McGuinness Institute Submission

Financial Markets Conduct Amendment Bill
Written and Oral Submission
(21 July 2025) (Final)

<u>Overall conclusion</u>

The Institute supports the intent of the Bill, but we have major concerns.

Our submission will focus on five areas. The first relates directly to the Bill and the other four relate to the intent of the Act. These are interconnected in that, we would argue, the changes proposed will get in the way of what we consider are practical responsibilities and obligations that should be progressed by the Financial Markets Authority (FMA). This is either a resource issue for the FMA or a failure of the FMA to focus on issues that, in our view, require urgent compliance in order to meet the purpose of the Act. In other words, the FMA needs to use the power it has well, rather than be given new powers.

This submission is in five parts:

1. Proposed on-site inspections powers should be removed.
We believe the proposed new sections 28A, 28B, 28C and 28D are problematic and should be removed. See discussion and recommendations in Part 1 below.

2. Consumers should be added to the front of the Act (i.e. in interpretation).
See discussion and recommendations in Part 2 below.

3. Annual reports (not just financial statements) should be required to be uploaded to the Companies Register.
See discussion and recommendations in Part 3 below.

4. In light of AI, assurance and authenticity should be improved for consumers, investors and businesses.
See discussion and recommendations in Part 4 below.

5. Some FMA compliance issues are not currently being measured, managed or regulated.
See discussion and recommendations in Part 5 below.

In terms of all other aspects of the Bill, we consider the New Zealand Law Society Te Kāhui Ture o Aotearoa and the Financial Services Council of New Zealand Incorporated make several excellent suggestions in their submissions that would improve clarity within the Bill.[1]

Thank you for the ability to submit on this important Bill.

Key recommendations

1. Remove 'on-site inspections' from the Bill (the new sections 28A, 28B, 28C and 28D).

2. If s 28A (g) is not removed, make it more specific; the wording 'doing any other thing' is very broad. Given (a)–(f) are already broad, we suggest more specificity is required.

3. If ss 28B, 28C and 28D are not removed, we strongly recommend that an independent body be put in place to approve 'on-site inspections' based on the evidence (e.g. a magistrate to review the application, weigh up the evidence and sign approval).

4. Before people are interviewed at the site, they should, as a matter of course, be read their rights, given the opportunity to have their lawyer with them and advised of whom they are able to complain to if their rights are not respected.

5. Remove the right for FMA staff to stay in someone's premises without a search warrant.

6. Add definition of consumer into the interpretation part of the Act.

7. Amend s 61D to require the annual report to be uploaded to the New Zealand Companies Register (not just the financial statements).

8. The New Zealand Companies Register data must be stored on a New Zealand owned and controlled data centre (possibly the data centre operated by the GCSB).

9. FMA should prepare a report to the committee (and the DIA) on what critical financial data is necessary in order to ensure the market is not vulnerable to bad actors, and how and where the data should be located and stored. In particular, they should identify what risks exist, and how those risks could be managed as part of good business practice (not all data should be treated equal). MBIE and NZX, should either collaborate with FMA on this report, or advise the committee separately – as both store critical financial data. The aim is to ensure the financial markets work effectively and in a timely manner, without being vulnerable to disruptions caused by bad actors.

10. Establish a beneficial ownership register to improve assurance and authenticity.

11. The committee should actively seek better reporting by the FMA on the quality of compliance in the financial markets, strategic challenges reporters are facing, and how technology (such as AI) might disrupt the financial markets in the short term (e.g. the next 24 months) and in the medium term (e.g. the next 10 years). Our view is this should take the form of an annual State of the Financial Markets Report that should be tabled in the House.

12. The committee should be cognisant of the need to embed the New Zealand Business Numbers (NZBNs) across all aspects of the financial markets system.

Part 1: Proposed on-site inspections powers should be removed

Background

The proposed Bill sets an unusual tone: arguably treating businesspeople as the enemy, when in our view the FMA needs to work with business to develop an effective and trusted financial market, while only using its legal force on a few bad actors. As a chartered accountant I have always tried to be professional and do the right thing. I cannot imagine what it would be like to be a CEO or a Board member and have the FMA simply arrive and expect to meet with staff to seek answers. It could cause irreversible reputational damage to a business: staff would leave, customers would walk, and profits would drop. New Zealand is very small and this type of action by the FMA (or indeed any regulatory body) would damage not only the business, but others connected to it. The damage would be done before the evidence was analysed.

My understanding is that, currently, the FMA asks to audit the premises as part of its strategy to ensure the operations of the business are in line with expectations. This is a softer line of inquiry but is far more likely to deliver the type of financial market that is set out in the purpose of the Act.

We note the main purposes of the Financial Markets Conduct Act 2013:

Box 1: Excerpt: Financial Markets Conduct Act 2013

The main purposes of this Act are to— (a) promote the **confident and informed participation** of businesses, investors, and consumers in the financial markets; and (b) promote and facilitate the development of **fair, efficient, and transparent financial markets**. [bold added]

The four sections on on-site inspections seem to contrast with the purposes of the Act. The proposals in these sections are not fair, efficient or transparent, and they are likely to lead to poor interaction between the FMA and businesses. If implemented, they will likely result in an unconfident and uninformed financial market.

Key recommendations

1. **Remove 'on-site inspections' from the Bill (the new sections 28A, 28B, 28C and 28D).**

2. **If s 28A (g) is not removed, make it more specific; the wording 'doing any other thing' is very broad. Given (a)–(f) are already broad, we suggest more specificity is required.**

   Our suggestion is to either remove s 28A (g) or direct it back to the purpose of the Act, for example: 'doing any other thing that is not covered in (a)–(f) but relates directly to the purpose of this Act'. (See the two purposes of the Act above.)

3. **If ss 28B, 28C and 28D are not removed, we strongly recommend that an independent body be put in place to approve 'on-site inspections' based on the evidence (e.g. a magistrate to review the application, weigh up the evidence and sign approval).**

   There needs to be a judgement made by someone independent of the FMA, who has reviewed the evidence for the FMA, and found that this course of action is necessary – and the reasons must be written up and signed. We are surprised that anyone thinks that a regulatory body can arrive on site unannounced and expect to stay on site, interviewing staff and obtaining copies of records, without there first being an independent assessment by a trained expert that sufficient evidence exists and that an urgent inquiry is necessary because the records might be destroyed or compromised if the business gets wind of the inquiry.

4. **Before people are interviewed at the site, they should, as a matter of course, be read their rights, given the opportunity to have their lawyer with them and advised who they are able to complain to if their rights are not respected.**

   Section 28C, as it stands, would make the powers of the FMA excessive and easily misused. The proposal places no checks and balances on the relationship between the businesses and the FMA. The Bill, as it stands, would create enormous stress for staff and directors – with arguably little or no benefit. I can only suppose there is an expectation that officers and staff may destroy evidence, but in this new world, where information is everywhere, this assumption should be questioned. In our experience, written hard copy documents and journals are rare.

5. **Remove the right for FMA staff to stay in someone's premises without a search warrant.**

   Section 28D, as it stands, would give extreme powers to FMA staff. We understand that obtaining a search warrant from NZ Police is not difficult and is usually relatively swift, hence this proposal seems completely inappropriate. Search warrants usually contain a specific time constraint (e.g. 14 days to undertake a search). If the committee *does wish* to put in place something in this vein, they could set a time limit without a search warrant (e.g. 24 hours), followed up with a time limit with a search warrant (e.g. 14 days). Businesses need certainty, so that they can get on with the work at hand.

Part 2: Consumers should be added to the front of the Act (i.e. in interpretation)

Background

It has always seemed clumsy that the term 'consumer' was not defined in the interpretation section of the Act, yet it is contained in the purpose statement, alongside definitions of other significant parties that make up the financial market (see Box 2 below).

