First Mortgage Trust Group Investment Fund

Financial Statements 2024

▶▶ For the year ended 31 March 2024

first mortgage trust

first mortgage managers

Signed for and on behalf of the manager,
First Mortgage Managers Limited:

Director
Simon Cotter

Director
Greig Allison

Date: 16 July 2024

first mortgage trust

Contents

Directory

The Manager

First Mortgage Managers Limited
15 First Avenue
PO Box 13083
Tauranga 3141
Attention: Chief Financial Officer

Phone 0800 321 113
Email team@fmt.co.nz
www.fmt.co.nz

Directors of the Manager

Michael John Smith (Chairman)
Greig Anthony Allison
Phillip Graeme Bell
Kylie Jane Boyd
Simon Roger Cotter (01 July 2023)
Craig Norman Haycock
Mark Joseph Synnott (01 November 2023)
Ian James Farrelly (retired 30 April 2023)

The Supervisor

Trustees Executors Limited
Level 9, Spark Central,
42-52 Willis Street,
Wellington, 6011
Attention: Client Manager - Corporate Trustee Services
Phone 0800 878 783

The Auditors

KPMG
Level 2
247 Cameron Road
Tauranga

Chairman's Report

We are pleased to present the First Mortgage Trust Group Investment Fund's financial statements for the year ending 31 March 2024.

Over the last year, our funds have demonstrated their resilience to challenging economic conditions. Despite these conditions, we have delivered results we are proud of.

Our funds under management and investor numbers have continued to grow, underscoring the trust you place in us. Our team has worked diligently to ensure consistent returns for our investors, always maintaining our commitment to conservative lending policies and active fund management.

In a time when other assets have experienced significant volatility, we have delivered steady returns, reinforcing our promise to provide peace of mind in investing. We take great pride in our conservative approach, which has enabled us to safeguard investor capital for 28 years without loss.

Thank you for your continued support and confidence in First Mortgage Trust. We trust that these financial statements will reassure you that your investment remains in steady and capable hands.

Michael Smith
Chairman
First Mortgage Managers Limited

Statement of financial position

As at 31 March

	Note	2024 $000's	2023 $000's
Assets			
Cash and cash equivalents	10a	195,307	194,747
Short term deposits	10b	54,000	63,048
Interest and fees receivable	14b	8,082	8,819
Prepayments		66	71
Loans to customers – current portion	9a	1,187,744	1,121,559
Total current assets		**1,445,199**	**1,388,244**
Loans to customers – non-current portion	9a	262,378	229,970
Total non-current assets		**262,378**	**229,970**
Total assets		**1,707,577**	**1,618,214**
Liabilities			
Trade and other payables	11	6,306	5,558
Distribution payable		13,624	-
Taxation payable / (receivable)		298	(379)
Total current liabilities		**20,228**	**5,179**
Net Assets		**1,687,349**	**1,613,035**
Equity			
Retained earnings	13	13,481	9,279
Investors' funds	12	1,673,868	1,603,756
Total Investors Equity		**1,687,349**	**1,613,035**

Statement of comprehensive income

For the year ended 31 March

	Note	2024 $000's	2023 $000's
Interest income - loans to customers		128,306	106,800
Interest income - bank deposits		14,542	6,546
Lending Fees		4,270	5,886
Total interest and fee income		**147,118**	**119,232**
Management fees	5	25,661	23,593
Supervisor fees	6	1,000	968
Other expenses	7	413	388
Change in impairment allowance	9b	(2,094)	3,494
Bad debts written off	9c	308	18
Total expenses		**25,288**	**28,461**
Net profit for the year before tax		**121,830**	**90,771**
Income tax expense / (income)	8	1,667	(16)
Net profit for the year and total comprehensive income		**120,163**	**90,787**

The notes on pages 6 to 24 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 March

	Retained earnings $000's	Investors' funds $000's	Total equity $000's
Balance at 1 April 2022	**9,386**	**1,445,616**	**1,455,002**
Total comprehensive income	90,787	-	90,787
Contributions by and distributions to investors			
Distributions to investors	(90,894)	-	(90,894)
Units issued during the year	-	402,119	402,119
Units redeemed during the year	-	(243,979)	(243,979)
Total contributions by and distributions to investors	(90,894)	158,140	67,246
Balance at 31 March 2023	**9,279**	**1,603,756**	**1,613,035**
Balance at 1 April 2023	**9,279**	**1,603,756**	**1,613,035**
Total comprehensive income	120,163	-	120,163
Contributions by and distributions to investors			
Distributions to investors	(115,961)	-	(115,961)
Units issued during the year	-	363,761	363,761
Units redeemed during the year	-	(293,649)	(293,649)
Total contributions by and distributions to investors	(115,961)	70,112	(45,849)
Balance at 31 March 2024	**13,481**	**1,673,868**	**1,687,349**

Statement of cash flows

For the year ended 31 March

	Note	2024 $000's	2023 $000's
Cash flows from operating activities			
Interest and fees received		102,694	68,241
Cash paid to suppliers		(26,836)	(24,923)
Income taxes paid		(990)	(690)
Net cash from operating activities	**15**	**74,868**	**42,628**
Cash flows from investing activities			
Repayment of loans by customers		855,028	788,574
Advances of loans to customers		(906,727)	(835,237)
Decrease / (Increase) in short term deposits		9,048	(20,385)
Net cash used in investing activities		**(42,651)**	**(67,048)**
Cash flows from financing activities			
Proceeds from issue of units		274,196	334,378
Distributions to investors		(72,192)	(66,132)
Redemption of units		(233,661)	(200,045)
Net cash from financing activities		**(31,657)**	**68,201**
Net increase in cash and cash equivalents		560	43,781
Cash and cash equivalents at beginning of year		194,747	150,966
Cash and cash equivalents at end of year	**10a**	**195,307**	**194,747**

The notes on pages 6 to 24 are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2024

1. REPORTING ENTITY

First Mortgage Trust Group Investment Fund ("FMT GIF") is an unlisted open end Group Investment Fund domiciled in New Zealand.

First Mortgage Managers Limited (the "Manager") in its capacity as the manager of FMT GIF is a Financial Market Conduct (FMC) reporting entity under the Financial Markets Conduct Act 2013.

Trustees Executors Limited (the "Supervisor") is the trustee and supervisor of FMT GIF.

The FMT GIF was established on 20 February 2001, pursuant to a trust deed between the Supervisor and the Manager as varied by deed dated 13 August 2003, a deed of amendment and restatement dated 14 September 2015, a deed of amendment and restatement dated 25 October 2019, and a deed of amendment and restatement dated 21 December 2021 ("Trust Deed").

The FMT GIF financial statements have been prepared by the manager for the year ending 31 March 2024 in accordance with the Financial Reporting Act 2013, the Financial Markets Conduct Act 2013 and the provisions of the Trust Deed.

The FMT GIF is primarily involved in facilitating the collective investment in loans secured by first ranking mortgages over land and buildings.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards as appropriate for tier 1 profit-oriented entities. The financial statements also comply with the requirements of International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Manager on 16 July 2024.

(b) Basis of measurement

The measurement base adopted is that of historical cost unless stated otherwise in specific accounting policies. The going concern basis and the accrual basis of accounting have been adopted.

The methods used to measure fair values for disclosure purposes are discussed further in note 4.

(c) Functional and presentation currency

The FMT GIF only holds investments in New Zealand which are denominated in New Zealand dollars.

These financial statements are presented in New Zealand dollars which is the FMT GIF's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars.

(d) Use of estimates and judgements

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements made by management in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 9 (b) and 14 (b) and relates to measurement of loans to customers. Readers should carefully consider these disclosures considering the inherent uncertainty described below.

Economic forecasts remain subject to a high degree of uncertainty. Risks to the economic outlook include the impact of high interest rates and inflation, rising unemployment, natural hazards, climate change, and increased geopolitical tensions around the world.

The FMT GIF has developed various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as of 31 March 2024 about future events that are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of FMT GIF. Accordingly, actual economic conditions and outcomes could be different from those forecast, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and recoverable amount assessments relating to financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial assets and liabilities

i. Recognition and initial measurement

Non-derivative financial instruments comprise of loans to customers, interest receivables, cash and cash equivalents, short term deposits and other payables.

