GENERAL FINANCE
INC. 1997

General Finance Limited

Financial Statements

For the year ended 31 March 2020

Index to Financial Statements

General Finance Limited

Business Profile
As at 31 March 2020

Nature of Business	Non-Bank Deposit Taker and Mortgage Lending Company	
Business Address	Level 7, 12-26 Swanson Street Auckland, 1010	
Postal Address	PO Box 1314 Shortland Street, Auckland 1010	
Telephone	09 526 5000	
IRD Number	68-422-167	
Share Capital	4,514,341 Ordinary Shares	
		Ordinary
Shareholder	Corporate Holdings Limited	4,514,341
	Total Shares	4,514,341
Directors	Donald F Hattaway *(Independent Non-Executive Chair)* Robert G Hart *(Independent Non-Executive Director)* Brent D King *(Managing Director)* Gregory J Pearce *(Executive Director)* Alistair A Ward – *(Independent Non-Executive Director, Resigned 16 September 2019)*	
Registered Office	Level 7, 12-26 Swanson Street Auckland, 1010	
Company Number	AK 860336	
Date of Incorporation	13 June 1997	
Bankers	Bank of New Zealand Limited Westpac New Zealand Limited	
Auditor	Baker Tilly Staples Rodway Auckland	

General Finance Limited

Background Information

General Finance was incorporated in 1997 and commenced business on 1 April 2001, initially writing and managing prime residential mortgages for an Australasian wholesaler, in competition with the trading banks.

In 2002 we widened our product range, to include non-conforming residential mortgages and in 2003 began offering short term residential loans, as we found that there was a demand not being satisfied through traditional sources.

These short-term loans were secured by first and second mortgages over residential property and the loans were initially funded from our own resources.

Due to the success experienced for this short-term residential mortgage product, we decided, in 2004, to fund part of this growth through the issue of term deposits. We registered our first prospectus for this purpose on 9 November 2004 and were issued with a Non-bank Deposit Taker licence by the Reserve Bank of New Zealand on 13 February 2015.

General Finance Limited has been a survivor of the finance company sector collapse in the mid to late 2000's and traded profitably throughout this period. The latest Product Disclosure Statement was released in September 2019.

On 19 December 2017, General Finance Limited was sold to Corporate Holdings Limited. Corporate Holdings Limited was subsequently purchased in a reverse listing transaction on 3 August 2018 by NZAX listed shell company, Mykco Limited which has since been renamed and rebranded to General Capital Limited (the Company's ultimate parent company from 3 August 2018). The result of these transactions is that General Finance Limited is now part of a listed financial services group, comprising a financial services arm, and a research and advisory arm, Investment Research Group (IRG). General Capital Limited migrated its listing from the NZAX to the NZX Main Board on 1 July 2019.

The Company continues as a specialist lender secured by residential property, providing short term and bridging residential mortgages.

During the 2019 and 2020 financial years, business has been strong with the balance sheet growing significantly from active demand on both the deposit and lending sides of the business. The growth in the balance sheet has resulted in increased profitability for the Company in the 2020 financial year.

General Finance Limited

Directors' Statement
For the year ended 31 March 2020

In accordance with Section 208 and 211 of the Companies Act 1993, the Directors present the Annual Report for the Company, including the attached Financial Statements and Independent Auditor's Report thereon.

The Directors are responsible for the preparation of financial statements, in accordance with generally accepted accounting practice in New Zealand, that give a true and fair view of the matters to which they relate, 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.

The Directors consider that the financial statements have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgments and estimates and that all the relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The shareholders of the Company have exercised their right under Section 211(3) of the Companies Act 1993 and have agreed that this Annual Report need not include disclosure of the information specified in paragraphs (a) and (e) to (j) of Section 211(1) of the Act.

The Directors of the company authorise the financial statements set out on pages 11 to 44 for issue.