In support of this recommendation to include more clarity on the definition of consumers, we note that the new Conduct of Financial Institutions regime (CoFI), established with the introduction of the Financial Markets (Conduct of Institutions) Amendment Act 2022 (the CoFI Act), also aims to ensure registered banks, licensed insurers and licensed non-bank deposit takers comply with the fair conduct principle when providing relevant services **to consumers**.[2]

There is a very long and detailed definition of consumer in the back end of the Act – see Box 3 and Box 4 below. We suggest some consideration is given by the committee to elevate and condense this definition, so that the purpose of the Act is clear; particularly if proposals (such as this Bill) are being advocated for based on meeting the needs of consumers. It is essential for those interpreting the Act to understand who and what is meant by the term consumers.

Box 2: Excerpt: Financial Markets Conduct Act 2013

Interpretation
business includes any profession, trade, or undertaking, whether or not carried on with the intention of making a pecuniary profit

investor includes—
(a) a person to whom an offer of financial products is made; and
(b) a person who acquires, or may acquire, a financial product; and
(c) a person who receives, or may receive, a financial service

The main purposes of this Act are to—
(a) promote the confident and informed participation of **businesses, investors, and consumers** in the financial markets; and
(b) promote and facilitate the development of fair, efficient, and transparent financial markets. [bold added]

Key recommendation:

6. Add definition of consumer into the interpretation part of the Act.

Subpart 6A illustrates how consumers form a key part of how the conduct is regulated.

Box 3: Excerpt: Financial Markets Conduct Act 2013

Subpart 6A—Regulating conduct of financial institutions

Subpart 6A: inserted, on 31 March 2025, by section 12 of the Financial Markets (Conduct of Institutions) Amendment Act 2022 (2022 No 36).

446A Overview

(1) This subpart provides for financial institutions to treat consumers fairly by—

(a) requiring financial institutions to establish, implement, and maintain an effective fair conduct programme; and

(b) requiring financial institutions to comply with the programme; and

(c) requiring financial institutions and intermediaries to comply with regulations that regulate incentives.

(2) Subsection (1) is only a guide to the general scheme and effect of this subpart.

Section 446A: inserted, on 31 March 2025, by section 12 of the Financial Markets (Conduct of Institutions) Amendment Act 2022 (2022 No 36).

446B Territorial scope of subpart

(1) This subpart applies to the provision of a financial institution's relevant services or associated products to consumers in New Zealand.

(2) For the purposes of subsection (1), a relevant service or an associated product is provided to consumers in New Zealand if a consumer in New Zealand receives the service or product, unless the financial institution demonstrates that it has taken all reasonable steps to ensure that consumers in New Zealand may not receive the service or product.

Section 446B: inserted, on 31 March 2025, by section 12 of the Financial Markets (Conduct of Institutions) Amendment Act 2022 (2022 No 36).

Fair conduct principle

Heading: inserted, on 31 March 2025, by section 12 of the Financial Markets (Conduct of Institutions) Amendment Act 2022 (2022 No 36).

446C What is the fair conduct principle

(1) The **fair conduct principle** is that a financial institution must treat consumers fairly.

(2) The requirement to treat consumers fairly includes—

(a) paying due regard to consumers' interests; and

(b) acting ethically, transparently, and in good faith; and

(c) assisting consumers to make informed decisions; and

(d) ensuring that the relevant services and associated products that the financial institution provides are likely to meet the requirements and objectives of likely consumers (when viewed as a group); and

(e) not subjecting consumers to unfair pressure or tactics or undue influence.

(3) Subsection (2) does not limit subsection (1).

Section 446C: inserted, on 31 March 2025, by section 12 of the Financial Markets (Conduct of Institutions) Amendment Act 2022 (2022 No 36).

446D When fair conduct principle applies

(1) The fair conduct principle applies when a financial institution—

(a) is designing any relevant service or any associated product; or

(b) offers to provide any relevant service or any associated product to a consumer; or

(c) provides any relevant service or any associated product to a consumer; or

(d) has any dealings or interactions with a consumer in connection with any relevant service or any associated product (for example, responding to a complaint or handling a claim under an insurance contract).

(2) The fair conduct principle also applies to a financial institution when an intermediary is involved in the provision of any of the financial institution's relevant services or associated products to a consumer.

(3) Subsection (1)(a) applies only to the extent that the relevant service or associated product will be provided to consumers.

Section 446D: inserted, on 31 March 2025, by section 12 of the Financial Markets (Conduct of Institutions) Amendment Act 2022 (2022 No 36).

Box 4: Excerpt: Financial Markets Conduct Act 2013

446P Other definitions used in subpart

(1) In this subpart and section 546,—

arrange, in relation to a contract for a service or for the acquisition of a product, includes to negotiate, solicit, or procure the contract

associated product has the meaning set out in section 446F(2)

consumer, in relation to—

(a) the relevant service of acting as an insurer or an associated product, means any of the following:

(i) a policyholder under a consumer insurance contract or a contract of insurance that provides for life insurance or health insurance (or both):

(ii) any other person who is specified or referred to in a contract of a kind referred to in subparagraph (i), whether by name or otherwise, as a person to whom the benefit of the insurance cover provided by the contract extends:

(iii) a person who is offered insurance under a contract of a kind referred to in subparagraph (i):

(b) the relevant service of acting as a creditor under a consumer credit contract or an associated product, means either of the following:

(i) a debtor under a consumer credit contract:

(ii) a person who is offered credit under a consumer credit contract:

(c) a relevant service referred to in section 446F(1)(a)(iii) or an associated product, means either of the following:

(i) a person who receives the service as a retail client:

(ii) a person who is offered the service and who would be a retail client if they received the service:

(d) a relevant service of acting as an intermediary for a service referred to in paragraph (a), (b), or (c), means a person who is a consumer under that paragraph

Part 3: Annual reports (not just financial statements) should be required to be uploaded to the Companies Register

The Act currently requires the annual reports of businesses to be prepared (s 61C) and made public on each company's website (s 61D). See Box 5 below.

Box 5: Excerpt: Financial Markets Conduct Regulations 2014

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61C What is an e-reporting entity

(1) An FMC reporting entity is an **e-reporting entity** for an accounting period if the entity—

(a) is a company that is required by section 208 of the Companies Act 1993 to prepare an annual report for that period; and

(b) is an issuer of equity securities that are regulated products.

(2) Any other FMC reporting entity is an **e-reporting entity** for an accounting period if the entity—

(a) is a company that is required by section 208 of the Companies Act 1993 to prepare an annual report for that period; and

(b) has elected under section 209C(3) of the Companies Act 1993 to comply with regulations 61D to 61F in relation to that annual report.

Regulation 61C: inserted, on 9 August 2017, by regulation 7 of the Financial Markets Conduct Amendment Regulations 2017 (LI 2017/181).

Financial Markets Conduct Regulations 2014

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61D Annual report to be publicly available

(1) An e-reporting entity for an accounting period must make its annual report for that period available in accordance with this regulation.

(2) The report must be available, free of charge, on an Internet site maintained by, or on behalf of, the entity in a way that ensures that—

(a) the report is prominently displayed on the site; and

(b) members of the public can easily access the report at all reasonable times.

(3) The report must—

(a) be made available on the site as soon as practicable after it is prepared, but in any event—

(i) not less than 20 working days before the date fixed for the entity's annual meeting of shareholders for the accounting period; or

(ii) if the entity is not required to hold an annual meeting of shareholders for that period, not more than 20 working days after the annual report for the period is prepared; and

(b) remain available for at least 5 years after it is first made available.

(4) This regulation applies for the purposes of section 97 of the Act.

Regulation 61D: inserted, on 9 August 2017, by regulation 7 of the Financial Markets Conduct Amendment Regulations 2017 (LI 2017/181).

Regulation 61D(3)(a): replaced, on 7 June 2018, by regulation 4 of the Financial Markets Conduct Amendment Regulations 2018 (LI 2018/66).