A financial instrument is recognised if FMT GIF becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if FMT GIF's contractual rights to the cash flows from the financial asset expires or if FMT GIF transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at settlement date. Financial liabilities are derecognised if FMT GIF's obligations specified in the contract expire or are discharged or cancelled.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The notes on pages 6 to 24 are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2024

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial assets and liabilities (continued)

ii. Classification and subsequent measurement

▶ *Financial assets*

On initial recognition, a financial asset is classified as measured at either amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, FMT GIF may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

▶ *Financial assets – Business model assessment*

FMT GIF assesses the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to FMT GIF's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with FMT GIF's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

▶ *Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, FMT GIF considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual Cash flows such that it would not meet this condition. In making this assessment, FMT GIF considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit FMT GIF's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

▶ *Financial assets – Subsequent measurement and gains and losses*

Financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

▶ *Financial liabilities – Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. Derecognition of Financial Instruments

▶ *Financial assets*

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets have expired. Derecognition also occurs when the FMT GIF transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which FMT GIF neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

When FMT GIF enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Notes to the financial statements

For the year ended 31 March 2024

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial assets and liabilities (continued)

iii. Derecognition of Financial Instruments (continued)

▶ *Financial liabilities*

Financial liabilities are derecognised when the contractual obligations are discharged or cancelled or expire. FMT GIF also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position only when FMT GIF currently has a legally enforceable right to set off the amounts and there is an intention and ability to either settle them on a net basis or to realise the asset and settle the liability simultaneously.

(b) Investors' Funds

FMT GIF classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

FMT GIF units are puttable instruments and meet the criteria required under NZ IAS 32 Financial Instruments to be classified as equity.

A puttable financial instrument that includes a contractual obligation for FMT GIF to repurchase or redeem that instrument for cash or another financial asset is classified as equity if it meets all of the following conditions:

- it entitles the holder to a pro rata share of FMT GIF's net assets in the event of FMT GIF's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for FMT GIF to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of FMT GIF over the life of the instrument.

(c) Impairment

i. Financial instruments

FMT GIF recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

FMT GIF measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, FMT GIF considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on FMT GIF's historical experience and informed credit assessment and including forward-looking information.

FMT GIF assumes the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

FMT GIF considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to FMT GIF in full, without recourse by FMT GIF to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due; or
- the borrower is in default.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which FMT GIF is exposed to credit risk.

ECLs are discounted at the effective interest rate of the financial asset.

ii. Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that FMT GIF expects to receive).

iii. Credit-impaired financial assets

At each reporting date, FMT GIF assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The notes on pages 6 to 24 are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2024

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Impairment (continued)

iii. Credit-impaired financial assets (continued)

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the FMT GIF on terms that the FMT GIF would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

iv. Presentation of allowance for ECL in the Statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

v. Write-off

The gross carrying amount of a financial asset is written off when FMT GIF has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. FMT GIF individually assesses the financial assets, with respect to the timing and amount of write-off, based on whether there is a reasonable expectation of recovery. FMT GIF expects no significant recovery from the amount written off, however, financial assets that are written off could still be subject to enforcement activities in order to comply with FMT GIF's procedures for recovery of amounts due.

(d) Interest income

Interest income comprises interest on funds invested in bank deposits or loaned to customers. Interest income is recognised as it accrues, using the effective interest method.

(e) Income tax expense

This is a Category B Group Investment Fund; therefore, no taxation is payable by FMT GIF on amounts distributed to investors within 6 months of balance date. The income distributed to investors is liable for tax in the hands of the investor, unless the investor is exempt from tax.

FMT GIF is liable to pay tax on any undistributed surplus.

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

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

(f) New standards adopted and interpretations not yet effective

Where a new or revised standard is not effective for the period ended 31 March 2024, these have not been applied in preparing these financial statements.

(g) New standards now effective

The following are the new standards which become effective in the year ending 31 March 2024.

▶ *Climate Standards*

Effective 1 January 2023, part 7A of the Financial Markets Conduct Act 2013 made climate related disclosures mandatory for climate reporting. The FMT GIF, which is considered large due to having more than $1 billion in assets, is required to produce a climate report for the year ending 31 March 2024. The FY24 FMT GIF climate report can be found at www.fmt.co.nz

4. DETERMINATION OF FAIR VALUES

Several of FMT GIF's policies and disclosures require the determination of fair value, for both financial assets and liabilities. Fair values have been determined for disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Loans to customers and other receivables

The fair value of loans to customers and other receivables determined for disclosure purposes is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Notes to the financial statements

For the year ended 31 March 2024

5. MANAGEMENT FEES

	Year to 31 March 2024 $000's	Year to 31 March 2023 $000's
Average daily balance of FMT GIF	1,631,777	1,536,759
Management fees	24,888	23,396
Additional costs	773	197
Total management fees	**25,661**	**23,593**

The Manager of FMT GIF is entitled to a management fee of 1.5% plus GST (if any) per annum calculated on the average daily balance of FMT GIF. The Manager charged the full management fee during the year ending 31 March 2024. To reimburse the Manager for expenses incurred in collecting overdue mortgages, the Manager may charge an amount equal to half of the penalty interest (if any) received on those loans.

During the year $1,285,700 of penalty interest was charged by FMT GIF (2023: $117,406) of which $642,850 was remitted to the Manager and the remaining $642,850 (2023: $59,584) remained within FMT GIF. In addition, the Manager is permitted to be reimbursed out of FMT GIF for all costs, expenses and liabilities incurred whilst acting for FMT GIF.

6. SUPERVISOR FEES

	Year to 31 March 2024 $000's	Year to 31 March 2023 $000's
Average daily balance of FMT GIF	1,631,777	1,536,759
Supervisor fees	867	821
Additional costs	133	147
Total Supervisor fees	**1,000**	**968**

The Supervisor receives an amount not greater than 0.1% plus GST (if any) per annum calculated on the average daily balance of FMT GIF. In addition, the Supervisor is permitted to be reimbursed out of FMT GIF for all costs, expenses and liabilities incurred whilst acting for FMT GIF.

7. OTHER EXPENSES

	Year to 31 March 2024 $000's	Year to 31 March 2023 $000's
Administration expenses	245	243
Auditor's remuneration to KPMG comprises:		
Audit or review of financial statements (note i)	136	115
Audit-related services:		
Audit of the Investor Register (note ii)	4	4
Offer documents costs (note iii)	-	11
Legal Fees (note iv)	28	15
Total other expenses	**413**	**388**

Notes:

i. Fees for the review of the interim financial statements and annual audit of the financial statements of FMT GIF.

ii. The audit of the Investor Register and statutory Supervisor reporting.

iii. Includes an external review of the Product Disclosure Statement.

iv. Legal fees incurred in relation to a range of services.

8. INCOME TAX EXPENSE IN THE STATEMENT OF COMPREHENSIVE INCOME

	Year to 31 March 2024 $000's	Year to 31 March 2023 $000's
Current tax (refund)/expense		
Current period	1,667	(16)
Total income tax expense / (refund)	**1,667**	**(16)**
Reconciliation of effective tax rate:		
Net Profit for the year before tax	121,830	90,771
Beneficiary income	(115,875)	(90,827)
Total	**5,955**	**(56)**
Income tax using FMT GIF's domestic tax rate of 28%	1,667	(16)
Total	**1,667**	**(16)**

The notes on pages 6 to 24 are an integral part of these financial statements.

9. LOANS TO CUSTOMERS, IMPAIRMENT ALLOWANCE AND BAD DEBTS WRITTEN OFF

(a) Loans to customers

	31 March 2024 $000's	31 March 2023 $000's
Gross loans to customers	1,454,183	1,357,866
Impairment allowance	(4,061)	(6,337)
Total loans to customers	**1,450,122**	**1,351,529**
Current portion	1,187,744	1,121,559
Non-current portion	262,378	229,970
Total loans to customers	**1,450,122**	**1,351,529**

Loans to customers have stated interest rates ranging between 7.50% and 10.50% (2023: 6.25% and 9.95%). Up to 7% per annum interest, in addition to the stated interest rate, may be charged in instances where a loan is in default.