For and on behalf of the Board

Director	**Director**
Date: 25 June 2020	Date: 25 June 2020

Level 9, 45 Queen Street, Auckland 1010
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of General Finance Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of General Finance Limited ('the Company') on pages 11 to 44, which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2020, and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Our report is made solely to the Shareholders of the Company. Our audit work has been undertaken so that we might state to the Shareholders of the Company 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 Shareholders of the Company as a body, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor, our firm carries out other assignments for General Finance Limited in the area of taxation compliance services. The provision of these other services has not impaired our independence.

Emphasis of Matter – Increased level of inherent uncertainty in the significant accounting estimates and judgments applied by Management in the preparation of these financial statements, arising from the ongoing global pandemic of coronavirus disease 2019

We draw attention to note 2.1 of the financial statements, which describes the impact of the ongoing global pandemic of the novel coronavirus disease 2019 ('COVID-19') and Management's assessment of and responses to, this pandemic on the Company. Since March 2020 the COVID-19 pandemic has lowered overall economic activity and confidence, resulting in significant volatility and instability in financial markets and economic uncertainty. Consequently, there has been an increase in the level of inherent uncertainty in the critical accounting estimates and judgements applied by Management in the preparation of these financial statements, described in notes 2.2 and 2.3 of the financial statements. As at the date of the signing of these financial statements, all reasonably known and available information with respect to the COVID-19 pandemic has been taken into consideration in the critical accounting estimates and judgements applied by Management, and all reasonably determinable adjustments have been made in preparing these financial statements.

Our opinion is not modified in respect of this matter.

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 year. 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. In addition to the matter described in the *Emphasis of Matter* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Applicability of the going concern basis of accounting As disclosed in Note 1.2 and 2.2 of the Company's financial statements, these financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. As described in our *Emphasis of Matter* paragraph and note 2.1 of the Company's financial statements, the ongoing COVID-19 pandemic, and the public health and social measures and economic responses implemented by governments, regulators and industry sectors, have lowered economic activity and confidence. The application of the going concern basis of accounting was significant to our audit due to the subjectivity, complexity and uncertainty inherent in assessing the impact the COVID-19 pandemic will have of the Company's forecast earnings, cash flow and financial position. Management has prepared forecast earnings, cash flows and financial position models as part of its	Our audit procedures among others included: ▪ Evaluating Management's assessment as to whether potential impacts as a result of the implications of the COVID-19 pandemic could be material; ▪ Evaluating Management's response plan to the potential impacts identified as a result of the implications of COVID-19 pandemic; ▪ Evaluating Management's assessment of the direct and indirect financial impacts of the COVID-19 pandemic on the carrying value of the Company's reported assets and liabilities, and reported amounts of revenues and expenses; ▪ Evaluating Management's assessment of the Company's ability to continue to apply the going concern basis of accounting, and the appropriateness of this considering present economic conditions;

Key Audit Matter	How our audit addressed the key audit matter
assessment of whether the Company's application of the going concern basis of accounting was appropriate for the 31 March 2020 financial statements. This assessment involves complex and subjective estimation and judgement by Management on the future performance, cashflows and position of the Company. Management have also performed sensitivity analysis for reasonably possible changes in key forecast assumptions.	Procedures included: o Evaluating Management's process regarding the preparation and review of forecast financial statements (balance sheet, income statement, and cash flow statement); o Comparing Management's forecasts to Board approved forecasts; o Evaluating the cash flow requirements of the Company for twelve months from the date of signing the financial statements based on Management's forecasts; o Evaluating the liquidity of existing financial assets on the Company's Statement of Financial Position; o Evaluating the actual term deposit reinvestment and new term deposit investment rates since March 2020 and comparing them to Management's forecasts; o Challenging Management's assumptions, estimates and judgements used; and o Evaluating Management's sensitivity analysis for reasonably possible changes in key assumptions, with an emphasis on the potential downside scenarios and the resultant impact on available funds. ▪ Evaluating the disclosures related to the Company's application of the going concern basis of accounting and the impact of the COVID-19 pandemic on the Company which are included in the Company's financial statements.
Valuation of loan receivables As disclosed in Note 7 of the Company's financial statements, the Company has loan receivable assets of $35.2m consisting of short- and long-term loans secured by residential property. Loan receivable assets were significant to our audit due to the size of the assets and the subjectivity, complexity and uncertainty inherent in the timing of the recognition of impairment in respect of loan receivables and the amount of that impairment. Management has prepared impairment models to complete its assessment of impairment for the Company's loan receivables as at 31 March 2020. This assessment involves complex and subjective estimation and judgement by Management on credit risk and the future cash flows of the loan receivables.	Our audit procedures among others included: ▪ Evaluating the design and operating effectiveness of the key controls over loan receivable origination, ongoing administration and impairment model data and calculations; ▪ Selecting a representative sample of loan receivables and agreeing these loan receivables to the loan agreement, client acceptance documents, mortgage documents, and registered valuations performed on acceptance; ▪ Examining the loan receivables individually assessed for impairment and forming our own judgements as to whether the impairment provision recognised by Management was appropriate (including the consideration of the impact of the COVID-19 pandemic on the impairment provision); ▪ Testing the key inputs and the mathematical accuracy of the calculations of the loan to value ratio analysis used to individually assess the recoverability of loan receivables. We have specifically challenged the valuation of the underlying security and performed sensitivity analyses

