aim is to be profit making, rather than profit maximising. As a wholly Aotearoa/ New Zealand owned insurer, these profits remain in New Zealand. They help us to apply a long-term lens and provide reinvestment back into the business to deliver fit-for-purpose products and help FMG be there when the unexpected happens.

On the Claims side, FMG incurred $257m in claims this year, up 22.1% on last year. Paying claims is the proof point of insurance. In addition to general claims this year, we've also responded to several weather events including the Canterbury floods, July's New Zealand-wide storms, and Cyclone Dovi all costing over $5m each.

How you work and interact with us remains of upmost importance and we continue to invest in making that experience easier and more convenient. One example being our digital channel, FMG Connect. Over 35,000 clients are now registered with FMG Connect. This provides an additional service option along-side our traditional channels and is another example of how we're aiming to build a 'better' business, as well as a 'bigger' business.

The theme for this year's Annual Report and AGM is 'Partners in Progress' which speaks to how FMG partners with other purpose-led organisations to enable sustainable growth and resilience within the rural sector. I'd like to highlight FMG's long-term strategic partners, Federated Farmers and Farmlands, as well as the many other individuals and organisations that help us to deliver our high levels of service and support to rural communities.

We partner in many areas, including our risk-advice proposition, claims and assessing response, hundreds of rural events and sponsorships across the country, as well as infrastructure and technologies within FMG to ensure we remain relevant in meeting your insurance needs.

In the context of acknowledging our partners, a thank you to you, our clients, for your ongoing support and for the trust you continue to place in FMG.

I would like to acknowledge the contribution of those who have gone before me and extend my sincere thanks to the Executive Leadership Team for their commitment and dedication, and to FMG Board Chair, Tony Cleland and the FMG Board of Directors for their support.

I would also like to acknowledge all my colleagues across FMG who have made my initial eight months a welcoming, rewarding, and exciting experience. I'm inspired by all the work we do to support those who support us. There is no doubt in my mind that this year's performance has been a collective team effort and I'm buoyed by what lies ahead.

Kind regards / Ngā mihi,

Adam Heath
Chief Executive Officer, FMG

DIRECTORS' REPORT

Five year comparisons

Claims and catastrophes net of reinsurance recoveries ($000)

■ Net catastrophe claims

2018	153,535	8,406
2019	176,609	4,006
2020	201,218	7,735
2021	208,599	1,713
2022	**232,725**	**23,997**

General insurance gross written premium ($000)

2018	283,098
2019	324,101
2020	366,304
2021	406,362
2022	**458,459**

Equity ($000)

2018	238,320
2019	257,403
2020	263,528
2021	322,781
2022	**345,581**

Investment income ($000)

2018	13,456
2019	14,236
2020	200
2021	34,408
2022	**1,459**

Net profit/(loss) after tax ($000)

2018	12,080
2019	19,083
2020	6,125
2021	59,253
2022	**22,800**

The Directors have pleasure in presenting Farmers' Mutual Group's[1] 117th Annual Report and Financial Statements for the year ended 31 March 2022.

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 $458.5m from $406.4m
- Decrease in net investment income from continuing operations to $1.5m from $34.4m
- Increase in net claims incurred from continuing operations to $256.7m from $210.3m
- Decrease in profit from continuing operations after tax to $22.8m from $59.3m

	2022 $000	2021 $000
Profit/(loss) from continuing operations before taxation	**30,881**	74,505
Taxation	**(8,081)**	(15,252)
Profit/(loss) for the year	**22,800**	59,253

[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.

Membership

As at 31 March 2022, membership of the Parent stands at 68,942.

Directorate

In accordance with the tenure provisions of the Member Director Election & Special Director Appointment Policy, S von Dadelszen will retire by rotation and will stand for re-election at this year's Annual General Meeting (AGM). S Allen 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.

Legislative and Regulatory Compliance

At 31 March 2022 FMG held a transitional Financial Advice Provider Licence within the meaning of the Financial Markets Conduct Act 2013 and is directly supervised by the Financial Markets Authority. Farmers' Mutual Group has been granted a full licence with effect 1 June 2022.

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 2021 AGM, the Members approved remuneration for the Chair of the Board at $117k, Directors at $63k and the Chairs of both the Risk & Audit Committee and the People & Governance Committee at $15k. It was signalled in the Notice of Meeting that the Board Chair and the Directors' fees represent less than 100% of median for the financial services sector. Consequently, a further review and recommendations will be presented at the 2022 AGM to bring FMG's Director remuneration in line with 100% of median for the financial services sector. 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	2021-2022 $000	2020-2021 $000
T Cleland	113	100
M Ahie**	26	57
S Allen	60	50
M Taggart*	60	54
G Copstick	60	50
S Horgan*	73	46
S von Dadelszen*	74	30
S Smith*	60	30
D Hewitt*	31	-
D Chan***	-	21
Total	557	438

* Fees are Pro-rated as at commencement/assuming changes to roles of Committee Chairs.

