Consolidated Annual Report for the year ended 30 June 2024

CAPRICORN MUTUAL LIMITED
and its controlled entities
ABN 24 104 601 194

CAPRICORN MUTUAL LIMITED
Consolidated Annual Report
for the year ended 30 June 2024

Table of Contents

DIRECTORS' REPORT

The Directors are pleased to present their report on Capricorn Mutual Limited and its controlled entities for the year ended 30 June 2024.

The following terminology is used throughout the financial report:

- CML, Parent or Company – Capricorn Mutual Limited;
- CIOM – Capricorn (Isle of Man) Limited, a wholly owned subsidiary of CML;
- CMLNZ – CML NZ Limited, a wholly owned subsidiary of CML;
- Consolidated or Group – the Consolidated Entity consisting of Capricorn Mutual Limited and its subsidiaries; and
- CSL – Capricorn Society Limited, CML members are also CSL members.

1.1 Directors of Capricorn Mutual Limited

The names and details of Directors in office at any time during or since the year ended 30 June 2024 are as follows:

Director	Date of Appointment	Special Responsibilities
Mario Pirone	31 January 2022 Appointed Chairman 1 July 2023	Chairman, Non-Executive Director Member of the Audit, Risk and Compliance Committee Director of CIOM (Appointed 29 Nov 2023)
Mark Cooper	23 October 2015 Reappointed 21 November 2017 Reappointed 15 October 2020	Non-Executive Director
Bruce Rathie	5 November 2015 Reappointed 27 October 2016 Reappointed 8 November 2018 Reappointed 21 October 2021 Retired as Chairman 1 July 2023	Non-Executive Director Director of CIOM (Resigned 1 Dec 2023)
Rachel Thomson	30 March 2023	Independent, Non-Executive Director Chair of the Audit, Risk and Compliance Committee Director of CIOM
Lydia Stjepanovic	1 October 2023	Non-Executive Director

1.2 Experience and qualifications of Directors

Mario Pirone B.Bus, Grad. Dip. Bus, FCPA

Chairman, Non-Executive Director

Mario joined the CML Board in January 2022 and was appointed Chairman on 1 July 2023. He is a member of the Audit, Risk and Compliance Committee. He has been an independent director of CSL since July 2014 and is currently the Chair of CSL Audit and Risk Committee. Mario served in the position of Vice Chair to the CSL board from 2019 to February 2023.

DIRECTORS' REPORT (continued)

1.2 Experience and qualifications of Directors (continued)

Mario Pirone B.Bus, Grad. Dip. Bus, FCPA (continued)

Mario brings over 26 years' experience as a Senior Executive and Director in large and complex organisations. Mario has enjoyed a lengthy career in the general insurance, funds management and financial services fields. Mario is currently a Non-Executive Director of Auto & General Insurance Company Limited and ASX listed Insignia Financial superannuation entities. Mario was formerly CEO of the Guild Group (2009 to 2022), CEO of CGU Insurance (2004-2008) and a Senior Group Executive with Insurance Australia Group (1999-2008). Mario has also held a number of non-executive directorships over the past 12 years.

Mark Cooper Grad. Cert. Comm, GAICD

Non-Executive Director

Mark joined the CML Board in October 2015 and has been a member of the CSL Board since 2013 and Chairman since October 2019. He is a member of CSL's Remuneration and Nomination Committee and CSL's Digital and Transformation Committee. Mark has been a Member of CSL since 1995 and has been a Member of CML since July 2015.

Mark has been involved in the automotive industry for over 40 years and currently owns and operates a number of mechanical services and repairs businesses. Mark has a Graduate Certificate in Commercialisation from the University of Tasmania and is a Director of several family-owned companies. Mark also sits on the Executive Committee of the TACC (Tasmanian Automotive Chamber of Commerce).

Bruce Rathie B.Com, LLB, MBA, FAIM, FAICD

Non-Executive Director

Bruce was appointed to the CML Board in November 2015. Bruce has a Masters of Business Administration, a Bachelor of Law, a Bachelor of Commerce, a Graduate Diploma of Applied Corporate Governance, and is a graduate and a Fellow of the Australian Institute of Company Directors, the Governance Institute of Australia and the Australian Institute of Managers and Leaders. Bruce has been a Director of CSL since July 2008 and served as its Vice Chair to the board from 2015 to 2018.

Bruce is currently a Non Executive Director of ASX listed PolyNovo Limited and ASX listed Cettire Limited. He is also currently Chairman of ASX listed The Market Limited and ASX listed CleanSpace Holdings Limited. Prior to commencement of his professional governance career in 2000, he had successful careers in private legal practice and then investment banking.

Rachel Thomson B.Sc, FAICD

Independent, Non-Executive Director

Rachel was elected to the CML Board in February 2023 and started her role as Independent Director in March 2023 and Chair of the CML Audit, Risk and Compliance Committee. Rachel Thomson is an experienced Non-Executive Director and Audit and Risk Committee Chair, with international and domestic insurance executive experience at global insurance companies.

Rachel is currently a Non-Executive Director of IBL Ltd (the insurance subsidiary of the Australian Institute of Architects) and Country Fire Authority, as well as holding several positions as an Independent Member of public sector Audit & Risk Committees. Rachel holds a Bachelor of Science from the University of Melbourne and is a Graduate and Fellow of the Australian Institute of Company Directors.

DIRECTORS' REPORT (continued)

1.2 Experience and qualifications of Directors (continued)

Lydia Stjepanovic B.Com, GAICD

Non-Executive Director

Lydia was elected to the CML Board in October 2023. Lydia is also a director of CSL since 2021 and serves on its Digital and Transformation Committee. Lydia is currently Chair of CSL's Remuneration and Nomination Committee was previously a member of CSL's Audit and Risk Committee and the CSL Relationship Committee.

Lydia is a second-generation automotive services business owner with a Bachelor of Business and Commerce (Management) from the University of Western Sydney and an Advanced Diploma in Business (Marketing) from Macleay College.

Lydia grew up within the automotive industry as the daughter of an auto electrician. Lydia has been involved with the industry her entire life in one capacity or another.

1.3 Attendance at Board and Committee meetings

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows:

Meetings held	Board of Directors 6		Audit, Risk & Compliance Committee 5	
	Eligible	Attended	Eligible	Attended
Mario Pirone	6	6	5	5
Mark Cooper	6	6	5	5
Bruce Rathie	6	6	5	5
Rachel Thomson	6	6	5	5
Lydia Stjepannovic	5	5	4	4

2. Principal activity

The principal activity of the Company during the year was to offer mutual financial risk products to members of CSL to protect those members from financial loss. The Company assesses claims lodged by members and promises to exercise its discretion to indemnify the member against their loss efficiently, honestly and fairly in accordance with the Company's Constitution and Rules. The principal activity of the Company has not changed since its inception.

As CML is a Mutual, it refers to its contracts as protections and premiums as contributions. Hence, throughout the financial report, these terms are used interchangeably.

3. Operating and financial review

On 1 July 2023, CML adopted AASB 17 *Insurance Contracts*. The new standard is applied retrospectively, resulting in a restatement of the comparative year. The impact of retrospective adoption of AASB 17 is detailed in Note 2.7, an increase of $82k to Members' Equity as at 1 July 2022 and a reduction of $16k to Profit after Tax for the year ended 30 June 2023.

As a result of changes to the presentation items introduced by AASB 17, the key metrics used by CML to manage and assess Protection Net Result are derived from components that are no longer separately presented in the financial statements.

3. Operating and financial review (continued)

3.1 Operating result for the financial year

FY24 saw another successful year for the Group highlighted by:

- protection revenue growth of 16% compared to FY23;
- total assets of $97.7m (2023: $82.0m);
- a $5.0m member loyalty rebate (2023: Nil); and
- the acceptance of 99% (2023: 99%) of lodged claims.

The Group achieved a Profit after Tax of $9.1m for the year ended 30 June 2024 after member loyalty rebate compared with $7.5m in the prior year. The result was driven by the following factors:

- a decrease in the net claims ratio from 55% in FY23 to 52% in FY24 driven by a reduction in large claims; and
- decrease in reinsurance ratio from 10% in FY23 to 9% in FY24.

The combination of these factors resulted in a combined operating ratio of 94% (2023: 94%). Excluding the Member Loyalty Rebate, the combined operating ratio is 90% (2023: 94%).

3.2 Review of financial condition

A. Financial position

Total assets of the Group at 30 June 2024 were $97.7m compared to $82.0m at 30 June 2023. The increase in assets is represented by the net effect of:

- a decrease of $3.1m in reinsurance contract assets due to majority of the outstanding recoveries relating to the FY22 East coast flooding event and several large claims has been receipted to date; and
- an increase of $18.8m in cash and investments due to the high growth in earned protection and increase in reinsurance recoveries receipts partially offset by large claims.

Total liabilities of the Group at 30 June 2024 were $53.6m compared to $47.0m at 30 June 2023. The increase in liabilities is mainly due to the $5.0m member loyalty rebate payable in FY24 and higher tax liabilities.

Members' Equity increased to $44.0m at 30 June 2024 compared to $34.9m at 30 June 2023 in line with the reported profit.

B. Cash from operations

The net cash from operating activities for the financial year ended 30 June 2024 was a net inflow of $15.9m compared to an inflow of $6.1m in 2023. The significant increase in protection receipts from Members, decrease in claims payments during the year partially offset by an increase in reinsurance premium paid contributes to the increase in cash inflow. The Board receives and approves a rolling 12-month cash flows forecast each quarter under the financial conditions of CML's Australian Financial Services Licence (AFSL).

DIRECTORS' REPORT (continued)

3. Operating and financial review (continued)

3.2 Review of financial condition (continued)

C. Investments

The investment policy seeks to maximise returns whilst protecting Members' funds and ensures that funds are available as and when required. It also seeks to minimise discount rate exposures through providing a natural hedge by matching assets and liabilities where possible.

The Group's investment balance increased to $48.2m at 30 June 2024 (2023: $38.8m). The increase in investments is driven by an increase in protection receipts which was subsequently re-invested into term deposits.

The investments comprise solely of fixed term deposits with Australian banks with a minimum Standard & Poor's (S&P) rating of A. As at balance date, 81% and 19% of the portfolio is rated AA- and A+ respectively. Further details on investment risk management are provided in Note 14.7.

3.3 Strategy

Strategic Priorities

The Company has been operating under the 'OPTIMISE' strategy since it was developed in 2022. The year ended 30 June 2024 is the final year for this strategy.

A new three-year strategy called 'ASPIRE' will commence in FY25. CML's purpose and vision have been refreshed as follows:

- CML's purpose has been aligned to CSL's purpose and is "*To strengthen members' businesses by protecting what matters*."
- CML's vision under the Aspire strategy is "*To deliver market leading protection products and Member experience while maintaining 'Members first' culture*."

The ASPIRE strategy will capitalise on the strengths of the business today and will be supported by the following strategic opportunities:

DIRECTORS' REPORT (continued)

3. Operating and financial review (continued)

3.3 Strategy (continued)

The following provides an overview of the five strategic priorities that will be a focus over the next three years, with a range of initiatives for each of them:

- Grow Member relationships: targeted growth in CSL member base and deeper relationships with existing CML Members.
- Transform claims: uplift claims processes and experience to support growth and to deliver best in class claims experience.
- Modernise technology platform: upgrade core business platforms to maintain a safe, efficient and scalable technology operating environment.
- Strengthen core functions: strengthen insurance and business functions to continually improve products, services and risk management.
- Invest in our people: support our people and create a team of highly engaged 'motor industry' risk experts.

3.4 Outlook

Underwriting operations are, by their nature, volatile due to the exposure to natural perils and industry cycles, and more recently the inflationary challenges and thus profit predictions are difficult.

CML expect an increased frequency of weather-related natural catastrophes over the long term.

Despite the challenges, we maintain our focus of disciplined risk selection, in providing protections to our members.

4. Members' guarantee

CML is a company limited by guarantee and does not have share capital. It operates for the mutual benefit of its Members. The contribution of each member to its debts and liabilities in the event of a winding up is restricted to an amount not exceeding $1 each.