In our view, the FMA should be undertaking regular reviews of company websites for compliance. However, we have not found this discussed by the FMA, the NZX or others. Our view is that the FMA may not be checking the availability of these reports on company websites.

In our research, there have been several instances where we have been unable to find recent annual reports on NZSX-listed company websites. This may be due to the company no longer being in operation, a change in the company's name or simply a rebrand of their website. However, this only reemphasises the need for annual reports to be uploaded on the New Zealand Companies Register.

We suggest that instead of just financial statements being uploaded to the Companies Register, annual reports should also be uploaded.

Most NZX companies already upload their annual reports (not just the financial statements) to the Companies Register. In 2020, 66% of 132 NZSX-listed companies did so.[3] However, we recommend formalising the requirement so that company annual reports are maintained on a public register rather than a private website (which might change over time, making the annual reports no longer available). The Companies Register provides a constant and reliable record for the public that is trusted and easy to access.

Our concern is that the financial markets are currently undergoing significant disruption from AI. This means we need to ensure accurate, trusted and timely information is publicly available.

AI is speeding everything up and is in its element with massive data sets. Within seconds it can search through open-source information and provide financial analysis of companies to consumers. However, AI uses data and information in the public arena, and we therefore need to ensure that data and information is timely and accurate. Everything now needs to be on the same playing field, in terms of both timing, location and content. AI is amplifying the need for this in a new and urgent way (see discussion on AI in Part 4). Inaccurate and insufficient reporting will result in flawed responses from AI, which will mislead consumers. Effective compliance is the only solution.

How consumers analyse and make investment decisions is also evolving fast. In order to illustrate how AI can be used to gather financial analysis and advice using public documents, the Institute asked ChatGPT two questions from two different computers within minutes of each other. These questions were:

1. Can you provide me with a one-page financial analysis of New Zealand King Salmon Limited?
2. If I had $100,000 NZD, how should I invest it in the New Zealand stock market?

Appendices 1 and 2 show how AI answered these questions. Note that the answers are purely that of AI; the Institute has not verified whether the information provided in the answers is accurate.

The results show two very different answers to the same questions. Importantly, the sources used are a combination of NZX listed announcements. These include a lot of non-GAAP data, rather than audited financial statements. They illustrate the level of risk that is likely to operate in the financial market, going forward. Accurate and timely information will be key to ensuring that AI can be used as a tool to support analysts rather than something that will mislead consumers.

For example, there may be an argument for all documents on the New Zealand Companies Register to be made public at the same time, to ensure that the distribution of data is equal.

We also consider the committee should be cognisant of the risks outlined in the JPMorgan Chase & Co open letter to third party suppliers and the opportunity set out in the USA's action plan on AI:

> **Call to action**
> We stand at a critical juncture. Providers must urgently reprioritize security, placing it equal to or above launching new products. 'Secure and resilient by design' must go beyond slogans—**it requires continuous, demonstrable evidence that controls are working effectively, not simply relying on annual compliance checks**. Customers should be afforded the benefit of secure by default configurations, transparency to risks, and management of the controls they

> need to operate safely within a SaaS delivery model.[1] The ecosystem must address trustworthy integration. There are some solutions available today, like confidential computing, customer self-hosting, and bring your own cloud, which all give organizations stronger controls to protect their data while enabling them to benefit from SaaS solutions.
>
> We must establish **new security principles and implement robust controls that enable the swift adoption of cloud services while protecting customers from their providers' vulnerabilities.** Traditional measures like network segmentation, tiering, and protocol termination were durable in legacy principles but may no longer be viable today in a SaaS integration model. Instead, we need sophisticated authorization methods, advanced detection capabilities, and proactive measures to prevent the abuse of interconnected systems. [bold added][4]

As a further example on why New Zealand should focus on producing and protecting high-quality datasets, America has just published *Winning the Race: America's AI Action Plan* (July 2025):

> **Build World-Class Scientific Datasets**
> High-quality data has become a national strategic asset as governments pursue AI innovation goals and capitalize on the technology's economic benefits. Other countries, including our adversaries, have raced ahead of us in amassing vast troves of scientific data. The United States must lead the creation of the world's **largest and highest quality AI-ready scientific datasets**, while maintaining respect for individual rights and ensuring civil liberties, privacy, and confidentiality protections.[5] [bold added]

The Institute is aware of two datasets that have an extremely important role in providing assurance, authenticity and public trust; these are annual report datasets for the financial markets and Cabinet papers for public policy. No doubt there are other critical datasets that need to be identified and made AI-ready, but we consider these two would be a good start. The Institute supports a proposal to pilot a small number of Cabinet papers and make them AI-ready. The proposal is prepared by Tom Barraclough (https://syncopatelab.com) and is currently before government.

Lastly, not all data storage is the same. We consider data stored on the New Zealand Companies Register must be held in a New Zealand owned data centre. Currently, the New Zealand government owns one data centre (operated by GCSB), but each department has complete control to store data wherever it wants to (without guidance or controls over what data is significant and important for key infrastructure). See the response to our OIA 2025/07.[6] We consider the effectiveness of the financial markets is not only dependent on the quality of the data but where the data on the New Zealand Companies Register is stored, hence recommendation 8 below.

We are entering a new world, and we need to consider how to deliver on the purpose of the Act in new ways.

Key recommendation:

7. Amend s 61D to require the annual report to be uploaded to the New Zealand Companies Register (not just the financial statements).

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1 AI [Chat GPT: 25 July 2025] states: 'SaaS integration models are the methods used to connect and synchronize data and processes between different Software as a Service (SaaS) application or between SaaS and other systems (like on-premises applications).'

8. **The New Zealand Companies Register data must be stored on a New Zealand owned and controlled data centre (possibly the data centre operated by the GCSB).**

9. **FMA should prepare a report to the committee (and the DIA) on what critical financial data is necessary in order to ensure the market is not vulnerable to bad actors, and how and where the data should be located and stored. In particular, they should identify what risks exist, and how those risks could be managed as part of good business practice (not all data should be treated equal). MBIE and NZX, should either collaborate with FMA on this report, or advise the committee separately – as both store critical financial data. The aim is to ensure the financial markets work effectively and in a timely manner, without being vulnerable to disruptions caused by bad actors.**

Part 4: In light of AI, assurance and authenticity should be improved for consumers, investors and businesses.

Background

See discussion on AI in Part 3.

In February 2025, the OECD released their assessment of New Zealand's compliance with its Anti-Bribery Convention. They found that there were 'glaring holes in law enforcement and criticised successive governments over failing to deliver a long-promised register of beneficial ownership.'[7]

MBIE's 2021 *Regulatory Impact Statement on Beneficial Ownership Information* stated that the lack of beneficial ownership information creates a number of problems. In particular, 'it enables people to hide behind a "corporate veil", taking advantage of their anonymity (and the attendant obscurity surrounding the source of their funds) to launder illegally gained funds through their New Zealand entities.'[8]

We believe that information on beneficial ownerships should be a new register on the New Zealand Companies Register to improve transparency and build public trust, perhaps called something like the Beneficial Ownership Register.

This way, New Zealand businesses can minimise the risks of trading products and services or selling IP in advance of entering into agreements or business relationships. Knowing who owns the holding company and what country it is based in is essential, and likely to be increasingly so when assessing whether additional risks exist (e.g. whether similar values and intentions exist) and putting in place systems or protocols to minimise those risks. The world has changed, and we should ensure New Zealand businesses are not naïve to the actions of bad actors. Very recently, as an example of this, New Zealand passed new laws to govern space infrastructure, following concerns about foreign actors using it to harm national security.[9]

Key recommendation:

10. Establish a beneficial ownership register to improve assurance and authenticity.

In our view, the Companies Office should be responsible for managing and auditing this register. It is currently responsible for recording and reporting ultimate holding companies (UHC), which means that some of this information is available, but difficult to access.