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

*** Retired at the 2020 AGM and Pro-rated fees.

FMG Board of Directors

The Board as at 31 March 2022.
The FMG Directors are Mr. Tony Cleland (Chair), Mr. Geoff Copstick, Mr. Steve Allen, Mr. Murray Taggart, Ms. Sinead Horgan, Ms. Sarah Smith, Mrs. Sarah von Dadelszen and Mrs. Debbie Hewitt.

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 is a dairy farming entrepreneur from Southland and a founder of FarmRight. 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 CFO 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 of Northland Regional Council on finance, audit, and economic development issues (Northland Inc Limited). Geoff is a Director and previous Chair of 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.

STEVE ALLEN

Steve has enjoyed over 20 years as a Chairman, Director and Trustee of a number of Private Companies, Private Trusts and Charitable Trusts. Steve's career has included time in the commercial sector with IBM NZ and comprises extensive dairy industry experience with directorships on both the NZ Dairy Board and LIC. More recently, Steve has been a member of the Waikato Dairy Leaders Group and he is a trustee of the Waikato based David Johnstone Charitable Trust. Steve has been Chairman of the Tatua Board since 2003.

MURRAY TAGGART

Murray farms sheep, beef, and arable crops under irrigation near Oxford in North Canterbury. Prior to going farming, he 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 is a Chartered Accountant with a background in accounting, corporate finance, strategy, and risk. She is a Director and Chair of the Audit & Risk committees of Bank of China, Eco Central, Taggart Earthmoving and Advisory Chair of Fuse IT. She is also a trustee for Maia Health Foundation and Chair of Assistance Dogs New Zealand Trust.

SARAH SMITH

Sarah is an insurance and banking professional with over 30 years' experience, 15 of which have been in senior management, and is proud to have learnt insurance from the 'ground-up'. Sarah's more recent positions have included Chief Technology Officer, Heartland Bank, CEO MARAC Insurance and General Manager of Insurance for ANZ. 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 including the NZ Beef Council, Fonterra Shareholders Council and NZ Young Farmers. Sarah is a Director for Centralines and a Director of Ballance Agri-Nutrients and the Chair of its Remuneration Committee. 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 Councilor and holding Director positions for the Hawke's Bay Regional Investment Company and Horticulture New Zealand.

FMG'S EXECUTIVE LEADERSHIP TEAM

ADAM HEATH
CHIEF EXECUTIVE

Adam joined the Mutual as Chief Executive 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 New Zealand and rural brand with a long and proud history of supporting rural communities, as well as an ambitious growth strategy to improve and support clients and Members in an increasingly digitalised world.

DAVE KIBBLEWHITE
CHIEF FINANCE, INVESTMENT AND RISK OFFICER

As Chief Financial Investment & Risk Officer, Dave is responsible for the Risk, Reinsurance, Finance, Property, Collections, Investments, Facilities and Regulation Compliance & Legal functions at FMG.

When Dave joined FMG in 2003, he brought a wealth of knowledge after 10 years with Ernst Young, and from his experience working for Insurers Tower and Colonial Mutual. Dave has also worked in Australia and Hungary giving him a thorough understanding of industry practice and regulation within both the global and domestic insurance markets.

Eighteen years in the Chief Financial Officer role has provided Dave with a thorough understanding of FMG's business and the specialist insurance needs of rural New Zealand.

GLENN CROASDALE
CHIEF CLIENT OFFICER

Glenn has been with FMG since February 2011 and as Chief Client Officer is responsible for the overall sales and service performance of the business in respect of both general and life and health insurance.

In his previous roles Glenn has led the Marketing, Communications and Risk Services functions of the Mutual and has 20 years local and international experience working in marketing, communications and management within the insurance, construction, forestry, mining and primary industries.

At an industry level, Glenn is a member of the International Cooperative & Mutuals Insurance Federation (ICMIF) Intelligence Committee and has represented FMG on the New Zealand Insurance Council (ICNZ) Communications Committee established immediately in the wake of the Canterbury earthquakes.

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 has responsibility for People & Culture and Communications and is the FMG Sponsor for the Mutual's support of the Farmstrong rural wellbeing programme.

This role involves understanding the challenges and opportunities that are coming and to support on-going sustainability — both for FMG and rural New Zealand. Prior to joining FMG, Pete completed a PhD in Operations Research at Massey University and has worked in a number of technology-based analysis, management and consulting roles across various industries in 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.