There were 11,972 members at 30 June 2024 (2023: 11,072)

5. Indemnification of Directors and Officers

The Company has arranged for insurance premiums to be paid in respect of its Directors, Officers and the Company Secretary of the Company as well as those of its controlled entities. The insurance premium relates to:

- costs and expenses incurred by the relevant Director or Officer in defending proceedings; and
- other liabilities that may arise from their position, except for conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The contract prohibits disclosure of the nature of the liabilities and the amount of the premium.

6. Proceedings

No person has applied for leave of court to bring proceedings on behalf of the Company or its controlled entities or intervene in any proceedings to which the Company or its controlled entity is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

DIRECTORS' REPORT (continued)

7. Independence declaration

The Auditor's Independence Declaration as required under Section 307C of the Corporation Act 2001 is set out on page 11 and forms part of the Directors' Report for the year ended 30 June 2024.

8. Auditor

PricewaterhouseCoopers, Chartered Accountants, continues in office in accordance with section 327B of the *Corporations Act 2001*.

9. Non-Audit services

During the year, PricewaterhouseCoopers performed tax and other assurance activities for CML and CMLNZ. The total amount received or to be received by PwC for the provision of non-audit services for the financial year 2024 is $63,690. This included advice in relation to transfer pricing.

The Directors are satisfied that the non-audit services provided is consistent with the general standard of independence for auditors as set forth by the Corporations Act 2001. The nature and extent of each non-audit service provided have been assessed, and it has been determined that these services did not compromise the independence of the auditors.

10. ASIC relief regarding disclosure of separate information on the Company

This Consolidated Financial Report includes the financial statements of the Company as permitted by *ASIC Corporations (Parent Entity Financial Statements) Instrument 2021/195*. Adoption of this Legislative Instrument provides relief from presenting the summary parent entity information otherwise required by regulation 2M.3.01 of the *Corporations Regulations 2001*.

11. Rounding of amounts

The Company is of a kind referred to in the *ASIC Corporations (Rounding in financial / Directors' Reports) Instrument 2016/191*. Amounts have been rounded off in the Directors' Report to the nearest thousand dollars or, in certain cases, to the nearest dollar in accordance with that instrument.

12. Subsequent events

In the opinion of the Directors, there are no other factors that have occurred since the balance date that may significantly affect the Group or the Company's operations, the results of those operations, or the Company's state of affairs in future periods.

13. Environmental regulation

The Group's operations are not subject to any significant environmental regulation under either Commonwealth or State legislation.

Signed in accordance with a resolution of the Directors:

Mario Pirone	Rachel Thomson
Chairman	Director
08 September 2024	08 September 2024

Auditor's Independence Declaration

As lead auditor for the audit of Capricorn Mutual Limited for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Capricorn Mutual Limited and the entities it controlled during the period.

Christopher Verhaeghe
Partner
PricewaterhouseCoopers

Sydney
8 September 2024

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024

	Note	Consolidated 2024 $'000	Consolidated Restated 2023 $'000	Company 2024 $'000	Company Restated 2023 $'000
Protection revenue	4	**126,246**	108,868	**126,246**	108,868
Protection service expenses	4	**(102,888)**	(83,914)	**(102,888)**	(83,914)
Net expenses from reinsurance contracts held	4	**(12,117)**	(16,059)	**(12,177)**	(16,104)
Protection service result		**11,241**	**8,895**	**11,181**	**8,850**
Finance expense from protection contracts issued	5	**(1,529)**	(888)	**(1,529)**	(888)
Finance income from reinsurance contracts held	5	**363**	149	**363**	149
Net protection finance expense		**(1,166)**	**(739)**	**(1,166)**	**(739)**
Protection net result		**10,075**	**8,156**	**10,015**	**8,111**
Investment income		**2,897**	1,498	**2,878**	1,482
Other income		**137**	135	**137**	135
Other operating expenses	7	**(3,414)**	(2,000)	**(3,352)**	(1,944)
Profit before income tax		**9,695**	**7,789**	**9,678**	**7,784**
Income tax expense	8	**(610)**	(303)	**(610)**	(303)
Profit after income tax		**9,085**	**7,486**	**9,068**	**7,481**
Total comprehensive income attributable to the Members of Capricorn Mutual Limited		**9,085**	**7,486**	**9,068**	**7,481**

The accompanying notes form part of these financial statements. CML adopted AASB 17 *Insurance Contracts* from 1 July 2023 and has correspondingly restated the comparative period. The impact of adoption is outlined in Note 2.7.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

		Consolidated			Company		
			Restated			Restated	
				1 Jul			1 Jul
	Note	**2024 $'000**	2023 $'000	2022 $'000	**2024 $'000**	2023 $'000	2022 $'000
Assets							
Cash and cash equivalents	10	**31,448**	21,969	27,121	**31,043**	21,628	26,788
Investments	11	**48,167**	38,831	26,099	**48,167**	38,831	26,099
Other receivables		**186**	198	199	**180**	193	199
Current tax assets		**-**	12	46	**-**	12	46
Deferred tax assets		**-**	-	85	**-**	-	85
Reinsurance contract assets	6.3	**17,849**	20,955	47,435	**17,849**	20,955	47,435
Total Assets		**97,650**	**81,965**	**100,985**	**97,239**	**81,619**	**100,652**
Liabilities							
Current tax liabilities	8.3	**484**	-	-	**484**	-	-
Deferred tax liabilities	8.3	**263**	180	-	**263**	180	-
Other payables	12	**5,963**	881	4,897	**5,613**	579	4,603
Protection contract liabilities	6.2	**46,936**	45,985	68,655	**46,936**	45,985	68,655
Total Liabilities		**53,646**	**47,046**	**73,552**	**53,296**	**46,744**	**73,258**
Net Assets		**44,004**	**34,919**	**27,433**	**43,943**	**34,875**	**27,394**
Members' Equity							
Retained earnings		**44,004**	34,919	27,433	**43,943**	34,875	27,394
Total Members' Equity		**44,004**	**34,919**	**27,433**	**43,943**	**34,875**	**27,394**

The accompanying notes form part of these financial statements. CML adopted AASB 17 *Insurance Contracts* from 1 July 2023 and has correspondingly restated the comparative period. The impact of adoption is outlined in Note 2.7.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2024

	Note	Consolidated $'000	Company $'000
For the year ended 30 June 2022			
Balance at 1 July 2022, as previously reported		27,351	27,312
Impact of initial application of AASB 17	2.7	82	82
Restated balance at 1 July 2022		**27,433**	**27,394**
Total comprehensive income for the year		7,486	7,481
Restated balance at 30 June 2023		**34,919**	**34,875**
For the year ended 30 June 2024			
Restated balance at 1 July 2023		**34,919**	**34,875**
Total comprehensive income for the year		9,085	9,068
Balance at 30 June 2024		**44,004**	**43,943**

The accompanying notes form part of these financial statements. CML adopted AASB 17 *Insurance Contracts* from 1 July 2023 and has correspondingly restated the comparative period. The impact of adoption is outlined in Note 2.7.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024

	Note	Consolidated		Company	
			Restated		Restated
		2024	2023	**2024**	2023
		$'000	$'000	**$'000**	$'000
Cash flows from operating activities					
Contributions from Members		**124,387**	103,235	**124,387**	103,235
Reinsurance & other recoveries received		**4,191**	21,414	**4,191**	21,414
Claims and other protection service expenses paid		**(88,702)**	(93,809)	**(88,702)**	(93,809)
Reinsurance expenses paid		**(12,839)**	(10,844)	**(12,899)**	(10,889)
Acquisition costs paid		**(7,948)**	(7,858)	**(7,948)**	(7,858)
Payment to suppliers		**(3,242)**	(2,082)	**(3,227)**	(2,039)
Other income received		**149**	136	**150**	141
Income taxes paid		**(31)**	(4)	**(31)**	(4)
Member loyalty rebate		**(33)**	(4,109)	**(33)**	(4,109)
Net cash flows from operating activities	10	**15,932**	**6,079**	**15,888**	**6,082**
Cash flows from investing activities					
Investments in term deposits		**(50,000)**	(40,000)	**(50,000)**	(40,000)
Maturity of term deposits		**43,561**	28,766	**43,542**	28,750
Net cash flows from investing activities		**(6,439)**	**(11,234)**	**(6,458)**	**(11,250)**
Net movement in cash and cash equivalents		**9,493**	**(5,155)**	**9,430**	**(5,168)**
Cash and cash equivalents at the beginning of the year		**21,969**	27,121	**21,628**	26,788
Foreign exchange losses		**(14)**	3	**(15)**	8
Cash and cash equivalents at the end of the year	10	**31,448**	**21,969**	**31,043**	**21,628**

The accompanying notes form part of these financial statements. CML adopted AASB 17 *Insurance Contracts* from 1 July 2023 and has correspondingly restated the comparative period. The impact of adoption is outlined in Note 2.7.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. REPORTING ENTITY

The financial report covers Capricorn Mutual Limited (CML, Parent or Company) and its controlled entities, CML NZ Limited (CMLNZ) and Capricorn (Isle of Man) Limited (CIOM). The Company together with CMLNZ and CIOM in this report refers to the Consolidated Entity (Consolidated or Group).

CML is a public Company limited by guarantee, incorporated in Australia on 2 May 2003 and domiciled in Australia.

CMLNZ is a Company limited by shares, incorporated in New Zealand on 6 May 2003 and domiciled in New Zealand.

CIOM is a Company limited by shares, incorporated in Isle of Man on 12 November 2008 and domiciled in the Isle of Man.

The Company is not an authorised insurer and therefore is not subject to general insurance prudential standards and guidance established by the Australian Prudential Regulation Authority (APRA).

The Company has been granted an AFSL which is regulated by the Australian Securities and Investments Commission (ASIC).

The nature of the operations and principal activities of the Consolidated Entity are described in the Directors' Report.

NOTE 2. BASIS OF PREPARATION

2.1. Statement of compliance

This Consolidated Financial Report is a general purpose financial report that was authorised by the Board of Directors on 05 September 2024 and has been prepared in accordance with *Australian Accounting Standards* (AAS) and Intepretations of the *Australian Accounting Standards Board* (AASB) and the *Corporations Act 2001*. It also complies with *International Financial Reporting Standards* (IFRS) as issued by the *International Accounting Standards Board* (IASB). The Directors have the power to amend and reissue the financial report.

Comparative information has been restated to align to the current year's disclosures where necessary.

2.2. Basis of measurement

This Consolidated Financial Report has been prepared based on the material accounting policies as detailed in Note 18. The Statements of Financial Position have been prepared using a liquidity basis. The Board has determined that this presentation on the Statements of Financial Position is more relevant than a current / non-current classification.

2.3. Functional and presentation currency

Items included in the financial statements are measured using the currencies of the economic environments in which the Consolidated Entity operates (the functional currency). The Consolidated Financial Statements are presented in Australian dollars, which is the Group's functional and presentation currency.

NOTE 2. BASIS OF PREPARATION (continued)

2.3 Functional and presentation currency (continued)

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Translation differences on non-monetary items held at fair value through profit or loss, are reported as part of the fair value gain or loss.

2.4. ASIC relief regarding disclosure of separate information on the Company

This Consolidated Financial Report includes the financial statements of the Company as permitted by *ASIC Corporations (Parent Entity Financial Statements) Instrument 2021/195*. Adoption of this Legislative Instrument provides relief from presenting the summary parent entity information otherwise required by regulation 2M.3.01 of the *Corporations Regulations 2001*.

2.5. Rounding of amounts

The Company is of a kind referred to in the *ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191*. Amounts have been rounded off in the financial report to the nearest thousand dollars or, in certain cases, to the nearest dollar in accordance with that instrument.

2.6. New accounting standards and amendments

The Group adopted the following new or amended accounting standards from 1 July 2023:

Title	Description
AASB 9	Financial Instruments
AASB 17	Insurance Contracts
AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
AASB 2021-5	Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

This is the first set of the Group's and Company's annual financial statements in which AASB 17 *Insurance Contracts* and AASB 9 *Financial Instruments* have been applied.

