ANNUAL REPORT & FINANCIAL STATEMENTS 2022/2023

Cornish Mutual

INDEX

"Alongside developing our core insurance offering, our primary focus has been around loss prevention"

I am pleased to present the Annual Report and Financial Statements of Cornish Mutual for the year ending 30 September 2023.

This period has again been characterised by a difficult macroeconomic environment, which combined with a tight labour supply market has led to challenging operating conditions for many organisations. It has been no different for Cornish Mutual, with inflationary pressure pervading all aspects of the business. However, as a long-standing mutual organisation we are well placed to ensure that we can minimise the effect of this upon our Members. These strengths have resulted in a stable year with steady growth which exceeded our expectations.

As an organisation we have continued to develop the areas where we can provide additional support to our Members to help improve their business resilience. Alongside developing our core insurance offering, our primary focus has been around loss prevention through health and safety and related risk management. Initial uptake of these services has been positive, and we continue to widen and develop our offering further. The safety record within the agricultural industry still lags behind that of other industries and it is beholden on us all to play our part. It is without doubt good business sense from both a people perspective and an insurance perspective to manage these risks in the best way we can.

The bulk of our insurance business revolves around the agricultural industry within the South West. This is something as an organisation we are very cognisant of, being keen to build and develop our links. The early signs of structural change within the industry appear to be taking place. Initial reductions in the Basic Payment Scheme were masked by commodity price rises caused in part by the war in Ukraine. Twelve months further on following an indifferent growing season which was at times, either too dry or too wet, a harvest that has been far from straight forward and lower commodity prices, a tougher economic outlook for the industry is apparent. The delay in the roll out of the Sustainable Farming Initiative will also have an effect on the cash flow of those who wish to take it up.

There is, however, reason to be hopeful. Whilst price remains the key driver for most food buying decisions, there is without doubt greater focus on features like local and sustainability which represent opportunities to add value. The decline in national food self-sufficiency is also something which seems to be on the radar of some politicians at least. Regenerative farming is a term that now features frequently and presents opportunities, but I'm sure many of our farmer Members would recognise the principles as a variation on the practices that they have always tried to follow.

For those of you that like to listen to something different I would encourage you to try the recent series of Farming Focus podcasts which have been produced by Cornish Mutual. Focusing primarily on business resilience they approach the subject from a wide variety of angles and certainly give food for thought.

I would like to take this opportunity to give thanks to Charles Pears who stepped down from our Board during the year. Charles brought a number of qualities to Cornish Mutual during his time but particularly his significant investment experience and has helped shape the direction of the investment portfolio for the future.

The Board continues to evolve as the business moves forward. The Board, its committees and its Members are appraised annually to ensure relevance. Sue Turner, as Chair of the Remuneration and Nominations Committee, is currently leading a recruitment process seeking to strengthen the Board. More details of which can be found later under Sue's report.

Finally, it has been good to get out and about at the various shows and as part of my daily activities to listen to you, our Members. As an organisation we pride ourselves in our openness and are always happy to hear any constructive observations regarding what is, after all, your organisation. Farming and rural communities remain the backbone of the Cornish Mutual Membership and the Board makes considerable effort to be aware of the implications of the challenges facing them. Where possible Cornish Mutual seeks to champion, promote and support these communities. We look forward to engaging with you in whatever format suits you, the Member, best.

Jeremy Oatey

Jeremy Oatey

12 December 2023

Strategic Report

The Directors present their Strategic Report on the Company for the year ended 30 September 2023.

Section 172

Section 172 of the Companies Act 2006 describes how the Directors of the business must work to promote the success of the business for the benefit of the whole Membership. This includes considering in full the likely consequences of any decision over the long term, taking actions in the best interests of our employees, fostering positive relationships with suppliers and the wider community, as well as improving the impact of the business on the environment.

Our enduring purpose is that we work to protect the farming community. Our Membership is at the heart of everything we do. This is explored in both the Strategic Report, with details of our strategy on page 8, and in Section 1 of our Report on Corporate Governance on page 28. Our objectives focus on ensuring we are in a position to provide the best possible service to our Members.

Sections 2 to 5 of our Report on Corporate Governance (pages 28 to 29) set out the ways in which our governance structure enables service excellence by ensuring our Board and its individual Directors have the qualities, training and understanding to deliver on behalf of the Members.

Section 6 of our Report on Corporate Governance (page 30) provides further explanation of how we engage with each of our stakeholders. It is important the Board understands the needs of each stakeholder group and that these needs are always considered during discussions and in decision making. We are constantly seeking to put the Member at the centre of all our actions, and this is the central consideration by the Board when making decisions that will impact our Membership in the longer term.

Our enduring purpose

Founded by South-West Farmers in 1903, Cornish Mutual focuses on protecting the farming communities of our region and providing Members with products and services that are flexible and personal, all underpinned by technical excellence.

Cornish Mutual Members experience service from our directly employed experts living in the local community. We avoid the use of intermediaries or agents for core insurance services. Our people are selected for their approach to Members and trained to provide all our products and services, including our locally based claims service. This approach means Cornish Mutual employees are highly motivated experts in their field, acting with our Members' interests firmly at the heart of everything they do.

Our commitment and quality of performance underpins our 'Chartered Insurer' status, which we have now held continuously for ten years. Crucially, we consciously avoid creating the wrong incentives so, for example, nobody receives sales commission and Directors do not receive a bonus.

We are committed to developing our services based on how our Members wish to deal with us. Mindful that technology continues to influence our ways of working in both farming and insurance, we are focussed on how technology can help, not replace, our personal approach.

Our strategic review in 2020 determined we would extend our services beyond insurance. This is a developing theme within general insurance and is particularly relevant for a member-owned insurer like Cornish Mutual, with a core focus on farming specifically, which is going through a significant period of change.

The Executive is pursuing a broad range of initiatives which meet our strategic objectives. These include increasing the efficiency of our internal systems and in doing so improving the quality of the career opportunities we offer, updating and improving the insurance available to all our Members and developing loss prevention, including health and safety, services for farmers.

"We remain focused on our Members and know our greatest strength is the relationship and trust we share."

It has been an eventful year. Accordingly, I have made my report a bit longer this year to cover off some key issues.

We have had a successful year, albeit we have reported a loss overall, and I will expand on this in a little more detail. Cornish Mutual's main sources of income are insurance results and investments. Both these income streams are volatile in nature. This can be seen in the table on page 12 which shows how variable our numbers can be. Despite having essentially the same insurance portfolio from one year to the next, the result varies considerably. We aim for a small insurance profit on average over a five-year period; whether a particular year is profitable or not is usually down to a small number of more severe claims or weather events. This is the case in 2023, which has seen a higher number of larger claims than average, but with an underlying result that is in line with our forecast.

Inflation has been a significant challenge for general insurers and affected results throughout the insurance sector. Our underlying result, excluding the largest claims, indicates that Cornish Mutual has managed inflation well and it is not a factor in the reported loss for the year. We have continued to adopt fair and consistent pricing. Members will have seen prices increase, but by no more than necessary, and we have tried to avoid excessive price hikes. At the time of writing this report, the insurance market is raising prices in response to losses incurred and rising reinsurance costs. We have maintained strong control over our expenses as can be seen from the graph on page 14. We have been able to demonstrate to reinsurers our control over premium levels and management of inflation risk; accordingly, our reinsurance costs remain proportionate.

Being in control of our key costs gives us the scope to manage premium levels on behalf of our Membership into next year, a key success for us as a mutual is not being driven entirely by market prices.

2023 feels like a bit of a breakthrough year in the eastern parts of our chosen region. Our work supporting Somerset and Dorset shows and events has led to greater awareness of Cornish Mutual. A growing Member base is bringing the rising levels of recommendation that our business model relies upon.

Investment markets contribute to our result and are also volatile. We outsource the management of investments to experts and do not take investment decisions ourselves. We set a mandate which details our risk appetite, our return targets and other aspects such as our ESG (Environmental, Social, Governance) requirements. While we have seen a profit this year, the level of returns remains below targets given conditions in the markets.

During 2023 we have moved to a direct model for our health and safety service. Launched in 2022 through a partner, we responded to feedback from Members to turn this into a Cornish Mutual delivered service. As with insurance, directly employing our own people helps us deliver the exceptional service and discretionary effort Members have come to expect. The service is very practical in nature, providing pragmatic assistance and advice. We are looking to link risk improvements to savings on insurance products. Of course, the core aim is to tackle safety on farms which we all know remains a challenge for the industry and we have priced the service to be accessible to as many of our Members as possible.

Our health and safety advice is also being delivered as part of the curriculum of an agricultural college in our region. This has come about as an extension of the bursaries we provide, a scheme we are continuing to expand.

Engaged as we are with the farming community, Cornish Mutual is close to the changes going on in farming and the challenges faced by farming businesses. As a trusted, independently minded mutual, we set out to help Members navigate these changes. We do this in a variety of ways. Through a number of farm walks, we brought Members together to see some of the approaches being taken to reduce inputs and manage productivity. Our thanks to those Members who have generously hosted these events, which have been well received.

As well as face to face events, we have identified authoritative, independent contributors who have helped us develop useful content which we have delivered through articles and a series of podcasts under the name of 'Farming Focus', available on most podcast platforms.

The same underlying influences are driving changes to farming incentives and regulatory pressure for insurers. Addressing climate change is a policy priority and likely to remain so regardless of political party. Cornish Mutual entirely focuses its insurance activity on the farming sector. The success of the company is tightly tied to the ability of our core Membership being able to adapt to the transition underway. Like many, we are concerned with how the risks and costs of the changes are falling to the most volatile and vulnerable part of the food supply chain – the farmers.

Despite the uncertainties associated with transition and the emerging payments regime, there are opportunities. It is important where such benefits fall, now and in the future. There is, for example, uncertainty and risk around potential carbon markets. We fear revenues flowing to financial middlemen, while liabilities remain with farmers; how relevant services and transactions are designed will be crucial.

Given how important this is to our Members, and by extension Cornish Mutual, it was decided we could have a role in delivering an independent view and relevant services in this space. During 2023 we made an investment to fund assets and working capital for Terrafarmer, a start-up in the soil sampling and soil health advice space. A subsequent change in the available time commitment of the business founders led to Cornish Mutual moving into a majority investor position. All invested sums have remained within the business with no payments to other shareholders. We have set ourselves a budgeted limit to bring the business to profitability. In a rapidly developing market, we will continue to seek development of solutions, along with others in this space, which will assist Members realise the benefits of soil health and biological farming.

Alongside the challenges of running the business on a day-to-day basis, the world around us is changing rapidly. Technology is driving opportunity and risk in equal measure. The business environment grows ever more data driven and connected and we are responding to deliver benefits for Members. This comes with growing cyber risks and the need to assimilate emerging technologies such as artificial intelligence. Responding to the changes requires new skills, a culture of change and different governance. While daunting at times, it is also exciting to have so many options available to take the organisation forward. To manage all the options and associated prioritisation, we have created a change programme which will increasingly have the dedicated resources required to take Cornish Mutual forward. We are managing the cost of this programme tightly and the falling expense ratio in recent years has created the space for this expenditure.

In October 2023, Cornish Mutual turned 120 years old. We still insure the families of some of our founding directors, who could not have foreseen what the company has become. As we chart the course for the company through the challenging times we live in, the values at the heart of Cornish Mutual are very much alive. We remain focused on our Members and know our greatest strength is the relationship and trust we share. However we choose to move forward, that is definitely not up for change.

My last but most important comments are to thank you, our Members, for the loyalty you show and to our employees whose daily efforts engender that support.

P Beaumont
Managing Director

Strategy and Objectives

Our strategy describes how we deliver our purpose. It is our plan for how we navigate the challenges we face and make the most of the opportunities we identify to protect a growing Membership.

Cornish Mutual is a company built on relationships. Our Members trust us to offer long-term value and deliver on our promises. Our value as a business lies in providing a level of fairness and exceptional service. How we organise ourselves, how we act, the services we provide and the outcomes Members experience all contribute to a distinctive and unique organisation.

Excellent service is not a nice-to-have, it is the source of Cornish Mutual's competitive advantage. It is why Members stay with us and recommend us to others. High satisfaction brings exceptional Member loyalty and leading Net Promoter Scores (which measure the willingness of Members to recommend our services to others).

Given so many Members stay with us and recommend us, we do not spend large amounts on generating new business and focus, instead, on the provision of high quality service delivery.

Our employees are encouraged to work together closely as a team, delivering a seamless, joined up experience for Members. Technology offers opportunities to enhance and support these relationships further, enabling timely communication with Members in relation to insurance and a developing range of other services.

While building our digital services is important, maintaining person-to-person relationships is crucial and remains core to our strategy. Member loyalty and recommendation is the bedrock of our success and this in turn relies upon personal connection.

Insurance, and risk management more widely, is vital to our Members and we understand our responsibility as a trusted partner. Accordingly, we need to consider the future changes to the farming community, as well as the significant trends impacting the insurance industry, in what we provide.

Technology is increasingly the driver for business change across most sectors. For Cornish Mutual, how we interact with Members through technology is going to be different to that seen elsewhere in the insurance and financial services industry. We recognise that the ability to speak to an easily accessible expert to establish the right cover, discuss claims and resolve any issues along the way is what makes Cornish Mutual a valuable business partner. Technology needs to enhance this successful formula, not replace it.

Climate change represents a challenge all businesses need to face and affects the Company in several ways. Increasing severity of weather-related claims is an obvious source of financial impact. The types of loss Members experience are also likely to change. We are already seeing shifting ranges for pest species and diseases, and we could see demand for new types of cover in response.

The Company needs to tackle its own environmental impact, just as our Members are having to, both in response to regulation and developing consumer demands around this important issue. The future of Cornish Mutual depends upon the farming community in the South West being successful in addressing these demands. As a mutual, Cornish Mutual's future is rooted in the success of its Members. We are looking at how we can extend the services relating to protection to include a greater range, to help maintain a resilient farming community, capable of navigating future change.

Overall, the strategy is built upon a wide range of challenges and opportunities which require a response. We are maintaining a significant focus on developing the Company to meet these demands and remain relevant to our Members. We will only achieve this if the solutions we offer are practical and cost effective, demonstrably supporting them through changing times.

What makes us different

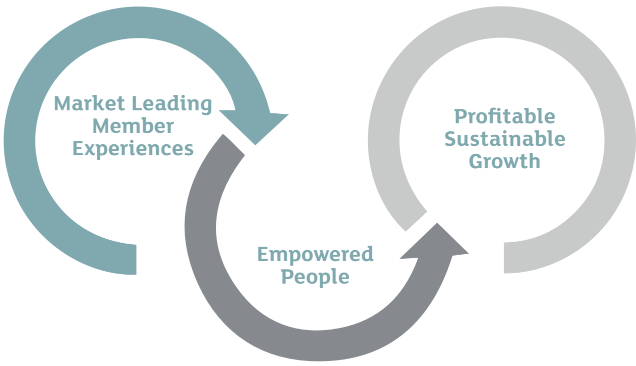
Cornish Mutual's competitive advantage comes from our relationships with stakeholders, particularly Members and employees. With ongoing modernisation, this is a sustainable position. Many industry commentators conclude customers want service-driven relationships with purpose-driven companies, and employees are looking to work for such organisations and prosper within.

Changes to insurance, changes to farming and rising consumer expectations are guiding how we develop our services strategically. The impact of climate change, both directly and indirectly, on farming, and how we best manage the risks and opportunities this creates, is central to our strategy.

Our efforts will be spread between improving current services, advancing our insurance products and developing new services. Early indications show the new services we have been piloting are well received by Members.

Our strategy seeks to make the most of these opportunities and is reflected in three objectives.

Objectives



1. Market-leading Member experience

The focus of this objective is to create an ever more compelling reason to join, stay with and recommend Membership of Cornish Mutual.

Our Members consistently recommend us, so we will maintain what Members value: we always do what we say we will do; offering consistent, stable pricing, and providing a fair and responsive claims service. Recent rule changes from the regulator have sought to address inconsistent pricing across the insurance industry, which continues to be challenging for some insurers. Cornish Mutual was already acting in line with the best practices introduced and therefore suffered no disruption.

In addition, the regulator introduced higher expectations for the standard of care that financial services firms give consumers. At Cornish Mutual we already put our Members' needs first and deliver good outcomes, however, we have reviewed all our documentation to make sure that our Members can make informed, effective decisions as to the protection required and we will continue to do so as we enhance and expand our products and services.

We want Members to have access to the services they need and in a way that suits them. To this end, we are enhancing our current personal approaches with new digital options. We have also added a health and safety service and are developing our ability to signpost Members to information or other services that will help them navigate the significant changes farming is going through. These solutions need to reflect the helpful pragmatism our values require.

2. Empowered people

A major part of delivering our services to Members is the quality of the people who work at Cornish Mutual. Being a Chartered Insurer requires maintaining a high level of professionalism and working to strong ethical and conduct standards.

A crucial feature of dealing with someone at Cornish Mutual is that they are knowledgeable and are able to get things done. Providing new and improved tools to support colleagues in this endeavour is a central part of this objective.

To support our continuous improvement and delivery for Members, our performance management focuses on behaviours, ensuring we actively work together and allow innovation to thrive, putting Members at the heart of every decision.

3. Profitable, sustainable growth

Our objective of growing the business aims to extend the benefits of Cornish Mutual to a wider Membership. We are clear that our growth will continue as we serve the needs of farmers and the farming community in the South West. To do this sustainably means combining growth with control over expenses and delivering sufficient profit to maintain an appropriate level of Members' Funds. The variable nature of claims means insurance results are inherently uncertain. We plan to make a profit over a five-year period, recognising there may be losses in some individual years.

The Company has a strong and sustainable financial position. Our overall cost structure is competitive and despite our relatively modest size, we have an expense ratio lower than the UK industry average according to data from our trade body, the Association of British Insurers (ABI). Holding sufficient capital allows us to take proportionate investment risk, generating investment income which supports and diversifies the insurance performance. To maintain a sustainable and competitive position, we need to ensure our business continues to grow in real terms. We therefore target growth in premium and achievement of a profit margin that, over time, is above inflation. This delivers a stable, well-funded business able to sustain a strong position in our target markets for generations to come.

Inflation, which has been particularly acute in the agricultural sector, has continued to be an issue in Financial Year 2023. Encouraging Members to ensure their level of insurance cover is adequate, while dealing with the impact of increased claims costs, remains an ongoing challenge. Our insurance results are underpinned by our reinsurance strategy, which can significantly affect the balance between risk and return in our results. We have completed four years under our current reinsurance arrangements, which according to our forecasting, will benefit our insurance results, while still protecting our capital. This is discussed in more detail on page 14 and 15.

Our investments also contribute to our overall profit. We have seen two very large shocks to the financial system in recent times, the financial crisis in 2008 and the market response to the Covid-19 pandemic in 2020. A further shock and ongoing uncertainty around investment returns are being driven by global geopolitical issues which we cannot insulate ourselves from and our sustainable growth strategy aims to take account of this.

Financial sustainability also needs to be matched by environmental sustainability, both directly through our own operations and equally through the indirect impact of our investment activity.

Key Performance Indicators

We use a number of key indicators to understand the development and performance of the business. Financial key performance indicators include loss ratios (which compare premium to claims costs), growth in written premium and our amount of available capital.

Non-financial measures include our Net Promoter Score, our retention of Members at renewal, telephone call handling statistics and the number of complaints received. We also recognise the importance of employee engagement and measure this in a variety of ways, including an annual survey.

Financial Performance

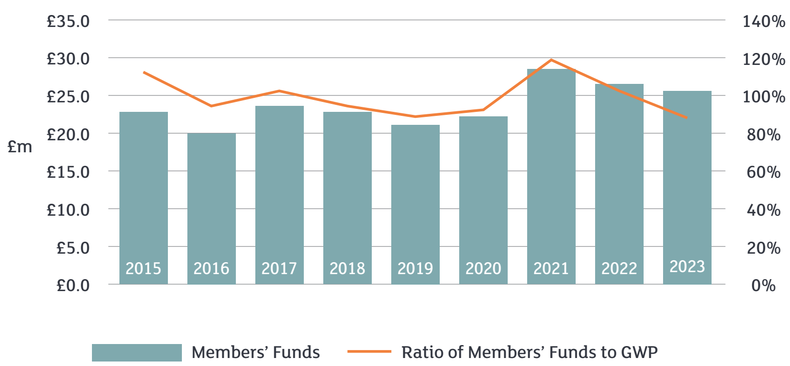
Members' Funds need to be maintained at an appropriate level to meet the expected amount of current and future claims, including making allowances for exceptional years. Managing the level of these reserves over the long term is key to the financial success of Cornish Mutual.