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 2022

The Risk & Audit Committee is currently comprised of S Horgan (Chair), M Taggart, G Copstick and S Smith. 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), T Cleland, S Allen, 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 9)		
T Cleland (Chair)	9	9
M Ahie*	4	4
S Allen	9	8
M Taggart	9	9
G Copstick	9	9
S Horgan	9	9
S von Dadelszen	9	8
S Smith	9	9
D Hewitt**	5	5

*Retired at the 2021 AGM

**Elected at 2021 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: T Cleland, S von Dadelszen, S Allen, D Hewitt

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

* Retired at AGM 2021

** Chair as at October 2021

*** Ex-Officio until October 2021

**** Elected at 2021 AGM

Noting Ex-Officio participation: S Smith, M Taggart, G Copstick, S Horgan

Directors of FMG's Subsidiaries as at 31 March 2022

The current FMG Insurance Limited Directors are Tony Cleland, Geoff Copstick, Steve Allen, Murray Taggart, Sinead Horgan, Sarah Smith, Sarah von Dadelszen and Debbie Hewitt. 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 2022

(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 17.

(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 2022 $000	Group 2021 $000
General insurance activities			
Gross written premium		458,459	406,362
Movement in unearned premium		(23,899)	(20,927)
Gross earned premium	1	434,560	385,435
Outwards reinsurance premium expense		(50,236)	(45,410)
Net premium revenue		384,324	340,025
Claims expense	8	(270,629)	(238,015)
Reinsurance and other recoveries revenue	1, 8	13,907	27,703
Net claims incurred		(256,722)	(210,312)
Other income	1	22,729	18,438
Operating expenses	2	(120,909)	(108,054)
General insurance underwriting result		29,422	40,097
Investment income	1	1,459	34,408
Profit/(loss) before taxation		30,881	74,505
Income tax (expense)/benefit	3	(8,081)	(15,252)
Net profit/(loss)		22,800	59,253
Profit/(loss) from continuing operations for the year attributable to members		22,800	59,253
Total comprehensive income for the year, net of tax, attributable to members		22,800	59,253

The financial statements should be read in conjunction with the accounting policies and notes on pages 28 to 56.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH

	Group 2022 $000	Group 2021 $000
Retained earnings		
Retained earnings at the beginning of the year	**322,781**	263,528
Total profit/(loss) and comprehensive income	**22,800**	59,253
Retained earnings at the end of the year	**345,581**	322,781
Total equity at the end of the year	**345,581**	322,781
Attributable to:		
Members	**345,581**	322,781
	345,581	322,781

The financial statements should be read in conjunction with the accounting policies and notes on pages 28 to 56.

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH

	Notes	Group 2022 $000	Group 2021 $000
Assets			
Cash and cash equivalents	4	**72,105**	68,246
Trade and other receivables	6	**161,523**	142,297
Insurance recoveries	7, 8	**17,982**	22,257
Investments	5	**457,137**	413,203
Deferred acquisition costs	9	**3,667**	3,667
Property, plant and equipment	10	**5,572**	7,642
Intangible assets	11	**8,291**	10,931
Right of use assets	12	**19,137**	21,186
Deferred tax assets	13	**2,267**	1,508
Total assets		**747,681**	690,937
Liabilities			
Trade and other liabilities	14	**34,296**	30,790
Current tax liability		**4,779**	9,927
Make good provision		**400**	295
Underwriting provisions	7	**342,057**	304,684
Lease liabilities	12	**20,568**	22,460
Total liabilities		**402,100**	368,155
Net assets		**345,581**	322,781
Equity			
Retained earnings		**345,581**	322,781
Attributable to:			
Members		**345,581**	322,781
Total equity		**345,581**	322,781

Signed on behalf of the Board of Directors, who authorised the issue of these financial statements on 23 June 2022.

T D Cleland
Chairman
23 June 2022

S Horgan
Director
23 June 2022

The financial statements should be read in conjunction with the accounting policies and notes on pages 28 to 56.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH

	Notes	Group 2022 $000	Group 2021 $000
Cash flows from operating activities			
Premium and other receipts from clients		**470,580**	421,460
Reinsurance recoveries		**14,583**	20,456
Interest and fees received		**3,232**	2,796
Other income		**129**	245
Claims paid		**(257,920)**	(227,131)
Reinsurance premium paid		**(48,801)**	(46,348)
Cash paid to suppliers and employees		**(110,294)**	(93,817)
Tax (paid)/recovered		**(13,233)**	(9,288)
Lease interest paid		**(866)**	(930)
Net cash flows from operating activities	4	**57,410**	67,443
Cash flows from investing activities			
Proceeds from the sale of investment securities		**20,773**	-
Investment dealings with fund managers		**(65,951)**	(27,656)
Purchase of property, plant and equipment and intangible assets		**(3,926)**	(7,186)
Net cash flows from investing activities		**(49,104)**	(34,842)
Cash flows from financing activities			
Lease principal payments		**(4,447)**	(3,986)
Net cash flows from financing activities		**(4,447)**	(3,986)
Net (decrease) / increase in cash and cash equivalents		**3,859**	28,615
Cash and cash equivalents at the beginning of the year		**68,246**	39,631
Cash and cash equivalents at the end of the year	4	**72,105**	68,246

The financial statements should be read in conjunction with the accounting policies and notes on pages 28 to 56.