2.7. AASB 17 Insurance contracts

The new accounting standard AASB 17 *Insurance Contracts* replaces AASB 1023 *General Insurance Contracts* for annual periods on or after 1 January 2023.

The Group has restated comparative information for 2023 applying the transitional provisions which require retrospective application and restatement of comparative information as if AASB 17 had always been in effect.

The adoption of AASB 17 has resulted in a $82k increase in net assets as at 1 July 2022. This amount was recognised as an adjustment to the opening balance of retained earnings as shown in the Statement of Changes in Equity. The opening net assets impact reflects the higher discount rates due to the impact of illiquidity premium ($89k) offset by estimated reinsurance default ($7k).

NOTE 2. BASIS OF PREPARATION (continued)

2.8. AASB 9 Financial instruments

AASB 9 *Financial Instruments* replaced AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. The Group elected to apply the temporary exemption from AASB 9, thereby deferring the initial application date of AASB 9 to align with the initial application of AASB 17 this financial year.

AASB 9 includes revised guidance on the classification and measurement of financial instruments. It includes a new classification model for financial assets to be assessed based on a combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics.

The Group has applied AASB 9 retrospectively. The Group assessed its assets previously designated at fair value to profit or loss (FVTPL) under AASB139. Under AASB 9, the Group classifies it at FVTPL and no remeasurement differences to its Statement of Financial Position is noted. The Group's classification of its financial assets is explained in Note 18.6.

To reflect the differences between AASB 9 and AASB 139, AASB 7 *Financial Instruments: Disclosures* was also amended. The Group applied the amended disclosure requirements of AASB 7, together with AASB 9, for the year beginning 1 July 2022.

2.9. New accounting standards or amendments issued but not yet effective

The Group has determined that there are no new accounting standards or amendments that have been issued but are not yet effective, which are applicable to the Group.

NOTE 3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires Management to make judgements and estimates that affect reported amounts. Actual results may differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. CML based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond CML's control. Such changes are reflected in the assumptions when they occur.

CML disclosures have been determined based on 'similar risks and managed together' criteria.

3.1. Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques that analyse experience, trends and other relevant factors.

The estimation process involves using CML's specific data, relevant industry data and more general economic data. Each class of business is examined separately and the process involves consideration of a large number of factors. These factors may include the risks to which the business is exposed at a point in time, claim frequencies and average claim sizes, historical trends in the incidence and development of claims reported and finalised, legal, social and economic factors that may impact upon each class of business, the key actuarial assumptions and the impact of reinsurance and other recoveries.

NOTE 3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

3.1. Liability for incurred claims (continued)

Different actuarial valuation models are used for different claim types and lines of business. The selection of the appropriate actuarial model considers the characteristics of a claim type and class of business and extent of the development of each past accident period. Other key circumstances affecting the reliability of assumptions include variation in interest rates and delays in settlement.

When measuring liabilities for incurred claims (LIC), an explicit 'risk adjustment for non-financial risk' is included (Note 3.3).

Given the size and nature of CML's risk profile, the Company has estimated the risk adjustment using a Confidence Level (Probability of Sufficiency) approach at the 90th percentile (2023: 90th percentile).

3.2. Discount rates

Protection contract liabilities and reinsurance contract assets are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the protection contract liabilities. The illiquidity premium is determined by reference to observable market rates.

CML has elected to apply the bottom-up approach for determination of discount rate. Under this approach, a liquid risk-free yield curve is adjusted to reflect the differences between the liquidity characteristics of the financial instruments that underlie the rates observed in the market and the liquidity characteristics of the protection contract. This involves applying what is widely being referred to as a illiquidity premium to the liquid risk-free yield curve.

Discount rates applied for discounting of future cash flows are listed below:

	2024			2023		
	1 Year	**3 Years**	**5 Years**	1 Year	3 Years	5 Years
	%	**%**	**%**	%	%	%
AUD	**4.36**	**4.50**	**4.52**	4.38	4.64	4.69
NZD	**4.36**	**4.50**	**4.52**	4.38	4.64	4.69

3.3. Risk adjustment for non-financial risk

A risk adjustment for non-financial risk is included as part of the overall measurement of a group of protection contracts to reflect the compensation that CML requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the Company fulfils its protection contracts.

The above also applies to reinsurance contracts held, as an explicit risk adjustment must be held for reinsurance cash flows, representing the amount of non-financial risk being transferred by CML to the issuer of these contracts.

NOTE 3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

3.4. Assets for protection acquisition cash flows

CML has elected to recognise its protection acquisition cash flows that are directly attributable, in the Liability for Remaining Coverage and amortise the cash flows as protection contracts are recognised. An asset for protection acquisition cash flows is recognised for acquisition cash flows incurred before the related group of protection contracts has been recognised.

CML applies judgement in determining the inputs used in the methodology to systematically and rationally allocate protection acquisition cash flows to groups of protection contracts.

At the end of each reporting period, CML revisits the assumptions made to allocate protection acquisition cash flows to groups and where necessary revises the amounts of assets for protection acquisition cash flows accordingly.

In the current and prior year, CML did not identify any facts and circumstances indicating that the protection acquisition cash flow assets may be impaired.

3.5. Financial assets

CML classifies cash and term deposits at FVTPL. It is initially recognised at fair value, determined as the cost of acquisition, and are remeasured to fair value through profit or loss at each reporting date. The fair value hierarchy and approach to measuring the fair value of the investment instrument is disclosed in Note 11.

NOTE 4. PROTECTION SERVICE RESULT

		Consolidated		Company	
	Note	2024 $'000	Restated 2023 $'000	2024 $'000	Restated 2023 $'000
Protection revenue	6.2	**126,246**	**108,868**	**126,246**	**108,868**
Incurred claims and other attributable expenses		**(111,808)**	(98,909)	**(111,808)**	(98,909)
Amortisation of protection acquisition cash flows		**(7,887)**	(6,976)	**(7,887)**	(6,976)
Changes to liabilities for incurred claims		**16,807**	21,971	**16,807**	21,971
Protection service expenses	6.2	**(102,888)**	**(83,914)**	**(102,888)**	**(83,914)**
Recoveries of incurred claims and other attributable expenses		**2,636**	4,435	**2,636**	4,435
Changes to amounts recoverable for incurred claims		**(2,827)**	(8,748)	**(2,827)**	(8,748)
Reinsurance expenses		**(11,926)**	(11,746)	**(11,986)**	(11,791)
Net expenses from reinsurance contracts held	6.3	**(12,117)**	**(16,059)**	**(12,177)**	**(16,104)**
Protection service result		**11,241**	**8,895**	**11,181**	**8,850**

NOTE 5. NET PROTECTION FINANCE INCOME/EXPENSE

The breakdown of net protection finance income/expense is set out in the table below.

	Note	Consolidated 2024 $'000	Consolidated Restated 2023 $'000	Company 2024 $'000	Company Restated 2023 $'000
Discount unwind and changes in financial assumptions		**(1,529)**	(888)	**(1,529)**	(888)
Protection finance expense	6.2	**(1,529)**	**(888)**	**(1,529)**	**(888)**
Discount unwind and changes in financial assumptions		**362**	146	**362**	146
Effect of changes in non-performance risk of reinsurers		**1**	3	1	3
Reinsurance finance income	6.3	**363**	**149**	**363**	**149**
Net protection finance expense		**(1,166)**	**(739)**	**(1,166)**	**(739)**

NOTE 6. PROTECTION AND REINSURANCE CONTRACT BALANCES

6.1. Carrying amount of protection and reinsurance contracts

The breakdown of groups of protection contracts liabilities and reinsurance contract assets is set out in the table below.

	Consolidated and Company 2024 $'000	Consolidated and Company Restated 2023 $'000
Protection contract liabilities	**46,936**	45,985
Reinsurance contract assets	**(17,849)**	(20,955)
Net protection contract liabilities	**29,087**	**25,030**

6.2. Roll forward of net liability for protection contracts issued showing liability / (assets) for remaining coverage and liability for incurred claims

The assets for protection acquisition cash flows will be derecognised within a year and included in the measurement of the group of protection contracts to which they are allocated.

A member loyalty rebate liability of $5.0m has been recognised at 30 June 2024 (2023: Nil). This liability relates to the return of capital to members through Capricorn reward points, in line with CML's Capital Return Policy. The full rebate of $5.0m has been recognised within protection revenue in the Statement of Comprehensive Income and is to be paid via a one-time reward point allocation eligible to members who have an active policy and 3 years of consecutive tenure at 30 June 2024. The total amount of the rebate will be paid in FY2025.

The roll-forward of the net liability for protection contracts issued, showing the liability for remaining coverage and the liability for incurred claims in the tables below.

NOTE 6. PROTECTION AND REINSURANCE CONTRACT BALANCES (continued)

6.2. Roll forward of net liability for protection contracts issued showing liability / (assets) for remaining coverage and liability for incurred claims (continued)

	Consolidated and Company 2024 $'000				
	Liabilities/(Assets) for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment	
Net protection contract liabilities at 1 July	**(8,437)**	**-**	**42,144**	**12,278**	**45,985**
Protection revenue	**(126,246)**	**-**	**-**	**-**	**(126,246)**
Incurred claims and other attributable expenses	6,180	-	95,966	9,662	111,808
Amortisation of protection acquisition cash flows	7,887	-	-	-	7,887
Changes to liabilities for incurred claims - prior accident years		-	(7,134)	(9,673)	(16,807)
Protection service expenses	**14,067**	**-**	**88,832**	**(11)**	**102,888**
Protection service result	**(112,179)**	**-**	**88,832**	**(11)**	**(23,358)**
Discount unwind and changes in financial assumptions	**-**	**-**	1,185	344	1,529
Effect of movements in exchange rates	43	**-**	-	**-**	43
Statements of Comprehensive Income	**(112,136)**	**-**	**90,017**	**333**	**(21,786)**
Cash flows					
Contribution received	124,387	-	-	-	124,387
Claims and other expenses paid	-	-	(88,702)	-	(88,702)
Protection acquisition cash flows	(7,948)	-	-	-	(7,948)
Total cash flows	**116,439**	**-**	**(88,702)**	**-**	**27,737**
Protection contract liabilities at 30 June	**(4,134)**	**-**	**43,459**	**12,611**	**51,936**
Non-cash operating expenses	(5,000)	-	-	-	(5,000)
Net protection contract liabilities at 30 June	**(9,134)**	**-**	**43,459**	**12,611**	**46,936**

NOTE 6. PROTECTION AND REINSURANCE CONTRACT BALANCES (continued)

6.2. Roll forward of net liability for protection contracts issued showing liability / (assets) for remaining coverage and liability for incurred claims (continued)

	Consolidated and Company Restated 2023 $'000				
	Liabilities/(Assets) for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment	
Net protection contract liabilities at 1 July	**(6,857)**	**-**	**57,667**	**17,845**	**68,655**
Protection revenue	**(108,868)**	**-**	**-**	**-**	**(108,868)**
Incurred claims and other attributable expenses	5,107	-	85,447	8,355	98,909
Amortisation of protection acquisition cash flows	6,976	-	-	-	6,976
Changes to liabilities for incurred claims - prior accident years	-	-	(7,837)	(14,134)	(21,971)
Protection service expenses	**12,083**	**-**	**77,610**	**(5,779)**	**83,914**
Protection service result	**(96,785)**	**-**	**77,610**	**(5,779)**	**(24,954)**
Discount unwind and changes in financial assumptions	**-**	**-**	676	212	888
Effect of movements in exchange rates	(172)	**-**	-	-	(172)
Statements of Comprehensive Income	**(96,957)**	**-**	**78,286**	**(5,567)**	**(24,238)**
Cash flows					
Contribution received	103,235	-	-	-	103,235
Claims and other expenses paid	-	-	(93,809)	-	(93,809)
Protection acquisition cash flows	(7,858)	-	-	-	(7,858)
Total cash flows	**95,377**	**-**	**(93,809)**	**-**	**1,568**
Protection contract liabilities at 30 June	**(8,437)**	**-**	**42,144**	**12,278**	**45,985**
Non-cash operating expenses	-	-	-	-	-
Net protection contract liabilities at 30 June	**(8,437)**	**-**	**42,144**	**12,278**	**45,985**