Key Audit Matter	How our audit addressed the key audit matter
	for reasonably possible changes to the key inputs (including the consideration of the impact of the COVID-19 pandemic on the valuation of the underlying security); ▪ For the 12 months expected credit loss provision, challenging and evaluating the logic within Management's model and key assumptions used with our own experience (including the consideration of the impact of the COVID-19 pandemic on key assumptions used). Also, testing key inputs used in the collective impairment models and the mathematical accuracy of the calculations within the model; and ▪ Evaluating the disclosures related to loan receivables and the risk attached to them which are included in the Company's financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 March 2020 (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible on behalf of the Company for assessing the 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 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 (NZ) 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:
https://xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-4/

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements of General Finance Limited for the year ended 31 March 2020 included on General Finance Limited's website. The Directors of General Finance Limited are responsible for the maintenance and integrity of General Finance Limited's website. We have not been engaged to report on the integrity of General Finance Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyper linked to or from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 25 June 2020 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The engagement partner on the audit resulting in this independent auditor's report is G K Raniga.

Baker Tilly Staples Rodway

BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

25 June 2020

General Finance Limited

Statement of Comprehensive Income
For the year ended 31 March 2020

	Note	2020 $	2019 $
Interest income	4	2,842,352	1,475,751
Interest expense		(1,440,704)	(592,791)
Net interest income		1,401,648	882,960
Fee and commission income		638,156	304,592
Fee and commission expense		(128,699)	(92,332)
Net fee and commission income		509,457	212,260
Bad debts recovered		12,761	28,163
Net revenue		1,923,866	1,123,383
Release / (increase) in allowance for expected credit losses	7	(54,998)	19,456
Personnel expenses		(661,330)	(548,670)
Depreciation and Amortisation Expense	9, 10	(26,303)	(21,419)
Occupancy expenses		(99,722)	(71,854)
Other expenses	5	(578,905)	(341,426)
Profit before income tax		502,608	159,470
Income tax expense	8	(60,892)	(34,705)
Net profit attributable to the shareholders of the Company		**441,716**	**124,765**
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income attributable to the shareholders of the Company		**441,716**	**124,765**

The accompanying notes form part of and should be read in conjunction with the Financial Statements.

General Finance Limited

Statement of Changes in Equity
For the year ended 31 March 2020

	Note	Share Capital	Retained Earnings	Total
Balance at 31 March 2018 (as reported)		3,050,000	335,332	3,385,332
Impact of the adoption of NZ IFRS 9		-	(19,119)	(19,119)
Balance at 1 April 2018 (restated)		3,050,000	316,213	3,366,213
Profit for the period		-	124,765	124,765
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	124,765	124,765
Transactions with owners in their capacity as owners:				
Contributions of equity	12, 16	1,600,000	-	1,600,000
		1,600,000	-	1,600,000
Balance at 31 March 2019		4,650,000	440,978	5,090,978
Profit for the period		-	441,716	441,716
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	441,716	441,716
Transactions with owners in their capacity as owners:				
Contributions of equity	12, 16	300,000	-	300,000
		300,000	-	300,000
Balance at 31 March 2020		4,950,000	882,694	5,832,694

The accompanying notes form part of and should be read in conjunction with the Financial Statements.