The following movements in loans to customers occurred during the year:

	31 March 2024 $000's	31 March 2023 $000's
Opening balance	1,351,529	1,260,078
New loans advanced	902,210	833,023
Capitalised interest and lending fees	44,883	48,101
Expenses and fees charged to customers	4,517	2,213
Repayment of existing loans	(855,293)	(788,592)
Change in impairment allowance	2,276	(3,294)
Total loans to customers	**1,450,122**	**1,351,529**

(b) Impairment allowance

(i) Expected Credit Losses

The table below presents a breakdown of gross financial assets where there has been a change in impairment allowance with stage allocation by asset classification, including off balance sheet exposures.

	Gross exposure				Impairment allowance			
As at 31 March 2024	**Stage 1 $000's**	**Stage 2 $000's**	**Stage 3 $000's**	**Total $000's**	**Stage 1 $000's**	**Stage 2 $000's**	**Stage 3 $000's**	**Total $000's**
Loans to customers at amortised cost	1,356,880	81,117	16,187	1,454,184	1,974	282	1,670	3,926
Off balance sheet loan commitments	173,470	425	11	173,906	134	1	-	135
Total	**1,530,350**	**81,542**	**16,198**	**1,628,090**	**2,108**	**283**	**1,670**	**4,061**

	Net exposure			
As at 31 March 2024	**Stage 1 $000's**	**Stage 2 $000's**	**Stage 3 $000's**	**Total $000's**
Loans to customers at amortised cost	1,354,906	80,834	14,517	1,450,257
Off balance sheet loan commitments	173,336	424	11	173,771
Total net exposure	**1,528,242**	**81,258**	**14,528**	**1,624,028**

- Stage 1: 94.0% of gross exposure is in Stage 1 and has not experienced a significant increase in credit risk since origination (2023: 98.1%).
- Stage 2: 5.0% of gross exposure is in Stage 2 and has seen an increase in credit risk since origination (2023: 0.3%).
- Stage 3: 1.0% of gross exposure is in Stage 3 which is credit impaired including defaulted assets (2023: 1.6%).

	Gross exposure				Impairment allowance			
As at 31 March 2023	**Stage 1 $000's**	**Stage 2 $000's**	**Stage 3 $000's**	**Total $000's**	**Stage 1 $000's**	**Stage 2 $000's**	**Stage 3 $000's**	**Total $000's**
Loans to customers at amortised cost	1,328,550	4,410	24,906	1,357,866	4,190	40	1,862	6,092
Off balance sheet loan commitments	192,949	-	32	192,981	245	-	-	245
Total	**1,521,499**	**4,410**	**24,938**	**1,550,847**	**4,435**	**40**	**1,862**	**6,337**

	Net exposure			
As at 31 March 2023	**Stage 1 $000's**	**Stage 2 $000's**	**Stage 3 $000's**	**Total $000's**
Loans to customers at amortised cost	1,324,360	4,370	23,044	1,351,774
Off balance sheet loan commitments	192,704	-	32	192,736
Total net exposure	**1,517,064**	**4,370**	**23,076**	**1,544,510**

9. LOANS TO CUSTOMERS, IMPAIRMENT ALLOWANCE AND BAD DEBTS WRITTEN OFF (continued)

(b) Impairment allowance (continued)

(ii) Analysis of loans to customers at amortised cost

The table below presents Gross exposure, Impairment allowance and Coverage ratio by stage allocation and business segment. The net exposure is provided in order to reconcile to the balance sheet.

	Gross exposure				Impairment allowance				Coverage ratio (Impairment allowance / Gross exposure)			
As at 31 March 2024	**Stage 1 $000's**	**Stage 2 $000's**	**Stage 3 $000's**	**Total $000's**	**Stage 1 $000's**	**Stage 2 $000's**	**Stage 3 $000's**	**Total $000's**	**Stage 1 %**	**Stage 2 %**	**Stage 3 %**	**Total %**
Residential home	153,292	10,896	5,805	169,993	39	5	1,451	1,495	0.02	0.05	25.00	0.88
Residential rental/ apartments	295,985	25,122	1,319	322,426	636	100	29	765	0.21	0.40	2.12	0.24
Residential development	453,774	9,898	2,161	465,833	92	4	4	100	0.02	0.04	0.19	0.02
Commercial loans	439,744	33,080	4,536	477,360	1,168	163	121	1,452	0.27	0.49	2.67	0.30
Rural loans	14,085	2,121	2,365	18,571	39	11	65	115	0.28	0.52	2.75	0.61
Total loans to customers at amortised cost	**1,356,880**	**81,117**	**16,186**	**1,454,183**	**1,974**	**283**	**1,670**	**3,927**	**0.14**	**0.35**	**10.31**	**0.27**
Less: Impairment allowance				4,061								
Total net exposure				**1,450,122**								

- Stage 1 assets - impairment is calculated based on a 12-month expected loss. Coverage for these performing non-deteriorated assets is 0.14% (2023: 0.29%).
- Stage 2 assets - have seen a significant increase in credit risk but are not defaulted and are largely performing. Under IFRS 9, these assets require a lifetime expected loss to be held. Coverage for stage 2 assets is 0.35 % (2023: 0.91%).
- Stage 3 assets - coverage ratio increases to 10.3% (2023: 7.47%). Stage 3 includes defaulted. Some of these assets remain subject to collections activities and this, along with collateral holdings, reduces expected loss levels for these assets.

	Gross exposure				Impairment allowance				Coverage ratio (Impairment allowance / Gross exposure)			
As at 31 March 2023	**Stage 1 $000's**	**Stage 2 $000's**	**Stage 3 $000's**	**Total $000's**	**Stage 1 $000's**	**Stage 2 $000's**	**Stage 3 $000's**	**Total $000's**	**Stage 1 %**	**Stage 2 %**	**Stage 3 %**	**Total %**
Residential home	177,739	660	3,402	181,801	25	-	1,226	1,251	0.01	-	36.04	0.69
Residential rental/ apartments	319,879	2,440	9,610	331,929	2,316	32	300	2,648	0.72	1.31	3.12	0.80
Residential development	440,294	411	158	440,863	219	-	1	220	0.05	-	-	0.05
Commercial loans	376,136	-	10,018	386,154	1,560	-	278	1,838	0.41	-	2.77	0.48
Rural loans	14,502	900	1,717	17,119	70	8	57	135	0.48	0.89	3.32	0.79
Total loans to customers at amortised cost	**1,328,550**	**4,411**	**24,905**	**1,357,866**	**4,190**	**40**	**1,862**	**6,092**	**0.29**	**0.91**	**7.47**	**0.41**
Less: Impairment allowance				6,337								
Total net exposure				**1,351,529**								

The following movements in impairment allowance covering both principal and interest arrears occurred during the period:

	31 March 2024 $000's	**31 March 2023 $000's**
Opening balance	6,767	3,273
Allowances (released) / made during the period	(2,094)	3,494
Total impairment allowance (including principal and interest)	**4,673**	**6,767**

Total movement in impairment allowance and bad debt expense for the period was:

	Note	**31 Mar 2024 $000's**	**31 Mar 2023 $000's**
Charged to profit or loss:			
(Decrease) / Increase in allowance - principal		(2,275)	3,294
Increase in allowance - interest		181	200
Bad debts written off	9c	308	18
Total impairment allowance and bad debts expense		**(1,786)**	**3,512**

Impairment allowances are regularly assessed by management. If the estimated value of the security is reassessed as being greater than the outstanding balance of the loan the impairment allowance is reversed.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial period are different from management's assumptions which could require a material adjustment to the carrying amount of loans to customers.

Notes to the financial statements

For the year ended 31 March 2024

9. LOANS TO CUSTOMERS, IMPAIRMENT ALLOWANCE AND BAD DEBTS WRITTEN OFF (continued)

(b) Impairment allowance (continued)

(ii) Analysis of loans to customers at amortised cost (continued)

Changes in ECL model assumptions and inputs

The modelled provision for ECL is an estimate of forward-looking losses based on FMT GIF's view of three different economic scenarios. FMT GIF's assumptions around the macroeconomic factors used within each scenario and the weighting applied to each scenario are key judgements applied to the ECL models. The macroeconomic variables used in the ECL model are based on current economic forecasts. The weightings assigned to each scenario reflect the uncertainty and higher potential upside and downside risks for the domestic economy.