CAPRICORN MUTUAL

NOTE 6. PROTECTION AND REINSURANCE CONTRACT BALANCES (continued)

6.3. Roll-forward of net asset for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims

The roll-forward of the net asset for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims arising on insurance ceded to reinsurers in the tables below:

	Consolidated and Company 2024 $'000				
	Assets for remaining coverage		Amounts recoverable on incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Present value of future cash flows	Risk adjustment	
Reinsurance contract assets at 1 July	**1,278**	**-**	**15,491**	**4,186**	**20,955**
Reinsurance expenses	**(11,926)**	**-**	**-**	**-**	**(11,926)**
Recoveries of incurred claims and other attributable expenses	-	-	1,916	720	2,636
Changes to amounts recoverable for incurred claims - prior accident years	-	-	(551)	(2,276)	(2,827)
Reinsurance income	**-**	**-**	**1,365**	**(1,556)**	**(191)**
Protection service result	**(11,926)**	**-**	**1,365**	**(1,556)**	**(12,117)**
Discount unwind and changes in financial assumptions	-	-	273	89	362
Effect of changes in non-performance risk of reinsurers	-	-	1	-	1
Statements of Comprehensive Income	**(11,926)**	**-**	**1,639**	**(1,467)**	**(11,754)**
Cash flows					
Premiums paid	12,839	-	-	-	12,839
Reinsurance recoveries received	-	-	(4,191)	-	(4,191)
Total cash flows	**12,839**	**-**	**(4,191)**	**-**	**8,648**
Reinsurance contract assets at 30 June	**2,191**	**-**	**12,939**	**2,719**	**17,849**

NOTE 6. PROTECTION AND REINSURANCE CONTRACT BALANCES (continued)

6.3. Roll-forward of net asset for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims (continued)

	Consolidated and Company Restated 2023 $'000				
	Assets for remaining coverage		Amounts recoverable on incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Present value of future cash flows	Risk adjustment	
Reinsurance contract assets at 1 July	**2,180**	**-**	**35,723**	**9,532**	**47,435**
Reinsurance expenses	**(11,746)**	-	**-**	**-**	**(11,746)**
Recoveries of incurred claims and other attributable expenses	-	-	2,983	1,452	4,435
Changes to amounts recoverable for incurred claims - prior accident years	-	-	(1,919)	(6,829)	(8,748)
Reinsurance income	**-**	**-**	**1,064**	**(5,377)**	**(4,313)**
Protection service result	**(11,746)**	**-**	**1,064**	**(5,377)**	**(16,059)**
Discount unwind and changes in financial assumptions	-	-	115	31	146
Effect of changes in non-performance risk of reinsurers	-	-	3	-	3
Statements of Comprehensive Income	**(11,746)**	**-**	**1,182**	**(5,346)**	**(15,910)**
Cash flows					
Premiums paid	10,844	-	-	-	10,844
Reinsurance recoveries received	-	-	(21,414)	-	(21,414)
Total cash flows	**10,844**	**-**	**(21,414)**	**-**	**(10,570)**
Reinsurance contract assets at 30 June	**1,278**	**-**	**15,491**	**4,186**	**20,955**

Management fees paid to CIOM as detailed in Note 15.3 is included in the Company's reinsurance expenses and premiums paid.

NOTE 7. OTHER OPERATING EXPENSES

	Consolidated		Company	
		Restated		Restated
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Directors' fees	**540**	395	**528**	383
Legal fees	**111**	91	**111**	91
Actuarial costs	**364**	140	**364**	140
Foreign exchange losses / (gains)	**57**	(175)	**58**	(180)
Other operating expenses	**2,342**	1,549	**2,291**	1,510
Total operating expenses	**3,414**	**2,000**	**3,352**	**1,944**

NOTE 8. INCOME TAX

8.1. Composition

	Consolidated		Company	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Current income tax expense	**790**	218	**790**	218
Movement in deferred tax	**(180)**	85	**(180)**	85
Income tax expense	**610**	**303**	**610**	**303**

8.2. Income Tax Reconciliation

A reconciliation between income tax expense and the profit before income tax multiplied by the applicable tax rate is as follows:

	Consolidated		Company	
		Restated		Restated
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Profit for the year before income tax	**9,695**	7,789	**9,678**	7,784
Income tax calculated at 30% (2023: 30%)	**2,909**	2,337	**2,903**	2,335
Adjustments in respect of current income tax of previous years	**(180)**	85	**(180)**	85
Mutual activities not subject to tax	**(2,382)**	(2,299)	**(2,376)**	(2,297)
Deferred tax	**263**	180	**263**	180
Income tax expense	**610**	**303**	**610**	**303**

The Company is limited by guarantee and operates for the mutual benefit of Members. Accordingly, the Company is not liable for income tax on contributions received from Members, nor are the related outgoings tax deductible. The Company is, however, liable for income tax on investment income.

NOTE 8 INCOME TAX (continued)

8.3. Tax Liabilities

	Consolidated		Company	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Income tax due	**(528)**	(38)	**(528)**	(38)
Instalment paid	**44**	50	**44**	50
Current tax (liabilities)/assets	**(484)**	**12**	**(484)**	**12**
Deferred tax liabilities	**(263)**	**(180)**	**(263)**	**(180)**

NOTE 9. CAPITAL MANAGEMENT

The Company holds an AFS licence issued by ASIC. The AFS licence mandates licensed companies to maintain specified levels of capital.

As at 30 June 2024, the Company has met the minimum capital requirements to satisfy all applicable conditions.

NOTE 10. NOTES TO THE STATEMENT OF CASH FLOWS

Cash and cash equivalents represent cash on hand and held with banks and deposits at call readily convertible to cash.

10.1. Composition

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June 2024:

	Consolidated		Company	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Cash at bank	**31,448**	21,969	**31,043**	21,628
Total cash and cash equivalents	**31,448**	**21,969**	**31,043**	**21,628**

10.2. Significant Risks

The net carrying amount of cash and cash equivalents represents the maximum exposure to credit risk relevant to cash and cash equivalents at reporting date and is equivalent to the fair value of the assets because of the negligible credit risk.

NOTE 10 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

10.3. Reconciliation of profit for the year to net cash flows from operating activities

	Consolidated		Company	
		Restated		Restated
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Profit after tax for the year	**9,085**	7,486	**9,068**	7,481
Adjustments for:				
Foreign exchange loss/(gain) in cash at bank	**14**	(3)	**15**	(8)
Interest received	**(2,897)**	(1,498)	**(2,878)**	(1,482)
Decrease in operating assets				
Other receivables	**12**	1	**13**	6
Reinsurance contract assets	**3,106**	26,480	**3,106**	26,480
Increase / (decrease) in operating liabilities				
Current tax liabilities	**496**	34	**496**	34
Deferred tax liabilities	**83**	265	**83**	265
Payables	**5,082**	(4,016)	**5,034**	(4,024)
Protection contract liabilities	**951**	(22,670)	**951**	(22,670)
Net cash flows from operating activities	**15,932**	**6,079**	**15,888**	**6,082**

NOTE 11. INVESTMENTS

	Consolidated and Company	
	2024	2023
	$'000	$'000
Investments	**48,167**	38,831
Total investments	**48,167**	**38,831**

All investments mature within 12 months from reporting date, in line with last year.

The investments held at reporting date are term deposits valued at par and have yields ranging from 4.8% to 5.45% p.a.

The Group's exposure to credit and interest rate risks related to investments is disclosed in Note 14.

Determination of fair value

The total investments balance is based on a hierarchy that reflects the significance of the inputs used in the determination of fair value. The fair value hierarchy has the following levels:

(i) Level 1 - Quoted prices

Derived from quoted prices (unadjusted) in active markets for identical financial instruments.

(ii) Level 2 - Observable inputs

Derived from valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).

(iii) Level 3 - Unobservable inputs

Derived from valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

All investments have been categorised in the Level 1 fair value hierarchy (2023: Level 1).

NOTE 12. OTHER PAYABLES

	Consolidated		Company	
		Restated		Restated
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Other payables	**5,963**	881	**5,613**	579
Total other payables	**5,963**	**881**	**5,613**	**579**

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are normally settled within 30 days. Amounts have not been discounted because the effect of the time value of money is not material. The carrying amount of payables is a reasonable approximation of the fair value of the liabilities because of the nature of the liabilities.

NOTE 13. INVESTMENT IN CONTROLLED ENTITIES

	Consolidated		Company	
	2024	2023	**2024**	2023
	$	$	**$**	$
Investments in subsidiaries	**-**	-	**91**	91
Total investments in controlled entities	**-**	**-**	**91**	**91**

Relevant information relating to the controlled entities is disclosed in the Consolidated Entity Disclosure Statement.

NOTE 14. RISK MANAGEMENT

The operating activities of the Group expose it to risks including financial sustainability risks, underwriting risk, reinsurance risk, market risk, credit risk liquidity risk, operational risk and economic risk. The Group is currently also considering its position in relation to environmental, social and governance (ESG), particularly the financial and other risk impacts of climate change.

Risk Management Framework (RMF)

The Company's RMF is embedded at Board level and throughout each functional area. This structure recognises that effective risk management is critical in order for the Company to meet its strategic and operational goals.

The RMF provides reasonable assurance that the material risks in the business are being prudently and soundly managed within the Board approved Risk Appetite Statement (RAS). The Board understands that all business activity entails varying degrees of risk. The focus of the RMF, which includes the RAS, is to provide a framework to assess the exposure and impact of each material risk and then appropriately manage, treat or eliminate the risk, in accordance with the Company's defined risk appetite.

The RMF outlines the purpose and basic elements of CML's risk and compliance framework, applicable regulatory requirements, governance, risk management related policies and the key processes used to identify, assess, monitor, report on and mitigate all material risks likely to impact on the operations of the Company.

NOTE 14 RISK MANAGEMENT (continued)

Risk Management Framework (RMF) (continued)

Risk is inherent in all corporate activities undertaken by the Company which is undertaken through outsourcing arrangements with Capricorn Mutual Management Pty Ltd (CMM) and Capricorn Risk Services Pty Ltd (CRS). The Board places considerable importance on formal and systematic approaches to risk management being incorporated into all business activities. The Company's compliance with its AFSL obligations is monitored through the application of Service Level Agreements (SLA's) applied to CMM and CRS.

The Board has delegated its authority for the oversight of the RMF to the Audit Risk and Compliance (ARC) Committee. In turn, the ARC Committee works closely with the designated Line 2 risk management function to ensure that the RMF remains appropriate and effective. The ARC Committee is charged with overall accountability for the RMF and risk management capability.

The CMM team (Line 1) is responsible for the effective identification, assessment and management of the risks. To support Line 1 achieve this goal, the designated Line 2 Risk Management function provides oversight, policy reviews, check and challenge on Line 1 activities and risk advice, in addition to attending regular Management meetings. Line 1 and Line 2 provide regular reporting to the ARC Committee.

The key risks addressed by the RMF are discussed below:

14.1. Underwriting risk

As a mutual, the Company has limited options to raise additional capital. It is therefore strategically important that the Company continues to maintain a strong financial position.

The Group aims to maintain its financial strength and strong capital base through the application of sound financial targets for maintaining capital adequacy and profitability, as well as applying a risk-based approach to the overall management of its business.

a. Nature of risk

Underwriting risk is the risk of financial loss and the inability to meet liabilities due to inadequate or inappropriate product design, pricing, underwriting, concentration risk, reserving, claims management and / or reinsurance management. For all protections, the Company retains ultimate responsibility for:

- acceptance criteria and process;
- pricing;
- product wordings;
- portfolio management; and
- monitoring of underwriting performance.