As a rule of thumb, we look to maintain Members' Funds around the same numerical value as Gross Written Premium (our top line revenue figure). We balance this need to hold and increase capital with our aim to deliver good general insurance cover at a competitive rate.

Members' Funds fell this year by £1.2m to £25.8m (2022: decrease of £1.7m). This is made up of an investment profit of £1.2m, and a loss on our insurance operations. The result can be summarised as follows:

- at a gross level, our underlying performance is consistent with forecast, with the exception of multiple large, individual claims;
- our Truro Head Office building was revalued, and saw a decrease in value consistent with the fall in value of commercial property;
- while our investments have made a profit, markets have remained challenging, and we have not made a real return above levels of inflation.

Members' Funds compared to Gross Written Premium



We are required by regulators to maintain a sufficient level of capital, and this is determined in accordance with Solvency II rules by reference to a set of standard calculations. These calculations determine how much capital we need to survive particular stress scenarios.

Our Members' Funds need to exceed this level of capital at all times. Members' Funds for this purpose are calculated on a different basis to the balance sheet presented in these accounts. This information can be found in our Solvency and Financial Capital Requirement report on our website.

Financial Highlights

The table below includes our financial key performance indicators and shows the difference between the gross and net insurance performance, which allows us to see the impact of our reinsurance arrangements. The table reflects the financial results as reported in each financial year. Each year is subject to positive or adverse developments in claims from previous years. This means that in Financial Year 2023, net insurance profit reflects the impact of changes in claims values under different types of reinsurance arrangements: quota share, stop loss arrangements and excess of loss.

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Gross Written Premium	**20,590**	**20,820**	**22,310**	**23,440**	**23,650**	**23,860**	**24,330**	**26,210**	**29,490**
Gross Earned Premium	**20,710**	**20,600**	**21,500**	**23,000**	**23,450**	**23,880**	**24,140**	**25,190**	**27,750**
Less: Gross Claims	(9,460)	(10,870)	(12,070)	(13,830)	(15,360)	(18,340)	(11,060)	(16,550)	(18,100)
Gross Loss Ratio	46%	53%	56%	60%	66%	77%	46%	66%	65%
	11,250	9,730	9,430	9,170	8,090	5,540	13,080	8,640	9,650
Add: Other Income	260	260	250	280	280	290	290	70	90
Less: Expenses	(5,570)	(5,960)	(6,430)	(6,830)	(6,980)	(6,870)	(6,940)	(7,420)	(8,010)
Gross Earned Expense Ratio	26.9%	28.9%	29.9%	29.7%	29.8%	28.8%	28.7%	29.5%	28.9%
Gross Insurance Profit/(Loss)	**5,940**	**4,030**	**3,250**	**2,620**	**1,390**	**(1,040)**	**6,430**	**1,290**	**1,730**
Effect of Reinsurance	**(5,500)**	**(4,260)**	**(2,790)**	**(3,210)**	**(3,320)**	**2,370**	**(2,380)**	**(1,230)**	**(4,020)**
Effect of Reinsurance as % of GEP	**-27%**	**-21%**	**-13%**	**-14%**	**-14%**	**10%**	**-10%**	**-5%**	**-14%**
Net Insurance Profit/(Loss)	**440**	**(230)**	**460**	**(590)**	**(1,930)**	**1,330**	**4,050**	**60**	**(2,290)**
Add: Investment Returns/(Losses)	**350**	**1,820**	**1,890**	**580**	**590**	**(130)**	**2,090**	**(1,580)**	**1,220**
Profit/(Loss) Before Tax	790	1,590	2,350	(10)	(1,340)	1,200	6,140	(1,520)	(1,070)

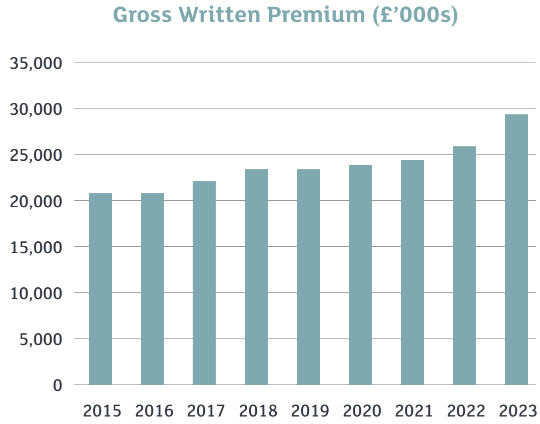
Rounded to nearest £10,000. Insurance profit refers to balance before investment return and tax. Investment Returns/ Losses are net of Investment Expenses and Charges.

We discuss each of these financial key performance indicators in more detail below:

Gross Written Premium

Gross Written Premium increased over the period to £29,490k (2022: £26,205k). This excellent level of growth is above forecast for Financial Year 2023, and has been achieved through a combination of increases in sums insured, new business and an improvement in retention on existing business. Throughout the year, the business has been mindful of the need to make responsible price increases to ensure we are in a position to meet increasing costs, while also recognising the need to minimise these increases for the benefit of the Members.

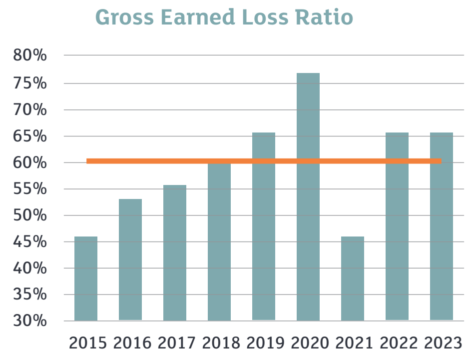
As described above, profitable, sustainable growth is one of three key objectives for the business and, given the challenging and volatile environment, it is pleasing to see this growth.



Gross Earned Loss Ratio (GELR)

Gross Earned Loss Ratio (GELR) is the movement in the cost of claims, excluding the effect of reinsurance, as a proportion of Gross Earned Premium. It includes the cost of claims reported in the year and movements in the estimated cost of claims brought forward from previous accounting periods.

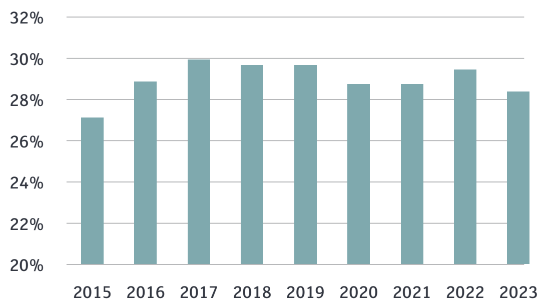
GELR shows the underlying performance of the book of business and reflects our ability to correctly select and price the risks we insure.



Despite underwriting broadly the same risks each year, the gross claims cost varies considerably. The increasing trend from 2015 to 2020, shown in the graph, has arisen due to the increase in value of a very small number of large claims during these years. This increase reflects the significant volatility we face as a business rather than the deterioration of the overall portfolio. Without significant movements on one or two very large claims, the loss ratio for 2020 would be much lower and more clearly reflect the reduction in small motor claims during the lockdown of March and April 2020. This trend continues in 2021, with a lower loss ratio resulting from the low claims volumes brought about by multiple lockdowns, and no material increases to claims values in prior years. Our result for Financial Year 2022 is a combination of the impact of Storm Eunice and movement in larger claims – without the latter our loss ratio would be in line with our average expected loss ratio. Our result in 2023 is in line with modelled expectations. However, we have experienced a small number of very large claims, without which our underlying loss ratio would be much lower.

Expenses

Expenses as % of Gross Earned Premium



Expenses include net operating expenses from the technical account (those directly related to insurance) and other charges from the non-technical account. Our target is to keep expenses below 30% of gross earned premium. In the current year, the ratio of expenses to gross earned premium has fallen to 28.9% from 29.5% last year.

We are a Member-owned organisation, which means that any money we spend is Members' money. We recognise this responsibility and look to compare favourably against other insurers on this measure. Part of our strategy of profitable, sustainable growth is ensuring that we focus on achieving and maintaining a competitive expense ratio. We believe we can dilute some fixed costs through future growth and process efficiencies, while also committing resources to further develop the high level of service our Members want and deserve. During the year we have been developing a change programme, which will increase investment in the business so that we are able to deliver meaningful change while maintaining and enhancing our service levels within a well-controlled expense ratio.

Given we are exclusively located in the South West, the expenses we incur largely flow into the same region. These contribute to making the communities we serve vibrant and sustainable and ensure the value remains where we operate.

The Use and Effect of Reinsurance

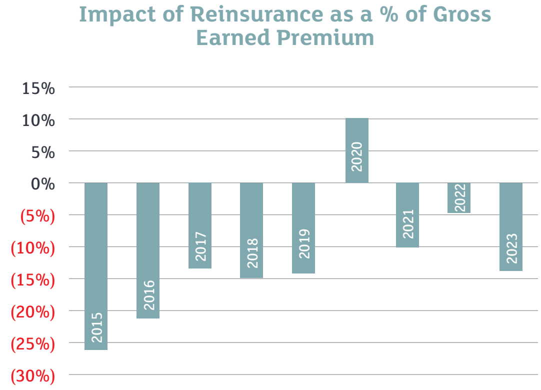
Cornish Mutual, in common with other insurance companies, is exposed to potentially large, though infrequent, losses. Motor insurance in the UK is provided on the basis of unlimited liability, which means one individual claim could be much larger than Members' Funds.

To protect Members' Funds against the possibility of a very large claim or a large number of claims arising from a natural catastrophe, we enter into reinsurance arrangements which reduce the financial impact of such claims should they occur. Cornish Mutual's result for Financial Year 2023 reflects the use of three main types of reinsurance; stop loss, excess of loss and quota share.

Our stop loss reinsurance arrangement began on 1 October 2019. Our reinsurers are liable for claims amounts that exceed 70% of premium on an overall basis for losses on policies beginning in a particular year. In addition to the stop loss arrangement, we also have excess of loss reinsurance in place to provide cover in the event of specific, very large claims.

Prior to Financial Year 2020, our primary reinsurance was quota share reinsurance. The insurance result is shared with an external party in return for a commission payable by the reinsurer. The reinsurer takes some of the profit but shares in the risk of any losses which occur. Any policy written after 1 October 2019 was attached to our stop loss arrangement however, we still have a few claims outstanding on policies beginning prior to 1 October 2019 and therefore these attach to our quota share reinsurance. Movements on these older claims can still impact our current financial performance, which is why we still refer to this type of reinsurance here.

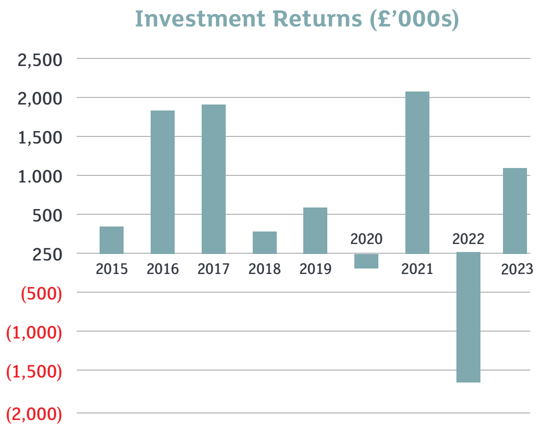
The graph illustrates the cost of reinsurance as a percentage of gross earned premium. For the purposes of clarification, the positive impact of reinsurance in Financial Year 2020 is not due to the transition to the stop loss reinsurance arrangement, but rather due to a recovery which reduced the provision for a large claim from an earlier year. A similar effect is evident for Financial Year 2022, when a large recovery against a claim from an earlier year has the effect of reducing our reinsurance cost to around 5%. Financial Year 2023 looks higher here because of a reduction in the amount due from Profit Share.



While reinsurance clearly comes at a cost, the net insurance result is less volatile than the gross insurance result. It is the net insurance result that impacts on Members' Funds.

Reinsurance protects Cornish Mutual against losses that would otherwise threaten our capital base, as described in the risk management section of this report. Our previous quota share reinsurance programmes had been in place to protect against loss to the business, but this has been at the cost of sharing our underwriting success with reinsurance partners by a reduction in our profit.

Our current structure retains more risk against certain events which are expected to be infrequent and not occur every year. By retaining more of the risk, we retain more of the profit in intervening years, while continuing to receive sufficient capital protection against large individual losses. Furthermore, the stop loss also benefits Cornish Mutual with protection against a significant cluster of small losses which could impact our results. We will continue to evolve our reinsurance solution, the aim being to balance reinsurance costs with reducing volatility.



Investment Returns

Investment performance in 2023 has improved compared to 2022, but there still remains significant volatility in the market. We anticipated a low-return environment for the foreseeable future, and this has continued to be the case. The use of multi asset Funds gives our selected expert providers more ability to manage these challenges on our behalf. However, despite avoiding the worst of the poor performance in the markets, we have not recouped all of the losses that we saw in 2022.

It remains a challenging period for investment performance, albeit our investment results are within expected volatility for our five-year forecasting period. During the year we saw investment returns of £1.2m, which compares to a loss of £1.6m in 2022 (net of investment expenses and charges).

Cash Flow

The levels of capital prescribed by the Prudential Regulation Authority (PRA), held in Cornish Mutual as retained profit, result in significant investment assets on the balance sheet. Given the liquidity of these assets, cash flow does not present a significant risk and we maintain considerable flexibility.

The total amount and timing of claims payments is one of the main factors determining cash flow. This financial year has seen limited unwinding of our previous quota share reinsurance arrangement compared to previous years. Reinvestment has been overseen closely by the Investment and Capital Management Committee; more information is provided in the Committee report on page 44.

Overall Financial Performance

Premium growth in 2023 was strong. We saw an increase in levels of Member retention, high levels of new business and increased sums insured. Given that Sustainable Growth remains a key objective of the Company and underpins future performance, this result is very pleasing.

Overall, we have made an insurance loss of £2.3m, which is disappointing given the level of growth, but is a result of a number of large claims which, of course, is the reason we are here. We know that volatility is one of the constant challenges faced by our business, and this is clearly reflected in this year's result. Investment returns have been suppressed by wider market volatility, albeit we have seen investment returns of £1.2m this year.

The balance sheet remains well-managed, and Members' Funds exceed regulatory capital requirements which is in line with our risk appetite.

We have structured our investments and reinsurance arrangements to reflect the appropriate levels of risk relative to the outcomes we wish to achieve. These issues are discussed in more detail in the Principal Risks and Uncertainties section of this Strategic Report and in note 5 of the Financial Statements.

Key Non-Financial Performance Indicators

Employees

Our people are particularly important to us. The number of people engaged in the business over the past financial year is as follows:

	Male	Female
Directors	6	2
Leadership Team	9	12
All other Staff	22	62
Total	37	76

We have a policy of being as flexible as we can with working arrangements, both to ensure we fulfil Member expectations and to help us maximise opportunities for our staff. Over a third of our staff work non-typical hours, which enables them to balance work with other commitments and maintain their career aspirations. Two years ago, we put in place a hybrid working model, which we will continue to review to achieve the best outcome for our Members and employees over the longer term.

Staff engagement

We have just undertaken our fourth staff survey, which saw an 73% response rate (2022 77%). On a scale of 1 to 10, an average rating of 8.4 out of 10 was given to the question of how likely people were to recommend Cornish Mutual as a good place to work (2022: 8 out of 10). It is pleasing to see an increase in the score given in response to this question. Once again, we will analyse the key themes which emerge and report back to the business accordingly.

Net Promoter Score

Research is conducted among our Members by an independent external Company. The research covers a sample from three Member cohorts; those who have recently had a claim, those who have recently taken out a new policy, and a general group of Members. One of the issues we explore is the willingness of Members to recommend Cornish Mutual to others on the basis of their experiences. The results are compiled into a Net Promoter Score (NPS) which is a measure widely used as a standard industry benchmark for customer satisfaction.

In 2023 we achieved an NPS of 63% from the claims cohort (2022: 74%), 76% from the new policy cohort (2022: 81%) and 64% from the general cohort (2022: 55%). This year we also introduced an additional general cohort category, focussed on farm, which saw an NPS of 57%. We believe these scores to be market leading as we continue to work hard to enhance Member service, which remains a core objective of our strategy.

We continue to focus on activities which will deliver a quality service and exceed Member expectations, while at the same time delivering against our objectives. We continuously monitor our telephone answering to ensure compliance with our Service Level Agreements. Over the course of 2023, we answered 92% of all our calls within 20 seconds (2022: 93%), with any calls falling outside of this statistic receiving a prompt call back. With a keen focus on ensuring we identify and respond to any issues flagged by our Members, benchmarking against other insurers has indicated we perform favourably in terms of the proportion of complaints we receive relative to volume of policies.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) has always been important to Cornish Mutual. We want to use our skills and resources to make a positive difference to farming and rural communities. This year we have supported over 20 agricultural shows and events through sponsorships, class sponsorships and attendance, as well as supporting the Cornwall, Dorset and Somerset Young Farmers' Clubs with finances, training, and resources. We have continued to hold 'Cornish Mutual Farm Walks', which are community led events that allow farmers of all ages to meet and learn more about various farming practices, such as Rotational Grazing, Soil Health, Rare Breeds, Livestock Worrying and Diversification.

We continue to grow The Cornish Mutual Young Farmers Bursaries, supporting local agricultural colleges by providing a total of £2,000 in bursary awards. Internally we have increased awareness and raised funds through hosting bake sales, quizzes, bingo and raffles for our chosen charities: Children's Hospice South West and air ambulances. Everyone is given one paid day for volunteering. This year we have volunteered our time to plant trees, help at both Farm & Country and Field to Food days, support Grizzly 2023, lay hedges, litter pick and give time to the Transformation CPR Foodbank.

We have delivered training in the local community to improve Farm Safety, such as Junior Tractor Driving courses, Telehandler refresher courses and Emergency First Aid courses. We have provided free to attend Health & Safety Advice events conducted by our own Risk Advisors for farmers, the agricultural community, and groups of Young Farmers. We continue to be actively involved in the government's Healthy Workplace Scheme and look to uphold our Gold standard award.

Future Development

While Covid-19 is behind us, there have been multiple challenges during Financial Year 2023, whether that be volatility within the financial markets or ongoing high inflation. More specifically within farming, inflation has become an increasingly significant issue during the year. We know that change is afoot, raising fundamental questions relating to food production, global competitiveness, self-sufficiency, food tariffs and trade, and considerations around climate change.

Climate change issues are important to us both from the point of view of our Members and how it impacts their lives and businesses, but also in relation to the financial risks of climate change we may encounter as a business. We are watching developments closely, ensuring that as the needs of farmers change, our products and services evolve too. We are keen to use technological advancements to enhance our processes and give our Members the best possible service, while respecting the Members' right to choose how they wish to engage with us.

We anticipate that in addition to the changes noted above, we will also see further consolidation and diversification in the agricultural sector and will work hard to fulfil the insurance and risk management requirements of our Members.

Principal Financial Risks and Uncertainties

The Board, via the Risk and Audit Committee (RAC), ensures the risks faced by the business are managed in a prudent and conservative manner. We operate a comprehensive risk management framework through which we identify, monitor, report and manage the principal risks within our risk appetite and ensure adequate capital is held against them. The key tools to enable this to happen are the Own Risk and Solvency Assessment process and our Risk Appetite Tolerance and Controls register. The key risks which the business faces are set out below.

Insurance Risk

Insurance risk arises from the inherent uncertainties about the occurrence, amount and timing of insurance claims. Alongside market risk, this is our most significant risk but also the essence of our business, so we ensure a number of measures are in place to manage this risk prudently and conservatively. These include our underwriting policy, meetings of our Large Loss Committee, our Pricing Committee and the Management Risk Committee as well as regular leadership meetings to discuss strategic progress.

An essential part of managing our insurance risk is our reinsurance approach. In Financial Year 2023, we completed our fourth year under our stop loss reinsurance, the details of which are provided on page 14 and 15.