General Finance Limited

Statement of Financial Position
As at 31 March 2020

	Note	2020 $	2019 $
Share capital	12	4,950,000	4,650,000
Retained earnings		882,694	440,978
Total equity		5,832,694	5,090,978
Assets			
Cash and cash equivalents	6	12,472,062	2,814,108
Other current assets		160,056	13,803
Related party receivables	16	110,538	-
Tax receivable	8	-	45,450
Loan receivables	7	34,855,849	17,196,205
Property, plant and equipment	9	2,665	6,176
Intangible assets	10	29,299	47,648
Deferred tax asset	8	47,643	33,304
Total assets		**47,678,112**	**20,156,694**
Liabilities			
Accounts payable and accruals		265,882	152,766
Related party payables	16	119,258	12,492
Term deposits	11	41,450,497	14,900,458
Income tax payable	8	9,781	-
Total liabilities		**41,845,418**	**15,065,716**
Net assets		5,832,694	5,090,978

Authorised for issue on behalf of the Board:

Director

Date: 25 June 2020

Director

Date: 25 June 2020

The accompanying notes form part of and should be read in conjunction with the Financial Statements.

General Finance Limited

Statement of Cash Flows
For the year ended 31 March 2020

	Note	2020 $	2019 $
Cash flows from / (to) operating activities			
Cash was provided from (applied to)			
Interest received		2,515,586	1,373,861
Other income		12,761	27,783
Loan fees, commission and other income		439,092	246,734
Payments to suppliers and employees		(1,564,830)	(1,130,669)
Interest paid		(1,242,146)	(585,614)
Income tax paid		(20,000)	(142,421)
Loan receivables (net advances)		(17,171,447)	(8,436,192)
Net cash inflow / (outflow) from / (to) operating activities		(17,030,984)	(8,646,518)
Cash flows to investing activities			
Cash was applied from / (applied to)			
Purchases of property, plant and equipment	9, 16	-	(9,394)
Purchases of intangible assets	10	(4,444)	(32,742)
Net cash outflow to investing activities		(4,444)	(42,136)
Cash flows from / (to) financing activities			
Cash was provided from / (applied to)			
Shares issued		300,000	1,600,000
Term deposit (net receipts)		26,393,382	5,058,474
Net cash inflow from financing activities		26,693,382	6,658,474
Net cash and cash equivalents movement for year		9,657,954	(2,030,180)
Opening cash and cash equivalents balance		2,814,108	4,844,288
Closing cash and cash equivalents balance	6	12,472,062	2,814,108

The accompanying notes form part of and should be read in conjunction with the Financial Statements

1.0 Reporting and Accounting Basis

1.1 Reporting Entity

The financial statements presented here are for the entity General Finance Limited.

General Finance Limited (the "Company") is a finance and mortgage lending company incorporated in New Zealand. On 19 December 2017, all of the shares of the Company were purchased by Corporate Holdings Limited, an investment holdings company, from the previous owner General Finance Holdings Limited, a New Zealand owned and operated mortgage company. On 3 August 2018, NZAX listed entity General Capital Limited (previously named Mykco Limited) purchased all the shares of Corporate Holdings Limited in a reverse acquisition transaction, resulting in General Capital Limited being the ultimate parent entity of the Company.

The Company, a profit-oriented entity, is a limited liability company registered under the Companies Act 1993. The address of its registered office is Level 7, 12-26 Swanson Street, Auckland, New Zealand.

1.2 Reporting Framework

The financial statements have been prepared in accordance with the Companies Act 1993. In accordance with the provisions of the Financial Reporting Act 2013 and the Financial Market Conducts Act 2013, the Company is an FMC Reporting Entity.

These financial statements have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to for-profit tier 1 entities. They comply with the International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations.