The Company underwriting guidelines include delegations, limits, risk assessment and selection criteria. Underwriting procedures are reviewed regularly, particularly when changes occur in the internal or external environment. Adherence to procedures is subject to Line 1 peer and manager reviews and control testing. The effectiveness of controls may also be subject to Line 2 Risk Advisory reviews, control testing; and/or Line 3 internal audits in line with a CML Board approved audit plan.

NOTE 14. RISK MANAGEMENT (continued)

14.1 Underwriting risk (continued)

b. How risk is managed

The principal risk associated with any protection contract is the possibility of the protected event occurring and the uncertainty of the amount of the resulting claim. To mitigate the impact of underwriting risk, the Company has the following key policies and procedures in place:

(i) Selection and pricing of risk

Pricing risk relates to the risk of assigning a contribution amount at a price too low to cover all risks associated with the type of protection sought. The Company has in place the following controls to manage this risk:

- a Board approved Pricing Policy and a Pricing Procedure Manual, which outlines the framework and processes for appropriate pricing and risk selection;
- underwriting delegations to experienced underwriters following a detailed analysis of each class of business being underwritten;
- annual review of Underwriting Guidelines and criteria covering the classes of business the Company underwrites;
- maximum limits are set for the acceptance of risk on an individual contract basis, for classes of business and across the portfolio with particular attention paid to geographic exposure, industry segment and the Company risk appetite;
- prescribed pricing reviews occur quarterly;
- portfolio performance is monitored ongoing, with a Price Committee meeting held monthly to monitor, assess and discuss all pricing matters;
- management information systems are used to provide reliable and accurate data about the various risks being underwritten;
- reporting indicators such as loss ratio development highlight specific classes that require pricing review;
- membership of CML by way of application is assessed on a case-by-case basis to ensure that potential Members maintain a similar risk profile to the current membership base;
- the diversification of business over numerous classes of business and geography seeks to reduce variability in loss experience; and
- CML Members are Capricorn Society Limited (CSL) Members and are therefore pre-screened for credit worthiness which eliminates a significant component of both credit and moral risk.

The terms and conditions attaching to each risk protection agreement affect the level of protection risk accepted by the Company. There are no special terms or conditions in any non-standard contracts that have a material impact on the financial statements.

NOTE 14. RISK MANAGEMENT (continued)

14.1 Underwriting risk (continued)

(ii) Claims risk

Full details of the Company's approach to the management of claims is contained in the Claims Guidelines. These procedures are periodically reviewed by Management. Adherence to procedures is subject to Line 1 peer reviews. The effectiveness of controls may also be subject to Line 2 Risk Advisory control testing and/or Line 3 internal audits in line with a Board approved audit plan. The Company seeks to ensure the adequacy of its reserving and ensure effective claims management through the use of the following controls:

- experienced claims officers are used to assess claims and determine case strategies. Where necessary, they are assisted by external subject-matter experts. It is Company policy to respond to and resolve genuine claims as quickly as possible, in accordance with the provisions of the policy; and
- all claims advices are captured and updated on a timely basis and with a realistic assessment of the ultimate claims costs.

(iii) Product risk

The Board has delegated product development to CMM. CMM has in place a product development life cycle framework that includes appropriate underwriting and legal reviews and Board approvals, before any amendments are made to the CML Product Disclosure Statement.

There are no specific terms and conditions that are expected to have a material impact on this financial report.

(iv) Concentration risk

Concentration exposure is monitored on a regular basis, ensuring the portfolio is sufficiently diversified such that there is no undue concentration by risk class, by industry or by geographical region. The Company underwrites business across broad geographical regions within Australia and New Zealand. Regular reviews are undertaken to gauge the Company's geographic accumulation exposure. Catastrophe reinsurance is purchased to ensure that any accumulation of losses from one area is protected.

Concentration risk is particularly relevant on the occurrence of a catastrophic event. Typically, these are weather related but can also be man-made such as industrial accidents and infrastructure collapse. The nature and level of catastrophes in any one year cannot be accurately anticipated but the Company uses predictive modelling in conjunction with its reinsurance broker to manage its exposure.

The Company's exposure to concentration of underwriting risk is mitigated by a portfolio diversified across Australia and New Zealand. Product diversification is achieved through a strategy of developing strong risk acceptance and pricing skills in a wide variety of classes of business.

NOTE 14. RISK MANAGEMENT (continued)

14.1 Underwriting risk (continued)

(iv) Concentration risk (continued)

The geographical concentration of the Company's protection contract liabilities net of reinsurance contract assets is noted below. The disclosure is based on the countries where the business are written:

	Consolidated and Company	
	2024 $'000	Restated 2023 $'000
Australia		
Protection contract liabilities	**44,674**	37,016
Reinsurance contract assets	**(17,533)**	(17,016)
New Zealand		
Protection contract liabilities	**2,262**	8,969
Reinsurance contract assets	**(316)**	(3,939)
Total net protection contract liabilities	**29,087**	**25,030**

The table below provide an analysis of protection revenue by country and class of business.

	Consolidated and Company	
	2024 %	Restated 2023 %
Country		
Australia	**86.90**	88.36
New Zealand	**13.10**	11.64
Total	**100.00**	**100.00**
Class of business		
Business Property	**34.65**	35.02
Commercial Motor	**30.33**	28.51
Domestic Motor	**2.25**	2.40
Household Buildings and Contents	**5.45**	5.34
Other Accident	**1.80**	1.96
Public and Products Liability	**24.64**	25.78
Professional Indemnity	**0.88**	0.99
Balance at the end of the year	**100.00**	**100.00**

(v) Reinsurance risk

Reinsurance is used to limit the Group's exposure to individual claims and multiple claims from catastrophe events. A Reinsurance Management Strategy (REMS) has been developed to ensure that CML implements appropriate reinsurance arrangements in relation to the risks that it underwrites.

The REMS outlines the Board's requirements for the purchase and maintenance of the reinsurance program. The REMS is approved by the Board and forms part of the Group's overall RMF.

The Group uses a professional reinsurance broker to determine CML's reinsurance requirements, to source reinsurance capacity and to negotiate the terms of the program each year.

The reinsurance program is approved by the Board annually.

NOTE 14. RISK MANAGEMENT (continued)

14.1 Underwriting risk (continued)

(vi) Sensitivities to key assumptions

Liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following sensitivity analysis shows the impact on profit after tax, and equity for reasonably possible movements in key assumptions underlying the gross and net protection liabilities with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

		Consolidated and Company 2024 $'000			
	Changes in assumptions	**Impact on profit after tax gross of reinsurance**	**Impact on profit after tax net of reinsurance**	**Impact on equity gross of reinsurance**	**Impact on equity net of reinsurance**
Incurred development	**+50%**	**(5,761)**	**(5,761)**	**(5,761)**	**(5,761)**
Expected loss ratio	**+10%**	**(119)**	**(119)**	**(119)**	**(119)**
Discount rate	**+1%**	**325**	**262**	**325**	**262**
Incurred development	**-50%**	**5,480**	**5,480**	**5,480**	**5,480**
Expected loss ratio	**-10%**	**119**	**119**	**119**	**119**
Discount rate	**-1%**	**(332)**	**(268)**	**(332)**	**(268)**

		Consolidated and Company Restated 2023 $'000			
	Changes in assumptions	Impact on profit after tax gross of reinsurance	Impact on profit after tax net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
Incurred development	+50%	(4,502)	(4,502)	(4,502)	(4,502)
Expected loss ratio	+10%	(101)	(101)	(101)	(101)
Discount rate	+1%	314	200	314	200
Incurred development	-50%	4,309	4,309	4,309	4,309
Expected loss ratio	-10%	101	101	101	101
Discount rate	-1%	(321)	(234)	(321)	(234)

NOTE 14. RISK MANAGEMENT (continued)

14.2. Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and Incurred But Not Reported for each successive accident year at each reporting date, together with cumulative payments to date.

As required by AASB 17, in setting claims provisions, the Group gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims in the below claims development disclosure on a gross of reinsurance basis at 30 June 2024.

Gross liabilities for incurred claims for 2024

	Consolidated and Company Accident Year					
	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	Total $'000
Gross of reinsurance, undiscounted						
At end of accident year	-	39,330	87,985	63,152	68,910	
One year later	34,708	36,785	82,000	56,328		
Two years later	34,286	36,751	81,512			
Three years later	33,485	36,804				
Four years later	33,415					
Estimates of undiscounted gross cumulative claims	**33,415**	**36,804**	**81,512**	**56,328**	**68,910**	
Cumulative gross claims paid	(33,365)	(33,431)	(79,043)	(53,220)	(33,781)	
Gross liabilities - accident years from 2020 to 2024	**50**	**3,373**	**2,469**	**3,108**	**35,129**	**44,129**
Gross liabilities - accident years before 2020						**515**
Effect of discounting						**(1,185)**
Effect of risk adjustment						**12,611**
Gross liabilities for incurred claims						**56,070**

NOTE 14. RISK MANAGEMENT (continued)

14.2 Claims development table (continued)

Net liabilities for incurred claims for 2024

	Consolidated and Company					
	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	Total $'000
Net of reinsurance, undiscounted						
At end of accident year	-	35,378	46,193	58,262	65,132	
One year later	29,608	33,843	43,872	53,240		
Two years later	29,044	33,773	43,623			
Three years later	28,359	33,533				
Four years later	28,431					
Net estimates of undiscounted gross cumulative claims	**28,431**	**33,533**	**43,623**	**53,240**	**65,132**	
Cumulative net claims paid	(28,447)	(32,896)	(41,948)	(50,866)	(33,781)	
Net liabilities - accident years from 2020 to 2024	**(16)**	**637**	**1,675**	**2,374**	**31,351**	**36,021**
Net liabilities - accident years before 2020						(4,542)
Effect of discounting						(959)
Effect of risk adjustment						9,892
Net liabilities for incurred claims included in the Statements of Financial Position						**40,412**

14.3. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument, protection contract issued, or reinsurance contract held will fluctuate because foreign exchange rates (currency risk); market interest rates (interest rate risk); and market prices (price risk).

The nature of the Group's exposure to market risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

14.4. Currency Risk

a. Nature of risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument, protection contract assets and/or liabilities will fluctuate because of changes in foreign exchange rates.

The Consolidated Entity operates internationally and is exposed to foreign exchange risk arising from currency exposure with respect to the New Zealand dollar as a result of offering risk protection products to New Zealand Members. Foreign exchange gains and losses are generated on translation of New Zealand dollar held balances to the presentation currency of Australian dollars.

The Consolidated Entity is not exposed to foreign exchange risk in relation to transactions entered into by CIOM, as they are all denominated and settled in Australian dollars.

NOTE 14. RISK MANAGEMENT (continued)

14.4 Currency Risk (continued)

The table below summarises the Group's financial assets and liabilities by major currencies:

	Consolidated					
	2024 AU$'000			Restated 2023 AU$'000		
Currencies	**AUD**	**NZD**	**Total**	AUD	NZD	Total
Financial Assets						
Cash and cash equivalents	**30,080**	**1,368**	**31,448**	16,713	5,256	21,969
Fixed term deposits	**48,167**	**-**	**48,167**	38,831	-	38,831
Reinsurance contract assets						
Reinsurance contracts held	**15,658**	**-**	**15,658**	19,677	-	19,677
Reinsurance recoveries	**2,191**	**-**	**2,191**	1,278	-	1,278
Protection contract liabilities						
Assets for Remaining Coverage	**(7,380)**	**(1,754)**	**(9,134)**	(6,899)	(1,538)	(8,437)
Liabilities for Incurred Claims	**52,354**	**3,716**	**56,070**	43,912	10,510	54,422

The subsidiaries' cash and cash equivalents of $402k (2023: $334k) is included in the Group's AUD currency and $3k (2023: $7k) in the NZD currency.

b. How risk is managed

The Group has adopted a policy of minimising the exposure to foreign currency through attempting to match assets and liabilities in New Zealand dollars and transferring any excess cash to or from Australian dollars when the rates are favourable. This creates a natural hedge.

c. Sensitivity – Currency risk

The analysis below demonstrates the impact on Profit after Tax and Members' Equity of a movement in foreign currency exchange rates against the Australian dollar on New Zealand dollar currency exposure using the foreign currency exposures at the reporting date. The method used for deriving sensitivity information and significant variables did not change from the previous period.