Counterparty Credit Risk

Given our reliance on reinsurance partners, credit risk is significant for Cornish Mutual. It is the risk of a financial loss if another party fails to perform its obligations in a timely or appropriate fashion. As well as our reinsurers, we also have exposure from banks, contractors, our investments and Members. Significant controls are in place to ensure the risk is minimised.

Moving to a stop loss arrangement rather than quota share has meant that the amount recoverable from reinsurers has decreased, which has reduced the credit risk the business faces. The risk does continue though due to our ongoing use of excess of loss reinsurance. If a stop loss recovery did arise, counterparty credit risk would also be present.

We monitor the credit ratings of our reinsurers and review their financial strength annually prior to renewal. We have now completed renewal for Financial Year 2024, with all our reinsurers deemed acceptable from a credit risk perspective.

Liquidity Risk

Liquidity risk is the possibility the business may be unable to meet its obligations as they fall due as a result of having insufficient accessible Funds. We pursue an investment policy that means we have sufficient liquid assets to ensure liquidity.

Market Risk

For Cornish Mutual, market risk includes an adverse movement in the value of assets, such as interest rates or equity prices, and is not matched by a corresponding movement in the value of liabilities. Our investment policy ensures we have a suitably diverse balance of assets. Testing the impact of particular events on these assets, such as failure of investments and equity downturns, is a critical part of our Solvency II work, in particular the calculation of the Solvency Capital Requirement (SCR). After insurance risk, market risk is the most significant risk the Company faces. We have been monitoring our investments closely over the year, recognising the volatility within the wider markets and liaising frequently with our investment manager throughout the period. More information can be found on this in the Investment and Capital Management report on page 44.

Operational Risk

Operational risk relates to a loss resulting from inadequate or failing internal processes, people and systems or from external events, for example a disruption to the business by natural catastrophe.

Covid-19 and its many impacts was indicative of the potential for operational risk. Another example is the threat of Cyber Risk. Particular focus is placed on such risks by the Board, with a variety of mechanisms in place to both mitigate their effect should they arise and to prevent them arising in the first place.

Pension Risk

Between the end of the Financial Year 2021 and signing our Annual Report for 2021, the Pension Trustees entered into a buy-in transaction with Legal and General to match the liabilities of the defined benefit Cornish Mutual Pension Scheme. This has protected the Company from the turmoil experienced by Pension Funds during September 2022.

Risk associated with the pension is now limited to counter party credit risk, and while we are still required to reflect a nil position in our Financial Statements, we do not anticipate the defined benefit Pension Scheme will impact our results. The intention is for the Scheme to ultimately move to buy-out. This process is taking longer than anticipated but is not impacting our financial results. The transaction will be reflected in next year's Financial Statements.

Climate Change

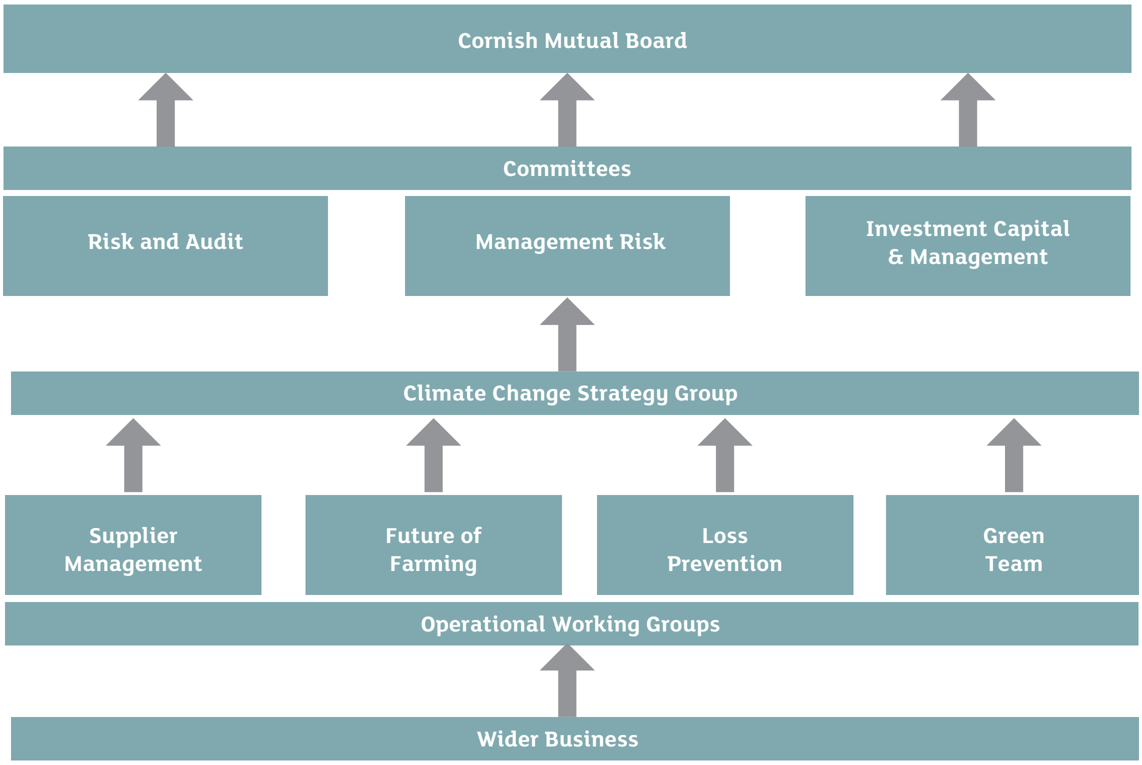
Continuing on from previous years' themes, focus has been on developing our understanding of climate change and the financial risks it brings to the business. Additionally, focus has broadened to better understand the impacts that Members are currently experiencing and those that may be felt by future generations.

To provide a framework to our approach we have chosen to align with the recommendations as set out by the Taskforce on Climate-related Financial Disclosures (TCFD), a financial industry led body with the specific purpose of creating recommendations for companies on the information stakeholders should be provided with on climate risk. This is consistent with our previous public disclosure and enables us to show progress as it occurs. The TCFD has published its recommendations, which are categorised as Governance, Strategy, Risk Management and Metrics and Targets.

Governance

The Board bears ultimate accountability for overseeing our response to climate change and work with the Executive to ensure there is clear governance embedded to ensure all risk and opportunities are captured and considered. Our climate change governance framework was introduced in 2020, and has since been further developed, with an emphasis on it being relevant and proportionate for the level of risk presented to us.

Since last year we have developed our loss prevention offering, which has provided a high level of engagement with the Membership on climate related risks they are facing and how to tackle these. This department along with others provides feedback to the Climate Change Strategy Group which is headed by our Insurance Director who is assigned responsibility for managing the financial risks from climate change in line with the PRA's requirements as per SS3/19. The strategy group is responsible for overseeing and delivering against the Climate Change plan.



The Climate Change Strategy Group reports to the board and its sub-committees via the Insurance Director, who attends the committee meetings and provides updates and management information on progress at each meeting. This ensures the committees have the adequate knowledge and access to data to fulfil their responsibility of overseeing and addressing the financial risks from climate change. Climate change considerations are detailed in the Terms of Reference of all Board Committees, and any strategic planning will include climate change thinking. Strategic planning could be over a variety of horizons; short term (up to 5 years), mid-term (5-10 years) or longer term (up to 30 years). The climate considerations for these periods vary and the Board engages with appropriate industry experts for guidance which may fall outside of business knowledge.

Senior Managers and risk owners have identified climate risks and considered these for their areas and departments. The Executive also have climate related objectives on which the Board will measure and monitor business progress

Following on from the 2022 company-wide climate change day all new starters have received training on our approach to climate change as part of their formal induction. In addition to this, inductees can take part in an offsite day where the focus is on offsetting or nature friendly activities such as tree planting and hedge laying. Other colleagues are offered the chance to join these offsite activities as part of paid volunteering days, and can give feedback to the business on how they feel we are progressing and communicating with them on climate related risks through staff surveys as well as making suggestions to the green team and management throughout the year.

Strategy

We recognise climate change as a key risk to the business and we are seeking to play our part in tackling the climate crisis that we all face. This is the right thing to do for our Members, the wider South West agricultural community, our staff and other stakeholders.

In transitioning to a net zero economy, we recognise the vital importance of industry collaboration and co-ordination. We have participated in wider insurance industry initiatives such as the Association of Financial Mutual's (AFM) climate change roundtables.

The changing climate will impact the Company through both physical and transition risks and cuts across all aspects of our business. Our aim is for effective climate risk management supported by climate awareness across the Company, enabling all business decisions to take climate change into account.

We are taking a proportionate approach to climate risk relative to the nature, scale and complexity of our business. As a smaller insurer underwriting predominantly agricultural risks in the South West of England, we recognise that we underwrite risks in a potentially vulnerable sector.

Greenhouse gas (GHG) emissions from UK farms represent approximately 10% of the UK's total GHG emissions. Every farm is starting their journey to reach net zero from a different point and there is no single answer to address the problem. The National Farmer's Union believes that the required activity falls under 3 main headings:

- Improving farming's productive efficiency;
- Improving land management and changing land use to capture more carbon; and
- Boosting renewable energy and the wider bioeconomy.

The ability of our Members to successfully adapt their businesses is inextricably linked to the Company's future fortunes. We recognise that climate change represents an opportunity for Cornish Mutual and we will work with our Membership to support them in their journeys to more resilient, sustainable, lower carbon businesses, hence our investment earlier this year into Terrafarmer, with its focus on soil health. We will further seek to achieve this through incentivisation via our underwriting activity, through the provision of climate related guidance and services, tailored insurance products and by facilitating collaborations and sharing of best practice as it develops. Anchoring practical climate related actions for our Members flows directly from our enduring purpose: working to protect the farming community. We believe that it is important that we lead the way and are seen to be leading the way in tackling climate risk within our chosen niche.

We believe that our actions in relation to addressing our own direct carbon footprint whilst supporting our Members and our supply chain in their transitions to net zero will contribute to both climate risk mitigation and adaptation.

Our ambition is to become a net zero Company by 2050. Committing to becoming net zero means that we are continually trying to reduce our carbon emissions, not just offsetting, and this is the long-term goal for our business. We are also supportive of the Paris Agreement's objective of limiting global warming to below 2^0C (relative to pre-industrial times) by 2050 and have aligned the Company to this.

Cornish Mutual has continued to build on the Scenario Analysis work identified in last year's report with particular focus on windstorm stress testing where, in collaboration with our reinsurance broker, we have used high-resolution climate models to establish how historical return periods may differ in the near (to 2040), mid (2041-2070) and far (2071-2100) future. The output has been encouraging particularly for the near and mid-term periods, but we recognise the need to continually review these physical exposures, as models and data sources become more sophisticated. We will also continue to review and develop the work already undertaken on the transitional exposures from climate change with input from across the business, external consultants and, importantly, our Members.

Risk Management

We recognise climate change as a risk which interacts and impacts multiple other risks posed to the business and so define it as a cross cutting risk.

We also classify climate change as a standalone strategic risk due to it being far reaching, external and dependant on a global response to reduce.

All business risks undergo review at the Management Risk Committee to establish the level of risk they pose to the business at the current time and looking further ahead. Factors such as climate change will be considered against the risk to understand potential impacts and enable the business to put immediate actions in place or plan future actions to mitigate the risk to an acceptable level. Actions which are decided are reviewed at future committee meetings to establish whether they were effective and if future planning is required.

Metrics and Targets

We have an overall ambition to be net zero across all scopes by 2050. Net zero means that we have measured our carbon footprint, we are putting steps in to reduce our footprint and in the interim period we will commit to offsetting any remaining emissions. To provide us with better oversight of our carbon footprint we have engaged with a new external company to provide us with a tool and dashboard through which we can manage and monitor our emissions. This gives us a better in-the-moment view of emissions and can be used to help plan future changes.

In 2021/22 we took action to reduce our carbon footprint, by offering our field insurance advisers the option to use personal vehicles for business travel with a financial contribution where certain conditions are met. This has resulted in the emissions from the vehicles being moved from scope 1 to scope 3 as per the industry standard Green House Gas Protocol approach. Set out below is a summary of our emissions for each scope by year.

	Scope 1	Scope 2	Scope 3	Total	Emissions to offset
2018/19	106.1	69.4	86.4	261.9	192.5
2020/21	132.9	63.7	65.8	262.4	198.7
2021/22	60.9	0	89.6	150.5	150.5

Our focus will now move to engaging with our Members and suppliers to understand their journeys to net zero and how we best reflect these in our own scope 3 targets. We have already started to see encouraging moves in this space from our supply chain. For example, we are engaged with Richfords, a flood and fire restoration specialist who have developed a remote moisture monitoring system. This removes the need for engineers to physically check equipment, which reduces mileage and travel emissions, as well as shortening the time a claim takes to progress for a Member. We will continue to identify and share emerging industry best practice.

Fair, Balanced and Understandable

The Directors assert that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable. In making this assessment, the Board have considered the process followed to draft the Annual Report and Financial Statements, and in particular the following stages:

- Each section of the Annual Report and Financial Statements is prepared by a Member of management with appropriate knowledge, seniority and experience.
- The overall co-ordination of the production of the Annual Report and Financial Statements is overseen by the Finance Director. In addition, the Company Secretary carries out a review to ensure consistency across the document.

Going Concern and Future Developments

Our forecasts and projections, taking account of reasonably possible changes in trading performance, including the impact of current high levels of inflation, show the Company should be able to operate within the level of current resources over a period of at least twelve months from the date of approval of these financial statements. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its Financial Statements.

The Own Risk Solvency Assessment (ORSA) process identifies the assumptions which we have made in assessing how the business will develop and results in an annual report available to our Regulators. A full explanation of the ORSA is included in the Report of the Risk and Audit Committee on page 39.

We produce a five-year plan with a forecast balance sheet for each year. We adopt a five-year period as we consider it possible to anticipate likely reinsurance arrangements and cash flows for this length of time. We have modelled one forecast assuming our existing stop loss and excess of loss cover is in place, and another where just excess of loss cover is maintained. These reinsurance types are explained on pages 14 and 15. We reviewed our five-year plan in light of the impact of inflation and were comfortable that the assumptions made, and the forecast numbers, remained reasonable.

The balance sheet for each scenario is subject to stress testing as our Regulator would expect, to ensure they would meet regulatory capital requirements at each future period.

As a result of this work, we have a reasonable expectation the Company will be able to continue to operate and meet its liabilities as they fall due over the next twelve months. The key assumption supporting this expectation is the continuing availability of appropriate reinsurance cover.

On behalf of the Board

Peter Beaumont

Managing Director

12 December 2023

DIRECTORS' REPORT

Directors' Report

The Directors have pleasure in submitting the Annual Report and audited Financial Statements for the Company for the year ended 30 September 2023.

The following served on the Board of Directors during the year ended 30 September 2023:

JP Oatey Chair of Board
PJ Davies BSc, C Dir, FPMI, FIDM, FIOD
PS Beaumont Managing Director BSc, FCA, Cert CII
CW Pears BA (Hons), ACII (resigned from the Board 16 September 2023)
R Lane TD, BA FCMI, FCII
SE Turner OBE, MSc, LLB (Hons)
PWD Mahon Insurance Director BSoc Sc, FCII
CE Green Finance Director BA (Hons), FCA
MP Schwarz Company Secretary BS, MSc

Registered Office

CMA House, Newham Road, Truro

Directors' and Officers' Insurance

The Company has purchased Directors' and Officers' Liability Insurance for Directors and Officers as permitted by the Companies Act 2006. This cover is provided by Markel International Insurance Company Ltd to a limit of £2.5 million in any one period of insurance.

Financial Risk Management Objectives

The Strategic report includes an assessment of financial risk management objectives, which can be found on pages 18 and 19 of the Financial Statements. Additional information relating to risk management can be found in note 5 and in the Report of the Risk and Audit Committee.

Directors

All Board Members have served fewer than nine years. Mr. Lane, Mr. Pears and Mrs Turner were re-elected to the Board at the Annual General Meeting held 31 March 2022. Mr Pears stepped down from the Board in September 2023.

Going Concern and Future Developments

Detail as to the Directors' assessment of Going Concern and Future Developments is included on page 23 as part of the Strategic Report.

Director's Confirmations

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

BDO have conducted the audit for the Financial Year ended 30 September 2023. BDO were appointed by the Membership at the Annual General Meeting in 2021. This is the third financial audit they have conducted for Cornish Mutual.

M. Schwarz

Margaret Schwarz
Company Secretary
12 December 2023

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under Company law, Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps in the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

On behalf of the Board

Jeremy Oatey

Jeremy Oatey
Chair
12 December 2023

The AFM Corporate Governance Code

The Company uses the 2019 edition of the AFM's Corporate Governance Code1 as a benchmark to demonstrate good governance. The following section sets out the Code, how Cornish Mutual applies its provisions in governance, and where in this Annual Report or elsewhere, compliance with the provisions is evidenced.

THE PRINCIPLES	HOW WE APPLY THEM
1.PURPOSE AND LEADERSHIP An effective Board promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose.	Our enduring purpose is to protect the farming communities of Cornwall, Devon, Dorset and Somerset. This is described in more detail in the Strategic Report on page 5. This purpose drives our strategy and is the heart of the values and culture of the organisation. As a mutual, our Members and the protection of their interests is central to all our decisions. The Board is responsible for ensuring strategy aligns with purpose; it leads by example the values of the organisation. Our values (also called behaviours) are: • Putting Members at the heart of everything we do • Developing self and others • Actively working together. These support our strategy to deliver our purpose. Each Board Director is appraised annually on the Company and Board specific behaviours.
2. BOARD COMPOSITION Effective Board composition requires an effective Chair and a balance of skills, backgrounds, experience and knowledge, with individual Directors having sufficient capacity to make a valuable contribution. The size of a Board should be guided by the scale and complexity of the organisation.	The Cornish Mutual Board is mindful of the need to ensure the right balance of skills, experience, and background in recruiting Directors. We recognise that more diversity in gender, ethnic backgrounds and experience would benefit the Company and consider this a priority in our recruitment. To emphasise our commitment to diversity, the Board approved a separate Policy on Board Diversity in 2022. However, competence relevant to the needs of our business remains most important in our recruitment. In order to further diversify as well as maintain expertise, we developed a skills matrix to help us choose future Directors. We need a Board that is large enough to meet the requirements of governance and strategic oversight, but small enough to be both cost effective and nimble at making decisions. The Remuneration and Nominations Committee annually considers the size of our Board and considers the current mix of three Executive and six Non-Executive Directors (NEDs) right for Cornish Mutual. As mentioned above, each Director has an annual appraisal to ensure continued effectiveness and, for NEDs, independence. All our Directors have served under nine years. The Board conducts an annual effectiveness self-assessment and at each meeting considers what went well and what could be improved. Periodically we ask external parties to evaluate our Board performance. In 2021 we commissioned PKF Littlejohn to conduct an audit of our Company governance, risk management and compliance which found us to be controlled with procedures and controls in place and effectively applied. This exercise is repeated every three years.

Full text of the new Code is available at www.financialmutuals.org/governance/our-governance-code/

THE PRINCIPLES	HOW WE APPLY THEM
3. DIRECTOR RESPONSIBILITIES The Board and individual Directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision making and independent challenge.	The Company's Board Charter, Memorandum and Articles of Association, Scheme of Delegation and responsibility maps clearly spell out for Board Members what their responsibilities are towards Cornish Mutual. Those Board Members who hold Senior Management Functions (SMF) under the FCA/PRA Senior Management & Certification Regime also have an individual Statement of Responsibility (SoR) which is submitted to the regulator at the time of their appointment as a SMF holder and updated as required to reflect any changes in responsibility. Cornish Mutual has three Board sub-committees to assist the Board in undertaking detailed deliberations. These committees are Investment and Capital Management (see page 44), Remuneration and Nominations (see page 49) and Risk and Audit (see page 39). Each committee has a comprehensive terms of reference. Directors declare their interests at least annually and any potential conflicts of interests are openly documented and managed. The Board receives training on important topics and regularly reviews the Board level policies that guide the Company's operations. The Board receives comprehensive management information to assist its decision-making. This information is continually reviewed and refined to make sure it is fit for purpose and adapts to changes in the Company's operations.
4. OPPORTUNITY AND RISK A Board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.	The Company's clear purpose and strategy ensure the Board puts the long-term interests of its Members front and centre. The Board is ever mindful of the dilemma of mutuality: the interests of existing Members at any point in time may differ from the needs of the business to generate a surplus sufficient to enable investment, for example in new technology or skill, and/or growth of the business. Both capital investment and sustainable growth benefit future Members but are made possible using the funds provided in large part by past and existing Members. This means we must be very clear as to the benefits to Members we expect from our strategic decisions to balance these needs over time. The Company has a comprehensive risk oversight and management structure in place as reported on page 29. The risks faced by Cornish Mutual are set out on pages 18 and 19.
5. REMUNERATION A Board should promote executive remuneration structures aligned to the long term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation.	The Company must have credible leaders with professional expertise as well as personal values that correlate with those of Cornish Mutual so we can deliver value and service to Members. In order to attract and retain skilled and expert people, the pay we offer must be competitive within the financial services sector, commensurate with the complexity of the role and in line with our commitment to mutuality. Unusually for the financial services sector, we do not pay our executives bonuses so we remove the risk of conflicts of interests. The Report of the Remuneration and Nominations Committee on page 49 has more information on pay and related matters.