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.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH

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 life and health 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.

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.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH

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 and 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 income statement.

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 and joint ventures 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.

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.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH

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 income statement 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.

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH

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	20% - 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 the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases 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.

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.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH

Changes in accounting policies and disclosures

There have been no significant 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 2022.

Standard	Requirement	Effective for annual reporting periods beginning on or after:
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: – A measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows) – A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contract to be recognised in profit or loss over the service period (i.e. coverage period) – Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contract service period – 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 contracts and the nature and extent of risks arising from these contracts Early application is permitted, provided the entity also applies NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers on or before the date it first applies NZ IFRS 17.	1 January 2023

Work continues to be completed on the transition requirements for NZ IFRS 17 overseen by a Project Steering Group. A detailed assessment of the impact began in the 2020/21 financial year. During the current financial year, a substantial portion of the core systems development has been completed by the NZ IFRS 17 project team which was primarily focused on data extraction and reporting. Significant work on the application of the NZ IFRS 17 accounting standard has been performed and several key decisions and assumptions have been worked through. 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 as incurred. The adoption of NZ IFRS 17 is expected to have a significant impact on the disclosures included in the financial statements of the Group. The Group does not intend to adopt any of this standard early.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH

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 (IBNR);
- claims incurred but not enough reported (IBNER);
- 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 programmes that are specific to these losses.

Further information is contained in Notes 7 and 8.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH

1. Revenue

	Group 2022 $000	Group 2021 $000
General insurance revenue		
Gross earned premiums	434,560	385,435
Reinsurance and other recoveries revenue	13,907	27,703
Investment revenue:		
Interest income	3,301	2,796
Realised investment gain/(loss)	2,036	-
Movement in financial assets at fair value through profit and loss	(3,878)	31,611
Total investment revenue	1,459	34,408
Other income:		
Other premium income	12,179	10,681
Life & health revenue	6,957	5,654
Other revenue	3,593	2,103
Total other revenue	22,729	18,438
Total revenue	472,655	465,984

2. Operating expenses

	Group 2022 $000	Group 2021 $000
Employee expenses	84,598	73,355
Expenses related to low-value leases	710	635
Expenses related to short-term leases	16	11
Lease interest expense	866	930
Depreciation on property, plant and equipment	3,243	3,521
Depreciation on right of use assets	4,605	4,328
Amortisation on intangible assets	5,415	5,707
(Gain)/loss on disposal of property, plant and equipment	(40)	-
Directors' fees	557	438
Donations	5	14
Auditors' remuneration – audit of financial statements	157	149
Auditors' remuneration – solvency returns	20	19
Auditors' remuneration – taxation services	-	28
Auditors' remuneration – HR consulting	47	24
Auditors' remuneration – FMG Connect benefit realisation QA	15	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH

3. Income tax

	Group 2022 $000	Group 2021 $000
a) Income tax expense from continuing operations		
Current tax	**8,844**	15,726
Deferred tax (benefit)/expense	**(759)**	(503)
(Over)/under provided in prior years	**(4)**	29
Income tax expense/(benefit) for the year from continuing operations	**8,081**	15,252
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before taxation		
Continuing operations	**30,881**	74,505
Total profit/(loss) before taxation	**30,881**	74,505
Prima facie income tax @ 28%	**8,647**	20,861
Tax effect of amounts which are non-deductible expenses/non-assessable revenue:		
Non-assessable investment (income)/loss and other items	**(446)**	(5,479)
Non-deductible expenses and other items	**148**	52
Imputation credits on dividends	**(82)**	(63)
Foreign tax credit	**(182)**	(148)
(Over)/under provided in prior years	**(4)**	29
Income tax expense/(benefit) for the year	**8,081**	15,252
c) Imputation credit account		
Balance at the beginning of the year	**84,999**	75,592
Net taxation paid/(refunded)	**14,052**	9,344
Imputation credit attached to dividends received	**82**	63
Balance at the end of the year	**99,133**	84,999