		Consolidated Exposure to NZ$ 2024		
	Change in exchange rate %	**Carrying amount AU$'000**	**Impact on Profit After Tax AU$'000**	**Impact on Members Equity AU$'000**
AUD/NZ$ exchange rate				
Financial Assets				
Cash and cash equivalents	**+10%**	**1,368**	**137**	**137**
	-10%		**(137)**	**(137)**
Financial Liabilities				
Liabilities/(Assets) for Remaining Coverage	**+10%**	**(1,754)**	**175**	**175**
	-10%		**(175)**	**(175)**
Liabilities for Incurred Claims	**+10%**	**3,716**	**(372)**	**(372)**
	-10%		**372**	**372**

NOTE 14. RISK MANAGEMENT (continued)

14.4 Currency Risk (continued)

	Consolidated Exposure to NZ$ Restated 2023			
	Change in exchange rate %	Carrying amount AU$'000	Impact on Profit After Tax AU$'000	Impact on Members Equity AU$'000
AUD/NZ$ exchange rate				
Financial Assets				
Cash and cash equivalents	+10%	5,256	526	526
	-10%		(526)	(526)
Financial Liabilities				
Liabilities/(Assets) for Remaining Coverage	+10%	(1,538)	154	154
	-10%		(154)	(154)
Liabilities for Incurred Claims	+10%	10,510	(1,051)	(1,051)
	-10%		1,051	1,051

A 10% (2023: 10%) fluctuation in the exchange rate is considered appropriate in the current economic environment considering recent movements.

14.5. Interest rate risk

a. Nature of risk

Interest rate risk is the risk of loss arising from an unfavourable movement in market interest rates.

The Group's interest rate exposure is limited to the on-going valuation of protection contract liabilities which are discounted based on market observable interest rates and the risk that new or renewed investments need to be made at different interest rates.

b. How risk is managed

The Group's exposure to interest rate movements on protection contract liabilities is minimal due to the short tail nature of the contracts. The Group's Investment Policy allows management to invest in a range of approved asset classes and flexibility to vary investment durations so that the risks to investment returns are managed.

c. Sensitivity – Interest rate risk

The analysis below demonstrates the impact on Profit after Tax and Members' Equity of a movement in interest rates on the investments at its maturity dates.

	Consolidated and Company 2024		
	Change in interest rate %	**Impact on Profit After Tax $'000**	**Impact on Members Equity $'000**
Investments - interest rate movement	**+1%**	**246**	**246**
	-1%	**(246)**	**(246)**

NOTE 14. RISK MANAGEMENT (continued)

14.5 Interest rate risk (continued)

		Consolidated and Company 2023	
	Change in interest rate %	Impact on Profit After Tax $'000	Impact on Members Equity $'000
Investments - interest rate movement	+1%	209	209
	-1%	(209)	(209)

14.6. Price risk

a. Nature of risk

Price risk is the risk that the fair value or future cash flows of financial instruments or protection contract assets and/or liabilities will fluctuate because of changes in market prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or contract, or by factors affecting all similar contracts or financial instruments traded in the market.

The Group has no exposure to market price risk in respect of financial instruments. Also, there are no protection or reinsurance contracts which are exposed to price risk since the Group does not issue any participating contracts.

b. How risk is managed

The Group minimises price risk by investing only in fixed term deposits which do not fluctuate.

14.7. Credit risk

Credit risk is the risk of loss from a counterparty failing to meet their obligations.

a. Nature of risk

Credit risk is the risk that one party to a financial instrument, protection contract issued in an asset position or reinsurance contract held will cause a financial loss for the other party by failing to discharge an obligation.

The Group's credit risk arises predominantly from investment activities, reinsurance activities and underwriting activities including contributions receivable and third party recoveries receivable.

b. How risk is managed

(i) Cash and Investments

The Group has an Investment Policy which is approved by the Board. The exposure to any individual entity is limited by entity-specific and group exposure limits in the Investment Policy. The Investment Policy strictly prohibits any exposure to equities or derivatives.

NOTE 14. RISK MANAGEMENT (continued)

14.7 Credit risk (continued)

(ii) Reinsurance

The REMS includes references to the minimum Standard & Poor's (S&P) rating that must be used in the composition of the reinsurance panel.

It is Group policy to only deal with reinsurers with good credit ratings of at least A- unless approved by the Board. Where the credit rating of a reinsurer falls below the required quality during the period of risk, a contractual right to replace the counterparty exists.

The reinsurance program is spread across major reinsurance markets and reinsurers to avoid over-dependency upon any one market and to generate competition.

In order to reduce concentrations of credit risk, the Group seeks to limit exposure to any single reinsurer, or group of related reinsurers, when purchasing reinsurance.

The Group transacts with a large number of reinsurers in various regions without any individual counterparty having a material outstanding balance or exposure.

(iii) Contributions receivable

The amount of contributions receivable is for protections that are charged to Members' trade accounts, collected by CSL and are settled monthly. Non-payment or short payment of contributions results in the cancellation of the protection contract with the Member, eliminating both the credit risk and underwriting risk for the unpaid balance.

(iv) Group's internal rating process

The Group's Investment policy is to place investments with institutions that are investment grade according to the Standard and Poor's (S&P's) Credit Rating Agency.

c. Credit risk exposure

The carrying amount of financial assets in the Statement of Financial Position represents the maximum exposure to risk.

The Group's investing activities are restricted to deposits with APRA regulated institutions, i.e. within highly regulated markets which considerably reduces the exposure to credit risk.

NOTE 14. RISK MANAGEMENT (continued)

14.7 Credit risk (continued)

c. Credit risk exposure (continued)

The following table provides information regarding the credit risk exposure of the Group based on S&P's counterparty credit ratings to its financial assets. Due to the number of reinsurance counterparties, the range of credit ratings for that group are disclosed below.

	Consolidated			
	2024 Rating	Restated 2023 Rating	2024 $'000	Restated 2023 $'000
Contributions receivable	**Not rated**	Not rated	**83,460**	71,026
Third party claims recoveries	**Not rated**	Not rated	**5,393**	5,202
			88,853	**76,228**
Reinsurance receivables	**AA- to A-**	A to A-	**4,687**	3,183
Reinsurance recoveries	**AA- to A-**	A to A-	**10,971**	16,494
			15,658	**19,677**
Cash and cash equivalents	**AA-**	AA	**31,448**	21,969
Fixed term deposits	**AA- to A+**	AA to A	**48,167**	38,831
			79,615	**60,800**
Total			**184,126**	**156,705**

	Company			
	2024 Rating	Restated 2023 Rating	2024 $'000	Restated 2023 $'000
Contributions receivable	**Not rated**	Not rated	**83,460**	71,026
Third party claims recoveries	**Not rated**	Not rated	**5,393**	5,202
			88,853	**76,228**
Reinsurance receivables	**AA- to A-**	A to A-	**4,687**	3,183
Reinsurance recoveries	**AA- to A-**	A to A-	**10,971**	16,494
			15,658	**19,677**
Cash and cash equivalents	**AA-**	AA	**31,043**	21,628
Fixed term deposits	**AA- to A+**	AA to A	**48,167**	38,831
			79,210	**60,459**
Total			**183,721**	**156,364**

Reinsurance recoveries on liability for incurred claims are not due until the original gross claim is paid to the Member. However, the credit rating of the underlying reinsurers is extremely important from a Financial Position strength perspective.

Third Party claim recoveries are due from a wide range of counterparties ranging from individuals, in the case of a not at fault motor claim caused by an uninsured person, to a listed insurer.

NOTE 14. RISK MANAGEMENT (continued)

14.8. Liquidity risk

Liquidity risk is concerned with the risk of there being insufficient cash resources to meet payment obligations without affecting the daily operations or the financial condition of the Group. CML is carefully monitoring the economic and solvency situation of its related entities as well as the political and regulatory requirements regarding corporate capital management activities. CML expects to retain a satisfactory liquidity position, ensuring sufficient resources to support solvency capital requirements within the Company as well as its own operative liquidity needs.

a. Nature of risk

The liquidity position is derived from operating cash flows, investment portfolio and reinsurance arrangements.

b. How risk is managed

To ensure payments are made when they fall due, the Investment Policy provides sufficient cash deposits to meet day to day obligations. Investment funds can be realised to meet significant claims payment obligations and in the event of a catastrophe event, immediate cash access is available under the terms of reinsurance arrangements.

c. Maturity profiles

This maturity profile is a key tool used in the investment of assets backing protection contract liabilities in accordance with the policy of attempting to match the maturity profile of the assets with the estimated pattern of claims payments.

The following table summarises the maturity profile of the Group's liabilities for incurred claims based on the remaining term to settlement at the reporting date.

	Consolidated and Company $'000						
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
2024							
Protection contract liabilities	**45,585**	**8,050**	**1,692**	**515**	**196**	**32**	**56,070**
Restated 2023							
Protection contract liabilities	44,178	7,423	2,091	541	164	25	54,422

NOTE 14. RISK MANAGEMENT (continued)

14.8 Liquidity risk (continued)

c. Maturity profiles (continued)

The following table summarises the maturity profile of financial assets and financial liabilities of the Group based on remaining undiscounted contractual cash flows:

	Consolidated 2024 $'000						
	Up to 1 year	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Cash and cash equivalents	**31,448**	**-**	**-**	**-**	**-**	**-**	**31,448**
Fixed term deposits	**48,167**	**-**	**-**	**-**	**-**	**-**	**48,167**
Reinsurance contract assets	**12,343**	**2,618**	**495**	**140**	**53**	**9**	**15,658**
Contribution receivable from Members	**77,804**	**-**	**-**	**-**	**-**	**-**	**77,804**
Contribution receivable from CSL	**13,069**	**-**	**-**	**-**	**-**	**-**	**13,069**
Other payables	**(5,882)**	**(71)**	**-**	**(1)**	**(9)**	**-**	**(5,963)**
Total	**176,949**	**2,547**	**495**	**139**	**44**	**9**	**180,183**

	Consolidated Restated 2023 $'000						
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Cash and cash equivalents	21,969	-	-	-	-	-	21,969
Fixed term deposits	38,831	-	-	-	-	-	38,831
Reinsurance contract assets	16,118	2,797	578	137	41	6	19,677
Contribution receivable from Members	66,539	-	-	-	-	-	66,539
Contribution receivable from CSL	10,990	-	-	-	-	-	10,990
Other payables	(871)	-	(1)	(9)	-		(881)
Total	**153,576**	**2,797**	**577**	**128**	**41**	**6**	**157,125**

NOTE 14. RISK MANAGEMENT (continued)

14.9. Operational risk

a. Nature of risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. In addition to financial loss, operational risks can result in reputational damage, increased regulatory supervision, loss of members, loss of licence and personal injury.

b. How risk is managed

Operational risks are identified and assessed on an ongoing basis by Line 1 management and staff. Risks are assessed and controls are identified to mitigate inherent risks to an acceptable residual risk level in line with the Company's risk appetite. Active management of any residual risk outside of appetite is assigned to a responsible person, together with the development of a time-bound action plan which is documented in the Company's risk management system. Key controls are also subject to periodic control testing by Line 1 management.

Line 2 undertakes risk assurance activities periodically.

A Line 3 internal audit team may also undertake thorough audits to assess the design and effectiveness of the controls in place.

The key controls relied upon to mitigate risks include:

- Staff with industry expertise and/or specialist qualifications are employed and charged with responsibility for implementing the RMF within their functional areas;
- Delegated authorities are based on expertise and proven performance with adherence closely monitored;
- System access controls within the claims and protections system which are subject to six-monthly review;
- Dual authorisation of all payments and for the addition of new supplier banking details;
- Business continuity and disaster recovery plans;
- Documented policies and procedures; and
- Regular and formalised training for staff to maintain and develop professional knowledge and understanding of compliance obligations.