THE PRINCIPLES	HOW WE APPLY THEM
6. STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	We are a values-driven business and we work hard to ensure we understand the needs of our core Membership. To this end we undertake significant amounts of training relating to rural and agricultural issues. The Board actively engages with Members and prospective Members at agricultural shows frequently, as has been the case in 2023. In 2021 we initiated a series of Future Farming events to engage with our Members in a different and more focused way. We started a programme of farm walks in 2022, which have continued in 2023, to allow Cornish Mutual employees and Members to experience the wide diversity of farming practices in our region, and to provide an informal opportunity for farmers to discuss current opportunities and challenges. In 2023, Cornish Mutual launched its first series of a new podcast, intended to provide an accessible and informative way for farmers to engage on challenging and relevant issues. We are a Chartered Insurer which means we uphold both technical and ethical standards established by the Chartered Insurance Institute and are assessed annually on our adherence to these standards. Our people are particularly important to us. The Board is committed to hearing the views of colleagues across the business. This includes listening to and acting on issues arising from our now annual staff survey; NED participation in Companywide Board debriefs; NED attendance at the Management Risk Committee from time to time; shared workshops on topics including strategy, IT and marketing; and inviting non-Board colleagues to present papers at Board meetings. Cornish Mutual engages with a variety of third-party suppliers to deliver our desired business outcomes. Our relationship with suppliers is governed by the Board policy on Outsourcing and Supply Chain Management. We remain focused on climate change and the green agenda, especially how it is affecting UK agriculture. We have an active group looking to reduce our carbon footprint as a business. We remain actively considering the financial effects of climate change for both the Company and our Members. We strive to be a responsible member of the communities in which we operate. We have supported individuals through work placements and have further enhanced our support for Young Farmers across the areas where we do business. We continue to support agricultural charities as well as encouraging colleagues to volunteer. Please see the Corporate Social Responsibility area of our website for more information on our community engagement.

Function and Responsibility of the Board

The key function of the Board of Directors is to ensure the business is run in an appropriate manner. The Board meets at least six times a year. In addition, we hold strategy sessions to focus on wider issues which affect our business and check our plans remain appropriate.

During Financial Year 2023, all Board meetings have been held face-to-face. We also continue to use online conferencing, especially for our Committee meetings, and see it as a way of reducing travel and our carbon footprint. Our Annual General Meeting was held online via Zoom on 30 March 2023. We consider this a way to encourage more Members to attend the AGM and we have changed our Articles of Association to permit this.

The Board works to a Schedule of Matters contained in the Board Charter which is updated and approved each year. All meetings are formally recorded. The Board focuses on the following areas:

- Strategy and management, which includes approving long-term objectives and monitoring the Company's performance against these objectives
- Governance and culture, which includes assessing the composition and competency of the Board and the policies which guide the Company
- Stewardship of Members' Funds, which includes selecting investment managers and strategies
- Financial reporting and controls, which includes approval of the Annual Report and Financial Statements following recommendation from the Risk and Audit Committee
- Communication and reputation, which includes engagement with Members and ensuring polices are in place to deliver high quality service and products
- Remuneration, which includes following the recommendation of the Remuneration and Nominations Committee in determining the salary budget for the Company as a whole and remuneration of Directors. Director remuneration is subject to Member confirmation at the Annual General Meeting (AGM)
- Delegation of authority, which includes the Company-wide scheme of delegation and terms of reference for various committees.

The Board Members for this fiscal year are listed on pages 25 and 33 to 35. Cornish Mutual operates with a separate Chair and Managing Director, who maintain an effective balance of responsibilities and accountabilities. Mr Oatey, as Chair, is responsible for the effectiveness of the Board. His duties, and those of all Directors, are detailed in our Board Charter, which is available in short form on the Company website www.cornishmutual.co.uk or in full by request.

The information used by the Board and the wider business for decision making and reporting is governed by Board policies, the Board Charter, regulatory requirements and best practice guides from the CII and other professional organisations relevant to our business. The integrity of the Company's financial information is audited annually, and our data and information-related processes are periodically reviewed by our externally provided internal audit service, most recently in 2021.

For the majority of the Financial Year 2023, the Cornish Mutual Board consisted of three Executive Directors and five Non-Executive Directors, until Charles Pears stepped down in September 2023.

Non-Executive Directors must be independent in character and judgement, so they are able to effectively challenge the Executives. All the current Non-Executive Directors are independent in both respects.

The Board directly, and through the Remuneration and Nominations Committee, monitors succession planning in the business and has succession plans covering senior management function holders in place.

In accordance with Solvency II requirements, Cornish Mutual formally conducts its Own Risk and Solvency Assessment (ORSA) at least annually. We prepare an ORSA report which we send to the Prudential Regulatory Authority. The purpose of the ORSA is to provide both the Board and the regulators with evidence that the Company frequently and systematically assesses the risks it faces in respect of maintaining solvency capital and achieving its objectives over a five-year horizon. The ORSA provides the Board with assurance that under the reasonable risk scenarios set out, Members' Funds would remain above minimum regulatory requirements and the business remains viable.

The Management Risk Committee which consists of Executive Directors and Senior Leaders within the business meets six times a year to thoroughly review the risk register and the results of this deliberation are reported through to the Risk and Audit Committee.

We actively incorporate the financial risk from climate change into our risk management processes. We expect the identification and management of this to develop further over the next few years as both regulation and public opinion coalesce into action. The Report of the Risk and Audit Committee (page 39) provides more information on risks and risk management and control.

Board Members

Jeremy Oatey

Board Chair

Jeremy previously worked nationally in farm management for both corporate institutions and private individuals. He returned to Cornwall to start his own farming business which now provides land management solutions to a number of local landowners. In addition, Jeremy also runs a vegetable processing Company supplying a number of major local food producers. He has been a Member of Cornish Mutual for many years for both his business and private needs. Jeremy also works to provide support to several local rural businesses and organisations.

Paul Davies

Senior Independent Director

Paul Davies has a wide background across financial services and has served on many boards in executive and non-executive director roles in insurance, pensions, banking and investment. Paul has recently served as a director of the University of Gloucestershire, as a trustee of a number of UK pension funds and worked with the Institute of Directors in the training and development of Company directors. Based in Cheltenham and an honours graduate in Economics and Statistics from the University of Southampton, Paul has experience as Managing Director, Chief Operating Officer and Marketing and Business Development Director delivering profitable growth, acquisition and change management success. Paul has a wealth of knowledge in corporate governance as an IOD Chartered Director which he can bring for the benefit of the Members we work for.

Charles Pears

Non-Executive Director

Based in Mid-Cornwall Charles is an experienced insurance and investment professional. Previous roles include Head of Insurance at Insight Investment where he specialised in Solvency II and the management of investments on behalf of Insurers. Charles also led strategy and business management teams for Lloyds Banking Group insurance entities, National Australia Bank and Aviva PLC. He began his career in 1995 with Commercial Union where he held various roles in the general insurance and corporate partnership teams. He is currently a non-executive director of Coastline Housing Ltd and an independent pension trustee of Southern Housing Group. Charles graduated from the University of Durham with a BA Honours in Philosophy and is an Associate of the Chartered Insurance Institute.

Richard Lane

Non-Executive Director

Richard started his insurance career working in the farming communities of East Yorkshire, the Lincolnshire Wolds and subsequently the Yorkshire Dales, before taking on wider roles covering the South and South West of England & Wales. He was appointed to Cornish Mutual's Board in 2018. He has previously been Managing Director at Ansvar Insurance with a specialist focus on working with charities and not for profit organisations, also having worked at LV=, Zurich and RSA. Richard also served as an Army Reservist, finishing his Army career developing Leadership training and the civilian accreditation of training undertaken Army wide. He is currently Development Director for Edwards Insurance Brokers. He is both a Chartered Insurer and a Chartered Manager.

Sue Turner

Non-Executive Director

Sue Turner is dedicated to using her expertise in AI and data governance and ethics to support organisations to use AI and data with wisdom and integrity. With an MSc in Artificial Intelligence and Data Science, she established AI Governance Limited to advise businesses and policy makers on pragmatic AI, data ethics and governance issues and making a positive societal impact. She is Chair and a Non-Executive Director for North Somerset Environment Company and a mentor at the Alan Turing Institute. Her career spans leadership roles in entrepreneurial private businesses and not for profit organisations where she has led significant organisational growth and collaborated to shift power to help people improve their prospects.
Her maternal grandparents were farmers in Kent and her grandfather founded the Kent & Canterbury Building Society in 1951. She was awarded the OBE in 2021 for Services to Social Justice.

Peter Beaumont

Managing Director

Peter Beaumont has a wealth of experience in the IT and financial services industries including insurance and banking. Peter took up the role of Finance Director with Cornish Mutual in January 2009 and became Managing Director in December 2019. Peter has held various director level appointments covering both finance and operations. Having trained and qualified as a Chartered Accountant within public practice, Peter has spent his career within commerce. Now a strong advocate of the benefits of mutuality, Peter is focussed on understanding the challenges facing farmers. With a track record of introducing change, he is committed to developing the offering to Members, ensuring that Cornish Mutual fulfils its purpose of working to protect the farming community, while continuing to offer a first-class service to all Cornish Mutual Members.

Paul Mahon

Insurance Director and Chief Risk Officer

Paul has extensive experience in financial services having begun his career in 1992 working with Guardian Insurance. He then spent many years in the London Insurance Market and worked for Ernst & Young and PwC acting as a consultant to many of the UK's leading general insurers. Paul, a Chartered Insurer, is a Fellow of the Chartered Insurance Institute and a graduate of the University of Birmingham. He joined Cornish Mutual in 2011 and became a Member of the Board in 2018 taking up the role of Insurance Director. Paul became our Executive Lead for our response to climate change in 2019. Having undertaken further study into climate change and exploring best practice elsewhere, Paul is focussed on ensuring we satisfy our climate change objectives and supporting our Membership in their transition to more sustainable businesses. Paul is passionate about the rural community in the South West and he knows the region very well having spent his childhood growing up in South Devon. Paul is married with two children and lives on the South Cornwall coast in Falmouth.

Clare Green

Finance Director

Clare has worked in the insurance industry for 18 years, having undertaken her chartered accountancy training in London, while working as a forensic accountant, advising insurers on the quantum of complex losses. She is a graduate of the University of Durham and a Fellow of the Institute of Chartered Accountants in England and Wales. Clare moved to Cornwall in 2011 and shortly after began working at Cornish Mutual, becoming Finance Director and being appointed to the Board in 2020. Clare is married to a Cornish farmer and, along with their two young children, they live on a grassland farm near Falmouth, which has been in her husband's family for five generations. The farm has a range of diversified interests and is focussing on reducing its carbon footprint through the use of herbal leys, reduced fossil fuel inputs and rotational grazing of its herd of suckler beef cattle. Clare is currently Vice Chair and Finance Trustee for iSight Cornwall, which is a Cornwall-based charity focused on helping blind and partially sighted people.

Board Committees

The Board operates three committees:

1. Risk and Audit Committee chaired by Richard Lane. Director members: Charles Pears and Sue Turner.
2. Investment and Capital Management Committee chaired by Charles Pears. Director members: Paul Davies and Richard Lane.
3. Remuneration and Nominations Committee chaired by Sue Turner. Director members: Paul Davies and Jeremy Oatey.

Committee membership is elected annually at the Board meeting following the Company's AGM which is held in March. Each committee operates to a schedule of matters that forms part of its terms of reference. The three terms of reference and schedules of matters are contained in the Board Charter and available on request. All meetings are formally minuted and each committee undertakes an annual self-assessment of its effectiveness. The full details of the work of each of these committees are included later in this document, starting at page 38.

Board and Committee Meeting Attendance

	Board Meetings	Risk & Audit Committee	Remuneration & Nominations Committee	Investment & Capital Management Committee
Jeremy Oatey	6/6	Attended 1	3/3	
Peter Beaumont	6/6	5/5*	3/3*	4/4*
Paul Davies	6/6		3/3	4/4
Richard Lane	6/6	5/5	Attended 1	4/4
Paul Mahon	6/6	5/5*		4/4*
Charles Pears	6/6	5/5		4/4
Sue Turner	6/6	5/5	3/3	
Clare Green	6/6	5/5*		4/4*

*In attendance

Committee Member

Remuneration

The approach to remuneration at Cornish Mutual is set out in the Board Policy on Human Resources. The Directors' and Executive Pay Policy section was specifically approved by the Members as part of the Annual General Meeting in 2018.

See the Report of the Remuneration and Nominations Committee (see page 49) for more information on pay and related matters.

Director	Remuneration (£)	Benefits (£)	Pension (£)	Total 2023 (£)	Total 2022 (£)
P Beaumont	193,700	312	24,792	218,804	206,653
P Mahon	147,350	312	16,830	164,492	158,498
C Green**	118,979	312	13,464	132,755	126,829
J Oatey	54,075	312	0	54,387	52,823
P Davies	28,780	749	0	29,529	26,774
C Pears	23,706	312	0	24,018	24,323
R Lane	26,780	749	0	27,529	26,774
S Turner	23,690	312	0	24,002	23,323
R Cawse*	0	0	0	0	11,017
	617,060	3,370	55,086	675,516	657,012
National Insurance				**76,268**	**75,781**
Total				751,784	732,793

* Partial year

** Pro-rated

On behalf of the Board

Margaret Schwarz

Company Secretary

12 December 2023

REPORT OF THE RISK AND AUDIT COMMITTEE

Responsibilities of the Committee

The Risk and Audit Committee (RAC) examines all corporate governance, risk and audit matters that affect the Company whilst also assisting the Board in satisfying itself that the Company's risk management systems and internal controls (including the internal audit and compliance functions) are appropriate, proportional and sufficient to control, manage, and mitigate strategic and operational risks. The Committee is also responsible for the oversight of the Company's Own Risk Solvency Assessment (ORSA) process and reviews the findings of the External Auditors, the outsourced Internal Audit functions and other audit reports whether internal or by third parties.

The RAC's rolling programme covers a variety of regular items such as the framework for reporting reserves, as well as monitoring new and emerging factors and risks. Specific attention is given to topics considered particularly significant, including the issues and judgements relating to the development of large, complex claims.

Membership

The Committee is formally made up of Non-Executive Directors with recent financial experience, with the Executive also attending each meeting. All other Board Directors can attend meetings with the agreement of the Committee Chair. We meet without the Executive as and when the Chair considers it appropriate to do so and when reviewing the annual financial statements with the external auditors. Each year we undertake a review of our performance and effectiveness. Richard Lane has been Chair of the RAC since April 2021.

Review of Activity

1. Own Risk and Solvency Assessment (ORSA)

The Company's ORSA process comprises a continuous forward-looking assessment of current and future potential risks to its business strategy, its solvency position and capital management. It describes how the Company is organised and governed, future business strategy, risks to achievement of that strategy and how such risks are mitigated, how capital is measured and used to support the strategy, the Company's systems of internal control and how a culture of risk awareness is embedded throughout the organisation.

Specific consideration is given to the regulatory requirements of the underlying assumptions in the Standard Model Formula for the purposes of calculating the Solvency Capital Requirement (SCR). We continue to recommend that use of the Standard Model more than adequately represents the risk profile of the Company.

2. Key Functions: Actuarial, Risk Management, Internal Audit and Compliance

Actuarial Function

We are required under Article 48 of the Solvency II Directive to hold an Actuarial Function. The Function is charged to think independently about areas of Cornish Mutual that deal with uncertainty and risk whilst looking to introduce appropriate mechanisms to quantify and address those risks.

The Actuarial Function is headed by Peter Beaumont, the Managing Director, who is the designated "Chief Actuary". Every year, we review the Actuarial Function Report which is made up of a review of Technical Provisions, Opinions on Reinsurance Adequacy and Underwriting Policy, and Contribution to Risk Management.

Risk Management

A culture of risk awareness is firmly embedded throughout the Company. The key function of Risk Management is carried out by the Management Risk Committee (MRC) which meets six times a year and reports via the Insurance Director, who is also designated by the Board as our Chief Risk Officer (CRO).

Our Risk Register is focused on our People, Prudential, Legal & Regulatory, Member Expectations and Operational risks. During 2023 we continued to refine our approach to operational and strategic risks, whilst identifying new and/or emerging risks. All risk descriptions and controls continue to be reviewed against a suite of Key Risk Indicators (KRI).

Internal Audit and Compliance

The Board's Policy on Internal Audit and Internal Control is mandated by the Board Charter. The Head of Internal Audit and Governance Leader reports directly to the Chair of the RAC. As a Committee, we are satisfied that the systems of internal control and compliance are fit for purpose, proportionate to the scale of its activities and effective in providing appropriate assurance.

In some technical areas, we consider the increasing complexity of the insurance market and regulation requires a higher level of assurance than can be provided internally. We contract PKF Littlejohn to provide internal audit services to the Company in accordance with an agreed Audit Universe which follows a four-year cycle.

The policy of the RAC and the Board remains to continue to seek independent assurance concerning all technical aspects of the Company's operations including input from experts in different fields and from the Company's External Auditors. The Internal Validation and Support Team (VAST) has further improved its effectiveness, including the addition of external expertise into its thematic reviews. VAST's attendance at RAC to give greater context to its recommendations continues to be well received. No systemic problems were identified in 2022/23.

During the year ending 30 September 2023 the following internal audit reports were reviewed and management actions agreed:

- Thematic Review of Sales & distribution Strategy, including a supplementary external review (final reports dated March 2023)
- Claims Loss Adjuster Review (report dated March 2023)
- Strategy Implementation (report dated May 2023)
- Review of Agricultural Vehicle Sums Insured (report dated September 2023).

The Executive report any breaches of regulation to the RAC and from there to the Board. There have been six entries made on the Breaches of Board Policy and Other Reportable Events log during this year (there were also six in the previous year, with four in the prior year). None of these are due to systemic failures and remedial actions have been implemented. Of these the most significant issue has been the way in which we classify and subsequently handle complaints. Action is taking place here in conjunction with the FCA. The low number of entries is a positive indicator our approach to risk management is effective.

3. External Audit, Annual Financial Statements and Business Continuity Planning

External Audit

BDO are now completing their third annual audit as part of their three-year appointment as our External Auditors as agreed at the 2023 AGM. BDO will perform a review of the Technical Provisions, Own Funds and other elements which feed into capital disclosures in the Financial Statements.

Annual Financial Statements

We approved the External Audit plan for the year at our meeting in September 2023 and confirmed focus on the following areas of audit emphasis:

- Management override of controls
- Revenue recognition
- Valuation of technical provisions
- Valuation of pension scheme obligations.

Throughout the year we receive updates on key judgements in relation to reserves, whether through the minutes of the Large Loss Committee or updates on specific claims. We review the basis of the Company's claims reserving methodology each year and as part of this, we seek independent assurance through external audit. Valuation of Technical Provisions is invariably identified as a significant risk and an area of focus.

In each of the last three financial years, BDO have used an independent projection approach, using their own reserving model. Together with the review and challenge of the reserves documentation and calculation, this has provided assurance that the methodologies used in assessing the liabilities at 30 September 2023 are robust.