<u>Part 5: Some FMA compliance issues are not currently being measured, managed or regulated</u>

There are several areas that the Institute thinks are important to measure, manage and regulate, but the FMA seems to consider these topics lower priority. Although we acknowledge there has already been a move in terms of better reporting by the FMA (e.g. the publishing of the *Financial Conduct Report* in June 2025),[10] we consider that much more detail and strategic thinking is required and that an overarching annual report should be prepared and tabled in the House. The proposed new report could be titled, something like 'The State of the Financial Markets Report'.

The best way to explain this gap is to illustrate it through our research.

This part of our submission is long; however, our intention is to illustrate to the committee that if the purpose of the Act is to be met, they should actively ensure that the compliance issues currently set out in the Act are being complied with.

See also discussion on AI in Part 3.

Background
In June 2020, the Institute published a Project 2058 report titled *Report 17 – Building a Reporting Framework Fit for Purpose*. It recognises how integrated and complex reporting systems are likely to become and how we need to work hard today to ensure our reporting system is fit for the future. The aim was to create a cost-effective framework that integrates institutions, instruments and information across financial markets and government.

The report notes that 2013 reforms were intended to consolidate reporting requirements:

> The 2011 financial reporting review ultimately also resulted in the Financial Reporting Act 2013, which repealed and replaced the 1993 Act and became the legislation at the centre of the reporting framework. The 2013 legislative changes had three key effects:
> - **Consolidation of reporting requirements for companies and issuers in the Companies Act 1993 and Financial Markets Conduct Act 2013 respectively**.
> - Modification of the definition of GAAP.
> - Addition of standard provisions to be cross-referenced in other enactments, including definitions of 'large', 'specified not-for-profit entity' and 'non-GAAP standard', and standard auditor qualification requirements to apply to all general purpose financial statement statutory audits (other than audits of FMC reporting entities and public entities). [Bold added] (p.15)[11]

On page 38 of the report, we noted the relatively light hand FMA and NZX used when extending the reporting disclosure requirements during the early stages of the COVID-19 pandemic. Although understandable, arguably, for public confidence, this was an important time to ensure shareholders were fully informed. Reports should have been published on time. We suggested a blanket extension is not implemented, but that preparers have to apply for an extension:

> The COVID-19 pandemic further highlights the need for ensuring quality and timely reporting within New Zealand's reporting framework. This enables organisations and government to recover from major global disruptions as a faster rate. The Financial Markets Conduct (Financial Reporting and Other relief – COVID-19) Exemption Notice 2020 was passed to grant exemptions to FMC reporting entities by extending the deadline to file financial statements and annual reports by two months (FMA, 2020). While the Institute agrees that businesses should be enabled a degree of flexibility in meeting filing deadlines, we believe that the blanket approach to

filing extensions for FMC reporting entities should be revisited in the future and that these entities should have to request permission rather than be given the option. In light of the exemption, the NZX released an announcement stating:

> NZX Regulation would be continuing to encourage issuers to complete and release their periodic results and reports **as soon as they are able to**, so as to ensure the market is able to access recent financial information. Issuers remain subject to their continuous disclosure obligations during the period of relief granted by the class waiver (NZX, 2020c). p.38) [Bold added][12]

When New Zealand is faced with future emergencies and crises, our hope is that in cases where FMA, NZX, MBIE and External Reporting Board (XRB) think an extension is necessary, they recommend preparers apply to the FMA or the Companies Office to extend their reporting requirements – rather than provide a blanket extension. Financial markets work when preparers provide timely and accurate information. During times of an emergency and/or crisis, timely information is critical.

On page 51 of the report, we explored the use of terms like shareholder and stakeholder in legislation. See excerpt in Table 1 below.

Table 1: Mentions of shareholder and stakeholder in legislation
Excerpt: McGuinness Institute (2020). *Report 17 – Building a Reporting Framework Fit for Purpose*

Table 2: Mentions of shareholder and stakeholder in legislation as at 15 June 2020

Source: (Parliamentary Counsel Office)

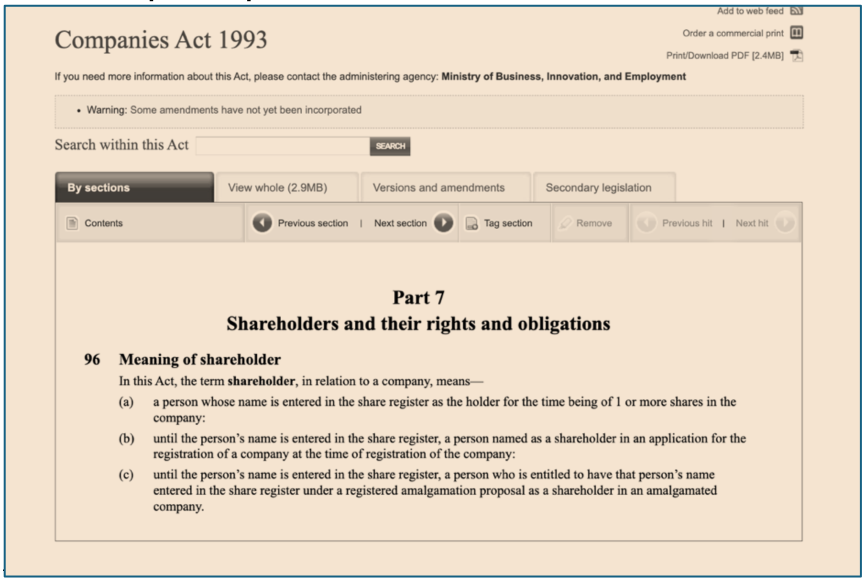
Legislation (as listed in Appendix 6)	Mentions of 'shareholder' in legislation	Mentions of 'stakeholder' in legislation
1. Charities Act 2005	0	0
2. Companies Act 1993	860	0
3. Crown Entities Act 2004	46	0
4. Environmental Reporting Act 2015	0	0
5. Financial Markets Conduct Act 2013	18	0
6. Financial Reporting Act 2013	2	0
7. Incorporated Societies Act 1908	0	0
8. Local Government Act 2002	48	7[1]
9. New Zealand Business Number Act 2016	0	0
10. Public Finance Act 1989	19	0
11. Public Records Act 2005	0	0
12. State Sector Act 1988	0	0
13. Local Government (Financial Reporting and Prudence) Regulations 2014	0	0
14. Tax Administration (Financial Statements) Order 2014	2	0
Total	**995**	**7**

Note:

1. In October 2019, s 64B of the Local Government Act 2002 was amended to incorporate guidance on how council-controlled organisations might disclosure in a statement of expectations how it will conduct its' relationship with stakeholders.

The issue is that the law technically starts when a person or organisation has become a shareholder (e.g. see Box 6, s 96, rights and obligations, below), but in practice, it starts when someone or some organisation is looking to enter the market. That is why we consider the Act should have a stronger focus on the consumer (as a consumer is arguably a potential shareholder). See discussion in Part 2 above.

Box 6: Excerpt: Companies Act 1993



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Companies Act 1993

If you need more information about this Act, please contact the administering agency: **Ministry of Business, Innovation, and Employment**

- Warning: Some amendments have not yet been incorporated

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Part 7
Shareholders and their rights and obligations

96 Meaning of shareholder

In this Act, the term **shareholder**, in relation to a company, means—

(a) a person whose name is entered in the share register as the holder for the time being of 1 or more shares in the company:

(b) until the person's name is entered in the share register, a person named as a shareholder in an application for the registration of a company at the time of registration of the company:

(c) until the person's name is entered in the share register, a person who is entitled to have that person's name entered in the share register under a registered amalgamation proposal as a shareholder in an amalgamated company.

For several years, the Institute has raised concerns over the low level of oversight by the FMA in terms of the timing of annual reports, the location of annual reports and the content of annual reports. Our understanding is that the role of the FMA is to undertake oversight of the financial markets. For example, in regard to financial statements, while the External Reporting Board (XRB) is the standard setter, FMA is responsible for ensuring the accounting standards are adopted in the financial statements. See excerpt below.