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business, in accordance with historical cost concepts, as modified by the revaluation of certain assets and liabilities as identified in the accounting policies below.

A significant event arose in March 2020, prior to reporting date, the global pandemic of coronavirus disease 2019, that has had and is expected to continue to have an impact on the Company's earnings, cash flows and financial position, refer to notes 2.1 and 23 for further information. The Directors and Management have determined that the Company's application of the going concern basis of accounting remains appropriate in light of this event, refer to note 2.2.

The presentation and functional currency used by the Company is New Zealand dollars. In presenting amounts in the financial statements these amounts have been rounded to the nearest dollar.

1.3 Specific Accounting Policies

The following particular accounting policies, which materially affect the measurement of profit and financial position, have been applied:

Revenue and expense recognition

Interest income and interest expense are recognised in profit or loss using the effective interest method. The effective interest method calculates the amortised cost of a financial asset or liability and allocates the interest income and directly related fees (including loan origination fees) and transaction costs (including commission expenses) that are an integral component of the effective interest rate over the expected life of the financial asset or liability.

Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in expenses except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Financial instruments

Initial recognition

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost:

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

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

The Company has no financial assets measured at FVTOCI or FVTPL.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (ECL), through the expected life of the financial asset, or, where appropriate, a shorter period, to the gross carrying amount of the financial asset on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Financial assets measured at amortised cost include, trade receivables, loan receivables, and other receivables.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

The Company recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For loan receivables, the Company applies a three-stage test to measuring ECLs. Assets may migrate through the following stages based on their change in credit quality.

Stage 1 12-month ECL (past due 30 days or less)
Where there has been no evidence of an increase in credit risk since initial recognition, ECLs that result from possible default events within 12 months are recognised.

Stage 2 Lifetime ECL not credit impaired (between 30 and 90 days past due)
Where there has been a significant increase in credit risk, ECLs that result from all possible default events over the life of the loan are recognised.

Stage 3 Lifetime ECL credit impaired (greater than 90 days past due)
Where loans are in default or otherwise credit impaired, ECLs that result from all possible default events over the life of the loan are recognised.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial asset at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information.

The nature of the Company's loan receivables is short-term residential property lending with a predominant focus on the underlying security value of the loan receivable (i.e. the residential property value) in the credit assessment. Credit risk information is updated and monitored regularly. Loan receivables are subject to regular scrutiny, as a key component of credit risk management. This includes a review of the borrower's repayment history and any interest arrears; any changes in the borrowers circumstances which could impact on their ability to repay either interest or principal amounts on their due date; and any movement in the security value.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) an increase in loan to valuation ratio caused by either declining property security values or increases in the loan balance;
b) significant financial difficulty of the borrower; and
c) a breach of contract, such as a default or past due event (see (ii) above).

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery, for example an unsecured financial asset whereby the borrower has no realistic ability to meet their financial obligations to the Company. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted for forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. In instances where the probability of default has increased significantly (a significant increase in credit risk), or where the loan is in default, the expected credit loss (or loss given default) may not increase significantly due to the Company's lending criteria which prohibits lending when the loan to valuation ratio (LVR) exceeds 75%. This means in general that the Company expects that the present value of expected cash flows from a loan in default to approximate the carrying value of the loan prior to the default event, except in cases where the LVR has increased considerably due to a reduction in the security property valuation or a significant increase in the loan balance.

If the Company has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial Liabilities

Classification of financial liabilities

Financial liabilities are classified into one of the following measurement categories:

- those to be measured subsequently at fair value through profit or loss ('FVTPL'); and
- those to be measured at amortised cost.

(ii) Financial liabilities measured at amortised cost

At initial recognition financial liabilities are measured at fair value plus transaction costs that are directly attributable to the issue of the financial liabilities. The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

The Company's financial liabilities measured at amortised cost include trade and other payables and term deposits.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Goods and services tax (GST)

The Company is involved in exempt activities for Goods and Services Tax purposes. Accordingly, it is not required to account for GST on its revenues. Expenditure items are stated inclusive of GST where applicable. Receivables and Payables are stated inclusive of GST where applicable.