The Committee met in November 2023 to receive a detailed presentation from our external auditors, BDO, in respect of the audited Financial Statements for the year ended 30 September 2023. Non-Executive Members of the committee and the independent Chair of the Board also met in private with the external auditors and received assurance regarding the conduct of management during the audit, and the quality and completeness of the accounting records of the Company. The committee approved the Technical Provisions after scrutiny of the methodologies used.

Business Continuity Planning (Disaster Recovery)

The Company has contingency plans to minimise the impact of events that might interrupt its capability to deliver business obligations. An Incident Management Team was formed this year with the purpose of ensuring our plans remain up to date and are subjected to Annual Disaster Recovery, Business Continuity and Penetration tests. Resilience is achieved through dual site capability, remote access and security.

4. Material Risks and Future Risk Strategy

In the Strategic Report on page 5, we set out high-level strategic risks and uncertainties faced by the business. It is the RAC's role to monitor in detail the risks which the Board judges to be material to the Company. Specifically, these are:

- Unavailability or inadequacy of reinsurance
- Market (Investment) Risk
- Competitor behaviour
- Failure to attract & retain staff with appropriate skills, behaviours and performance
- Failure to observe legal and regulatory requirements for insurers
- Erosion of Capital and Solvency Margin
- Insurance Risk
- Business Model, over time, ceases to remain relevant for Members
- Business disruption through systems failure, cyber security breaches, natural disaster or unexpected events
- Adverse investment market conditions increase financial support required for closed defined benefit pension fund
- Volatility of the expense base
- Financial risk from climate change.

The Board regularly examines the status of each of these risks, which are reviewed by the Management Risk Committee and subsequently by the Risk and Audit Committee. Attendance at the MRC by Non-Executive Directors allows them to witness internal interaction and gain assurance of the effectiveness of the control environment.

A Letter of Assurance from the Chief Risk Officer to the RAC Chair forms part of the annual control process. The RAC scrutinised and approved the annual Letter of Assurance in respect of the year ended 30 September 2023. It was found to be a complete and accurate reflection of how control processes had operated effectively to identify and address both current and emerging issues arising during the year. Set out below is a summary of some core risks identified by the CRO during the last financial year.

People

A strong labour market has placed pressure on recruitment and staff retention. Balanced management actions are in place to retain existing staff and to ensure we recruit high calibre staff to serve our Members.

Prudential

Russia's invasion of the Ukraine continues to impact the world economy. The most significant effects on the business are threefold. Firstly, the volatility of agricultural prices both input and output which have fundamentally impacted our Members. Secondly, the volatility of the investment market and its subsequent impact on our solvency margins as measured under the SII Standard Formula. Thirdly, the enduring effects of inflation on prices and claims costs. Each of these are subject to routine scrutiny and appropriate Executive actions.

During the year Cornish Mutual invested in a start-up, Terrafarmer, with a focus on soil health. As noted within the Managing Director's message within the Strategic Report, we are now the majority shareholder. While this investment took place with the view of benefiting our Members through easier access to the provision of soil sampling and consultancy, this acquisition brings additional risks due in part to its start-up nature. The Committee has continued to monitor its progress.

Climate Change

The impact of climate change on our Members and on our business remains at the forefront our thinking. The Climate Change Strategy Group has a wide representation from across the business enabling issues and opportunities to be addressed broadly and inclusively. Increasingly we are looking at our investments from an environmental impact perspective.

RAC Assurance Statement

We are able to give assurance to the Board and Members that the controls and risk management processes are robust and suitable to support the ongoing business and stated strategy of pursuing organic expansion in the South West farming communities, while delivering continuous improvement in the high level of personal service and prompt claims settlement to all Members. The opinion of the Risk and Audit Committee is informed by the Committee's consideration of the reports from: internal audits and the Validation and Support Team; Executive management with responsibility for the development and management of the internal control framework; the External Auditors' examination of the Annual Report and Financial Statements and accompanying management letter.

Richard Lane

Chair, Risk and Audit Committee

12 December 2023

REPORT OF THE INVESTMENT AND CAPITAL MANAGEMENT COMMITTEE

Responsibilities of the Committee

The Investment and Capital Management Committee (ICMC) is responsible for overseeing the management and investment of the Company's and Members Funds and ensuring these meet our objectives. If our objectives are not met, then the ICMC is responsible for appointing new investment managers able to deliver our expectations.

Membership

The composition of the ICMC, shown on page 36, remained unchanged from the previous period and we continued to benefit from the attendance of the Executive, alongside NED Members of the Committee. Charles Pears has chaired the Committee since 2018.

Investment Objectives

We have three primary objectives for our investments:

- Support our business strategy of delivering profitable growth. This means we target a positive 'real' return (a return greater than inflation) after charges from the investments we make while minimising the risk of losses.
- Be sufficiently liquid both in the short term and long term to meet our business requirements for such things as paying claims and implementing business strategy.
- Be consistent with the Board's appetite for economic risk and the Company's capacity to take these risks as determined by our Solvency Capital Requirement (SCR).
- We currently achieve our objectives through holding a small range of Funds managed by a specialist investment manager. At the commencement of the financial year these Funds were:
    - The Insight Broad Opportunities Fund (IBOF), a dynamically managed fund able to invest across a broad range of asset classes including equities. This is the primary source of return and so risk.
    - The BNY Mellon Absolute Return Bond fund (ARB), a dynamically managed fund able to invest across a broad range of fixed income asset classes. This is the secondary source of return and so risk.
    - The Insight Liquidity Plus fund (ILF+), a highly diversified money market fund with a strong credit rating, which invests in slightly longer duration money market instruments. This is a low-risk fund intended to deliver a return slightly higher than cash deposits.
    - The Insight Liquidity fund (ILF), a highly diversified money market fund with a strong credit rating but limited to very short duration money market instruments. This is a very low risk fund intended as a substitute for cash deposits.

Review of Activity

The principal activity of the ICMC is overseeing the allocation between the four Funds listed above to strike the right balance between risk, return, liquidity, and the resultant capital requirements. We will also regularly review the investment strategy, the selected investment manager and the investment funds used to achieve our objectives. Where we consider better value can be achieved for our Members then we will make changes accordingly.

The most significant change to the composition of our fund holdings was to sell our holding of ARB and to invest the proceeds in IBOF. While the performance of the ARB fund has been strong during the period, the change was made for two reasons:

- The capital requirement for the ARB fund was too high for the level of risk and return generated and so the IBOF represented a more capital efficient opportunity.

- The ARB fund is limited to narrower opportunity set and is not able to invest in holdings such as infrastructure or equities. While these asset classes struggled during the year, we wanted to hold a fund able to participate in any re-bound when the time is right. The IBOF fund is able to invest in the broadest range of asset classes.

The Committee's activities during this year are set out below.

Delivering Profitable Growth

The year proved to be a particularly difficult one for most investment markets. Inflation became a dominant and firmly entrenched issue for most economies and created a significant cost of living crisis for many of our Members. September 2022 saw the mini-budget under the Truss Government being a set of economic policies and tax cuts which gave rise to a dramatic loss of confidence in the UK economy. The resultant increase in long-term gilt yields had a severe impact on many other markets. As the government sought to rebuild confidence and to rein in inflation we saw a series of interest rate increases marking a sustained increase in the cost of borrowing.

The funds held by Cornish Mutual experienced markedly different levels of performance. The short-dated money market funds, usually the safest and lowest source of return, were able to take advantage of the rising interest rate environment. Similarly, the ARB fund found opportunities in the dramatic movements experienced by fixed income markets and enjoyed a positive period of return. The more opportunistic IBOF fund struggled the most given it was exposed to asset classes such as equities and infrastructure which struggled in such an economically uncertain environment and the backdrop of increased interest rates. Overall, we are pleased with the outcome but recognise that the returns experienced fell short of the underlying levels of inflation meaning we did not achieve "real" returns overall.

Ending the year, we have increased our exposure to the IBOF fund and so are well positioned to capitalise on emergent opportunities as and when our fund managers feel the time is right. We will retain a bias towards protecting our Members' funds first and foremost and being both measured and dynamic in the management of risks taken to achieve upside returns.

Review of our Risk Management Framework

The ICMC continued to evolve and develop our overall risk management framework. Getting the best return for our Members funds while not taking too many investment risks is an ongoing balancing act. This is further complicated by the need to hold sufficient additional funds to absorb the potential costs of extreme events impacting our investments or insurance business.

We have considered a number of different frameworks to manage these risks and have established an approach taking into account three primary factors:

1. Our insurance risk. This considers two key indicators being our capital intensity ratio (which provides a broad measure for the relationship between the funds we have and the development of the insurance business overall) and our Economic Capital Assessment (which provides a measure of our ability to avoid shock events taking into account all of our reinsurance arrangements and the lower historic volatility of our investments).

2. Our investment risk. This considers the volatility of our investments giving a statistical measure of the Value at Risk (VaR) for the holdings of our investment funds and the regulatory stress (being the strict regulatory allowance for the movements of assets of the type we hold under extreme scenarios).

3. Our overall risk. This considers the strict regulatory measure for the adequacy of our capital base to absorb the losses that might occur under a one in two-hundred-year scenario. It excludes certain elements of our reinsurance arrangements and so is considered a very prudent measure.

Applying this framework moving forwards we expect to be able to robustly measure and monitor the level of risk we take and so the mix of funds we hold.

Managing the Financial Risks Arising from Climate Change

We continued to increase our engagement with Environmental, Social and Governance (ESG) considerations as part of the management of our investments. We have secured much broader reporting from our investment manager on ESG criteria and are able to evidence the steps taken by the funds we hold to take account of ESG factors. As a Committee and with wider Board representation we have also completed training to ensure we stay up to date with developments in this space. Additionally, we have updated our investment policy to ensure that the investment managers we might use have appropriate ESG credentials.

Incorporating a more Streamlined Administration Arrangement

We have made changes to our administration arrangements in order to streamline transactions between the funds we hold. We now have a third-party custodian in place who is able to hold the funds on our behalf and make transfers directly between the funds as required. This provides an additional safeguard through holding funds on a specialist platform and reduces the administration burden of having to manage lots of transactions into and out of our own bank account.

Conclusion

We are confident that our investments continue to strike the right balance between protecting Members' funds and achieving positive returns through taking selected investment risks. This sits within both our regulatory and economic risk appetite. We commenced the period with a low exposure to risk assets reflecting the uncertainty in the global economy. We end the year with a modest exposure to risk assets and with an increased holding of the IBOF fund which we consider to be best positioned to capitalise on opportunities as and when they emerge.

This shift reflects the tentative stabilisation in markets alongside the recognition that while there are signs the situation may improve we are definitely not out of the woods yet. We are living in incredibly challenging times with significant downside risk, alongside high inflation and the increasing prominence of ESG considerations. For us, just as for our Members, these are difficult times to navigate.

We are confident that our approach will prove resilient and our investment objectives will continue to be delivered through the use of a specialist investment manager empowered to manage asset allocation dynamically on our behalf across the broadest possible opportunity set.

Charles Pears

Chair, Investment and Capital Management Committee

12 December 2023

REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEE

Responsibilities of the Committee

The role of the Remuneration and Nominations Committee is to ensure the Board has the skills and experience it needs to meet the challenges facing the Company, to plan for effective future Board succession and to ensure our remuneration policy supports our strategy and encourages sustained performance. Meeting three times each year, we oversee four people-related risks identified in the risk register and pay careful attention to wider employee issues across the business on an ad hoc basis. We use formal, rigorous and transparent data and processes and we welcome feedback from Cornish Mutual Members.

Membership

The Committee is comprised solely of Non-Executive Directors (NEDs), elected annually by the Board following the Company's AGM; there were no changes to the Committee's membership this year. Employees attend meetings to provide operational support to the NEDs. All Board Directors may attend Committee meetings with the consent of the Committee Chair but only those appointed as Members may vote on Committee reserved matters. Neither the Board Chair nor the Managing Director has any input or vote on their own remuneration or any connected matter. The Committee meets without Executive attendees as and when the Committee Chair considers it appropriate to do so. Sue Turner has chaired the Committee since 2019.

Review of Activity

Like many employers, this year we have experienced the pressures caused by the inflationary economic environment and the tight labour market. We have, nevertheless, been able to make progress in three key areas:

1. Board Succession and Skills

We discussed what the appropriate size for the Board should be, bearing in mind the size of the business, the responsibilities that being a regulated business puts on Board Members and our desire to keep costs down. With three Executive Directors, we agreed that having five Non-Executive Directors (NEDs) enables us to meet good governance recommendations, comply with our governing documents and achieve a reasonable spread of the workload.

As we looked ahead to anticipate future succession requirements, we identified that we needed to secure new NEDs. We engaged search specialists Fletcher Jones to lead the process, using our connections as well as their wide reach, to ensure our process is objective and fair to people from a wide range of backgrounds. High on our list of priorities identified in the Board skills matrix are agricultural knowledge and the ability to provide challenge on issues like investment management. Any reader interested in joining our Board should contact the Board Chair, Jeremy Oatey.

To ensure we are as prepared as we can be for the future, we have overseen work on our emergency succession plan and the broader succession plan for the business. In a business our size we cannot have people primed to cover every role. We have therefore taken a proportionate, pragmatic approach enabling us to react quickly in an emergency, at the same time as developing people's skills for possible future roles.

We have continued to build on our work last year to highlight the skills and development requirements of all Board Members. The revised Board appraisals system has bedded in well this year, thanks to work by the Senior Independent Director (SID) and Board Chair.

2. Improved framework for setting Board remuneration

The SID and HR Lead investigated what additional information we could source to give the Committee appropriate benchmarks for executive and non-executive remuneration but found this continues to be lacking. The SID devised a more structured way to benchmark Board remuneration against a selection of comparable Members of the Association of Financial Mutuals (AFM) and brought this approach to the October Board, where it was approved.

Despite more meetings being held virtually, reducing travel time, we have noticed a trend over recent years for our NEDs to be called upon to give more time to their roles within the business. We will continue to monitor this to ensure that we are clear on the additional roles NEDs are being asked to perform and, if these are temporary additions, to draw them to a conclusion in an appropriate timescale.

As with the previous year, we recommended to the Board that NED remuneration be increased in line with the inflationary uplift across the business. The additional benchmarking approach led to a recommendation with regard to Executive remuneration, which was approved at the October Board.

The rationale for the different allowances for Committee Chairs and the SID had evolved over many years. This year we reviewed and codified the allowances to give transparency and logic to them.

We noted that two-thirds of AFM Members pay bonuses to some of their Executive Directors so this year we discussed whether a bonus scheme, linked to our Executives achieving their objectives, would impact positively on business performance. We concluded that this was not in keeping with our culture and focus on Members' interests, noting that other businesses are under pressure to reduce, or move away from, bonus schemes that do not incentivise behaviour in line with the new Consumer Duty requirements.

3. Progress on other people issues across the business

One of the risks which we oversee relates to the Company's ability to attract and retain staff. The Key Risk Indicator has been above the threshold all year as turnover has increased. We have seen retention stabilise in some business areas, but we still face challenges in others. We continue to look for ways to recruit and retain the people we need in this tight labour market. We were pleased to discuss two new initiatives to support this:

- The "Expanding Horizons" programme is aimed at encouraging people to develop their experiences and skills. As we are not large enough to give people guaranteed future progression, this is an innovative way of supporting people's development.
- The new sabbatical scheme has been devised to enable colleagues from all parts of the business to request time off for a sabbatical after long service with the business. The person requesting the sabbatical leave will have to ensure their role is adequately covered during their absence, which could provide development opportunities for other colleagues.

We continue to monitor gender pay, in the context that 65% of our employees are female, rising to 85% in the lower half of the salary range. The pay gap is small in the lower three quartiles; for the upper quartile, where the gap is biggest at 10%, the main factor is the predominance of men in our IT department. We note that we have few women over 50 in the Company and some of our teams do not have many young men. The Senior Leadership Team has been considering the factors behind these discrepancies and what can be done to address them.

Another risk we oversee relates to the prevention of discrimination or harassment. We know that post-COVID, some people may have different expectations of their employer regarding flexibility to work outside the office. We continue to actively monitor feedback, for example in the staff survey, to understand how expectations may be changing and ensure that our people are treated fairly.

Conclusion

Like all employers, the year has provided challenges to us. We have effectively scanned the horizon to be ready for the future, ensuring we have the people, policies and practices that we need to serve our Members well.

Sue Turner

Chair, Remuneration and Nominations Committee

12 December 2023

INDEPENDENT AUDITOR'S REPORT

Opinion on the Financial Statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 30 September 2023 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Cornish Mutual Assurance Company Limited ("the Parent Company) and its subsidiaries (the "Group") for the year ended 30 September 2023 which comprise the Consolidated Statement of Profit and Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Profit and Loss, Company Statement of Financial Position, Consolidated Statement of Changes in Members' Funds, Company Statement of Changes in Members' Funds, Consolidated Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable to law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and Financial Reporting Standard 103 Insurance Contracts (United Kingdom Generally Accepted Accounting Practice).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 25 March 2021 to audit the financial statements for the year ended 30 September 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 3 years, covering the years ended 30 September 2021 to 30 September 2023.

We remain independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to Going Concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and reviewing the Directors' assessment of the Group and Parent Company's ability to continue as a going concern, including forecasts, assumptions, and future actions. We considered the appropriateness and validity of this information given the knowledge obtained during our audit about the Group and Parent Company transactions it has concluded;

- Reviewing and challenging the Group and Parent Company's current business plans and budgets, including challenging the growth assumptions and assessing whether forecasts were consistent with justifiable assumptions and movements;

- Reviewing the outturn of previous forecasts against the audited 2023 results to assess the accuracy of the Directors' forecasting;

- Assessing the Group and Parent Company's solvency position through reference of sufficiency of assets to meet liabilities and the adequacy of regulatory capital;

- Assessing the basis of solvency projections for the next 12 months, considering whether an appropriate mechanism for calculating solvency had been applied;

- Enquiring of the Directors and reviewing management information, board minutes and regulatory correspondence to ascertain the existence of undisclosed events or obligations that may cast doubt on the Group and Parent Company's ability to continue as a going concern; and

- Reviewing the completeness and accuracy of the going concern disclosures in the financial statements based on the Directors' going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2023	2022
Key audit matters	Valuation of gross claims outstanding and reinsurer's share of gross claims outstanding	Yes	Yes
Materiality	*Group financial statements as a whole* £389,100 based on 1.5% of Net Assets*. *The prior year financial statements comprised Company only financial statements therefore there is no comparative information for the Group presented in this report.		

An Overview of the Scope of our Audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The significant change to the scope of the audit compared to the prior year is the additional considerations given to the Terrafarmer Agriculture Limited ("Terrafarmer") consolidation into the financial statements for the 30 September 2023 year end. This is due to the Parent Company acquiring a controlling interest in Terrafarmer in the current year.

Therefore, this year Consolidated financial statements are presented for the first time and our opinion was extended to cover the Group financial statements as well as the Parent Company.

The Parent Company was considered to be a significant component and was subject to a full scope audit by the Group engagement team. Terrafarmer was assessed as being an insignificant component to the Group and testing was performed on balances over Group performance materiality for Group reporting purposes.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Valuation of gross claims outstanding and reinsurer's share of gross claims outstanding

Refer to notes 4 – Accounting policies and Judgements and key sources of estimation uncertainty, 5 – Management of insurance and financial risk and 22 – Claims outstanding.</td><td>The financial statements include technical provisions for the estimated cost of settling claims associated with insurance contracts written by the Group and the reinsurer's share of the technical provisions.

The claims outstanding technical provision as at year-end of £22.219m (2022: £19.659m) includes individual case reserves and claims incurred but not yet reported ('IBNR'). Estimation of these reserves requires significant management judgement.

The corresponding reinsurers' share of the claims outstanding technical provision at the year-end is £3.549m (2022: £5.531m).

IBNR modelling by actuarial experts is reliant on:
• Relevant claims data being input correctly into actuarial models; and
• The application of appropriate actuarial techniques, judgements, and assumptions.