Box 7: Excerpt: FMA (2022). *Approach to oversight of financial statements* (p.5) [13]

Accounting records

FMC reporting entities and their directors are required to prepare and maintain appropriately detailed documentation that supports accounting considerations, decision-making and conclusions, and ultimately the application of generally accepted accounting practice in New Zealand.[5] In addition, complete and accurate accounting records help ensure that regulators, supervisors and auditors can perform their work effectively. This includes records being kept in such a way that they are readily available for inspection.

Examples of issues that the Institute consider require a higher level of oversight are listed below:

1. **Timing: The need to ensure financial statements are registered on time (a non-compliance issue).**

A 2021 FMA report, *Filing of financial statements: review findings and guidance,* records that a significant number of businesses fail to register financial statements on time at the Companies Office – 18% in September 2019 and September 2020 (notably COVID-19 was not a factor). See Table 2 below. Note, we could not find a more recent report that includes this information.

> FMA action due to non-compliance. In 2020, the issued two infringement notices and one warning letter to reporting entities and their directors. The FMA also filed criminal charges against a director for alleged disclosure and financial record keeping breaches across multiple companies. This included alleged failure to file financial statements for a number of years.[14]

Table 2: Non-filing of financial statements

Excerpt: FMA (2021). *Filing of financial statements: review findings and guidance* (p.6)

Non-filing of financial statements snapshot

The table below provides a comparative view of monitoring results for the key reporting dates of 2019 and 2020.

2020	FMC reporting entities and registered schemes*	Total number of referrals	% of the population	Listed issuers	Registered banks	Building societies, credit unions and other societies	Licensed insurers	Other licensed entities	Registered schemes	Other	In liquidation
December 2019	159	20	13%	3	-	1	7	1	-	4	4
March	621	80	13%	9	1	2	5	12	10	20	21
June	148	34	23%	17	1	2	2	2	-	10	-
Sept	11	2	18%	2	-	-	-	-	-	-	-
	939	**136**	**14%**	**31**	**2**	**5**	**14**	**15**	**10**	**34**	**25**
2019											
December 2018	159	18	11%	-	1	-	8	1	-	4	4
March	621	76	12%	6		5	1	8	10	23	23
June	148	17	11%	4	-	2	-	2	-	8	1
Sept	11	2	18%	1	-	-	-	-	-	1	-
	939	**113**	**12%**	**11**	**1**	**7**	**9**	**11**	**10**	**36**	**28**

**approximate*

2. Location: The need to check that annual reports on being held on a company's website for five years.

See discussion in Part 3 above.

3. Content: The need to prepare oversight reports on the quality of disclosures.

The FMA publishes numerous reports and guides, but it is generally forward-looking rather than reporting on the current state of reporting. We consider a State of the Financial Markets Report should include data on failures over timing, location and content, areas of concern and how actions taken to date have (or have not) generated improvements, such as creating AI ready documents.

A 2016 FMA report, *Review of corporate governance disclosure* (p.5),[15] analysed corporate governance disclosure of NZX-listed companies' annual reports. It is an excellent report, as it measured disclosures and found that only 19% of annual reports met the requirements set out in there FMA *Corporate Governance Handbook* in regard to the principle on stakeholder interests – see Box 8 below:

Box 8: Excerpt: FMA (2016). *Review of corporate governance disclosure*

Key findings of disclosure review

In general, companies listed on the NZX published substantially more corporate governance information than unlisted companies. We encourage unlisted companies to consider improving their corporate governance disclosures where this would be useful to their shareholders or customers. In particular, we encourage newly licensed financial services companies to consider what corporate governance disclosures would be useful for their customers.

On average, listed companies disclosed 67% of all the information recommended by the handbook. There was a slightly lower level of disclosure (about 64%) for the recommendations that were newly introduced when the handbook was updated in 2014. Non-listed companies only disclosed, on average, 24% of all the information recommended by the handbook.

Of the nine principles outlined in our handbook, stakeholder interests had the lowest reporting (19%), followed by reporting on remuneration (37%). We encourage companies to improve their corporate governance reporting in these areas, and we have provided examples of good reporting.

Despite companies saying they have disclosures on codes of ethics, committee charters, remuneration and/or risk management policies, few make these disclosures publicly available. On average, companies only disclose 30% of this recommended information.

We consider the FMA should publish more analytical reports (similar to the 2016 report), reviewing specific topics (such as climate and non-GAAP disclosures). This means focusing on measuring results, identifying gaps, developing a strategy, actioning results and informing the public.

The FMA July 2022 report, *Approach to oversight of financial statements,* is forward looking – specifying what the FMA plans to focus on from 2022 to 2025:

> In this document we provide a summary of our main work in monitoring compliance with financial reporting obligations by FMC reporting entities and registered schemes (regulated entities) from 2022-2025. [16]

Box 9 sets out the reports current approach.

Box 9: Excerpt: FMA (2022). *Approach to oversight of financial statements* (p.6)

Our expectations

The FMA will continue to monitor FMC reporting entities to ensure that they:

- **comply with the legislative requirement** to file their financial statements in a timely manner
- **prepare reliable, supportable financial statements** that comply with the requirements of applicable accounting standards
- **keep proper accounting records** supporting application of applicable accounting standards including accounting considerations and position.

When we make enquiries about entities' financial statements, we expect entities to engage constructively and with the aim of providing accurate and complete information to their stakeholders. We expect entities to have accounting records readily available on request that support accounting considerations, decisions and assumptions made to support compliance with generally accepted accounting practice in New Zealand. This includes materiality assessment and consideration given to the appropriate level of disclosure in the financial statements.

Where entities expect to run into issues or face delays, they should engage with the FMA and the Registrar on a timely and proactive basis.

Below are a few examples that illustrate what we believe is a lack of detailed oversight.

(a) COVID-19 Wage Subsidy

A May 2020 FMA report, *Financial reporting – review findings and guidance for entities in light of COVID-19*,[17] does not mention how to disclose the wage subsidy scheme in the financial statements. In our view, this was a serious omission and led to increased distrust in the scheme. One accounting firm even suggested that businesses might decide not to retain the subsidy because of potential reputational damage (see Box 10, directly below). This alone would indicate it was material and should be disclosed.

Box 10: Excerpt: KPMG New Zealand (2020). *KPMG Reporting News*[18]

> **Entities that have received the wage subsidy but subsequently do not meet the conditions may have to repay the subsidy. How should the entity account for the amount that has to be paid back?**
>
> **A:** An entity should initially recognise the full amount of the wage subsidy received as a government grant under NZ IAS 20, Accounting for Government Grants and Disclosure of Government Assistance if it assesses it was likely to meet the wage subsidy conditions. Where these conditions are not met subsequently, the subsidy may have to be repaid.
>
> For example:
>
> – Under the terms of the wage subsidy, any amount of the wage subsidy that remains after paying a redundant employee during their notice period must be returned to Work and Income.
>
> – Where the actual decline in revenue was not as great as expected the entity may be required to return the wage subsidy received. Management may wish to consider potential reputational damage associated with retaining the wage subsidy.

In this context, it is useful to revisit the meaning of materiality (as set out in the 2023 FMA document *Guidance and expectations for keeping proper accounting records*). The *Guidance* provides FMA's expectations on materiality:

> Consideration of materiality is fundamental for the preparation of financial statements. In accordance with generally accepted accounting practice in New Zealand (NZ GAAP), information should be disclosed only when it is assessed to be **material to users' decision-making processes.** Materiality is an entity-specific aspect of relevance based on the nature or magnitude (or both) of the items to which the information relates. (p.5)[19] [bold added]

McGuinness Institute Research:

Working Paper 2025/08: Analysing COVID-19 Wage Subsidy Information Disclosed in Annual Reports of NZSX-listed Companies (in press)

We found: The lack of guidance on financial reporting resulted in a lack of standardisation and a high degree of reporting variation by companies. This presents accountability problems, with a lack of alignment between how a company is represented on the WI register and what is reported in the NZSX-listed company's annual report.