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH

4. Cash and cash equivalents

	Group 2022 $000	Group 2021 $000
Cash at bank and in hand	72,105	68,246
Total cash and cash equivalents	72,105	68,246
a) Reconciliation of profit to net cash flows from operating activities		
Profit/(loss) for the year	22,800	59,253
Adjustments for non-cash items		
Amortisation	5,415	5,707
Depreciation	7,847	7,849
Movement in deferred tax	(760)	(503)
Movement in unearned premium	24,664	21,614
Movement in outstanding claims	12,709	10,884
Movement in bad debts provision	(156)	(793)
Movement in make good provision	105	16
Unrealised investment (gain)/loss	3,281	(32,196)
	53,105	12,579
Movements in other working capital items		
Movement in accounts receivable and insurance recoveries	(14,797)	(12,960)
Movement in accounts payable	3,121	412
Movement in accrued leave/incentives	404	1,749
Movement in taxation payable	(5,147)	6,411
	(16,419)	(4,389)
Items classified as investing activities		
Net (gain)/loss on sale of property, plant and equipment	(40)	-
Realised investment (gain)/loss	(2,036)	-
	(2,076)	-
Net cash flows from operating activities	57,410	67,443

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH

5. Investments

	Group 2022 $000	Group 2021 $000
Equity securities		
Investments in unlisted New Zealand companies	-	18,737
Total equity securities	-	18,737
Unit trust investments		
New Zealand equities	15,617	16,141
Offshore equities	77,847	75,272
Fixed interest investments – New Zealand	184,233	157,001
Fixed interest investments – Offshore	65,921	57,757
Total unit trust investments	343,618	306,171
Fixed interest investments		
Fixed interest investments – New Zealand	113,519	88,295
Total fixed interest investments	113,519	88,295
Total investments	457,137	413,203

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:				
Equity securities	-	-	-	-
Unit trust investments	-	343,618	-	343,618
Fixed interest investments	-	113,519	-	113,519
Total financial assets	-	457,137	-	457,137

Determination of fair value hierarchy 2021

	Level 1 $000	Level 2 $000	Level 3 $000	Total fair value $000
Financial assets at fair value through profit and loss:				
Equity securities	-	-	18,737	18,737
Unit trust investments	-	306,171	-	306,171
Fixed interest investments	-	88,295	-	88,295
Total financial assets	-	394,466	18,737	413,203

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 which pricing is obtained via pricing services. Where prices have not been determined in an active market, financial assets with fair values are based on broker quotes and investments in private equity funds with fair values are obtained via fund managers. Where assets are valued using the Group's own models, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH

Reconciliation of movements in level 3 instruments measured at fair value

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

	As at 1 April 2020	Sale of shares	Total gain in profit and loss	As at 31 March 2021
	$000	$000	$000	$000
Equity securities	18,613	-	124	18,737
	18,613	-	124	18,737

Sensitivity of level 3 financial instruments to changes in key assumptions

	Carrying value at 31 March 2022	Effect of reasonably possible alternate assumptions (+/-)
	$000	$000
Equity securities	-	-
	-	-

	Carrying value at 31 March 2021	Effect of reasonably possible alternate assumptions (+/-)
	$000	$000
Equity securities	18,737	1,662
	18,737	1,662

For equities, the Mutual adjusted the share price by $10 per share, which was considered by the Group to be within a range of reasonably possible alternatives.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH

6. Trade and other receivables

	Notes	Group 2022 $000	Group 2021 $000
Trade debtors		**153,817**	137,278
Reinsurance debtors		**2,674**	1,035
Other receivables		**4,649**	3,584
Uninsured third party recoveries		**3,832**	4,004
Allowance for collective impairment	15	**(3,449)**	(3,604)
		161,523	142,297
Current		**161,523**	142,297

There are no past due or impaired trade debtors, reinsurance debtors or other receivables as at 31 March 2022. The allowance for collective impairment relates specifically to uninsured third party recoveries when amounts are past due.

7. Underwriting provisions and reinsurance and other recoveries

	Group 2022 $000	Group 2021 $000
Underwriting provisions comprise:		
Liability for outstanding claims		
Expected future claim payments (undiscounted)	**118,252**	104,531
Discount to present value	**(1,450)**	(438)
	116,802	104,093
Provision for unearned premiums	**225,255**	200,591
Underwriting provisions	**342,057**	304,684
Current	**324,243**	287,625
Non-current	**17,814**	17,059
	342,057	304,684
Provision for reinsurance and other recoveries comprise:		
Expected future recoveries (undiscounted)	**(18,225)**	(22,345)
Discount to present value	**243**	88
Net insurance recoveries	**(17,982)**	(22,257)
Current	**(13,549)**	(16,543)
Non-current	**(4,433)**	(5,714)
	(17,982)	(22,257)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH

8. General insurance contracts

(a) Net general insurance claims incurred

	2022			2021		
	Risks borne in current year	**Risks borne in prior years**	**Total**	Risks borne in current year	Risks borne in prior years	Total
	$000	**$000**	**$000**	$000	$000	$000
Group						
Gross claims expense						
Direct claims – undiscounted	**282,860**	**(11,218)**	**271,642**	228,960	9,296	238,256
Discount	**(1,150)**	**137**	**(1,013)**	(230)	(11)	(241)
Gross claims expense	**281,710**	**(11,081)**	**270,629**	228,730	9,285	238,015
Reinsurance and other recoveries						
Reinsurance and other recoveries revenue – undiscounted	**(14,752)**	**689**	**(14,063)**	(18,770)	(8,980)	(27,750)
Discount	**53**	**103**	**156**	24	23	47
Reinsurance and other recoveries	**(14,699)**	**792**	**(13,907)**	(18,746)	(8,957)	(27,703)
Net claims incurred	**267,011**	**(10,289)**	**256,722**	209,984	328	210,312

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						
	2017	2018	2019	2020	2021	2022	Total
	$000	$000	$000	$000	$000	$000	$000
Ultimate claims cost estimate							
At end of accident year	243,860	178,886	177,007	212,499	230,811	274,844	
One year later	277,987	178,348	179,875	211,517	224,577		
Two years later	285,783	178,916	179,405	211,622			
Three years later	288,362	179,776	179,250				
Four years later	289,206	180,100					
Five years later	289,213						
Current estimate of ultimate claims cost	289,213	180,100	179,250	211,622	224,577	274,844	
Cumulative payments	286,174	179,769	178,835	208,928	218,608	189,035	
Undiscounted central estimate	3,039	331	415	2,694	5,969	85,809	98,257
Discount to present value	(25)	(6)	(12)	(97)	(135)	(871)	(1,146)
Discounted central estimate	3,014	325	403	2,597	5,834	84,938	97,111
Prior years (2016 and prior)							9,911
Risk margin							9,780
Gross outstanding claims liabilities							116,802
Reinsurance recoveries on outstanding claims and other recoveries							(17,982)
Net outstanding claims liabilities							98,820

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH

(c) Analysis of outstanding claims

	Group 2022 $000	Group 2021 $000
Gross central estimate of present value of future claims payment	107,022	95,648
Risk margin	9,780	8,445
Total outstanding claims liability	**116,802**	104,093
The expected settlement pattern of the outstanding claims liability is as follows:		
Current	98,988	87,034
Non-current	17,814	17,059
Total outstanding claims liability	**116,802**	104,093

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 2022. The previous assessment of the insurance liabilities was performed at 31 March 2021.

The Actuarial Report was prepared by Margaret Cantwell, the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH

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 sufficiency.

The Risk margins for the liability adequacy test at the same probability of sufficiency 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 net outstanding claims liabilities are as follows:

	2022	2021
Inflation rate	**Implicit**	Implicit
Discount rate	**2.03%**	0.35%
Claims handling expense ratio – outstanding claims liabilities	**5.0%**	5.0%
Claims handling expense ratio – premium liabilities	**6.3%**	6.3%
Risk margin – outstanding claims liabilities	**11.0%**	11.6%
Risk margin – premium liabilities	**13.8%**	13.9%
Weighted average expected term to settlement	**234 days**	220 days

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

	Group 2022 $000	Group 2021 $000
Outstanding claims liability		
Gross outstanding claims at the beginning of the year	**104,093**	93,209
Claims incurred during the year	**270,629**	238,015
Claims payments made during the year	**(257,920)**	(227,131)
Gross outstanding claims at the end of the year	**116,802**	104,093
Reinsurance and other recoveries receivable		
Reinsurance and other recoveries receivable at the beginning of the year	**(22,257)**	(19,347)
Reinsurance and other recoveries incurred during the year	**(13,907)**	(27,703)
Reinsurance and other recoveries received during the year	**18,182**	24,793
Reinsurance and other recoveries receivable at the end of the year	**(17,982)**	(22,257)

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.

		2022		2021	
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%	389	469	222	368
	Decrease of 1%	(399)	(481)	(295)	(378)
Claims handling expense ratio	Increase of 1%	(652)	(652)	(582)	(582)
	Decrease of 1%	652	652	582	582
Risk margin	Increase of 1%	(640)	(640)	(558)	(558)
	Decrease of 1%	640	640	558	558
Weighted average expected term to settlement	Increase 0.5 years	709	841	472	603
	Decrease 0.5 years	(716)	(849)	(475)	(608)

(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-. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH

(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 2022 $000	Group 2021 $000
Net central estimate of the present value of expected future cash flows from future claims	**167,609**	150,360
Risk margin of the present value of expected future cash flows	**23,221**	20,933

(f) Insurer financial strength rating
The Group has a financial strength rating of A (Excellent) as accorded by the international rating agency AM Best Group on 2 March 2022 (2021: A (Excellent)).