FMT GIF's three macroeconomic scenarios have been created during the year ended 31 March 2024 as follows:

- Base case scenario (75%): This is FMT GIF's central scenario which assumes a continuation of recent macroeconomic trends. The outlook reflects unemployment steadily increasing reaching 5.6% in 2026, house prices start to increase from early 2024, inflation continues to decline, while interest rates steadily decrease to 4.7% in FY26.
- Best case scenario (7.5%): This scenario reflects more favourable macroeconomic conditions than the central scenario leading to a lower than expected credit losses. In this scenario, unemployment peaks at 5.0% in 2025 before declining in 2026, house prices start to increase from early 2024, inflation continues to decline, while interest rates steadily decrease to 4.3% in FY26.
- Worst case scenario (17.5%): This scenario reflects more favourable macroeconomic conditions than the central scenario leading to a higher than expected credit losses. In this scenario, unemployment peaks at 5.7% in 2025 before declining in 2026, house prices start to increase from early 2024, inflation continues to decline, while interest rates decrease to 5.2% in FY26.

The variables and weighting used of 31 March 2024 are presented below.

Scenario variables

	Forecast Financial year	2024	2025	2026
Base case	Unemployment	4.2%	5.2%	5.6%
	Population Growth (annual % change)	1.7%	2.6%	2.4%
	90 Day Bank Bill	5.7%	5.5%	5.2%
Best case	Unemployment	4.2%	5.0%	4.9%
	Population Growth (annual % change)	1.7%	2.6%	2.4%
	90 Day Bank Bill	5.7%	5.5%	4.3%
Worst case	Unemployment	4.2%	5.7%	5.6%
	Population Growth (annual % change)	1.7%	2.6%	0.7%
	90 Day Bank Bill	5.7%	5.7%	5.2%

Scenario weightings

The weightings applied to the scenarios in the calculation of ECL as of 31 March 2024 are outlined below.

Scenario weighting applied	31 March 2024	31 March 2023
Base case	52.5%	75.0%
Best case	5.0%	7.5%
Worst case	42.5%	17.5%

During the year ended 31 March 2024, macroeconomic scenarios were reviewed for the current weaker economic conditions, including higher interest rates, inflation, softer residential property prices, and rising unemployment. These updates over the period have worsened the macroeconomic outlook for the base case (central scenario) and best case scenarios, and increased the worst case scenario. The impact from the change in these weightings was not material and therefore the provision has not been adjusted to reflect these changes.

Sensitivity of the impairment provision ECL

As noted in the accounting policy (note 3(c)) the critical accounting assumptions in determining the impairment allowance relating to ECL are the determination whether there has been a significant increase in credit risk and the use of probability weighted forward looking macroeconomic scenarios.

Economic forecasts remain subject to a high degree of uncertainty. Risks to the economic outlook include the impact of high interest rates and inflation, rising unemployment, natural hazards, climate change, and increased geopolitical tensions around the world.

To provide a better understanding of the sensitivity of the credit impairment calculation based on the assumptions made, FMT GIF performed sensitivity analysis on the ECL. The sensitivity reflects the impact on the ECL:

	Base	% Change	Increase $000's	Decrease $000's
Unemployment	As high as 6.1%	+/- 0.5%	427	(427)
Population Growth	As high as 3.1%	+/- 0.5%	(10)	10
90 Day Bank Bill	As high as 6.5%	+/- 1.0%	231	(231)

(c) Bad debts written off

When a bad debt is written off, the portion of expected credit losses relating to the debt (if any) is reversed.

	31 March 2024 $000's	31 March 2023 $000's
Bad debts written off – principal	308	18
Total bad debts written off	**308**	**18**

Notes to the financial statements
For the year ended 31 March 2024

10. CASH AND CASH EQUIVALENTS AND SHORT TERM DEPOSITS

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, and short term deposits with a remaining term to maturity of three months or less.

Cash and cash equivalents	**31 March 2024 $000's**	**31 March 2023 $000's**
ANZ Bank New Zealand	183,946	189,667
Bank of New Zealand	6,034	33
Heartland Bank	5,327	5,047
Total cash and cash equivalents	**195,307**	**194,747**

(b) Short term deposits

Short term deposits comprise deposits with a remaining term to maturity of greater than three months but less than twelve months.

Short term deposits	**31 March 2024 $000's**	**31 March 2023 $000's**
ANZ Bank New Zealand	40,000	30,000
Heartland Bank	-	33,048
Bank of New Zealand	14,000	-
Total short term deposits	**54,000**	**63,048**

The effective interest rates on deposits held with financial institutions as at year end were as follows:

	31 March 2024	**31 March 2023**
Call deposits	5.53%	4.80%
Short term deposits	5.98%	5.06%

Cash and cash equivalents and short term deposits are held with bank and financial institution counterparties, which are rated BBB to A+, based on rating agency Fitch Ratings Inc. ratings.

11. TRADE AND OTHER PAYABLES

	Note	**31 March 2024 $000's**	**31 March 2023 $000's**
Trade payables		3,790	3,272
Management fees payable	16b	2,323	2,104
Supervisor fees payable	16b	86	83
Accrued expenses		107	99
Total trade and other payables		**6,306**	**5,558**

12. INVESTORS' FUNDS

	Year to 31 March 2024 Number of Units / $000's	**Year to 31 March 2023 Number of Units / $000's**
On issue at beginning of year	1,603,756	1,445,616
Units issued during the year	363,761	402,119
Units redeemed during the year	(293,649)	(243,979)
On issue at end of year	**1,673,868**	**1,603,756**

The investors receive quarterly distributions within 3 working days of being declared. Distributions of $115,961,069 were declared by FMT GIF for the year ended 31 March 2024 (2023: $90,893,659).

The notes on pages 6 to 24 are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2024

12. INVESTORS' FUNDS (continued)

The following table shows the number of investments in FMT GIF and First Mortgage PIE Trust* in various investment dollar bands to show funding exposure risk:

	31 March 2024 Number of Investments	31 March 2023 Number of Investments
Does not exceed $100,000	3,180	3,034
Exceeds $100,000 and not $250,000	1,565	1,491
Exceeds $250,000 and not $500,000	891	864
Exceeds $500,000 and not $1,000,000	544	496
Exceeds $1,000,000 and not $2,500,000	248	241
Exceeds $2,500,000 and not $5,000,000	41	36
Exceeds $5,000,000 and not $7,500,000	6	11
Exceeds $7,500,000 and not $10,000,000	3	2
Exceeds $10,000,000 and not $12,500,000	-	-
Exceeds $12,500,000	2	2
Total number of investors	**6,480**	**6,177**

* First Mortgage PIE Trust is managed by the Manager and invests in FMT GIF.

13. RETAINED EARNINGS

	Year to 31 March 2024 $000's	Year to 31 March 2023 $000's
Balance at beginning of year	9,279	9,386
Profit for the year	120,163	90,787
Distributions to investors	(115,961)	(90,894)
Balance at end of year	**13,481**	**9,279**

Retained earnings represent the net proceeds from FMT GIF's investment activities which the Manager, in consultation with the Supervisor, and in accordance with the Trust Deed have not yet distributed or credited to investors. Retained earnings includes interest in relation to some loans with interest payments in arrears that is not distributed until such time as it is received.

14. FINANCIAL INSTRUMENTS

FMT GIF has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about FMT GIF's exposure to each of the above risks, FMT GIF's objectives, policies and processes for measuring and managing risk, and FMT GIF's management of capital.

(a) Risk management framework

FMT GIF's risk management policies are established to identify and analyse the risks faced by FMT GIF, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions.

(b) Credit risk

Credit risk is the risk of financial loss to FMT GIF if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from FMT GIF's loans to customers and deposits with banks. For risk management reporting purposes, FMT GIF considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector risk) and has a credit policy, which is used to manage the risk.