Discussion Paper 2025/03: Time to Prepare: Lessons from the COVID-19 Wage Subsidy (in press)

We found: FMA, XRB and NZX should collaborate with MSD, IRD and MBIE on a preparedness initiative for the next emergency or crisis. Future job retention schemes should be set out specific disclosure requirements for financial statements and annual reports, specifying which iteration of a scheme and the amount received. In cases where the business transverses more than one country, the name of the scheme and the amount of the funds should also be disclosed. This would offer greater transparency and accountability, which is necessary when using taxpayers' funds and help those checking the compliance of the scheme against the annual report and financial statements. Importantly financial statements of significant companies are audited, providing further assurance to citizens and officials.

It is essential that job retention schemes are developed before an emergency. This is so that the system can be designed and tested without officials being under pressure and so that it can be immediately made operational once an emergency or crisis becomes evident. Most importantly, this approach will reduce the administration costs for issues such as managing overpayment and refunds, and the legal costs that arise from going through the courts (where fraud may exist).

(b) Non-GAAP
We consider non-GAAP reporting is a significant issue that requires much stronger policing. The Institute has a working paper on the topic that we hope to publish before the end of the month.

McGuinness Institute Research:

Working Paper 2025/05 – Reviewing Non-GAAP Financial Information in Annual Reports and Market Announcements of NZSX-listed Companies

We found: The use of non-GAAP financial information causes a significant and unnecessary risk of consumers not understanding the difference between GAAP and non-GAAP information. There is a need for stronger regulation to bring greater standardisation and to provide clarity, consistency and comparability. Specifically, there should be stronger guidance on disclosures of non-GAAP information in the announcements of NZSX-listed companies. The FMA should monitor the use of non-GAAP measures and actively communicate with companies it deems to have presented misleading non-GAAP information.

Box 11: Excerpt: FMA (2022). *Approach to oversight of financial statements* (p.4)

> **Non-GAAP financial information**
>
> Non-GAAP financial information is financial information outside of the financial statements,[4] where that information is not prepared and presented in accordance with generally accepted accounting practice (GAAP) or is presented as an alternative to statutory profit.
>
> Management should carefully consider if non-GAAP financial information needs to be used and presented. In cases where management believes using an alternative to statutory profit is appropriate and useful to investors, non-GAAP financial information should be presented in a way that is not false or misleading.

(c) Climate Statements

We consider climate statement reporting is critical. The Institute has a working paper on the topic which we hope to also publish before the end of the month. Once again, we are not seeing the FMA treat it as a hot topic for compliance.

McGuinness Institute Research:

Working Paper 2025/06 – Analysing Climate Statements Contained in 2023 and 2024 Annual Reports of NZSX-listed Companies

We found: NZ climate standards became mandatory for reporting periods beginning on or after 1 January 2023, and because this is a new and emerging area, we want to make sure that climate risks and transition strategies are articulated clearly for consumers. There should be less leeway for delaying scope 3 GHG emissions so that New Zealand can more accurately identify the work that domestic entities have done to reduce domestic emissions. This would create an opportunity to reduce the amount of offshore carbon credits purchased. New Zealand Business Numbers (NZBNs) are used on the Climate-related Disclosures Register, but the Institute identified that NZBNs were found very rarely in annual reports. NZBNs should be stated on the overview page of the NZX website to ensure greater transparency and accountability.

We imagine a 'state of the financial markets report', prepared by the FMA, and tabled in the House. It should include all key pieces of data, such as number of auditors, issues faced, actions taken, research undertaken, and research proposed. It could stand as a unique section in their annual report, and it should inform the public of the current status and future challenges they see occurring in New Zealand's financial market, along with emerging international issues. Most importantly, it should focus on how to prepare for emerging challenges and offer suggested solutions for Parliament and policy makers to consider.

Box 12 sets out the FMA's current approach to oversight of financial statements.

Box 12: Excerpt: FMA (2022). *Approach to oversight of financial statements* (p.5)

Climate-related matters

Climate change is receiving increased attention from governments, investors and other stakeholders, as the effects of climate change become more visible.

Climate change may impact business models, cash flows, financial positions and the performance of many regulated entities. Consequently, regulated entities should not only consider climate change when applying accounting standards, but also its likely effect in the context of the financial statements (taken as a whole) including the level of disclosures relevant for investors to understand the impact of climate-related matters on the reporting entity, if that impact is assessed to be material.

Our financial reporting reviews will focus on:

- entities' assessment of climate change and its effect on their financial statements; and, where relevant, entities' consideration of climate-related matters when applying accounting standards including level of disclosures; and
- consistency between the information presented outside of the financial statements relating to climate change and the financial statements.

In addition, in 2021 the New Zealand Government introduced the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill, which will require approximately 200 FMC reporting entities to provide separate disclosures on their climate risk and emissions. This will be a requirement from financial years commencing in 2023. For those entities that will be required to prepare separate disclosures on climate risk and emissions, it is important that there is consistency between climate-related disclosures and financial statements.

In November 2020, the International Accounting Standards Board (IASB) issued a publication called 'Effects of climate-related matters on financial statements'. This gives examples illustrating when accounting standards may require companies to consider the effects of climate-related matters in applying the principles of accounting standards. We encourage entities to consider this publication when assessing the impact of climate-related matters while preparing financial statements.

Key recommendations:

11. **The committee should actively seek better reporting by the FMA on the quality of compliance in the financial markets, strategic challenges reporters are facing, and how technology (such as AI) might disrupt the financial markets in the short term (e.g. the next 24 months) and in the medium term (e.g. the next 10 years). Our view is this should take the form of an annual State of the Financial Markets Report that should be tabled in the House.**

12. **The committee should be cognisant of the need to embed the New Zealand Business Numbers (NZBNs) across all aspects of the financial markets system.**

Appendix 1: AI Case Study – How to analyse a company

Purpose: To test the same question asked almost the same time on two different computers. Please note the diverse number of different sources relied upon in ChatGPT's two responses.

Method:
AI Tool: Chat GPT
Question: 'Can you provide me with a one-page financial analysis of New Zealand King Salmon Limited?'
Date: 21 July 2022.

Response 1: Computer 1

Here's a one-page **financial analysis** of **New Zealand King Salmon Investments Limited** (NZX/ASX: NZK), summarizing FY23 through FY25 based on publicly available filings and market data:

📌 Company Overview

- **NZ King Salmon** is the world's largest producer of farmed Chinook ("King") salmon, operating hatcheries and sea-farms in the Nelson/Marlborough region across New Zealand. It sells premium salmon under brands such as Ōra King, Regal, Southern Ocean, Omega Plus, etc., in markets including Australia, North America, China, and Japan Reddit+15NZX+15NZX+15StockAnalysis+1StockAnalysis+1.
- The business owns the entire value chain—from broodstock to processing. It holds resource consent for a pioneering **Blue Endeavour** open-ocean farm in Cook Strait, expected to underpin future growth Reddit+3NZX+3NZX+3.

📊 Financial Performance

🧾 FY23 (ended 31 Jan 2023)

- Net profit: **NZD 1.9 M** vs a **loss of NZD 73.2 M** in FY22
- Pro-forma EBITDA: **–4.4 M** vs a profit of 6.7 M
- Revenue declined ~4% to **NZD 167 M**, with sales volume down ~24% (5,837 MT vs 7,672 MT)
- Mortality costs rose from NZD 20.8 M to **25.9 M** due to warming sea conditions NZX+3NZX+3NZX+3.

🧾 FY24 (ended 31 Jan 2024)

- Net profit rebounded to **NZD 28.5 M** from 1.9 M in FY23
- Pro-forma EBITDA reached **NZD 24.5 M** (vs a loss of 2.7 M in FY23)

- Revenue grew ~12% to **NZD 187 M**; mortality cost halved from FY23 to **12.6 M**
- Blue Endeavour received resource consent—expected to begin pilot operations in FY25 Wikipedia+10NZX+10NZX+10.