Furthermore, case reserves are inherently uncertain and rely on:
• The expertise of the claims handlers; and
• The correct and timely entry of claims information onto the claims system.</td><td>In assessing the valuation of the claims outstanding provision, we performed the following procedures:
• With the assistance of our internal independent actuarial specialists, we considered the appropriateness of the methodology and assumptions underpinning the calculation of the provision and the accuracy of the calculation itself, including a reprojection of 100% of the outstanding claims reserve as at year end;
• We have checked the independence of our actuarial specialists;
• We have obtained and reviewed the actuarial reports prepared by management and with the assistance of our actuarial specialists checked that all relevant judgements and estimates in the Group's calculation have been considered and appropriately challenged. Meetings were held between management and our actuarial specialist to appropriately challenge the assumptions and methodology in the formation of our opinion;
• We have reviewed and assessed changes to the assumptions used in the claims outstanding provisions compared to previous years to check these are reasonable and in line with acceptable parameters based on our actuarial specialists assessment;</td></tr>
</table>

Key audit matter		How the scope of our audit addressed the key audit matter
	The valuation of the reinsurance recovery is dependent on the amount of the gross claims outstanding technical provision. We have assessed this area as being of significant risk to the audit, and a key audit matter, due to the significance of these amounts in deriving the Group's results and because of the degree of assumptions and estimation underpinning the valuation, which can be highly subjective.	• We have reconciled and agreed a sample of the source data used by management and provided to our actuarial specialist to the underlying policy data to check that calculations are based on accurate information; • We have agreed all case estimates above our performance materiality level and a sample of other case estimates to supporting documentation to check that any adjustments were accounted for in the correct period and accuracy of the claims amount for the period; • We have recalculated the reinsurance recoveries, with reference to the reinsurance agreements, to assess whether the reinsurers' share of large claims have been correctly recognised; • We have reviewed the outturn of prior years' estimates against the current year's position to assess the accuracy of previous estimates and the appropriateness of the methodology; and; • We have tested claim adjustments and payments after year end greater than performance materiality through agreement to supporting documentation to check that these adjustments and payments were accounted for in the correct period. **Key observations:** Based on the procedures performed we consider the valuation of gross claims outstanding and reinsurer's share of gross claims outstanding and the assumptions and methodology used to calculate this at 30 September 2023 to be reasonable.

Our Application of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Materiality	389.1	N/A	388.0	272.0
Basis for determining materiality	1.5% Net assets	N/A	1.5% of Net Assets	1.0% of Net Assets
Rationale for the benchmark applied	Net assets are considered to be the most appropriate measure for a mutual insurer, reflecting the ability of the Group and Parent Company to pay claims and indemnify its members. This represents the metric of primary interest to users of the financial statements.			
Performance materiality	291.8	N/A	291.0	204.0
Basis for determining performance materiality	We have assessed performance materiality as 75% of the overall materiality for the Group and Parent Company.			
Rationale for the percentage applied for performance materiality	In determining performance materiality, we considered the Group's and Parent Company's control environment, the size and complexity of its operations and account balances and our previous experience on the engagement.			

Reporting Threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £19,400 (2022: N/A). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 Reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the Audit was capable of detecting irregularities, including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with Laws and Regulations

Based on our understanding of the Group and the industry in which it operates, discussion with management and those charged with governance and work performed to obtain and understand the Group's policies and procedures regarding compliance with laws and regulations, we consider the most significant laws and regulations with a direct effect on the financial statements to be the applicable accounting standards and Companies Act 2006.

The Group is regulated by the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') and is subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to include the regulatory solvency requirements, Employment Rights Act 1996, Income Tax Act 2007 and the Health and Safety at Work Act 1974.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred;
- Enquiry of management and those charged with governance to ascertain if there had been any actual or suspected non-compliance with laws and regulations;
- Review of the Group's Own Risk and Solvency Assessment ('ORSA'); and
- Review of the Group's breaches and complaints registers for any instances of non-compliance with laws and regulations.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to detecting and responding to the risks of fraud and internal controls established to mitigate risks related to fraud;
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team, including forensic specialists, as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the following areas most susceptible to fraud to be the recognition of revenue, management override of controls and the valuation of gross claims outstanding and reinsurer's share of gross claims outstanding.

Our procedures in respect of the above included:

- Remaining sceptical of and alert to the risk of management override of controls and fraud throughout all areas of the audit;
- We have identified and used key risk characteristics such as rounded entries and large entries to filter the population of journals which were tested by agreeing to supporting documentation.
- We addressed the risk of fraud in relation to the recognition of revenue by reviewing the earnings pattern for premiums through comparison to the claims notifications made during the year, recalculating the unearned premiums recognised, and verifying the amount of premium recognised to policy documents on a sample basis; and
- The procedures documented in the key audit matter section of our report discusses how the risk of fraud was addressed in respect of the valuation of gross claims outstanding and reinsurer's share of gross claims outstanding.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our Report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Tom Reed

Thomas Reed (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

12 December 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 30 SEPTEMBER 2023	NOTE	2023 £	2022 £
TECHNICAL ACCOUNT - GENERAL BUSINESS			
Gross premiums written		29,489,951	26,205,466
Outward reinsurance premiums		(3,428,644)	(2,877,523)
Written premiums, net of reinsurance		**26,061,307**	**23,327,943**
Change in gross provision for unearned premiums		(1,738,261)	(1,010,599)
Change in provision for unearned premiums, reinsurers' share		236,847	123,920
Change in net provision for unearned premiums		**(1,501,414)**	**(886,680)**
Earned premiums, net of reinsurance	7	**24,559,893**	**22,441,264**
Other technical income	10	350,036	741,019
Total technical income		**24,909,929**	**23,182,282**
Gross claims paid		15,539,204	19,539,237
Reinsurers' share of claims paid		(1,126,025)	(6,262,370)
Claims paid net of reinsurance		**14,413,179**	**13,276,868**
Change in gross provision for claims		2,560,601	(2,992,618)
Change in reinsurers' share		1,981,895	5,416,860
Change in net provision for claims		**4,542,496**	**2,424,241**
Claims incurred net of reinsurance	8	18,955,675	15,701,109
Net operating expenses		6,940,145	6,334,910
Total technical charges		**25,895,820**	**21,360,688**
BALANCE ON THE TECHNICAL ACCOUNT		(985,891)	1,146,263

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 30 SEPTEMBER 2023		2023	2022
	NOTE	£	£
NON-TECHNICAL ACCOUNT			
Balance on the general business technical account		(985,891)	1,146,263
Investment income	14	1,376,941	(1,419,624)
Investment expenses and charges	16	(160,096)	(162,581)
Other charges	17	(1,316,958)	(1,089,451)
Income from non-insurance subsidiary		245,803	0
Expenses from non-insurance subsidiary		(230,819)	0
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAX		(1,071,020)	(1,525,393)
Tax credit on profit on ordinary activities	18	0	0
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAX		(1,071,020)	(1,525,393)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2023		2023	2022
	NOTE	£	£
PROFIT FOR THE FINANCIAL YEAR AFTER TAX		(1,071,020)	(1,525,393)
Revaluation of property	20	(200,000)	0
Remeasurement of net defined benefit pension scheme		81,500	(154,000)
Deferred tax on actuarial change in the pension scheme		0	0
OTHER COMPREHENSIVE PROFIT/ (LOSS) FOR THE YEAR NET OF TAX		(118,500)	(154,000)
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR		(1,189,520)	(1,679,393)
ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		(1,189,520)	(1,679,393)

The accounting policies and notes on pages 74 to 103 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 SEPTEMBER 2023		2023	2022
	NOTE	£	£
ASSETS			
INTANGIBLE ASSETS			
Goodwill	19	401,419	0
Other intangible assets	19	44,001	57,284
		445,420	**57,284**
INVESTMENTS			
Land and buildings	20	2,000,000	2,200,000
Other financial investments	21	46,015,351	42,027,184
		48,015,351	**44,227,184**
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Provision for unearned premium	7	1,756,241	1,519,394
Claims outstanding	22	3,549,831	5,531,726
		5,306,072	**7,051,120**
DEBTORS			
Debtors arising out of direct insurance operations - policy holders		7,632,035	6,371,758
Debtors arising out of reinsurance operations		1,552,395	3,676,476
Other debtors	23	139,578	21,577
		9,324,008	**10,069,811**
OTHER ASSETS			
Tangible assets	24	254,852	174,230
Stock		7,694	2,996
Cash at bank and in hand		2,161,129	1,036,616
		2,423,675	**1,213,841**
PREPAYMENTS AND ACCRUED INCOME			
Prepayments and accrued income		491,221	317,359
		491,221	**317,359**
TOTAL ASSETS		**66,005,749**	**62,936,600**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 SEPTEMBER 2023	NOTE	2023 £	2022 £
LIABILITIES			
CAPITAL AND RESERVES			
Members' funds		**25,783,571**	**26,973,091**
GROSS TECHNICAL PROVISIONS			
Provision for unearned premium	7	14,840,269	13,102,009
Claims outstanding	22	22,219,144	19,658,543
		37,059,413	**32,760,552**
PROVISION FOR LIABILITIES AND CHARGES			
Provision for taxation	18	0	0
Provision for pensions		180,000	311,000
		180,000	**311,000**
CREDITORS			
Arising out of reinsurance operations		907,133	549,570
Other creditors including taxation and social security	28	1,304,166	1,917,625
		2,211,299	**2,467,195**
ACCRUALS AND DEFERRED INCOME			
Accruals and deferred income		742,683	424,762
		742,683	**424,762**
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Other creditors		28,800	0
		28,800	**0**
TOTAL LIABILITIES		66,005,749	62,936,600

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' FUNDS FOR THE YEAR ENDED 30 SEPTEMBER 2023	Profit and loss	Total
	£	£
Balance as at 1 October 2021	28,652,484	28,652,484
Loss for the financial year after tax	(1,525,393)	(1,525,393)
Other comprehensive loss for the year	(154,000)	(154,000)
Total comprehensive income for the year	(1,679,393)	(1,679,393)
Balance as at 30 September 2022	26,973,091	26,973,091
Balance as at 1 October 2022	26,973,091	26,973,091
Loss for the financial year after tax	(1,071,020)	(1,071,020)
Other comprehensive loss for the year	(118,500)	(118,500)
Total comprehensive income for the year	(1,189,520)	(1,189,520)
Balance as at 30 September 2023	25,783,571	25,783,571

COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 SEPTEMBER 2023		2023	2022
	NOTE	£	£
ASSETS			
INTANGIBLE ASSETS			
Other intangible assets	19	44,001	57,284
		44,001	**57,284**
INVESTMENTS			
Land and buildings	20	2,000,000	2,200,000
Other financial investments	21	46,015,351	42,027,184
Investment in subsidiary undertaking	31	229,000	0
Loans to subsidiary undertaking	32	300,000	0
		48,544,351	**44,227,184**
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Provision for unearned premium	7	1,756,241	1,519,394
Claims outstanding	22	3,549,831	5,531,726
		5,306,072	**7,051,120**
DEBTORS			
Debtors arising out of direct insurance operations - policy holders		7,632,035	6,371,758
Debtors arising out of reinsurance operations		1,552,395	3,676,476
Other debtors	23	15,153	21,577
		9,199,583	**10,069,811**
OTHER ASSETS			
Tangible assets	24	160,748	174,230
Stock		1,544	2,996
Cash at bank and in hand		2,102,295	1,036,616
		2,264,587	**1,213,841**
PREPAYMENTS AND ACCRUED INCOME			
Prepayments and accrued income		491,221	317,359
		491,221	**317,359**
TOTAL ASSETS		**65,849,816**	**62,936,600**

COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 SEPTEMBER 2023		2023	2022
	NOTE	£	£
LIABILITIES			
CAPITAL AND RESERVES			
Members' funds		**25,768,588**	**26,973,091**
GROSS TECHNICAL PROVISIONS			
Provision for unearned premium	7	14,840,269	13,102,009
Claims outstanding	22	22,219,144	19,658,543
		37,059,413	**32,760,552**
PROVISION FOR LIABILITIES AND CHARGES			
Provision for taxation	18	0	0
Provision for pensions		180,000	311,000
		180,000	**311,000**
CREDITORS			
Arising out of reinsurance operations		907,133	549,570
Other creditors including taxation and social security	28	1,199,936	1,917,625
		2,107,069	**2,467,195**
ACCRUALS AND DEFERRED INCOME			
Accruals and deferred income		734,764	424,762
		734,764	**424,762**
TOTAL LIABILITIES		**65,849,816**	**62,936,600**

The Company has taken advantage of the exemption under section 408 on the Companies Act 2006 from presenting its own Statement of Comprehensive Income and related notes as it prepares consolidated accounts.

The Comprehensive Income for the year attributable to the Company was (£1,204,503) (2022: (£1,679,393)).

COMPANY STATEMENT OF CHANGES IN MEMBERS' FUNDS FOR THE YEAR ENDED 30 SEPTEMBER 2023	Profit and loss	Total
	£	£
Balance as at 1 October 2021	28,652,484	28,652,484
Loss for the financial year after tax	(1,525,393)	(1,525,393)
Other comprehensive loss for the year	(154,000)	(154,000)
Total comprehensive income for the year	(1,679,393)	(1,679,393)
Balance as at 30 September 2022	26,973,091	26,973,091
Balance as at 1 October 2022	26,973,091	26,973,091
Loss for the financial year after tax	(1,086,003)	(1,086,003)
Other comprehensive loss for the year	(118,500)	(118,500)
Total comprehensive income for the year	(1,204,503)	(1,204,503)
Balance as at 30 September 2023	25,768,588	25,768,588

The accounting policies and notes on pages 74 to 103 form an integral part of these financial statements.

Approved by the Board of Directors on 12 December 2023.

Jeremy Oatey C. Green

Jeremy Oatey
Director

Clare Green
Director

P S Beaumont
Managing Director

CONSOLIDATED STATEMENT OF CASHFLOW FOR THE YEAR ENDED	2023	2022
	£	£
PROFIT / (LOSS) BEFORE TAX	(1,071,019)	(1,525,393)
(Increase) / decrease in outstanding premiums	(1,260,277)	(705,067)
Increase / (decrease) in debtors and accrued interest	(246,865)	68,301
(Increase) / decrease in claims outstanding	4,542,496	2,424,241
Increase / (decrease) reinsurance creditors	(258,438)	(195,889)
Increase / (decrease) in reinsurance debtors	2,119,165	(3,479,726)
(Increase) / decrease in stock	(3,434)	819
Increase / (decrease) in other creditors	302,761	918,304
Increase / (decrease) in provision for unearned premium	1,530,392	886,680
Depreciation	130,413	163,193
Amortisation	29,844	33,389
(Gain) / Loss on investments	(965,846)	1,582,205
(Gain) / Loss on disposal of fixed assets	(187)	(9,000)
Adjustment for fair value revaluation	0	0
Adjustment for pension funding	(49,500)	157,000
TOTAL CASH FROM OPERATING ACTIVITIES	4,799,506	319,056
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	154	0
Rental income	76,224	124,778
Net cash invested in financial investments	(2,847,700)	(1,500,000)
Investment in subsidiary	(777,662)	0
Payments to acquire tangible fixed assets	(110,469)	(21,609)
Payments to acquire intangible assets	(16,560)	(6,023)
Proceeds from sale of fixed assets	1,020	9,000
TOTAL CASH FROM INVESTING ACTIVITIES	(3,674,992)	(1,393,854)
NET INCREASE IN CASH AT BANK AND IN HAND	1,124,513	(1,074,798)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,036,616	2,111,410
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2,161,129	1,036,616

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Cornish Mutual Assurance Company Limited ('the Company') transacts general insurance business in the UK. Cornish Mutual Assurance Company Limited is a mutual incorporated in England and Wales. The Company is limited by guarantee and is controlled by the Members who are also insured policy holders.

The registered office is CMA House, Newham Road, Truro, Cornwall, TR1 2SU.

The Company financial statements are presented in pound sterling.

2. STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in compliance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard Applicable in the United Kingdom and the Republic of Ireland' ('FRS 102'), Financial Reporting Standards 103, 'Insurance Contracts' (FRS 103) and the Companies Act 2006, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

3. ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

Basis of Preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements in conformity with FRS 102 and FRS 103 required critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Going Concern

Having assessed the principal risks facing the Company, the Directors considered it appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

The key matters considered by the Directors in making this assessment are disclosed on page 23.

Basis of Consolidation

The group consolidated financial statements include the financial statements of the Company and its subsidiary undertaking made up to 30 September 2023.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the group's interest in the entity.

The Company has taken advantage of the exemption under section 408 on the Companies Act 2006 from presenting its own Statement of Comprehensive Income and related notes as it prepares consolidated accounts. The Company has also not prepared a cashflow statement as it is consolidated into these group accounts which are publically available.

Insurance Contracts

The Company issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. The results are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

a) Premiums

All premiums included in the profit and loss account relate to continuing operations. Written premiums comprise the total premiums receivable for the whole period of cover provided by contracts incepting during the financial year, together with adjustments arising in the financial year to such premiums receivable in respect of business written in previous financial years. The risks of all gross premiums written were located in the United Kingdom. All premiums resulted from contracts of insurance concluded in the United Kingdom.

Written premiums exclude insurance premium tax. The amount of this tax due by the Company which has not been paid over to HM Revenue and Customs as at the year-end has been included in the balance sheet as a liability under the heading 'Other creditors including taxation and social security'.

Outward reinsurance premiums are accounted for in the same accounting period as the related insurance premium income.

b) Unearned Premiums

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.

c) Acquisition Costs

Acquisition costs are expensed in the year that they are incurred, as the Directors deem that any deferral would not materially affect the results for the year.

d) Claims Incurred

Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any adjustments to claims from previous years.

e) Claims Provisions and Related Reinsurance Recoveries

Claims outstanding represent the ultimate cost of settling all claims (including settlement costs) arising from events which have occurred up to the balance sheet date, including provision for claims incurred but not yet reported, less any amounts paid in respect of those claims. The claims provision is based on the initial assessment by the claims manager of individual claims together with internally generated statistics on ultimate claims cost experience. A provision for claims incurred but not reported at 30 September is included and this is representative of past history. While the Directors believe that the provision for claims is fairly stated, subsequent information and events may show that the ultimate liability is less than or in excess of the amounts provided. Further commentary in this regard is provided in note 5 to the accounts.

Provisions are calculated gross of any reinsurance recoveries.

f) Reinsurance

Contracts entered into by the Company with reinsurers, under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts.

The amounts recoverable from reinsurers are estimated based upon the gross provision for claims outstanding, having due regard to collectability. Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the reinsurance arrangements over time. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the profit and loss account as 'Outward reinsurance premiums' when due.

Net Operating Expenses

The net operating expenses have been apportioned between the classes of business in proportion to the gross premium income.

Within our Non-Technical Account there is an amount for Other Charges. Expenses not relating directly to the insurance business, such as Directors' salaries and depreciation, are recognised within Other Charges.

Investment Income and Expenses

Investment income comprises interest and dividends received, together with realised investment gains and rental income. Realised gains and losses are calculated as the difference between sales proceeds and the original cost. Interest, rent and expenses are accounted for on an accruals basis.

Employee Benefits

The Company provides a range of benefits to its employees including paid holiday arrangements and defined contribution pension plans. The Company previously operated a defined benefit pension scheme which was closed to future accrual in 2010.

a) Short Term Benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

b) Defined Contribution Pension Plans

The Company operates a Personal Pension plan, which is a defined contribution pension scheme. The contributions to the scheme are recognised as an expense when they are due. Amounts not paid are shown within accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered Funds.

c) Defined Benefit Pension Plan

The Company operates a defined benefit pension scheme which closed to future accrual on 31 May 2010. The pension deficit recognised in the balance sheet is the value of the scheme's assets less the present value of the scheme's liabilities at the reporting date. Where an FRS 102 surplus is calculated this will only be recognised to the extent that there is an unconditional right to the surplus.

A defined benefit pension plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date, less the fair value of the plan assets at the reporting date.

The defined benefit obligation is measured using the projected unit credit method. The Company engages an independent actuary to calculate the obligation. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The fair value of the plan assets is measured in accordance with the FRS102 fair value hierarchy. This includes the use of appropriate valuation techniques.

For the defined benefit pension scheme, the amounts charged to the operating result are the current service cost and the gains or losses on settlement or curtailment. These costs are disclosed within staff costs. Past service costs are recognised immediately in profit and loss if the benefits have vested. If the benefits have not vested, then the past service cost is recognised over the period that the vesting occurs.