(i) Outsourcing risk

Outsourcing is a significant and important part of the Company's business model and recognises that the reliance on outsourcing agreements to achieve business objectives gives rise to substantial risks.

The Board recognises that material outsourced business activities remain one of its key responsibilities. The Company's primary outsourced service providers are CMM for its business management and CRS for its products distribution. CMM and CRS are responsible for managing the Company's operational risks under the outsourced management agreements, including ensuring compliance with Service Level Agreements (SLAs). These SLAs address a range of risks including member complaints, legal and regulatory (AFSL compliance), people and information security (cyber) risks.

CML also outsources its collections management to CSL which in turn guarantees payment and also provides access to CSL's membership base.

NOTE 14. RISK MANAGEMENT (continued)

14.9 Operational risk (continued)

(ii) Business interruption risk

The Board acknowledges that critical events may occur that are beyond the control of the Group, but which may potentially have catastrophic effects on its ability to reach business objectives.

The Group manages these risks through a combination of strategies. Adequate insurance is placed to transfer risk through reducing potential financial losses.

In addition, a system of crisis identification and management has been adopted. Procedures are in place to determine the most appropriate course of action in response to a potential crisis event. The Business Continuity Plan (BCP) details how the Group will ensure the ongoing operation of its critical business functions in the event of a crisis. The Information Technology Disaster Recovery Plan (DRP) details how the Group will ensure the recovery of critical IT systems following an unplanned outage or failure. Both the BCP and the DRP are subject to annual testing.

14.10. Economic risk

a. Nature of risk

Economic risk is the risk of loss from changes in macroeconomic conditions such as government regulation, exchange rates or political stability.

The Company's exposure to economic risks is identified and managed as part of the company-wide RMF and is overseen by the Board. Through risk profiling and ongoing trend analysis, information on these risks is collected and reported to management and Board and used to update the Company's strategy at appropriate intervals.

NOTE 15. RELATED PARTY TRANSACTIONS

15.1. Parent entity

The parent entity within the Group is Capricorn Mutual Limited.

15.2. Subsidiaries

Investments in subsidiaries are set out in Note 13.

15.3. Inter-company transactions

Transactions between the Company and its controlled entities during the year ended 30 June 2024 are detailed below:

- The Company recognised expenses from reinsurance contracts held of $11,924,412 (2023: $11,747,485) in accordance with the Agreement for Discretionary Protection with CIOM. It also paid a management fee of $60,000 (2023: $45,000) to CIOM. The amounts payable for Discretionary Protection are equal to the amounts payable by CIOM to CMLNZ and CMLNZ to Aon Reinsurance Australia Limited (Aon) under the terms of the CMLNZ reinsurance program.
- CIOM recognised expenses from reinsurance contracts held of $11,924,412 (2023: $11,747,485) in accordance with the Indemnity Agreement with CMLNZ. It also paid a management fee of $20,000 (2023: $10,000) to CMLNZ. The amounts payable for Indemnity are equal to the amounts payable by CMLNZ under the terms of the CMLNZ reinsurance program.

NOTE 15. RELATED PARTY TRANSACTIONS (continued)

15.3 Inter-company transactions (continued)

- The Company recognised recoveries from reinsurance contracts held of $10,971,247 (2023: $16,494,281) in accordance with the Agreement for Discretionary Protection with CIOM.
- CIOM recognised $10,971,247 (2023: $16,494,281) in accordance with the Indemnity Agreement with CMLNZ which CMLNZ recognised from the ultimate recoveries from reinsurance contracts from Aon.

The Company has outstanding balances with its controlled entities at 30 June 2024 and are detailed below. These balances at Group are due to and from the reinsurers at 30 June 2024.

- Expenses from reinsurance contracts held of $4,335,758 (2023: $4,720,470) due to CIOM.
- Recoveries from reinsurance contracts held of $4,687,305 (2023: $3,183,194) due from CIOM.

15.4. Related party transactions

Transactions between the Company and its related parties during the year ended 30 June 2024 are detailed below:

- The Company paid management fees of $18,340,056 (2023: $16,237,971) under the terms of the management agreement with CMM;
- The Company paid management fees of $17,537,944 (2023: $14,565,742) under the terms of the management agreement with CRS; and
- The Company incurred service fees of $5,872,556 (2023: $4,868,138) under the terms of the Preferred Supplier Trade Agreement (PSTA) with CSL.

The Company has outstanding balances with its related parties at 30 June 2024 and are detailed below:

- Service fees of $630,067 (2023: $456,529) due to CSL.

Members pay contributions for their protections via their Capricorn account with CSL and have the option to pay either in one lump sum or in monthly instalments. There is no additional charge for the option to pay in instalments.

CSL remits the collections it makes to the Company on a monthly basis in arrears and charges a service fee on all collections received and guarantees payment to the Company. If a Member fails to make payment, their protection is cancelled and the carrying amount of the remaining receivable is reduced accordingly, as is the unearned revenue, effectively resulting in no net Profit and Loss effect.

Under the PSTA terms, CSL does not assume the debt owed by Members to CML and CML's Members' liability to make payments to CML is not discharged when CSL receives those funds. It is discharged only once CML receives the due amount.

NOTE 15. RELATED PARTY TRANSACTIONS (continued)

15.5. Key management personnel

The Directors of the Company have been determined to be Key Management Personnel (KMP) within the scope of AASB 124 *Related Party Disclosures*. The names of the persons who were Directors of the Company at any time during the financial year were as follows:

- Mark Cooper
- Mario Pirone
- Bruce Rathie
- Rachel Thomson
- Lydia Stjepanovic (Appointed 1 October 2023)

Directors were in office for the full period unless otherwise stated.

The fees paid to Directors during the year ended 30 June 2024 by the Group are detailed below:

	2024 **$**	2023 $
Short Term Benefits	**504,195**	358,755
Post-Employment Benefits	**36,370**	36,409
	540,565	**395,164**

All other KMP are employees of CMM, CRS and CSL. The Company receives management services from CMM, CRS and CSL which includes the provision of KMP. The Company does not remunerate KMP or directly reimburse CMM, CRS or CSL for this cost; rather an overall management fee is paid to CMM and CRS. This is disclosed within Note 15.4 Related Party transactions.

NOTE 16. COMMITMENTS FOR EXPENDITURE

Following the conclusion of the management agreements effective 30 June 2024 between CML with CMM for the management of its operations and with CRS for the distribution of its products to Members, CML has entered into new management agreements with CMM and CRS for a 5-year term, expiring 1 July 2029. The agreements may be extended further upon receipt of written confirmation. The remuneration under each agreement is negotiated annually.

Additionally, CML’s agreement with CSL to provide protection to its members under the terms of a PSTA has concluded on 30 June 2024. CML has entered into a new PSTA with CSL on 1 July 2024 for an initial period of five years. After five years, either party may terminate the agreement upon notice and in the absence of such notice, the agreement will continue indefinitely.

NOTE 17. AUDITOR’S REMUNERATION

	Consolidated		**Company**	
	2024 **$**	Restated 2023 $	**2024** **$**	Restated 2023 $
PwC and related network firms				
Audit and review of financial reports	**408,550**	389,639	**408,550**	389,639
Other statutory assurance services	**20,000**	20,000	**20,000**	20,000
Other non-audit services	**63,690**	49,000	**52,690**	38,000
Total auditor’s remuneration	**492,240**	**458,639**	**481,240**	**447,639**

NOTE 18. MATERIAL ACCOUNTING POLICIES

18.1. Basis of consolidation

The Consolidated Financial Report comprises the financial statements of CML and its subsidiaries as at and for the period ended 30 June 2024. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

18.2. Overview & classification of protection and reinsurance contracts

CML is a discretionary mutual that offers non-life protection coverage exclusively for its Members and their associates, who are also Capricorn Society Ltd Members. The non-life products include Liability, Motor and Property. CML refers to its contracts as protections and premiums as contributions.

Unlike an insurance company, CML operates as a non-profit entity solely for the benefit of its members. As a discretionary mutual, the CML Board has the ability to make discretionary decisions pertaining to membership admittance, scope of protections and claims decisions. CML issues protection contracts in the normal course of business, under which it accepts significant protection risk from its policyholders. As a general guideline, CML determines whether it has significant protection risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Protection contracts can also transfer financial risk.

The Group does not issue reinsurance contracts, but it does hold excess of loss reinsurance contracts for its own protection and risk mitigation. The Group's reinsurance contracts held are purchased for the underlying protection contracts it issues. Some of these reinsurance contracts held are losses occurring whereas the remaining others are risk-attaching ones.

The Group does not issue any contracts with direct participating features.

18.3. Level of aggregation

AASB 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for CML is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. The portfolios are further divided by year of issue and expected profitability.

CML aggregates its issued protection contracts into three categories:

- contracts that are onerous at initial recognition, if any;
- contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
- a group of remaining contracts, if any.

Under the adopted PAA methodology, CML assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous from non-onerous contracts. For the non-onerous contracts, CML assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether these contracts have a significant possibility of becoming onerous.

NOTE 18. MATERIAL ACCOUNTING POLICIES (continued)

18.3 Level of aggregation (continued)

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of protection contracts issued. Applying the grouping requirements to reinsurance contracts held, CML aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of:

- contracts for which there is a net gain at initial recognition, if any;
- contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
- remaining contracts in the portfolio, if any.

All CML contracts issued are for periods of no more than one year and hence, are grouped into annual cohorts.

18.4. Measurement – Premium Allocation Approach (PAA)

(i) Initial measurement – Protection contracts

CML applies the Premium Allocation approach (PAA) to all the protection contracts that it issues, as the coverage period of each contract in the group is one year.

For a group of contracts that is not onerous at initial recognition, CML measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition;
- Minus any protection acquisition cash flows at that date;
- Plus, or minus any amount arising from the derecognition at that date of the asset recognised for protection acquisition cash flows; and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that CML pays or receives before the group of protection contracts is recognised.

For all the groups of protection contracts issued, there is no allowance for time value of money and the effect of financial risk for the liability for remaining coverage since the time between providing each part of the services and the related premium due date is no more than a year.

Where facts and circumstances indicate that contracts are onerous at initial recognition, CML performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and CML recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of liability for the group being equal to the fulfilment cash flows.

(ii) Initial measurement - Reinsurance contracts held

CML applies the Premium Allocation approach (PAA) to all the reinsurance contracts held since:

- the losses occurring contracts held qualify automatically for PAA owing to the coverage period of one year; and
- the risk-attaching contracts held have been assessed to meet the eligibility criteria for PAA.

Where a loss on initial recognition of an onerous group of underlying protection contracts is recognised or when further onerous underlying protection contracts are added to a group, CML establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

NOTE 18. MATERIAL ACCOUNTING POLICIES (continued)

18.4. Measurement – Premium Allocation Approach (PAA) (continued)

(ii) Initial measurement - Reinsurance contracts held (continued)

The loss-recovery component is calculated by multiplying the loss recognised on the underlying protection contracts and the percentage of claims on the underlying protection contracts CML expects to recover from the group of reinsurance contracts held. CML uses a systematic and rational method to determine the portion of losses recognised on the group to protection contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

(iii) Subsequent measurement – Protection contracts

CML measures the carrying amount of liability for remaining coverage at the end of each reporting period as liability for remaining coverage at the beginning of the period:

- Plus, premiums received in the period;
- Minus protection acquisition cash flows;
- Plus, any amounts relating to the amortisation of the protection acquisition cash flows recognised as an expense in the reporting period for the group;
- Plus, any adjustment to the financing component, where applicable; and
- Minus the amount recognised as protection revenue for the services provided in the period.

CML estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. They reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (the risk adjustment). The liability is discounted for time value of money and financial risks.

Where, during the coverage period, facts and circumstances indicate that a group of protection contracts is onerous, CML recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for liability for remaining coverage for such onerous group depicting the losses recognised. Protection acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through protection revenue).