🧾 FY25 (ended 31 Jan 2025)

- Net profit: **NZD 13.4 M**, down from 28.5 M in FY24
- Pro-forma EBITDA: **NZD 29.7 M**, up from 24.5 M
- Revenue increased 13% to **NZD 210.9 M**
- Board provides EBITDA guidance of **NZD 15–24 M** for FY26, noting recent elevated mortality at start FY26 will weigh on harvest and earnings NZX+1NZX+1.

🧾 Financial Health & Capital Structure

- Strong balance sheet: cash of ~**NZD 52.7 M**, total debt low (~NZD 4.5 M), giving debt-to-equity ≈ 0.08–0.1 and net cash position Simply Wall StStockAnalysisGoogle.
- High liquidity: current ratio ~**5.1×**, interest coverage ~**22×** StockAnalysis.
- Book value per share around **NZD 0.33–0.35**; market cap ~**NZD 115–118 M** (mid-July 2025); P/E ≈ 10–11×; EV/EBITDA ~4×; P/S ~0.6×; P/B ~0.6–0.7× StockAnalysisStockAnalysisSimply Wall St.

📈 Market Performance & Analyst Outlook

- Share price has traded in a range of **NZD 0.20–0.27** over the past year; current share price ~**NZD 0.22** with low trading volume and a beta of ~0.7 (lower volatility) StockAnalysisStockAnalysis.
- Analysts forecast **earnings growth ~20–21% p.a.**, revenue growth ~6.3% p.a., and EPS growth ~18.6% p.a. over the next three years with expected ROE ~7.8% Simply Wall St+1Simply Wall St+1.

⚠️ Risks & Strategic Overview

- Operational risk: fish mortality remains a major earnings driver and is volatile, especially during hot summers or biological challenges (e.g. runting) New Zealand King Salmon | For the futureRNZ.
- Growth hinges on success of **Blue Endeavour** open-ocean site; pilot operations underway, but scale-up and regulatory/community support are key.

- The premium King salmon category remains niche (~<1% of global farmed salmon supply) but high-demand and premium-priced Reddit+3NZX+3NZX+3Reddit+5Reddit+5Reddit+5.
- Retail sentiment: some investors view NZK as deeply undervalued relative to long-term growth potential, but note vulnerability to climate impact and limited scale Reddit+15Reddit+15Google+15.

✅ Summary

Metric	Value (FY25 / Latest)
Revenue	~NZD 210.9 M (+13% y-o-y)
Net Profit	NZD 13.4 M (vs NZD 28.5 M in FY24)
Pro-Forma EBITDA	NZD 29.7 M (up from 24.5 M)
Cash	~NZD 52.7 M; Net cash position
Debt / Equity	~0.08–0.1
P/E Ratio	~10–11× (NZD 0.22 share price)
Growth Forecast (3-yr)	Earnings +20% p.a.; Revenue +6% p.a.
Key Opportunity	Blue Endeavour open-ocean farming
Principal Risk	Fish mortality volatility; climate risk

🔍 Conclusion

NZ King Salmon posted a strong rebound in FY24 but saw profit soften in FY25 despite rising revenue and EBITDA. With a robust balance sheet and low debt, the company is well-positioned to fund its next phase of growth via the Blue Endeavour project. Analysts project solid earnings expansion, but implementation risk remains. For long-term investors, valuation multiples remain modest at ~0.6× book and EV/EBITDA ~4×, though returns hinge on operational performance and execution of the open-ocean strategy.

Data sources: NZX result announcements FY23–25, Simply Wall St financial metrics, StockAnalysis market data, and investor commentary.

Response 2: Computer 2

Here's a concise financial analysis of **New Zealand King Salmon Investments Limited (NZX & ASX: NZK)** based on the most current information, with results for the year ended **January 31, 2025** (FY25):

🐟 Company Overview

- The world's largest producer of farmed King (Chinook) salmon, marketed under brands like **Ora King**, **Regal**, **Southern Ocean**, and **Omega Plus** New Zealand King Salmon | For the future+14nzx.com+14nzx.com+14.
- Operates from hatcheries in Tākaka, sea farms in the Marlborough Sounds, and a processing hub in Nelson, producing ~7,000–8,000 MT annually development-new.nzx.com+2nzx.com+2Wikipedia+2.

📊 FY25 Financial Highlights (Year ended Jan 31, 2025)

- **Revenue**: NZD 210.9 million, up 13% from NZD 187.1 million in FY24 nzx.com+2nzx.com+2MarketScreener+2.
- **Net Profit**: NZD 13.4 million, down from NZD 28.5 million in FY24—a 53% decrease Wikipedia+15nzx.com+15nzx.com+15.
- **Pro-forma EBITDA**: NZD 29.7 million, rising from NZD 24.5 million in FY24 nzx.com+4nzx.com+4nzx.com+4.

Profitability margins:

- EBITDA margin improved, despite a steep decline in net profit.
- GAAP measures were negatively impacted by non-cash biological asset adjustments (e.g. fish mortality and inventory valuations).

🧭 Growth Trends & Operational Drivers

- Consistent revenue growth through increased sales volume (~5 % growth in 1H FY25) and higher average prices in global markets (Australia, China, North America) New Zealand King Salmon | For the future.
- Underlying performance (pro-forma EBITDA) up 21 % YoY, indicating operational improvements nzx.com+6nzx.com+6nzx.com+6.

⚠️ Key Challenges & Risks

- Elevated **fish mortality**, largely due to warmer-than-expected sea temperatures, undermining harvest volumes entering FY26 Reddit+6nzx.com+6nzx.com+6.
- Biological risk: issues like **runting** (failure of smolt to adapt to seawater) are driving extra mortality costs (~8–12 M NZD) Reddit+5New Zealand King Salmon | For the future+5development-new.nzx.com+5.
- R&D efforts underway for thermotolerance, vaccine development, and Recirculating Aquaculture System (RAS) pilot projects to mitigate mortality risk New Zealand King Salmon | For the futurenzx.com.

🚀 Growth Initiatives & Outlook

- Approval and early-stage rollout of the **Blue Endeavour open-ocean farm** in Cook Strait, seen as a transformative growth project; pilot operations underway Reddit+5nzx.com+5RNZ+5.
- Revenue potential supported by sustained high demand for premium King salmon and expansion into strategic export markets Wikipedia+9nzx.com+9development-new.nzx.com+9.

🔮 FY26 Guidance

- **Pro-forma EBITDA forecast**: NZD 15 million to 24 million, reflecting anticipated lower harvest volumes (~5,900–6,300 MT) due to elevated mortality and lower growth rates RNZ+7nzx.com+7nzx.com+7.

📈 Financial Snapshot Table

Metric	FY24 (ended Jan 2024)	FY25 (ended Jan 2025)	YoY Change
Revenue (NZD million)	187.1	210.9	+13%
Net Profit (GAAP, NZD million)	28.5	13.4	−53%
Pro-forma EBITDA (NZD million)	24.5	29.7	+21%
Harvest Volume (approx.) (MT)	~6,800 (guidance)	~6,200–6,800 estimated	Slight decline

✅ Assessment Summary

- Solid revenue growth and improving EBITDA performance indicate operational maturity.
- However, **elevated mortality issues** significantly impacted net profit in FY25 and are expected to constrain FY26 harvest and earnings.
- Strategic growth investments, particularly the Blue Endeavour pilot, offer promise—but execution and biological risk management will be key to realising upside.

🔍 Analyst Considerations

- Monitor mortality and smolt performance trends closely; biological risks remain significant.
- Evaluation of Blue Endeavour's pilot results will be crucial to assessing scalability and future earnings uplift.
- Watch for progress in key markets like China and the US to confirm sustained premium pricing and volume growth.