The net interest cost of the defined benefit pension scheme is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of planned assets.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise. The attributable deferred taxation is shown separately in the statement of other comprehensive income.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income. Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax is recognised where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Business Combinations and Goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights. Where the fair value of contingent liabilities cannot be reliably measured, they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group’s interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life which is estimated to be five years. Goodwill is assessed for impairment when there are indicators of impairment, and any impairment is charged to the income statement. No reversals of impairment are recognised.

Intangible Assets

Intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis to allocate the depreciable amount of the assets to their residual values over the estimated useful life as follows:

Software - 4 years

Costs associated with maintaining computer software are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software, so it is available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development for use or sale are available;
- The expenditure attributable to the software during its development can be reliably measured.

Land and Buildings

Land and buildings are measured at fair value. Full valuations are made by an independent, professionally qualified valuer on a regular basis.

Revaluation gains on owner-occupied properties are taken to other comprehensive income, except to the extent that those gains reverse a revaluation loss on the same property that was previously recognised as an expense.

Revaluation losses on owner-occupied properties are taken to other comprehensive income to the extent they reverse a previously recognised revaluation gain with any further loss recognised in the non-technical account. The buildings element of owner-occupied properties is depreciated, using the straight-line method to allocate the depreciable amount to their residual values over their estimated useful life of 50 years. The Directors are of the opinion that the residual value is such that no depreciation charge arises.

The Company part occupies, and part leases its principal building. The Directors are of the view that the valuation of these elements cannot be measured reliably due to different valuation bases and accordingly the value is not split between owner-occupied and investment property.

Tangible Assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation

Depreciation is provided on all tangible fixed assets, other than properties, at rates calculated to write off the cost, less estimated residual value, as follows:

Furniture and equipment - 4 years

Leased Assets

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases of assets that transfer substantially all of the risks and rewards incidental to ownership are classified as finance leases. Leases that do not transfer all of the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

The Company has no leases classified as finance leases through the reporting period.

Investments

Investment in Subsidiary

Investments in subsidiaries are measured at cost less impairment.

Other financial investments are stated at current value in the balance sheet calculated as the mid-market value on the balance sheet date.

Financial Instruments

The Company has chosen to apply the recognition and measurement provisions of both Section 11 and Section 12 of FRS 102 in full in respect of financial instruments.

a) Financial assets

The Company classifies all of its financial assets as basic financial instruments under Section 11 FRS 102. Investments are valued at fair value through the profit and loss account and all other financial assets are carried at amortised cost.

1. Fair value through profit and loss
Investments carried at fair value through profit and loss are managed and their performance evaluated on a fair value basis, and information about their fair values is provided internally to key management personnel on a regular basis. The fair values of these financial instruments are based on quoted prices as at the balance sheet date.

2. Cash and cash equivalents
Cash and cash equivalents comprise of cash in hand and deposits held at call with banks.

3. Other financial assets held at amortised cost
The other financial assets within the balance sheet are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. When these assets are recognised initially it is measured at the transaction price. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the annual impairment review of receivables.

A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset which have an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

b) Financial Liabilities

Financial liabilities are recognised when a contractual commitment arises, and are recognised initially at fair value, net of transaction costs incurred. Financial liabilities are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account.

Creditors are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently measured at amortised cost.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In preparing the financial statements, Management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances.

Sources of Estimation Uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material misstatements to the carrying amounts of assets and liabilities within the next financial year are addressed below:

i) The ultimate liability arising from claims made under insurance contracts

At the balance sheet date, the Company has a gross provision in respect of claims made under insurance contracts of £22,219,144 (2022: £19,658,543).

Given the nature of operations of the Company, the estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

The provision at the balance sheet date comprises of a number of elements, which can be broadly summarised as follows:

Provisioning associated with claims that have been notified but not paid at the balance sheet date. The level of the provision has been set on the basis of the information that is currently available, including outstanding loss advice, experience of development of similar claims and case law.

Large claims, which in the context is defined as any claim over £50,000 in value, are considered separately on a case-by-case basis.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of estimation uncertainty than the cost of settling claims already notified to the Company, where more information about the claim is available. Claims IBNR may not be apparent to the insured until many years after the event giving rise to the claim has happened.

Please see note 22 for disclosures relating to these provisions and note 5 for discussion of the related risks in this area.

ii) Defined benefit pension scheme

The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, asset valuations and the discount rate on corporate bonds. Annually, the Company engages independent actuaries to calculate the obligation. See Note 27 for the disclosures relating to the defined benefit pension scheme. The carrying value of the net scheme liability is £nil (2022: £nil).

Between the end of the Financial Year 2021 and signing our Annual Report for 2021, the Pension Trustees entered into a buy-in transaction with Legal and General to match the liabilities of the defined benefit Cornish Mutual Pension Scheme with an insurance policy. The liabilities will transfer to Legal and General and the pension scheme will be fully transferred in the next financial year.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Company issues contracts that transfer insurance risk. The Company is also exposed to a range of financial risks through its financial assets, reinsurance assets and policyholder liabilities. This section summarises these risks and the way the Company manages them.

a) Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is volatile and therefore unpredictable.

The principal risk faced by the Company is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are uncertain, and the actual number of events and claims is expected to vary year to year from the level established using estimation techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio.

A number of measures are in place to ensure this risk is managed prudently and conservatively; these include meetings of our Large Loss Committee and the Management Risk Committee, as well as the fortnightly Business meeting which reviews all statistics relating to the insurance side of the business.

The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Our stop loss reinsurance arrangement, which commenced on 1 October 2019, ensures that our reinsurers are liable for any claims amounts that exceed 70% of premium on an overall basis. In addition, we also have excess of loss reinsurance in place to provide cover in the event of specific large claims. While reinsurance comes at a cost, the net result is much less volatile than the gross insurance result. We also have an active claims handling team, who hold the necessary qualifications and have sufficient experience to handle our claims effectively.

The figures below represent the concentration of outstanding insurance liabilities according to the product category in which the underlying contract was written.

CLAIMS PROVISIONS BY PRODUCT CONCENTRATION	Gross	Reinsurance	Net
	£'000	£'000	£'000
2023			
Motor	12,647	3,208	9,438
Property	4,643	53	4,590
Liability	4,929	288	4,641
Total	22,219	3,549	18,699
2022			
Motor	11,478	3,648	7,831
Property	3,698	56	3,642
Liability	4,482	1,828	2,654
Total	19,659	5,532	14,127

Further insight into the product risk concentrations based upon claims incurred can be gained by examining the reported claims cost within the segmental analysis note 6.

The following tables compare the projected ultimate claims experience of the Company compared with previous projected ultimate claims for each policy year on a gross and net basis:

CLAIMS INCURRED AND OUTSTANDING GROSS										
Reporting Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s
Estimate of ultimate claims costs:										
At end of reporting year	11,637	12,609	13,602	15,594	15,929	12,848	10,946	16,169	16,804	
One year later	10,299	11,504	12,780	15,265	15,049	12,921	10,820	18,247	-	
Two years later	10,524	11,261	12,410	21,991	15,434	13,279	11,536	-	-	
Three years later	10,305	11,436	12,527	22,031	16,397	13,088	-	-	-	
Four years later	10,526	11,218	12,448	21,715	16,315	-	-	-	-	
Five years later	10,516	11,153	12,240	20,903	-	-	-	-	-	
Six years later	10,456	11,007	11,914	-	-	-	-	-	-	
Seven years later	10,400	11,025	-	-	-	-	-	-	-	
Eight years later	10,380	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims	**10,380**	**11,025**	**11,914**	**20,903**	**16,315**	**13,088**	**11,536**	**18,247**	**16,804**	
Cumulative payments to date	(10,190)	(10,886)	(11,750)	(20,410)	(12,750)	(11,578)	(9,674)	(13,339)	(7,904)	
Liability recognised in the balance sheet	**190**	**139**	**164**	**493**	**3,565**	**1,510**	**1,862**	**4,908**	**8,900**	**21,731**
Liability in respect of earlier years										488
Provision in balance sheet										**22,219**

CLAIMS INCURRED AND OUTSTANDING NET										
Reporting Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s
Estimate of ultimate claims costs:										
At end of reporting year	6,629	7,463	7,590	8,047	8,347	10,105	10,946	16,169	16,803	
One year later	6,346	6,565	7,135	7,965	7,800	10,174	10,820	18,246	-	
Two years later	6,464	6,319	6,987	8,197	7,856	10,411	11,536	-	-	
Three years later	6,257	6,377	6,952	8,215	7,477	10,414	-	-	-	
Four years later	6,386	6,273	6,936	8,268	7,455	-	-	-	-	
Five years later	6,378	6,257	6,834	8,021	-	-	-	-	-	
Six years later	6,357	6,224	6,565	-	-	-	-	-	-	
Seven years later	6,326	6,228	-	-	-	-	-	-	-	
Eight years later	6,317	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims	6,317	6,228	6,565	8,021	7,455	10,414	11,536	18,246	16,803	
Cumulative payments to date	(6,180)	(6,132)	(6,481)	(7,791)	(6,878)	(9,010)	(9,674)	(13,339)	(7,904)	
Liability recognised in the balance sheet	137	96	84	230	577	1,404	1,862	4,908	8,900	18,198
Liability in respect of earlier years										471
Provision in balance sheet										18,669

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

The key sensitivity in the insurance results is the ultimate accuracy of claims provisions.

In particular, Cornish Mutual holds claims provisions in respect of a small number of larger claims. Larger claims, as included in the table below for financial year 2023, are those where the expected value is, or has ever been, in excess of £50,000.

2023	Large case estimate	Volatility estimate	Up gross	Down gross	Up net	Down net
	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s
Motor Damage	514	20%	103	(103)	98	(98)
Motor Liability	6,387	20%	1,277	(1,277)	1,013	(1,013)
Property Damage	3,049	15%	457	(457)	457	(457)
General Liability	3,851	15%	578	(578)	544	(544)
Miscellaneous	0	15%	0	0	0	0
Total	**13,801**		**2,415**	**(2,415)**	**2,112**	**(2,112)**
Uncorrelated diversified			**1,478**	**(1,478)**	**1,241**	**(1,241)**

The comparison table for 2022 is as follows:

2022	Large case estimate	Volatility estimate	Up gross	Down gross	Up net	Down net
	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s
Motor Damage	428	20%	86	(86)	79	(79)
Motor Liability	5,784	20%	1,157	(1,157)	812	(812)
Property Damage	1,700	15%	255	(255)	255	(255)
General Liability	3,497	15%	525	(525)	332	(332)
Miscellaneous	0	15%	0	0	0	0
Total	**11,409**		**2,022**	**(2,022)**	**1,478**	**(1,478)**
Uncorrelated diversified			**1,298**	**(1,298)**	**917**	**(917)**

Of the total claims provision of £22,204k (2022: £19,659k), large claims represent £13,800k (2022: 11,409k) or 62% (2022: 58%). This excludes any allowance for large claims incurred but not reported.

Changes in the value of a small number of these large claims have the greatest potential to materially affect the financial results of the Company as reported.

An exercise has been carried out to look at the variability of past large claims estimates as they settle, compared to the average value when they were open. The volatility measure is our assessment of that variability such that two thirds of the time, we would expect large claims estimates to settle within that percentage of the holding value of the estimate.

The three cohorts of claims have been assessed individually and we provide a total figure. Based on current year earned premium, these sensitivities amount to 8.7% gross loss ratio (2022: 8.0%) and 7.6% (2022: 5.9%) net of reinsurance. Because we assume the circumstances which would cause a large claim to develop to be independent of all other claims, we do not expect all the individual cohorts to develop in the same direction. The diversified figure at the bottom of the table reflects this with a 5.3% (2022: 5.2%) effect on gross loss ratios and 4.5% (2022: 3.6%) on net loss ratio.

Since we do not know which claims might develop, we cannot say which elements of the reinsurance programme would respond. In arriving at the net figure, we have assumed that the quota share will respond for those claims prior to financial year 2020, but have also assumed no protection from non-proportional reinsurance cover in respect of catastrophe or excess of loss.

The provisions as calculated and included in these accounts make some allowance for uncertainty. Alongside the best estimate for outstanding provisions for each class, an additional risk margin is added to arrive at the overall liability.

The table above presents the sensitivity of the value of the most uncertain claims liabilities in the accounts to potential movements in the assumptions applied within the technical provisions. The volatility estimate represents the uncertainty inherent in each cohort of large claims derived by looking at historical development of established claims. A sensitivity for each cohort is calculated as well as a diversified total. The diversified figure reflects our view that the volatility arises as a result of uncertainty in relation to particular claims circumstances, resulting in cohorts developing independently of each other.

In arriving at the total claims provisions, allowance is made for an adverse development of the large claims included in the table above. As discussed, there is uncertainty as to what amount should be allowed for and what the impact of reinsurance should be. For the purposes of calculating the provisions within the accounts, the Directors have taken a view on these variables and made an estimate.

Uncertainty is inherent in insurance accounts for low frequency events in particular, this is the focus of reinsurance cover.

While individual accident years may be impacted, it is the effect on the overall level of provisions which is reflected in the result of the Company.

While there are sensitivities within other aspects of the claim's provisions, they are less material than those for the large claims. Allowance is made in the overall provision for adverse development.

b) Financial Risk

The Company is exposed to a range of financial risks. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations, arising from insurance policies as they fall due. The most significant components of this financial risk are market risk, credit risk, and liquidity risk.

Market Risk

The market risk Cornish Mutual faces is that an adverse movement in the value of assets, such as interest rates or equity prices, is not matched by a correspondent movement in the value of liabilities. Our investment policy ensures that we have a suitable balance of assets and testing of the impact of particular events on these assets, such as failure of investments and equity downturns, is a critical part of our Solvency II work, in particular the calculation of the SCR.

Credit Risk

Given our reliance on reinsurance partners, credit risk is significant for the Company. Credit risk arises from the risk of loss if another party fails to perform its obligations or fails to perform in a timely or appropriate fashion. As well as our reinsurers, we also have exposure from banks, contractors, our investments and our Members. There are significant controls in place to ensure that the risk is minimised, including an annual review of financial strength. All our reinsurers have been deemed acceptable from a credit risk perspective for this financial year, with a minimum credit rating of B++.

Liquidity Risk

The liquidity risk is the possibility that the business may be unable to meet its obligations as they fall due as a consequence of having insufficient accessible funds. The majority of the Company's financial assets can be converted into cash at short notice with no or relatively small liquidation costs. Our reinsurance arrangements and the significant liquid assets the business holds means that the liquidity risk is not a significant risk as far as Cornish Mutual is concerned.

The table below analyses the undiscounted cash flows of the Company's monetary liabilities into their relevant maturity groups based on the period remaining at the year end to their contractual maturities or expected settlement dates. At 30 September all investments can be realised at any time. We have disclosed net balances for outstanding claims as, in the opinion of the Directors, there is no material difference between the gross outwards payments and the recovery of the attaching reinsurance.

MATURITY PROFILES					
September 2023	Carrying amount	Up to a year	1 to 2 years	2 to 5 years	Over 5 years
	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s
Outstanding Claims Net	18,669	10,455	5,003	2,688	523
Reinsurance Creditors	907	907	0	0	0
Other Creditors	1,304	1,304	0	0	0
Accruals & Deferred Income	735	735	0	0	0

September 2022	Carrying amount	Up to a year	1 to 2 years	2 to 5 years	Over 5 years
	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s
Outstanding Claims Net	14,127	5,933	4,097	1,978	2,119
Reinsurance Creditors	550	550	0	0	0
Other Creditors	1,918	1,918	0	0	0
Accruals & Deferred Income	425	425	0	0	0

c) Operational Risk

In many respects operational risks are the main risks faced by Cornish Mutual. Operational risks relate to the risk of loss resulting from inadequate or failing internal processes, people and systems or from external events - for example, a disruption to the business by natural catastrophe. Given their potential impact, particular focus is placed on operational risks by the Board, with a variety of mechanisms in place to both mitigate their effect should they arise, and to prevent such risks arising in the first place.

d) Capital Management

The risk and capital management framework of the Company is central to its ability to continue delivering the benefits of mutuality into the future. The Company is currently well capitalised in respect of its size, limited complexity, business objectives and risk profile. There is no intention to call upon funds from Members, and so the capital base must be sufficient to withstand the stresses to which the Company's insurance underwriting, business operations and investment portfolios are subject without recourse to raising further capital in order to maintain financial strength and allow new growth.

The Company is regulated by the Prudential Regulation Authority and is subject to insurance solvency regulations that specify the minimum level and type of capital that must be held in addition to insurance liabilities. The Solvency II regime has been effective since 1 January 2016 and establishes a new set of EU-wide capital requirements, risk management and disclosure standards. The Company is required to have an SCR which meets a 99.5% confidence level of the ability of the Company to meet its obligations over a 12 month time horizon. The Company calculates its SCR in accordance with the standard formula prescribed in the Solvency II Regulations, as the assumptions underlying the standard formula are considered appropriate for the Company's risk profile. The Company has met the requirements of the Solvency II regime to date.

The amount of own Funds calculated on a Solvency II basis is £31.2m as at 30 September 2023 (2022: £31.4m) and a Solvency Capital Requirement of £20.8m (2022: £17m). This increase in our Solvency Capital ratio means we have a Solvency Capital ratio of 150% (2022: 185%)

6. SEGMENTAL INFORMATION - GROUP

2023	Motor	Property	Accident & Health	Liability	Total
	£	£	£	£	£
Gross premiums written	15,050,097	10,900,070	166,645	3,373,139	29,489,951
Gross premiums earned	14,186,757	10,184,214	163,889	3,216,828	27,751,690
Reinsurance premium earned	(1,995,057)	(1,088,703)	10,137	(355,021)	(3,428,644)
Change in reinsurers share of unearned premium	134,887	88,892	(5,497)	18,566	236,847
Gross claims incurred	(9,643,390)	(6,260,028)	(50,450)	(2,145,935)	(18,099,803)
Reinsurance claims recoverable	(266,831)	(382,972)	0	(206,067)	(855,870)
Gross operating expenses	3,541,880	2,565,216	39,218	793,832	6,940,145

2022	Motor	Property	Accident & Health	Liability	Total
	£	£	£	£	£
Gross premiums written	13,421,193	9,569,241	159,907	3,055,124	26,205,466
Gross premiums earned	12,958,182	9,184,206	155,118	2,897,361	25,194,867
Reinsurance premium earned	(1,643,774)	(883,658)	(19,461)	(330,631)	(2,877,523)
Change in reinsurers share of unearned premium	59,827	42,126	3,973	17,994	123,920
Gross claims incurred	(9,262,740)	(5,526,322)	(96,190)	(1,661,368)	(16,546,619)
Reinsurance claims recoverable	1,582,999	(450,660)	0	(286,829)	845,510
Gross operating expenses	3,244,440	2,313,269	38,656	738,546	6,334,910

All business is direct. There are no reinsurance acceptances. We do not reflect acquisition costs within the above numbers as we do not incur these.

7. EARNED PREMIUMS NET OF REINSURANCE

	Gross	Reinsurance	Net
2023	£	£	£
Premiums receivable	29,489,951	3,428,644	26,061,307
Unearned premiums brought forward	14,840,269	1,756,241	13,084,029
Unearned premiums brought forward	(13,102,008)	(1,519,394)	(11,582,614)
Increase / (Decrease)	(1,738,261)	(236,847)	(1,501,414)
Premiums earned	27,751,690	3,191,798	24,559,893

2022	£	£	£
Premiums receivable	26,205,466	2,877,523	23,327,943
Unearned premiums carried forward	13,102,008	1,519,394	11,582,614
Unearned premiums brought forward	(12,091,410)	(1,395,475)	(10,695,935)
Increase / (Decrease)	(1,010,599)	(123,920)	(886,680)
Premiums earned	25,194,867	2,753,603	22,441,264

8. CLAIMS INCURRED NET OF REINSURANCE - GROUP

	Gross	Reinsurance	Net
2023	£	£	£
Claims paid	15,539,204	1,126,025	14,413,179
Outstanding claims carried forward	22,219,144	3,549,831	18,669,313
Outstanding claims brought forward	(19,658,543)	(5,531,726)	(14,126,817)
Increase / (Decrease)	2,560,601	(1,981,895)	4,542,496
Claims incurred	18,099,805	(855,870)	18,955,675

2022	£	£	£
Claims paid	19,539,237	6,262,370	13,276,868
Outstanding claims carried forward	19,658,543	5,531,726	14,126,817
Outstanding claims brought forward	(22,651,161)	(10,948,585)	(11,702,576)
Increase / (Decrease)	(2,992,618)	(5,416,860)	2,424,241
Claims incurred	16,546,619	845,510	15,701,109

9. MOVEMENT IN PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING

There was a deterioration in run off of £1,296k gross during the year in respect of the development of opening claims provisions of £19,659k from previous years (2022: £378k deterioration in experience on £22,651k). After reinsurers' share, run-off developed favourably by £2,152k (2022: favourably by £468k).