Management of credit risk

As part of this policy the Supervisor has approved the following specific policies:

The policy of the Manager is to establish and maintain a broad range of loan investments secured by first registered mortgage over land and buildings. The skill of the Manager lies in maintaining a loan portfolio with a mix of loan types, interest rates, maturity dates and physical locations of the mortgaged properties.

▶ *Specific Policy Guidelines*

Specific investment policy guidelines are agreed between the Manager and the Supervisor from time to time. These guidelines are as follows:

(i) Mix of loan types

The loan portfolio will be spread between residential and commercial (including farming) properties within New Zealand, but with an emphasis on properties in the Bay of Plenty, Waikato, Wellington, Christchurch and Auckland areas. Lending on residential properties is limited to a minimum of 40% and a maximum of 75% of the value of FMT GIF's authorised investments. Lending on commercial properties is limited to a minimum of 15% and a maximum of 45% and, lending on rural properties is limited to a maximum of 20% of the value of FMT GIF's authorised investments.

14. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk (continued)

Management of credit risk (continued)

Specific Policy Guidelines (continued)

(ii) Lending limits

There are limits on the maximum size of any loan in relation to both the value of the property provided as security and to the value of FMT GIF's authorised investments at the time the loan is advanced. The limits are:

- **Residential** - 75% of an independent valuation for residential land and buildings in fee simple, 70% on developed residential sections, 50% of the lessee's interest in approved leasehold land and buildings, and 50% for vacant undeveloped residential land, or the amount of the valuer's recommendation;
- **Rural** - 60% of an independent valuation for rural properties in fee simple (in some instances for dairy farming, this lending margin may be increased to 66.67%), 50% of the lessee's interest in approved leasehold land and buildings, and 50% for vacant rural land or the amount of the valuer's recommendation. However, advances to farming clients operating solely on leasehold land will be exceptions rather than the rule and the mortgagors will need to have substantial financial assets; and
- **Commercial** - 66.7% of an independent valuation for commercial land and buildings in fee simple (including developed commercial sections), 50% of the lessee's interest in approved leasehold land and buildings, and 50% for vacant undeveloped commercial land, or the amount of the valuer's recommendation.
- No more than 5% of the value of FMT GIF's authorised investments will be invested in any one mortgage or advanced to any one borrower or related group of borrowers at the time of lending. The total of the six largest loans in FMT GIF may not exceed 25% of the value of FMT GIF's authorised investments.

(iii) Ranking

The Manager's policy is to maintain the bulk of investments in loans secured by registered first mortgages. The balance of FMT GIF is held in bank deposits at New Zealand registered banks.

Exposure to credit risk

▶ *Collateral*

FMT GIF holds collateral against loans to customers in the form of mortgage interests over property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing or renewal, and generally are not updated except when a loan is individually assessed as impaired.

It is not practicable to establish an estimate of the fair value of collateral held against all other loans. All loan value ratios are written within the parameters of the lending policy at the time a loan is advanced or renewed and the Manager considers that the collateral held is greater than the carrying value of the loans to customers (see note 9a).

Past due loans	Note	31 March 2024	31 March 2023
Loans to customers - principal:			
Neither past due nor impaired		1,423,593	1,325,313
Loans with principal past due but loan not impaired:			
0-30 days		965	-
30-60 days		1,849	900
60-90 days		150	-
90-180 days		3,213	5,714
180-365 days		5,493	1,875
365 days +		-	-
Loans with interest past due but loan not impaired:			
0-30 days		3,527	3,510
30-60 days		2,917	6,916
60-90 days		4,778	-
90-180 days		5,262	2,130
180-365 days		213	6,879
365 days +		-	-
Impaired		2,224	4,629
Specific allowance for impairment		(1,443)	(1,352)
Allowance for ECL under IFRS 9		(2,619)	(4,985)
Carrying amount – principal	**9a**	**1,450,122**	**1,351,529**

Notes to the financial statements

For the year ended 31 March 2024

14. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk (continued)

Exposure to credit risk (continued)

Past due interest receivable	Note	31 March 2024	31 March 2023
Interest receivable:			
Neither past due nor impaired		7,671	8,343
Past due but not impaired:			
0-30 days		125	140
30-60 days		94	106
60-90 days		69	62
90-180 days		118	133
180-365 days		5	35
365 days +		-	-
Impaired		612	431
Allowance for impairment		(612)	(431)
Carrying amount		**8,082**	**8,819**
Deposits with banks:			
Neither past due nor impaired		249,307	257,795
Carrying amount	**10**	**249,307**	**257,795**

▶ *Past due but not impaired loans*

Loans are considered past due but not impaired where contractual interest or principal payments are past due but FMT GIF believes that impairment is not appropriate on the basis of the level of collateral available or the stage of collection of amounts owed to FMT GIF. Included in past due loans are loans where interest payments continue to be made however the original term of the loan has expired, or FMT GIF has paid costs in relation to the loan or security property that the borrower is required to reimburse and therefore the loan meets the definition of a past due asset that is not impaired. In these instances, the property has been sold or refinanced with another lender and is pending completion of the transaction, or the Manager is working with the borrowers to renew the loan where appropriate, realise the security property, reduce the balance of the loan, or provide additional security. As of 31 March 2024 loans with interest in arrears had a principal loan balance of $19,943,157 (2023: $24,326,797). Included in this total are $17,107,363 (2023: $15,202,064) of loans not considered to be impaired which are secured against properties with estimated values of $37,841,955 (2023: $36,516,565).

▶ *Impaired loans*

Impaired loans are loans for which FMT GIF determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan. An allowance for impairment of $1,442,437 (2023: $1,351,659) has been made in relation to 1 loan with a book value before impairment of $2,835,793 (2023: 4 loans with a value of $9,124,734).

A summary of the movement in allowance for impairment is included in note 9b. The following movements in the balances of loans (including interest receivable) considered individually impaired occurred during the year:

	Year to 31 March 2024 $000's	Year to 31 March 2023 $000's
Opening balance of impaired loans	9,125	2,310
Additions to loans impaired including accrued interest	581	6,833
Loans repaid or no longer impaired	(6,562)	-
Amounts written off	(308)	(18)
Closing balance of impaired loans (principal and interest)	**2,836**	**9,125**

▶ *Allowances for impairment*

FMT GIF establishes an impairment allowance that represents its estimate of losses likely to be incurred in its loan portfolio. The Manager's assessment of the impairment allowance considers registered valuer's assessments of the property held as security in conjunction with other information available regarding the property. The impairment allowance is subject to estimation and uncertainty in relation to the future recoverable amount and the expected repayment date. Impairment allowances are applied against interest receivable in relation to loans identified as specifically impaired in the first instance.

14. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk (continued)

Concentration of credit risk

FMT GIF monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

	Note	31 March 2024 $000's	31 March 2023 $000's
Bank and short term deposits	10	249,307	257,795
Loans over commercial property		477,360	386,154
Loans over residential property		884,246	880,829
Loans over rural property		92,577	90,883
Allowance for ECL		(2,619)	(4,985)
Allowance for specific impairment		(1,442)	(1,352)
Interest and fees receivable		8,082	8,819
Carrying amount		**1,707,511**	**1,618,143**

At the reporting date FMT GIF had aggregate credit exposure to ANZ Bank New Zealand of 13.3% (2023: ANZ Bank New Zealand of 13.7%). There is no other aggregate exposure to individual counterparties which equals or exceeds 10% of FMT GIF's equity at the reporting date.

The concentration of credit risk in counterparty loan holders owing the 6 largest amounts is 12.5% of Investor Funds (2023: 17.3%). The above table represents the maximum exposure to credit risk. At the reporting date there were no loans which exceeded 5% of Investor Funds or were there any loans exceeding 5% of Investor Funds at the preceding reporting periods.

The following table shows the number of loans held by individual counterparties in various loan dollar bands to show credit exposure risk:

	31 March 2024	31 March 2023
<$200,000	27	35
$200,000 - $500,000	94	83
$500,001 - $1,000,000	134	131
$1,000,001 - $2,000,000	122	118
$2,000,001 - $3,500,000	83	82
$3,500,001 - $5,000,000	40	36
$5,000,001 - $7,500,000	21	12
$7,500,001 - $10,000,000	11	12
>$10,000,000	25	27
Total number of individual counterparties	**557**	**536**

The loan portfolio will be spread between properties within New Zealand, but with an emphasis on properties in the Bay of Plenty, Waikato, Wellington, Christchurch and Auckland areas.