In summary: New Zealand King Salmon delivered strong revenue and EBITDA gains in FY25, but net profit was sharply impacted by biological challenges. Its balance sheet and strategic initiatives (notably Blue Endeavour) provide a platform for future growth, though FY26 earnings will reflect the immediate consequences of elevated fish mortality.

Let me know if you'd like more detail on valuation, peer comparisons, or market forecasts.

Appendix 2: AI Case Study – How to invest

Purpose: To test same question asked at same time on two different computers. Please note the diverse number of different sources relied upon in ChatGPT's two responses.

Method:
AI Tool: Chat GPT
Question: If I had $100,000 NZD, how should I invest it in the New Zealand stock market?
Date: 21 July 2022.

Response 1: Computer 1

Investing NZD $100,000 in the **New Zealand stock market** depends on your **goals, time horizon, and risk tolerance**. Here's a strategic approach tailored for a **moderate-risk investor with a 5+ year horizon**, aiming for **diversification, dividend yield, and long-term growth**.

🎯 Investment Goals & Assumptions

- **Capital**: NZD $100,000
- **Time Horizon**: 5+ years
- **Risk Profile**: Moderate (willing to tolerate some volatility for long-term gains)
- **Focus**: NZX-listed equities and ETFs; dividend income + capital appreciation
- **Diversification**: Across sectors and market caps

🧩 Suggested Portfolio Allocation

Category	Allocation	Example Holdings	Rationale
1. NZX 50 Blue-Chip Dividend Stocks	NZD 35,000 (35%)	Fletcher Building (FBU), Spark (SPK), Meridian Energy (MEL), Auckland Airport (AIA)	Core stable companies with good liquidity and dividend yield (~3–6%).
2. NZX Listed ETFs	NZD 25,000 (25%)	Smartshares NZ Top 50 ETF (NZG), Smartshares NZ Dividend ETF (DIV), Smartshares US 500 ETF (USF)	Low-cost diversification; passive exposure to NZ & global markets.
3. Growth & Thematic Stocks	NZD 15,000 (15%)	Fisher & Paykel Healthcare (FPH), AFT Pharmaceuticals (AFT), Ryman Healthcare (RYM), Mainfreight (MFT)	Long-term growth in healthcare, logistics, and retirement sectors.

4. Sustainable/Green Stocks	NZD 10,000 (10%)	Contact Energy (CEN), Meridian Energy (MEL), NZ King Salmon (NZK)	Renewable energy & sustainability themes, aligned with ESG investing.
5. Cash or Term Deposit Buffer	NZD 15,000 (15%)	NZX-listed bank cash funds or term deposits	Dry powder for opportunities + capital preservation during volatility.

💡 Why This Mix?

- **Blue-chip stocks** provide stability, dividends, and inflation protection.
- **ETFs** diversify across sectors and reduce stock-picking risk.
- **Growth/thematic stocks** target high-return potential industries in NZ.
- **ESG/Green stocks** align with long-term global sustainability trends.
- **Cash buffer** protects against downside risk and adds flexibility.

📈 Example Breakdown (Ticker-based)

Company / ETF	Allocation (NZD)	Notes
SPK (Spark)	10,000	Defensive, ~6% dividend yield
FBU (Fletcher)	10,000	Cyclical exposure, recovery upside
MEL (Meridian)	5,000	Renewable, defensive
AIA (Auckland Airport)	10,000	Post-COVID tourism growth
NZG (NZ Top 50 ETF)	15,000	Broad NZ equity exposure
DIV (Dividend ETF)	5,000	High dividend focus
USF (US S&P 500 ETF)	5,000	Global diversification
FPH (Fisher & Paykel)	7,500	Healthcare exporter
RYM (Ryman Healthcare)	5,000	Aging population trend
CEN (Contact Energy)	5,000	Renewable & utility
NZK (NZ King Salmon)	5,000	High-risk growth, ESG alignment
Term Deposit / Cash	15,000	Safety, liquidity

📉 Risks & Considerations

- **Liquidity risk**: Small caps and thematic plays may be harder to sell quickly.
- **Volatility**: Growth stocks can swing significantly—allocate carefully.
- **Diversification**: NZX is small and dominated by utilities, real estate, and financials—consider global ETFs for broader exposure.

- **Fees**: Consider brokerage and fund management fees (Smartshares ~0.3–0.6%).

📚 Final Tips

- Rebalance annually to maintain your allocations.
- Use NZ-based platforms (e.g. Sharesies, InvestNow, Hatch) with low fees.
- Keep up to date with NZX announcements and RBNZ rate decisions (they affect utilities, property, and banks).
- Don’t overlook offshore ETFs to hedge NZ risk and currency exposure.

Response 2: Computer 2

Investing NZD $100,000 in the New Zealand stock market is a meaningful opportunity, but the best strategy depends on your goals, risk tolerance, investment horizon, and how actively you want to manage your portfolio.

Here's a structured approach tailored to investing in New Zealand's stock market (NZX):

🔍 Step 1: Define Your Investment Objectives

- **Time Horizon**: Are you investing for 5 years, 10+ years, or for retirement?
- **Risk Tolerance**: Can you tolerate volatility, or do you want more stable returns?
- **Income vs. Growth**: Do you want dividend income or long-term capital gains?

📊 Step 2: Portfolio Structure

Here's a sample diversified allocation for a **balanced-growth** investor:

Asset Class	Allocation	Example NZX Investment Options
NZX 50 Blue Chips (Core)	40% ($40K)	Smartshares NZ Top 50 ETF (FNZ) or individual large-cap stocks like F&P Healthcare (FPH), Auckland Airport (AIA), Meridian (MEL)
Dividend Stocks (Income)	20% ($20K)	Contact Energy (CEN), Spark NZ (SPK), Chorus (CNU)
Growth Stocks / Thematic	15% ($15K)	Pushpay (PPH), Serko (SKO), AFT Pharmaceuticals (AFT)
Global Diversification ETFs	15% ($15K)	Smartshares US 500 (USF), Total World ETF (TWF)
Cash / Bonds / Defensive	10% ($10K)	Smartshares NZ Bond ETF (NZB) or bank term deposit for liquidity

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🧠 Step 3: Investment Options

1. ETFs (Smartshares)

- Low fees, diversified, and ideal for passive investors.
- Examples:
  - **FNZ (Top 50 NZ companies)**
  - **NZG (NZ Government Bonds)**

- USF (US S&P 500 exposure)

2. Individual Stocks

You could handpick 5–10 quality NZX companies:

- **Growth**: Mainfreight (MFT), Ryman Healthcare (RYM)
- **Dividends**: Spark (SPK), Genesis Energy (GNE), Vector (VCT)
- **Stability**: F&P Healthcare (FPH), Auckland Airport (AIA)

3. Dividend Reinvestment

Opt into **DRP (Dividend Reinvestment Plans)** if you don't need the income immediately.

🛠️ Step 4: Tools to Use

- **Platforms**:
  - Sharesies
  - Hatch
  - InvestNow
  - ASB Securities or Direct Broking (if you want direct NZX trades)

🧾 Step 5: Tax and Fees

- NZ has **no capital gains tax** for most long-term investors.
- PIE funds (like Smartshares ETFs) are **taxed at your PIR rate**, which is more efficient.
- Check **brokerage fees**: Some platforms are more cost-effective for small, regular investments vs. lump sums.

⚠️ Final Advice

- **Start with ETFs if unsure** – gives you instant diversification.
- **Don't invest all at once** – consider **dollar-cost averaging** over 6–12 months.
- Reassess your portfolio **annually** and adjust for goals and performance.

If you'd like, I can help you:

- Build a sample portfolio with ticker symbols and allocations.

- Compare platforms (Sharesies vs. Hatch, etc.).
- Do a deep dive into 3–5 NZX stocks that match your goals.

Would you like to go deeper into one of these areas?

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