9. Deferred acquisition costs

	Group 2022 $000	Group 2021 $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

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	3,483	821	2,584	85	7,642
At the end of the year	655	2,468	545	1,851	53	5,572

2021 – 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	6,754	2,096	13,532	164	23,259
Additions	-	1,205	314	992	-	2,511
Disposals and transfers	-	-	-	-	-	-
Balance at the end of the year	713	7,959	2,410	14,524	164	25,770
Depreciation and impairment losses						
Balance at the beginning of the year	30	3,306	1,220	10,005	46	14,607
Depreciation for the year	14	1,170	369	1,935	33	3,521
Disposals and transfers	-	-	-	-	-	-
Balance at the end of the year	44	4,476	1,589	11,940	79	18,128
Carrying amounts						
At the beginning of the year	683	3,448	877	3,527	118	8,652
At the end of the year	669	3,483	821	2,584	85	7,642

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH

11. Intangible assets

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**

2021 – Group	Computer software $000
Cost	
Balance at the beginning of the year	49,684
Acquisitions – internally developed	4,696
Acquisitions – other additions	-
Disposals	-
Balance at the end of the year	54,380
Amortisation and impairment losses	
Balance at the beginning of the year	37,742
Amortisation for the year	5,707
Disposals	-
Balance at the end of the year	43,449
Carrying amounts	
At the beginning of the year	11,942
At the end of the year	10,931

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

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

2021 – Group	Property Leases $000	Motor Vehicles Leases $000	Other Leases $000	Total $000
Cost				
Balance at the beginning of the year	19,302	1,078	78	20,458
Additions	3,372	2,528	-	5,900
Disposals	(736)	(108)	-	(844)
Depreciation for the year	(3,311)	(994)	(23)	(4,328)
Balance at the end of the year	18,627	2,504	55	21,186

Other leases includes leases of office equipment.

(b) Lease liabilities

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 liabilities	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 liabilities	20,568

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH

2021 – Group	**$000**
Lease liabilities	
Balance at the beginning of the year	(21,406)
Additions	(5,900)
Disposals	860
Interest charged	(930)
Repayments	4,916
Balance at the end of the year	(22,460)

Total repayments during the year of $4,916k is made of $3,986k of principal repayments and $930k of interest repayments.

The maturity of the contractual undiscounted cashflows is as follows:

	$000
Less than one year	5,021
One to five years	15,395
More than five years	5,050
Total undiscounted lease liabilities	25,466

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

	$000
Less than one year	4,523
One to five years	13,652
More than five years	4,285
Total lease liabilities	22,460

13. Deferred tax

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/(liabilities), net	1,508	759	2,267

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH

2021 – Group	Opening balance at 1 April 2020	Charged/ (credited) to profit and loss	Closing balance at 31 March 2021
Movements in deferred tax assets			
Provisions and accruals	9,053	29	9,082
Total deferred tax assets	9,053	29	9,082
Movement in deferred tax liabilities			
Property, plant & equipment & Software	(5,767)	751	(5,016)
Deferred acquisition costs	(1,027)	-	(1,027)
Other	(1,254)	(277)	(1,531)
Total deferred tax liabilities	(8,048)	474	(7,574)
Deferred tax assets/(liabilities), net	1,005	503	1,508

14. Trade and other liabilities

	Group 2022 $000	Group 2021 $000
Trade creditors	**5,354**	6,183
Reinsurance creditors	**2,647**	1,212
Employee benefits	**9,677**	9,291
Other liabilities	**16,618**	14,104
	34,296	30,790
Current	**34,296**	30,790

15. Allowances for impaired assets

Group	**Total $000**
At 1 April 2020	4,397
Utilised	(4,397)
Additional provision	3,604
As at 31 March 2021	**3,604**
Utilised	**(3,604)**
Additional provision	**3,449**
As at 31 March 2022	**3,449**

There was no interest income on impaired financial assets accrued for the current year (2021: $Nil). The allowance is entirely for collectively impaired assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH

16. Related party transactions

a) Group Holdings

At 31 March 2022 the following percentage shareholdings were held in related entities which, unless stated otherwise, all have balance dates ending on 31 March:

	2022	2021	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 (2021: $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 personnel 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 2022 $000	Group 2021 $000
Short-term employee benefits	**4,581**	4,051

*Key management personnel comprises of 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 7.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH

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
2022		
10% increase in unit prices	**34,362**	**34,362**
10% decrease in unit prices	**(34,362)**	**(34,362)**
2021		
10% increase in unit prices	30,617	30,617
10% decrease in unit prices	(30,617)	(30,617)

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 and bank interest rate risk is represented by the fair value analysis shown in this note. The Group also 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 fair value interest rate risk. Interest rates on receivables are not floating and therefore a change in the interest rate will not present a cashflow risk.