FMT GIF monitors concentrations of the loan portfolio credit risk by geographic region. An analysis of concentrations of credit risk at the reporting date is shown below:

	Note	31 March 2024 $000's	31 March 2023 $000's
Auckland		851,748	843,178
Bay of Plenty		107,071	69,167
Canterbury		127,958	152,271
Hawke's Bay		5,907	5,726
Manawatu-Wanganui		7,969	6,037
Marlborough		2,078	1,981
Nelson		9,226	3,361
Northland		3,409	6,387
Otago		57,897	41,885
Southland		2,407	3,540
Taranaki		1,311	1,948
Waikato		88,075	65,217
Wellington		187,685	155,816
Allowance for ECL		(2,619)	(4,985)
Carrying amount	**9a**	**1,450,122**	**1,351,529**

The notes on pages 6 to 24 are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2024

14. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk (continued)

Concentration of credit risk (continued)

Loan-to-Value ratios (LVRs) are calculated as the current loan secured by a first mortgage divided by FMT GIF's valuation of the security property at origination of the exposure. FMT GIF monitors concentrations of the loan portfolio credit risk by LVRs. An analysis of concentrations of credit risk at the reporting date by percentage of loans by LVR range is shown below:

LVR Range	31 March 2024 Percentage of Loans	31 March 2023 Percentage of Loans
Does not exceed 45%	40.2%	34.0%
Exceeds 45% and not 55%	28.1%	33.8%
Exceeds 55% and not 65%	25.4%	25.2%
Exceeds 65% and not 75%	6.1%	6.9%
Exceeds 75% and not 85%	-	-
Exceeds 85%	0.2%	0.1%

Valuation of the security property at origination is the valuation at the time of loan approval, or the valuation at the time the loan is increased if an increase has occurred which requires a more up-to-date valuation.

(c) Liquidity risk

Liquidity risk is the risk that FMT GIF will encounter difficulty in meeting obligations associated with its financial liabilities.

Management of liquidity risk

FMT GIF's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to FMT GIF's reputation.

The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. FMT GIF takes monies invested by investors and lends to customers for longer periods. If an investor wishes to withdraw from FMT GIF, the Manager has up to 90 business days to repay the investor. The contractual cash flow analysis below sets out the liquidity position of FMT GIF's assets.

▶ *Cash reserves*

The Manager has agreed with FMT GIF's Supervisor to maintain a portion of FMT GIF in liquid investments to provide for withdrawals and running expenses. This portion of FMT GIF may be partially invested in bank deposits, government securities or other managed funds.

Exposure to liquidity risk

The key measure used by FMT GIF for managing liquidity risk is the ratio of net liquid assets to deposits from customers (i.e. investors' funds). For this purpose, net liquid assets are considered as including cash and cash equivalents and debt securities for which there is an active and liquid market less any borrowings and commitments maturing within the next month. A similar, but not identical calculation is used to measure FMT GIF's compliance with the liquidity limit established by FMT GIF's Supervisor.

Details of the reported Fund ratio of net liquid assets to investors' funds at the reporting date and during the reporting year were as follows:

	31 March 2024	31 March 2023
As at year end		
Cash and cash equivalents and short term deposits	13.7%	15.9%
Average for the year	16.0%	13.2%
Maximum for the year	19.5%	16.1%
Minimum for the year	9.7%	10.2%

Cash and cash equivalents comprise cash balances, call deposits, and short term deposits with a remaining term to maturity of three months or less. Short term deposits in the statement of financial position includes short term deposits with a maturity of greater than 3 months but less than one year.

The following table combines cash and cash equivalents and all short term deposits:

	Note	31 March 2024 $000's	31 March 2023 $000's
Cash and cash equivalents	10a	195,307	194,747
Short term deposits	10b	54,000	63,048
Total cash and cash equivalents and short term deposits		**249,307**	**257,795**

Notes to the financial statements

For the year ended 31 March 2024

14. FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

Residual contractual maturities for financial assets and liabilities

The following table sets out the contractual cash flows for all financial assets and liabilities.

31 March 2024	Carrying value $000's	Contractual cash flows $000's	On demand $000's	6 months or less $000's	6-12 months $000's	1-2 years $000's	2-5 years $000's	More than 5 years $000's
Assets								
Cash and cash equivalents	195,307	195,451	177,480	17,971	-	-	-	-
Short term deposits	54,000	55,836	-	23,543	32,293	-	-	-
Loans to customers	1,450,122	1,537,956	23,336	693,812	539,428	263,952	15,244	2,184
Interest and fees receivable	8,082	8,082	410	7,253	419	-	-	-
Total assets	**1,707,511**	**1,797,325**	**201,226**	**742,579**	**572,140**	**263,952**	**15,244**	**2,184**
Liabilities								
Accounts payable	6,306	6,306	-	6,306	-	-	-	-
Taxation receivable	298	298	-	298	-	-	-	-
Distribution payable	13,624	13,624	-	13,624	-	-	-	-
Total non-derivative liabilities	**20,228**	**20,228**	**-**	**20,228**	**-**	**-**	**-**	**-**
Net financial assets	**1,687,283**	**1,777,097**	**201,226**	**722,351**	**572,140**	**263,952**	**15,244**	**2,184**

31 March 2023	Carrying value $000's	Contractual cash flows $000's	On demand $000's	6 months or less $000's	6-12 months $000's	1-2 years $000's	2-5 years $000's	More than 5 years $000's
Assets								
Cash and cash equivalents	194,747	194,825	174,179	20,646	-	-	-	-
Short term deposits	63,048	65,061	-	22,823	42,238	-	-	-
Loans to customers	1,351,529	1,428,119	29,181	661,545	491,703	233,395	8,522	3,773
Interest and fees receivable	8,819	8,819	476	8,020	323	-	-	-
Taxation receivable	379	379	-	379	-	-	-	-
Total assets	**1,618,522**	**1,697,203**	**203,836**	**713,413**	**534,264**	**233,395**	**8,522**	**3,773**
Liabilities								
Accounts payable	5,558	5,558	-	5,558	-	-	-	-
Total non-derivative liabilities	**5,558**	**5,558**	**-**	**5,558**	**-**	**-**	**-**	**-**
Net financial assets	**1,612,964**	**1,691,645**	**203,836**	**707,855**	**534,264**	**233,395**	**8,522**	**3,773**

Loans to customers are repayable on demand if payments are not made when contractually due. Accordingly amounts in relation to loans to customers where the original term of the loan has expired, including loans that may have interest past due or loans that are impaired, have been included in the on-demand category of the above contractual maturity tables.

The actual repayment of loans to customers may not occur at the contractual maturity date. In the normal course of business loans are advanced for a further period of time, borrowers repay loans early, or borrowers are unable to repay the loan when it falls due. FMT GIF is managed based on contractual maturity of loans to customers and liquidity risk is managed primarily by holding a portion of FMT GIF in bank deposits.

The liquidity table on the previous page does not include investors' funds due to the fact that they are classified as equity in the statement of financial position however they consist of puttable instruments that are, by their nature, capable of being put to FMT GIF within 6 months of the reporting date.

The Manager has calculated expected maturity for loans to customers using estimated repayment dates for loans to customers with a contractual repayment date that is past due and assumed that 33% (2023: 44%) of maturing loans will be renewed for a further term of 12 months on an ongoing basis.

In the normal course of business loans to customers that are not renewed will be repaid earlier or later than the contractual maturity date. In calculating the estimated maturity, it has been assumed that loans that are not renewed are repaid on the contractual maturity date and no adjustment has been made for early or late repayment of those loans.

In the normal course of business loans are advanced for a further period of time. When renewing loans the Manager considers the current and expected liquidity requirements of FMT GIF at the time the decision is made to renew the loan. Accordingly, the expected maturity schedule may change depending on the liquidity requirements of FMT GIF.