10. OTHER TECHNICAL INCOME - GROUP

	2023	2022
	£	£
Instalment Scheme Administration Charge	49	3,785
Health & Safety Income	29,672	0
Reinsurance Commission	255,716	675,331
Other Commission	64,599	61,902
	350,036	741,019

11. STAFF COSTS - GROUP

	2023	2022
	£	£
Wages and salaries	3,800,250	3,538,553
Social security costs	422,268	395,303
Other pension costs	351,359	524,042
	4,573,877	4,457,898

The average number of employees, including Directors, during the year was comprised as follows:

	2023	2022
Management and Directors	8	9
Underwriting and claims	106	99
	114	108

Pension Costs

The Company contributes to three defined contribution pension schemes in respect of some employees. The schemes and their assets are held by independent managers. In the year ended 30 September 2023, the Company made contributions to the schemes of £218,359 (2022: £207,042). During the year, the Company made £183,000 of contributions to its Defined Benefit scheme (2022: £160,000).

12. DIRECTORS' REMUNERATION - GROUP

	2023	2022
	£	£
Directors' emoluments (including benefits in kind)	620,429	609,007
National Insurance	76,268	75,781
Other pension costs	55,086	48,005
	751,783	732,793

Number of Directors accruing benefits under defined contribution schemes	3	3
Number of Directors accruing benefits under defined benefit plans	nil	nil

Detailed amounts paid to Directors including the amount paid to the highest paid Director are disclosed within the Report on Corporate Governance on page 37.

13. KEY MANAGEMENT COMPENSATION - GROUP

	2023	2022
	£	£
Management and Directors	712,078	691,600

Key management includes the Executive Directors and Members of Senior Management.

14. INVESTMENT (EXPENSE)/INCOME - GROUP

	2023	2022
	£	£
Income from Land & Buildings	76,224	124,778
Income from listed investments	115,296	16,688
Income from other investments	154	4
	191,674	141,470
Gains / (Losses) on the realisation of investments	138,215	0
Less accumulated unrealised gains from prior years	0	0
Profit on disposed investments	138,215	0
Unrealised gain / (loss) on retained investments	1,047,053	(1,561,094)
Total investment gains / (losses)	1,185,267	(1,561,094)
Total investment income / (expense)	1,376,941	(1,419,624)

15. AUDITORS' REMUNERATION - GROUP

Audit fees excluding VAT amounted to £100,000 (2022: £108,700). No fees were paid, in the current or prior year, in respect of any other services. The figure for 2022 includes an audit of our Solvency and Financial Condition Report of £20,000 excluding VAT (2023: £0).

16. INVESTMENT EXPENSES AND CHARGES - GROUP

	2023	2022
	£	£
Investment management expenses	160,096	162,581

Investment management expenses for collective funds are charged to the fund and the price of the investment reflects the cost of these charges. An estimate of the fees charged, based upon the fee structure for each fund, has been reflected as an increase in the performance of the fund and a management expense.

17. OTHER CHARGES - GROUP

	2023	2022
	£	£
Directors' remuneration (see note 12)	696,697	684,788
Company Secretary remuneration	40,381	38,280
Auditors' remuneration (see note 15)	120,000	130,440
Directors' contribution to staff pension scheme (see note 12)	55,086	48,360
Depreciation	124,137	163,193
Amortisation of intangibles	29,844	33,389
Amortisation of goodwill	32,621	0
Impairment of goodwill	218,379	0
(Profit) / loss on disposal of fixed assets	(187)	(9,000)
	1,316,958	**1,089,450**

18. TAXATION - GROUP

(a) Analysis of charge in period

	2023	2022
	£	£
Total current taxation	**0**	**0**
Deferred taxation		
Arising from origination and reversal of timing differences	0	0
Arising from changes in tax rates and laws	0	0
Total deferred taxation	**0**	**0**
Taxation on profit on ordinary activities	**0**	**0**

18. TAXATION - GROUP (continued)

(b) Factors affecting tax charge for period

The tax assessed for the period is at the full rate of tax in the UK. The differences are explained below:

	2023	2022
	£	£
Profit on ordinary activities before tax	**(1,071,020)**	**(1,525,393)**
Profit on ordinary activities multiplied by the full rate of tax in the UK, 22.01%	(235,732)	(289,825)
Effects of:		
Expenses not deductible in determining taxable profit	5,788,326	4,492,852
Timing differences between capital allowances and depreciation	(7,652)	1,081
Deferred tax not recognised	(24,198)	547,276
Income exempt from taxation	(5,574,605)	(4,435,524)
Tax charge arising from changes in pension funding	0	0
Tax increase/(decrease) on latent gains	60,417	(317,860)
Adjust closing deferred tax to average rate of 19%	0	0
Adjust opening deferred tax to average rate of 19%	0	0
Adjustment in respect of prior year	0	0
Total tax charge for period (see (a))	**0**	**0**

19. OTHER INTANGIBLE ASSETS - GROUP

	Software Costs	Goodwill	Total
	£	£	£
COST			
At 1 October 2022	589,001	0	589,001
Additions	16,560	652,419	668,979
Disposals	0	0	0
At 30 September 2023	**605,561**	**652,419**	**1,257,981**
PROVISION FOR AMORTISATION			
At 1 October 2022	531,717	0	531,717
Charge for the year	29,844	32,621	62,465
Impairment	0	218,379	218,379
On disposal	0	0	0
At 30 September 2023	**561,561**	**251,000**	**812,561**
NET BOOK VALUES			
At 30 September 2023	**44,001**	**401,419**	**445,420**
At 30 September 2022	**57,284**	**0**	**57,284**

OTHER INTANGIBLE ASSETS - COMPANY

	Software Costs	Total
	£	£
COST		
At 1 October 2022	589,001	589,001
Additions	16,560	16,560
Disposals	0	0
At 30 September 2023	**605,561**	**605,561**
PROVISION FOR AMORTISATION		
At 1 October 2022	531,717	531,717
Charge for the year	29,844	29,844
Impairment	0	0
On disposal	0	0
At 30 September 2023	**561,561**	**561,561**
NET BOOK VALUES		
At 30 September 2023	**44,000**	**44,000**
At 30 September 2022	**57,284**	**57,284**

20. LAND & BUILDINGS – GROUP AND COMPANY

	Freehold Property	Total
	£	£
COST		
At 1 October 2022	3,037,307	3,037,307
At 30 September 2023	3,037,307	3,037,307
PROVISION FOR AMORTISATION		
At 1 October 2022	837,307	837,307
Revaluation	200,000	200,000
At 30 September 2023	1,037,307	1,037,307
NET BOOK VALUES		
At 30 September 2022	2,200,000	2,200,000
At 30 September 2023	2,000,000	2,000,000

Land and Buildings includes a freehold property from which the Company trades. We had two tenants at the start of the Financial Year. At the end of the Financial Year, we had one tenant.

The Company's property was valued during Financial Year 2023 by Vickery Holman, an independent qualified firm of chartered surveyors and valuers. The valuation was calculated with reference to market-based evidence for similar properties in the local area. The Directors have considered this valuation and have reflected this in the Financial Statements.

21. OTHER FINANCIAL INVESTMENTS – GROUP AND COMPANY

Other Financial Investments	Current Value		Historical Cost	
	2023	2022	2023	2022
	£	£	£	£
Collective investments	46,015,351	42,027,184	43,997,000	40,218,000
	46,015,351	42,027,184	43,997,000	40,218,000

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date. All instruments are Level 1; quoted in an active market.

	2023	2023
	Level 1	Total
	£	£
Collective investments	46,015,351	46,015,351
	46,015,351	46,015,351

2022	2022
Level 1	Total
£	£
42,027,184	42,027,184
42,027,184	42,027,184

22. CLAIMS OUTSTANDING – GROUP AND COMPANY

General Business	2023	2022
Gross Amount	£	£
Brought forward at 1 October	19,658,543	22,651,163
Movement in provisions	2,560,601	(2,992,620)
Carried forward at 30 September	22,219,144	19,658,543
Reinsurance Amount		
Brought forward at 1 October	5,531,726	10,948,585
Movement in provisions	(1,981,895)	(5,416,860)
Carried forward at 30 September	3,549,831	5,531,726
Net provisions		
Carried forward	18,669,313	14,126,817
Brought forward	14,126,817	11,702,578

23. OTHER DEBTORS

	2023	2022
GROUP	£	£
Other debtors	139,578	21,577
	139,578	21,577
COMPANY	£	£
Other debtors	15,153	21,577
	15,153	21,577

24. TANGIBLE ASSETS - GROUP

	Furniture & Equipment	Total
	£	£
COST		
At 1 October 2022	1,324,086	1,324,086
At acquisition	250,681	250,681
Additions	110,469	110,469
Disposals	(8,570)	(8,570)
At 30 September 2023	**1,676,666**	**1,676,666**
PROVISION FOR DEPRECIATION		
At 1 October 2022	1,149,856	1,149,856
At acquisition	149,280	149,280
Charge for the year	130,413	130,413
Disposals	(7,735)	(7,735)
At 30 September 2023	**1,421,814**	**1,421,814**
NET BOOK VALUES		
At 30 September 2023	**254,852**	**254,852**
At 30 September 2022	**174,230**	**174,230**

TANGIBLE ASSETS - COMPANY

	Furniture & Equipment	Total
	£	£
COST		
At 1 October 2022	1,324,086	1,324,086
At acquisition	0	0
Additions	110,469	110,469
Disposals	186	186
At 30 September 2023	**1,434,741**	**1,434,741**
PROVISION FOR DEPRECIATION		
At 1 October 2022	1,149,856	1,149,856
At acquisition	0	0
Charge for the year	124,137	124,137
Disposals	0	0
At 30 September 2023	**1,273,993**	**1,273,993**
NET BOOK VALUES		
At 30 September 2023	**160,748**	**160,748**
At 30 September 2022	**174,230**	**174,230**

25. PROVISION FOR DEFERRED TAXATION – GROUP AND COMPANY

	2023	2022
	£	£
Unrealised gains on investments	211,991	143,361
Fixed asset timing differences	13,333	13,368
Short term timing differences	(26,750)	(39,250)
Tax losses carried forward	(198,574)	(117,479)
Net deferred tax liability	**0**	**0**

Net provision for liability at start of period	0	0
Deferred tax charge in profit and loss	0	0
Provision for liability at the end of the period	**0**	**0**

Deferred tax provisions have been calculated at the rate of 25% (2022: 25%), which is consistent with the substantively enacted tax rate at the balance sheet date which the Directors believe will be incurred by the Company in the future.

26. FINANCIAL INSTRUMENTS - GROUP

	2023	2022
	£	£
Financial assets held at fair value through the profit and loss	46,015,351	42,027,184
Debt instruments measured at amortised cost	11,355,290	11,106,427
	57,370,640	**53,133,611**

Financial assets that are equity instruments measured at fair value	0	0
Financial liabilities measured at amortised cost	**1,160,301**	**1,553,067**

26. FINANCIAL INSTRUMENTS - COMPANY

	2023	2022
	£	£
Financial assets held at fair value through the profit and loss	46,015,351	42,027,184
Debt instruments measured at amortised cost	11,296,456	11,106,427
	57,311,807	**53,133,611**

Financial assets that are equity instruments measured at fair value	0	0
Financial liabilities measured at amortised cost	**1,160,301**	**1,553,061**

Financial assets held at fair value through the profit and loss comprise of our investment portfolio.

Debt instruments measured at amortised cost comprise of Insurance Debtors, Debtors arising out of Reinsurance operations, Cash at Bank, and Other Debtors.

Financial liabilities measured at amortised cost comprise of Trade Creditors, Creditors arising out of Reinsurance operations, and Other Creditors.

27. POST EMPLOYMENT BENEFITS – COMPANY

The Cornish Mutual Assurance Company Limited operates a defined benefit pension scheme (the Cornish Mutual Assurance Company Limited Staff Pension Scheme), the assets of which are held in a trustee's bank account and invested with Legal and General. The scheme is closed to future accrual.

An actuarial valuation of the scheme was carried out on 31 July 2019. The valuation of the scheme used the projected unit credit method and was carried out by Barnett Waddingham LLP who are professionally qualified actuaries.

The major assumptions used by the actuary at the balance sheet date were:

	2023	2022
Rate of increase in pensions in payment	3.55%	3.90%
Discount rate	5.60%	5.45%
Inflation assumption	3.55%	3.90%

The mortality assumptions used in the valuation of the defined benefit scheme liabilities of the plan have been selected to reflect the characteristics and experience of the Membership of the plan. The mortality assumption for 2023 follows the table known as S3NA with CMI 2022 projections. The mortality assumption for 2022 follows the table known as S3NA with CMI 2021 projections. The assumption for the long-term improvement rate in both years is 1%.

	2023
Changes in the fair value of the scheme assets are as follows:	**£000's**
Opening fair value of scheme assets	5,393
Interest income	290
Return on assets less interest	(651)
Contributions	183
Benefits paid	(190)
Administration cost	(134)
Closing fair value of scheme assets	**4,891**

	2023
Changes in the present value of the defined benefit obligation are as follows:	**£000's**
Opening defined benefit obligation	5,404
Interest cost	289
Benefits paid	(190)
Change in demographic assumptions	(72)
Changes to financial assumptions	(360)
Closing defined benefit obligation	**5,071**

	2023	2022
The amounts recognised in the profit and loss account are as follows:	**£000's**	**£000's**
Analysis of the amount charged to operating profit:		
Administration Costs	134	336
(Gains)/Losses on settlements and curtailments	-	-
Total operating charge	**134**	**336**
Analysis of the amount credited to other finance income:		
Interest return on pension scheme assets	(290)	(236)
Interest on pension scheme liabilities	289	181
	(1)	(55)
Total	**133**	**281**
Actual return on assets	**(5,204)**	**(5,930)**

The fair value of the plan assets can be summarised as follows:	2023	2022
Multi-asset funds	0%	0%
Absolute return bond funds	0%	0%
Cash	0%	0%
Liability driven investment	0%	0%
Insurance Policy with L&G	100%	100%

	2023	2022
The amounts recognised in the statement of financial position are as follows:	**£000's**	**£000's**
Fair value of assets	4,891	5,393
Present value of funded obligations basic calculation	(5,071)	(5,404)
Premium Accrual		(300)
Surplus /(Deficit) in scheme	(180)	(311)
Restriction to surplus	nil	nil
Net Pension (Deficit)	**(180)**	**(311)**

The standard FRS102 calculation based upon the parameters disclosed above resulted in a deficit of £180k.

However, given that between the end of the Financial Year 2021 and signing our Annual Report for 2021, the Pension Trustees entered into a buy-in transaction with Legal and General to match the liabilities of the defined benefit Cornish Mutual Pension Scheme with an insurance policy, the liabilities will transfer to L&G and the pension scheme will be fully transferred in the next financial year.

Remeasurement of the net defined benefit pension scheme in the OCI:

Loss/(gain) on assets in excess of interest	651,000
Losses/(gains) from changes to demographic assumptions	(72,000)
Losses/(gains) from changes to financial assumptions	(424,000)
Release of prior year pension provision accrual	(300,000)
Current year accrual for expected final costs	63,500
	(81,500)

28. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2023	2022
GROUP	£	£
Trade Creditors	222,819	973,479
Other Taxation and Social Security Costs	1,050,998	914,128
Other Creditors	30,349	30,018
Corporation Tax	0	0
	1,304,166	1,917,625

COMPANY	£	£
Trade Creditors	150,148	973,479
Other Taxation and Social Security Costs	1,019,439	914,128
Other Creditors	30,349	30,018
Corporation Tax	0	0
	1,199,936	1,917,625

29. TRANSACTIONS WITH RELATED PARTIES – COMPANY

Directors who have insurance policies with the Company receive this service on normal commercial terms, or as relevant for Executive Directors on terms consistent with all other employees. Employees are able to take out products for personal lines at a staff reduction of 25% which represents the service cost of such policies.

Related parties include close relatives of Directors and companies in which such persons have an interest.

Total premiums on policies held by related parties' amount to £79k (2022: £73k) of which £27k (2022: £26k;) was still due at the year-end through normal use of instalment payment terms available to all Members. £6,031 (2022: £5,736) of premium was on personal lines policies for which the relevant Directors have received a staff reduction.

Claims on policies held during the year gave rise to payments of £15k (2022: £29k) with a further £52k (2021: £40k) provided as a provision for future payments against these claims.

These premiums on the insurance policies are not considered material to either party. The level of claims incurred is not considered material, however, due to the nature of the business, future claims may arise on these policies which may be considered to be material to either party. Any such claims are dealt with on normal commercial terms.

Please refer to note 13 in respect of key management compensation.

There are no other material related party transactions that require disclosure.

30. FINANCIAL COMMITMENTS - COMPANY

	2023	2022
Operating lease commitments as lessee	£	£
Expiry date:		
- within one year	87,472	92,878
- between one and five years	103,698	93,358
- after five years	0	0
	191,170	186,236

The cost recognised in profit and loss in respect of operating lease commitments in the current year was £155,056 (2022: £145,271).

31. INVESTMENT IN SUBSIDIARY UNDERTAKINGS - COMPANY

	Shares in Group Undertaking	Cost less Impairment
	No.	£
At 30 September 2023	9,144	229,000
At 30 September 2022	0	0

The table below sets out details in relation to the subsidiary of the Company. The subsidiary is included in the consolidated financial statements of the Group and is incorporated in England and Wales. The initial cost of the shares was £250,000.

Subsidiary Undertaking	Country of Incorporation	Nature of Business	Shares Class Held	Proportion of Shares Held
Terrafarmer Agriculture Limited	UK	Soil Health Consultancy	Ordinary 10p	80%

32. AMOUNTS OWED BY GROUP UNDERTAKINGS - COMPANY

	2023	2022
	£	£
Amounts falling due in less than one year	-	-
Amounts falling due in more than one year	300,000	-

The Company made £530k of loans during the year. The £400k loan was interest free and is due to be repaid in October 2027. The balance of this loan has been written down to £300k to reflect the amount that is deemed recoverable by the repayment date. A further £130k was loaned during the year, this was repayable on demand and it was written down to £nil to reflect its recoverability.

33. BUSINESS COMBINATIONS - GROUP

On 5 July 2023, the group acquired control of Terrafarmer Agriculture Limited through the purchase of 80% of the share capital for total consideration of £250,000. For the purposes of consolidation, we have treated the acquisition on a 100% basis due to Cornish Mutual's controlling rights in the business.

Terrafarmer Agriculture Limited offer expertise in soil health, an area which is crucial for our Membership. We wanted to enable our Members to have access to the support they need with regards to soil sampling and soil health advice. The goodwill of £652,419 arising from the acquisition is attributable to the expertise acquired.

Management have estimated the useful life of goodwill to be 5 years.

The following table summarises the consideration paid by the group, the fair value of the assets acquired and liabilities assumed at the acquisition date.

Consideration	
Cash	250,000

Recognised amounts of identifiable assets acquired and liabilities assumed			
	Book Value	Adjustment	Fair Value
Tangible assets	101,401	-	101,401
Intangible assets	281,487	281,487	0
Cash and cash equivalents	2,338	-	2,338
Stock	1,282	-	1,282
Trade and other debtors	39,928	-	39,928
Trade and other creditors	547,368	-	547,368
	120,932	281,487	402,419
Goodwill			652,419

The adjustment relates to the removal of goodwill in relation to the acquisition of Terrafarmer, which is made up of the consideration paid and the net assets on acquisition.

Head office: CMA House, Newham Road, Newham, Truro, Cornwall TR1 2SU
Tel: 01872 277151
Email: askus@cornishmutual.co.uk www.cornishmutual.co.uk

Company Registration Number: 00078768
Authorised by the Prudential Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority

Chartered Insurer

Cornish Mutual