Fair value interest rate sensitivity analysis – fixed interest investments

	Group	
	Impact on profit $000	Impact on equity $000
2022		
0.25% increase in interest rates	**(539)**	**(539)**
0.25% decrease in interest rates	**539**	**539**
2021		
0.25% increase in interest rates	(444)	(444)
0.25% decrease in interest rates	444	444

Interest rate cash flows risk analysis – bank balances

	Group	
	Impact on profit $000	Impact on equity $000
2022		
0.25% increase in interest rates	**177**	**177**
0.25% decrease in interest rates	**(177)**	**(177)**
2021		
0.25% increase in interest rates	167	167
0.25% decrease in interest rates	(167)	(167)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH

19. Liquidity risk

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

2022 – Group	Weighted average interest rate	0-6 months $000
Bank deposits	0.48%	72,105
Trade and other current receivables		161,523
Total financial assets		233,628
Trade and other current liabilities		34,296
Total financial liabilities		34,296
Net financial position		199,332
2021 – Group		
Bank deposits	0.25%	68,246
Trade and other current receivables		142,297
Total financial assets		210,543
Trade and other current liabilities		30,790
Total financial liabilities		30,790
Net financial position		179,753

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.

	2022 $000	2021 $000
Actual solvency capital	317,762	293,755
Minimum solvency capital	135,599	128,772
Solvency margin	182,163	164,983
Solvency ratio	2.34	2.28

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH

20. Financial instruments

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

2021 – 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	-	68,246	68,246
Investments	413,203	-	413,203
Trade and other current receivables	-	142,297	142,297
Total assets	413,203	210,543	623,746

	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	-	30,790	30,790
Total liabilities	-	30,790	30,790

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

- For receivables where the applicable interest rate is fixed, fair value is estimated using discounted cash flow models based on the repayment profile. Discount rates applied in these calculations are based on current market interest rates for receivables with similar credit and maturity profiles;
- 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH

21. Commitments
There are no capital commitments at 31 March 2022 (2021: $Nil).

The Group has commitments related to computer software which expire in September 2022, the current commitment as at 31 March 2022 is $1,039k (2021: $1,040k).

22. Contingencies
During the course of the year the Group exercised its minority buyout rights under section 110 of the Companies Act 1993 to dispose of its holding in an unlisted New Zealand company. This is now subject to an arbitration process to determine a fair and reasonable price. At 31 March 2022 we are unable to quantify the value of the contingent asset.

There are no other contingent liabilities or assets at 31 March 2022 (2021: $Nil).

23. Subsequent events
There are no subsequent events.

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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 24 to 56, which comprise the consolidated balance sheet of the Group as at 31 March 2022, 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 24 to 56 present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2022 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, information technology quality assurance 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

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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
23 June 2022

EMPLOYEE REMUNERATION

Employee remuneration

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

	Group 2022	Group 2021
100,000 – 110,000	**56**	66
110,001 – 120,000	**56**	61
120,001 – 130,000	**58**	39
130,001 – 140,000	**34**	26
140,001 – 150,000	**26**	18
150,001 – 160,000	**18**	15
160,001 – 170,000	**17**	14
170,001 – 180,000	**12**	10
180,001 – 190,000	**9**	4
190,001 – 200,000	**9**	7
200,001 – 210,000	**5**	5
210,001 – 220,000	**7**	2
220,001 – 230,000	**2**	2
230,001 – 240,000	**2**	1
240,001 – 250,000	**-**	1
250,001 – 260,000	**3**	5
260,001 – 270,000	**2**	1
270,001 – 280,000	**3**	1
280,001 – 290,000	**2**	1
290,001 – 300,000	**1**	-
310,001 – 320,000	**1**	1
320,001 – 330,000	**-**	1
330,001 – 340,000	**2**	-
340,001 – 350,000	**-**	2
360,001 – 370,000	**1**	-
370,001 – 380,000	**-**	1
400,001 – 410,000	**1**	-
410,000 – 420,000	**1**	-
430,001 – 440,000	**-**	1
440,001 – 450,000	**1**	-
460,001 – 470,000	**1**	-
490,001 – 500,000	**-**	1
570,001 – 580,000	**-**	1
620,001 – 630,000	**1**	-
1,020,001 – 1,030,000	**-**	1
1,320,001 – 1,330,000	**1**	-

DIRECTORY

FMG comprising
Farmers' Mutual Group
FMG Insurance Limited

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PwC Centre
10 Waterloo Quay
PO Box 521
Wellington 6140

Bankers
The Bank of New Zealand

Primary External Legal Provider
Wotton Kearney, Auckland

Auditors
Ernst & Young, Wellington

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

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*


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