Contractual maturity is estimated to be the same as expected maturity for financial assets and liabilities other than loans to customers.

The notes on pages 6 to 24 are an integral part of these financial statements.

14. FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

Residual contractual maturities for financial assets and liabilities (continued)

The following table sets out an estimate of expected cash flows for all financial assets and liabilities.

31 March 2024	Carrying value $000's	Expected cash flows $000's	On demand $000's	6 months or less $000's	6-12 months $000's	1-2 years $000's	2-5 years $000's	More than 5 years $000's
Assets								
Cash and cash equivalents	195,307	195,451	177,480	17,971	-	-	-	-
Short term deposits	54,000	55,836	-	23,543	32,293	-	-	-
Loans to customers	1,450,122	1,686,067	-	517,197	410,451	495,839	253,521	9,059
Interest and fees receivable	8,082	8,082	-	7,663	419	-	-	-
Total assets	**1,707,511**	**1,945,436**	**177,480**	**566,374**	**443,163**	**495,839**	**253,521**	**9,059**
Liabilities								
Accounts payable	6,306	6,306	-	6,306	-	-	-	-
Taxation receivable	298	298	-	298	-	-	-	-
Distribution payable	13,624	13,624	-	13,624	-	-	-	-
Total non-derivative liabilities	**20,228**	**20,228**	**-**	**20,228**	**-**	**-**	**-**	**-**
Net financial assets	**1,687,283**	**1,925,208**	**177,480**	**546,146**	**443,163**	**495,839**	**253,521**	**9,059**

31 March 2023	Carrying value $000's	Expected cash flows $000's	On demand $000's	6 months or less $000's	6-12 months $000's	1-2 years $000's	2-5 years $000's	More than 5 years $000's
Assets								
Cash and cash equivalents	194,747	194,825	174,179	20,646	-	-	-	-
Short term deposits	63,048	65,061	-	22,823	42,238	-	-	-
Loans to customers	1,351,529	1,583,830	441	427,562	309,753	459,108	356,458	30,508
Interest and fees receivable	8,819	8,819	-	8,496	323	-	-	-
Taxation receivable	379	379	-	379	-	-	-	-
Total assets	**1,618,522**	**1,852,914**	**174,620**	**479,906**	**352,314**	**459,108**	**356,458**	**30,508**
Liabilities								
Accounts payable	5,558	5,558	-	5,558	-	-	-	-
Total non-derivative liabilities	**5,558**	**5,558**	**-**	**5,558**	**-**	**-**	**-**	**-**
Net financial assets	**1,612,964**	**1,847,356**	**174,620**	**474,348**	**352,314**	**459,108**	**356,458**	**30,508**

(d) Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect FMT GIF's income or the value of its financial instruments. The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters, while optimising the return on risk.

Management of interest rate risk

Most investments will be in loans with floating interest rates, but the Manager may maintain some fixed rate loans. The interest rates of the loans are disclosed in note 9a.

A change of 100 basis points in interest rates would have increased or decreased profit by $16,994,000 (2023: $16,074,000). There would be no impact on equity as any increase or decrease in profit would affect distributions to investors by an equal value.

As of 31 March 2024 there were no loans to customers with a fixed interest rate (2023: $nil). All other loans are subject to interest receivable at floating interest rates. Interest rates on loans are continually reviewed by the Manager and these rates are varied in accordance with movements in the market. Loan agreements provide for adjustments to the interest rate on existing loans by giving 14 days written notice to loan holders.

Notes to the financial statements
For the year ended 31 March 2024

14. FINANCIAL INSTRUMENTS (continued)

(d) Interest rate risk (continued)

Exposure to interest rate risk

Interest rate risk – repricing analysis

31 March 2024	Total $000's	0-6 months $000's	6-12 months $000's	1-2 years $000's	More than 2 years $000's
Fixed rate instruments					
Cash and cash equivalents	17,827	17,827	-	-	-
Short term deposits	54,000	23,000	31,000	-	-
Loans to customers	-	-	-	-	-
Total fixed rate instruments	**71,827**	**40,827**	**31,000**	**-**	**-**
Variable rate instruments					
Cash and cash equivalents	177,480	177,480	-	-	-
Loans to customers	1,450,122	1,450,122	-	-	-
Total variable rate instruments	**1,627,602**	**1,627,602**	**-**	**-**	**-**
Total	**1,699,429**	**1,668,429**	**31,000**	**-**	**-**

31 March 2023	Total $000's	0-6 months $000's	6-12 months $000's	1-2 years $000's	More than 2 years $000's
Fixed rate instruments					
Cash and cash equivalents	20,568	20,568	-	-	-
Short term deposits	63,048	22,428	40,620	-	-
Loans to customers	-	-	-	-	-
Total fixed rate instruments	**83,616**	**42,996**	**40,620**	**-**	**-**
Variable rate instruments					
Cash and cash equivalents	174,179	174,179	-	-	-
Loans to customers	1,351,529	1,351,529	-	-	-
Total variable rate instruments	**1,525,708**	**1,525,708**	**-**	**-**	**-**
Total	**1,609,324**	**1,568,704**	**40,620**	**-**	**-**

(e) Capital management

FMT GIF's capital consists of retained earnings and investors' funds and is not subject to any externally imposed capital requirements. See discussion on liquidity risk in Note 14(c) for capital management techniques for investors' funds.

(f) Sensitivity analysis

The quarterly interest distribution to investors is the quarterly net profit arising from operations, after allowing for expenses, bad debts, taxes and any other amount the Manager considers prudent to set aside in the reserve fund. If the Manager determines that it is appropriate, interest in relation to some loans with overdue interest payments may not be distributed until such time as it is received.

The key driver of this distribution is interest income from loans to customers. Given the nature of FMT GIF's structure, any increase in interest rates (i.e. income) is materially passed on to investors via the distribution, and thus an increase in one factor is mirrored in the other.

(g) Classification and estimation of fair values

The methods used in determining the fair values of financial instruments are discussed in note 4.

The carrying value of each class of financial instruments has been determined to be representative of the fair value of the respective instruments.

The carrying value of loans to customers with variable interest rates is deemed to be equal to their fair value in accordance to note 4(a).

As of 31 March 2024, there were no loans to customers with a fixed interest rate (2023: nil). Due to the short term nature of the fixed interest period the carrying value of the loan was materially equal to the fair value.

Notes to the financial statements
For the year ended 31 March 2024

15. RECONCILIATION OF THE PROFIT FOR THE YEAR WITH THE NET CASH FROM OPERATING ACTIVITIES

	31 March 2024 $000's	31 March 2023 $000's
Profit for the year	120,163	90,787
Adjustments for changes in working capital:		
Change in interest and fees receivable	736	(2,665)
Change in accounts payable	233	33
Change in prepayments	5	(8)
Change in taxation payable	677	(706)
Adjustments for non-cash items:		
Non cash interest adjustments *	(44,979)	(48,125)
Adjustments for items impacting investing activities:		
Bad Debts written off	308	18
Change in impairment allowance	(2,275)	3,294
Net cash from operating activities	**74,868**	**42,628**

*Non cash interest adjustments consists of capitalised interest of $41,450,040 and capitalised lending fees of $3,452,799 (2023: $43,167,447 and $4,933,415), and $53,458 units were refunded to pay interest (2023: $24,386), and bad debts - interest of $43,299 were written off (2023: $nil).

16. RELATED PARTIES

(a) Nature of relationship

FMT GIF is managed by the Manager as outlined in the product disclosure statement. The Manager makes all decisions relating to administration, investment management, investment applications, loan applications and the management of FMT GIF's mortgage portfolio. The Manager's responsibilities are set out in detail in the registered Trust Deed between the Manager and the Supervisor. The Manager does not hold or own any of the assets of FMT GIF. The Manager does not guarantee the return of principal or income to investors.

The ultimate shareholder of the Manager is CapitalGroup (FMT) Limited Partnership, the General Partner of this entity is CapitalGroup Limited (CapitalGroup). There are common directors in the Manager and CapitalGroup.