The subsequent measurement of reinsurance contracts held follows the same principles as those for protection contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss recovery component to zero in line with reductions in the onerous group of underlying protection contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying protection contracts that the entity expects to recover from the group of reinsurance contracts held.

NOTE 18. MATERIAL ACCOUNTING POLICIES (continued)

18.4. Measurement – Premium Allocation Approach (PAA) (continued)

(iv) Protection acquisition cash flows

Protection acquisition cash flows arise from the costs of selling, underwriting and starting a group of protection contracts (issued or expected to be issued) that are directly attributable to the portfolio of protection contracts to which the group belongs.

CML uses a systematic and rational method to allocate protection acquisition cash flows to the group of portfolios. Protection acquisition cash flows are amortised systematically and corresponds to the earning pattern of the unearned protection revenue.

(v) Modification and derecognition – Protection contracts and Reinsurance contracts held

CML derecognises protection contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired) or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

In the event a contract is modified, referred to as a Mid-term Adjustment (MTA), CML issues a revised schedule of protection to the member.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

The modification and derecognition requirements for reinsurance contracts held are similar to that of protection contracts issued.

18.5. Presentation

(i) Protection revenue

Protection revenue comprises amounts charged to Members excluding amounts collected on behalf of third parties. The protection revenue for the period is the amount of expected premium receipts allocated to the period, recognised in the Statements of Comprehensive Income when it has been earned. CML also charges membership fees to its Members which are recognised as other income when charged.

(ii) Loss components

CML assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances indicate that a group of protection contracts is onerous, a loss component is established as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts, the loss component will be zero.

NOTE 18. MATERIAL ACCOUNTING POLICIES (continued)

18.5 Presentation (continued)

(iii) Loss-recovery components

Where a loss on initial recognition of an onerous group of underlying protection contracts is recognised, or when further onerous underlying protection contracts are added to a group, a loss-recovery component of the asset for remaining coverage is established for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying protection contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying protection contracts that the entity expects to recover from the group of reinsurance contracts held.

(iv) Protection and reinsurance finance income or expense

Protection and reinsurance finance income or expenses comprise the change in the carrying amount of the group of protection contracts issued and reinsurance contracts held arising from:

- the effect of the time value of money and changes in the time value of money; and
- the effect of financial risk and changes in financial risk.

CML considers the entire amount of finance income or expenses in profit or loss.

(v) Net income or expense from reinsurance contracts held

CML presents the amounts expected to be recovered from reinsurers and an allocation of the reinsurance premiums paid, as a net amount on the face of the Statements of Comprehensive Income.

18.6. Financial assets

(i) Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described below.

Financial instruments are initially recognised on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at FVTPL, transaction costs are added to this amount.

(ii) Measurement categories

The Group classifies and measures its financial assets, made up of cash and cash equivalents and investments in fixed term deposits (including the interest revenue receivable on the same) at FVTPL.

Investments comprise of assets held to back protection contract liabilities and assets that represent Members' Equity, in the form of fixed term deposits. The fixed term deposits are managed and performance evaluated on a fair value basis for both external and internal reporting purposes. They are designated and recorded at fair value (being the cost of acquisition excluding transaction costs) through the Statements of Comprehensive Income upon initial recognition. The carrying amount of investments includes the effect of interest on the fair value of the investments.

NOTE 18. MATERIAL ACCOUNTING POLICIES (continued)

18.6 Financial assets (continued)

(iii) Subsequent measurement

Investments, made up of fixed term deposits are subsequently remeasured to fair value at each reporting date in the Statement of Financial Position. Changes in the fair value are recognised as realised or unrealised investment gains or losses in the Statements of Comprehensive Income. Investments are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and substantially all the risks and rewards of ownership have transferred.

(iv) Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition.

18.7. Outsourced operations

CML has entered into an agreement with CMM to outsource its underwriting, claims management and general administration and with CRS to distribute its products. The amount of the fee payable to CMM and CRS is determined by the Board each year after reference to independent market information for similar outsourced arrangements.

A corporate administrative agreement is in place between CML, CIOM, CMM and IQ EQ (Isle of Man) Limited in relation to the administration of the affairs of CIOM.

CML also outsources its collections management to CSL which in turn guarantees payment and also provides access to CSL's membership base.

18.8. Income and other taxes

Current tax consists of the expected tax payable on the taxable income for the year, after any adjustments in respect to previous years. Current tax assets and liabilities are the expected tax recoverable or payable on the taxable income for the year and any adjustments to tax payable in respect of previous financial periods.

Deferred tax is recognised in respect to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognised for all temporary differences between the carrying amount and tax bases. Deferred tax assets (deductible temporary differences, carried forward unused tax assets and unused tax losses) are recognised to the extent it is probable that future taxable profits will be available to utilise them before the unused tax losses or credits expire.

No deferred tax assets or liabilities are recognised in the following circumstances:

- temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting or taxable profit or loss.
- temporary differences between the carrying amount and tax bases of investments in subsidiaries when it is probable that the differences will not reverse in the foreseeable future.

Current tax and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset, and the tax balances relate to the same taxation authority.

NOTE 18. MATERIAL ACCOUNTING POLICIES (continued)

18.8 Income and other taxes (continued)

CML is limited by guarantee and operates for the mutual benefit of its members. Accordingly, CML is not liable for income tax on contributions received from Members, nor are the related outgoings allowable as an income tax deduction.

CML is, however, liable for income tax on interest and other income from investments. CMLNZ is limited by shares and is liable for income tax in New Zealand. CIOM is not liable for income tax in Isle of Man as it does not meet the required profit thresholds.

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred on a purchase of goods or services is not recoverable from the relevant tax authority. In these circumstances, GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense as applicable and receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the relevant tax authority is included as part of receivables or payables in the Statements of Financial Position. Cash flows are included in the Statements of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant tax authorities are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the relevant tax authority.

18.9. Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand which are used in the cash management function on a day-to-day basis and short-term deposits with a maturity of three months or less.

Cash and cash equivalents are carried at face value of the amount deposited. The carrying amounts of cash assets approximate their fair value. For the purposes of the Statements of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

18.10. Investment in subsidiaries

Investment in subsidiaries is initially recognised at cost, being fair value of consideration provided and is subsequently carried at the lower of cost and recoverable amount by the parent entity. Costs incurred in investigating and evaluating an acquisition up to the point of formal commitment to an acquisition are expensed as incurred. Where the carrying value exceeds the recoverable amount, an impairment charge is recognised in the Statements of Comprehensive Income which can subsequently be reversed in certain conditions. Where an additional interest is purchased in an existing subsidiary, the acquisition is treated as a transaction between owners and has no impact on the Statements of Comprehensive Income. Income from these investments, including dividends and trust distributions, is brought to account on an accrual basis.

Dividend revenue is accrued on the date the dividends are declared.

NOTE 19. SUBSEQUENT EVENTS

At the date of this report, there were no material or unusual events or transactions occurring after the reporting date that the Directors are aware of that would significantly affect the Group's operations or its state of affairs.

NOTE 20. CONTINGENT LIABILITIES

There are no contingent liabilities at balance date (2023: Nil).

CONSOLIDATED ENTITY DISCLOSURE STATEMENT
AT 30 JUNE 2024

Set out below is relevant information relating to entities that are consolidated in the consolidated financial statements as required by the *Corporations Act 2001* (s.295(3A)(a)).

		Body corporates		Tax residency	
Entity Name	**Entity Type**	Country of incorporation	Share capital held	Australian or foreign	Foreign jurisdiction
Capricorn Mutual Limited	Body corporate	Australia	N/A	Australian	N/A
CML NZ Limited	Body corporate	New Zealand	100%	Foreign	New Zealand
Capricorn (Isle of Man) Limited	Body corporate	Isle of Man	100%	Foreign	Isle of Man

Key assumptions and judgements

Basis of preparation

This consolidated entity disclosure statement (CEDS) has been prepared in accordance with the *Corporations Act 2001* and includes information for each entity that was part of the consolidated entity as at the end of the financial year in accordance with *AASB 10 Consolidated Financial Statements*.

Determination of Tax Residency

Section 295 (3A) of the *Corporation Acts 2001* defines tax residency as having the meaning in the *Income Tax Assessment Act 1997*. The determination of tax residency involves judgment as there are different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

Australian tax residency

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling *TR 2018/5*.

Foreign tax residency

Where necessary, the consolidated entity has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with.

DIRECTORS' DECLARATION

In the opinion of the Directors of Capricorn Mutual Limited:

- the financial report and notes are in accordance with the *Corporations Act 2001*, including:
  - giving a true and fair view of financial position of the Company and Consolidated Entity at 30 June 2024 and of their performance, as represented by the results of their operations and their cash flows for the year ended on that date;
  - complying with *Australian Accounting Standards* (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
  - the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- the Consolidated Entity Disclosure Statement is true and correct.

Signed this 8th day of September 2024 in accordance with a resolution of Directors.

Mario Pirone	Rachel Thomson
Chairman	Director

Independent auditor's report

To the members of Capricorn Mutual Limited

Our opinion

In our opinion:

The accompanying financial report of Capricorn Mutual Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's and Group's financial positions as at 30 June 2024 and of their financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the Consolidated and Company statements of financial position as at 30 June 2024
- the Consolidated and Company statements of comprehensive income for the year then ended
- the Consolidated and Company statements of changes in equity for the year then ended
- the Consolidated and Company statements of cash flows for the year then ended
- the notes to the financial statements, including material accounting policy information and other explanatory information
- the consolidated entity disclosure statement as at 30 June 2024
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Company and the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the consolidated annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we 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.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*, including giving a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

CPVerhaeghe

Christopher Verhaeghe
Partner

Sydney
8 September 2024

CORPORATE DIRECTORY

Registered Office

The registered office of Capricorn Mutual Limited (CML), the parent entity is:
Level 19, 141 St Georges Terrace
Perth
WA 6000
Australia

The registered office of CML NZ Limited (CMLNZ), a wholly owned subsidiary is:
c/o Buddle Findlay
Aon Centre
1 Willis St
Wellington 6011
New Zealand

The registered office of Capricorn (Isle of Man) Limited (CIOM), a wholly owned subsidiary is:
c/o IQ EQ (Isle of Man) Limited
First Names House
Victoria Road
Douglas
Isle of Man IM2 4DF

Auditor	Actuary
PricewaterhouseCoopers	Finity Consulting
One International Towers Sydney	Level 10, 68 Harrington Street
Watermans Quay	The Rocks
Barangaroo, NSW 2000	Sydney, NSW 2000

Bank	Solicitor
ANZ Banking Group	Lander & Rogers
Level 5, 240 St Georges Terrace	Level 19 Angel Place
Perth, WA 6000	123 Pitt St
	Sydney, NSW 2000

THREE YEAR FINANCIAL SUMMARY

Consolidated	FY24 $'000	FY23 $'000	FY22 $'000
Protection revenue	**126,246**	108,868	88,455
Net expenses from reinsurance contracts held	**(12,117)**	(16,059)	38,984
Protection service result	**11,241**	8,895	3,614
Income tax expense	**(610)**	(303)	(9)
Profit after tax	**9,085**	7,486	1,928
Add: member loyalty rebate	**5,000**	-	4,294
Profit after tax excluding rebate	**14,085**	**7,486**	**6,222**
Total Assets	**97,650**	**81,965**	**100,985**
Members' Equity	**44,004**	**34,919**	**27,433**
Key Ratios			
Protections revenue growth	**16%**	23%	21%
Gross claims ratio*	**53%**	51%	104%
Combined operating ratio**	**94%**	94%	98%
Combined operating ratio excluding rebate	**90%**	94%	93%

*Gross Claims Ratio excludes the impact of the Member Loyalty Rebate

**Combined operating ratio includes all P&L items as they are all considered to be part of the operations of the Company

As a result of changes to the presentation items introduced by AASB 17, the key metrics used by CML to manage and assess protection financial results are derived from components that are no longer separately presented in the financial statements.