In the normal course of business, subsidiaries of CapitalGroup, may provide loans to FMT GIF's borrowers with a second ranking mortgage as security (where FMT GIF has provided a first ranking mortgage). In each circumstance, FMT GIF will enter a Deed of Priority and Subordination with the CapitalGroup subsidiary. The terms of each Deed of Priority and Subordination restrict the rights of CapitalGroup's subsidiary, to take enforcement action and to receive loan repayments and interest from the borrower until FMT GIF has received full repayment of its loan, interest and other amounts due to it.

As of 31 March 2024, the loans to customers where a second mortgage is held by a CapitalGroup subsidiary, have a carrying value of $66,886,763 in the Statement of Financial Position (2023: $137,487,601).

In the normal course of business, FMT may ask a CapitalGroup subsidiary to participate in a loan to a borrower. In this circumstance, CapitalGroup's subsidiary agrees that it has no right to take enforcement action or to receive loan repayments or interest from the borrower until FMT GIF has received full repayment of its loan, interest and other amounts due to it. This operates in the same way as if a Deed of Priority and Subordination was entered into.

As of 31 March 2024, the blended loans to customers where a subsidiary of CapitalGroup is a subordinated investor, have a carrying value of $733,568 in the Statement of Financial Position (2023: $58,744,491).

The trustee and supervisor's role are performed by the Supervisor. The role of the Supervisor is to hold all the assets of FMT GIF on behalf of investors and to monitor compliance by the Manager with the requirements of the Trust Deed. The Supervisor's responsibilities are set out in detail in the Trust Deed. The Supervisor is required to exercise reasonable diligence to ascertain whether or not a breach of the terms of the Trust Deed or the offer of units has occurred.

The Supervisor and Manager are entitled to be indemnified against any expense or liability which may be incurred by them in relation to FMT GIF, with the exception of fraud, wilful breach of trust or dishonesty or breach of trust by the Supervisor or Manager. The Supervisor and Manager are entitled to be reimbursed by FMT GIF for all expenses, costs or liabilities incurred by them acting as Supervisor or Manager.

First Mortgage PIE Trust is managed by the Manager and invests in FMT GIF.

Directors of the Manager are also considered related parties of FMT GIF.

Notes to the financial statements
For the year ended 31 March 2024

16. RELATED PARTIES (continued)

(b) Transactions and balances

As of 31 March 2024, directors and key management personnel of the Manager, either individually or through related interests, held units to the value of $314,808 in FMT GIF or First Mortgage PIE Trust which invests in FMT GIF and received $19,749 distributions during the year (2023: $275,076 units held and $8,827 of distributions received for the year).

Management fees paid to the Manager are detailed in note 5. Within accounts payable in the statement of financial position is an amount owing to the Manager of $2,322,554 (31 March 2023: $2,104,114).

In addition, during the year borrowers have paid loan processing fees direct to the Manager of $22,390,514 (31 March 2023: $17,272,781). The fees are loan establishment fees which are generally paid by FMT GIF across to the Manager from loan advances made to the borrower.

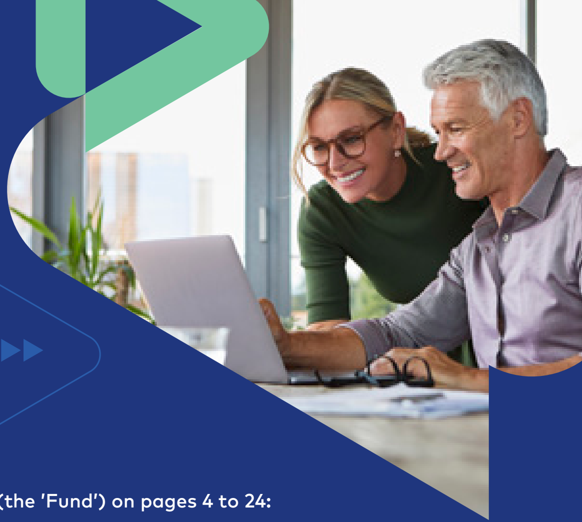
Supervisor fees paid to the Supervisor are detailed in note 6. Within accounts payable in the statement of financial position is an amount owing to the Supervisor of $85,531 (31 March 2023: $82,511).

As of 31 March 2024 First Mortgage PIE Trust held units to the value of $665,414,028 (31 March 2023: $609,178,314) in FMT GIF and received $45,173,610 of distributions during the year (2023: $33,628,834). The value of units issued by FMT GIF to First Mortgage PIE Trust during the year was $163,141,472 (2023: $194,344,625) and the value of the units redeemed by FMT GIF to First Mortgage PIE Trust during the year was $106,905,758 (2023: $97,716,256).

17. SUBSEQUENT EVENTS

There have been no material events subsequent to the reporting date that require disclosure in these financial statements.

The notes on pages 6 to 24 are an integral part of these financial statements.



KPMG

Independent Auditor's Report

To the Investors of First Mortgage Trust Group Investment Fund

Report on the audit of the financial statements

OPINION

In our opinion, the financial statements of First Mortgage Trust Group Investment Fund (the 'Fund') on pages 4 to 24:

Present fairly, in all material respects the fund's financial position as at 31 March 2024 and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards issued by the International Accounting Standards Board.

We have audited the accompanying financial statements which comprise:

- The statement of financial position as at 31 March 2024;
- The statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- Notes, including material accounting policy information.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

Our firm has also provided other services to the fund in relation to the investor register assurance and tax consulting. Subject to certain restrictions, partners and employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.

MATERIALITY

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at $8,200,000 determined with reference to a benchmark of fund Total Assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

▶ ***The key audit matter***

Provision for expected credit loss

Refer to notes 3c and 9b in the financial statements.

The provision for expected credit losses (the 'provision') is a key audit matter due the financial significance of loans to customers and the high degree of complexity and judgement applied by management in estimating the provision. The estimate uses statistical analysis based on the entity's historical loss experience per stage allocation, business segment and macroeconomic considerations.

The inherent subjectivity in determining the provision requires us to assess and challenge the appropriateness of management's assumptions.

There is heightened uncertainty around forward-looking assumptions due to the current economic environment.

These factors resulted in significant audit effort being undertaken to address the risks around the recoverability of loans to customers, the determination of the related provision for impairment and disclosure in the financial statements.

▶ ***How the matter was addressed in our audit***

Our audit procedures, amongst others, included:

- Assessing the Fund's methodology used in the expected credit loss (ECL) model to calculate the provision against the requirements of NZ IFRS 9: *Financial Instruments* ("NZ IFRS 9").
- Testing key controls over loan data inputs and the identification of loans to customers where there has been a 'significant change in credit risk' of the loan.
- Verifying loan details by agreeing non-financial data such as interest rates, maturity dates and valuations to loan agreements and loan valuations respectively.
- Assessing the mathematical accuracy of the ECL model used to calculate the provision for impairment of loans to customers.
- Testing key inputs used in the ECL model including agreeing macroeconomic factors to externally available data and assessing the accuracy of key assumptions, challenging the basis for management's determination, where different.
- For loans identified as having a 'significant increase in credit risk' and being 'credit impaired', evaluating the basis, and adequacy, of provisioning. This included inspecting externally obtained valuation reports that support the entity's security and assessing the cash flow relating to the loans.
- Assessing whether there were any additional loans that ought to be included in management's individual provision through portfolio analytics (including monthly arrears analysis), inspection of Loan Committee reporting, and the related credit watchlist and board meeting minutes. We also challenged management's assessment of matured loans that were not identified as having a significant increase in credit risk.
- Assessing the Fund's significant accounting policies and disclosures in the financial statements against the requirements of NZ IFRS 9.

The judgements and assumptions made in estimating the provision for expected credit losses are reasonable. We did not identify any material issues or exceptions from our procedures.

OTHER INFORMATION

The Directors of the Manager, on behalf of the fund, are responsible for the other information included in the entity's Annual Report. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, 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.

USE OF THIS INDEPENDENT AUDITOR'S REPORT

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

RESPONSIBILITIES OF THE MANAGER FOR THE FINANCIAL STATEMENTS

The Directors of the Manager, on behalf of the Fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a set of financial statements that is free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at: http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's opinion is John Kensington.

For and on behalf of: KPMG

KPMG Tauranga
16 July 2024

first mortgage trust

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