Cash and cash equivalents

Cash includes demand deposits with an original term of less than 183 days[1] and other highly liquid investments readily convertible into cash used by the Company as part of day-to-day cash management.

[1]Increased from 150 days in the prior year policy. There is no prior year impact resulting from this change in policy.

Statement of cash flows

The Statement of Cash Flows has been prepared using the direct method modified by the netting of certain cash flows, in order to provide more meaningful disclosure.

The advances to and repayments received from borrowers in relation to loan receivables are considered operating activities and are reported on a net basis in the Statement of Cash Flows.

Proceeds from deposits issued and repayments to deposit investors are considered financing activities and are also reported on a net basis in the Statement of Cash Flows.

1.4 Standards and interpretations to published standards that are not yet effective

A number of new standards and amendments to standards and interpretations are issued but not yet effective. None of these are expected to have a significant effect on the financial statements of the Company.

1.5 New and amended standards adopted by the Company

(a) NZ IFRS 16 *Leases*

NZ IFRS 16, 'Leases', replaces NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Lessors will also be affected by the new standard.

The Company has no lease agreements in place as at 1 April 2019 and up to the date of signing these financial statements. Since June 2018, the Company has been paying a share of office lease costs to Moneyonline Limited, a related company, based on an allocation of office space utilised by the Company.

If the Company were to formalise a lease agreement with Moneyonline Limited, it would likely mirror the term and other conditions of Moneyonline Limited's lease agreement with an external party. As at 31 March 2020, the total remaining term of that of that lease was 14 months, and the current monthly allocation of the lease costs paid by the Company is $7,518, implying total undiscounted remaining payments of $105,252 as at 31 March 2020.

Should an agreement be formalised with Moneyonline Limited, a lease liability and a right-of-use asset would need to be recognised on that date, represented by the present value of future lease payments. Depreciation expense would be recorded on a straight-line basis over the lease term, and interest will be recognised on the lease liability using the amortised cost method. This will result in higher expenses being recorded at the start of the lease term than at the end (due to the liability being 'wound down' over the lease term).

(b) NZ IFRIC 23 *Uncertainty over Income Tax Treatments*

This Interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group (depending on which approach gives a better prediction of the resolution of the uncertainty), and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

If it is probable a tax authority will accept the treatment, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, the entity should reflect the effect of uncertainty in determining its accounting tax position by estimating the tax payable (or receivable), using either the most likely amount or the expected value method.

There are no new disclosure requirements, however there is a general requirement to provide information about judgements and estimates made in preparing the financial statements.

The Company has no materially uncertain tax positions that have warranted such adjustments to its accounting tax position.

(c) Other

Other standards and amendments adopted include Amendments to NZ IFRS 9 *Prepayment Features with Negative Compensation*; the Annual Improvements to NZ IFRS Standards *2015–2017 Cycle*, which include amendments to four Standards, NZ IAS 12 *Income Taxes*, NZ IAS 23 *Borrowing Costs*, NZ IFRS 3 *Business Combinations*, and NZ IFRS 11 *Joint Arrangements*. These amendments while adopted, either had no material impact or relate to standards not currently applied by the Company.

2. Significant accounting estimates and judgments

There are a number of significant accounting treatments which include complex or subjective judgments and estimates that may affect the reported amounts of assets in these financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

An explanation of the judgments and estimates made by the Company in the process of applying its accounting policies, that have the most significant effect on the amounts recognised in the financial statements, are set out below.

2.1 Increased level of inherent uncertainty in the significant accounting estimates and judgments arising from the ongoing global pandemic of coronavirus disease 2019

On 11 March 2020 the World Health Organization declared an ongoing global outbreak of a novel coronavirus, known as 'coronavirus disease 2019' ('COVID-19'), a pandemic.

In response the New Zealand Government has implemented a range of:
- public health and social measures to prevent and contain the transmission of COVID-19; and
- economic responses to provide financial stimulus and welfare support to mitigate the economic impacts of the pandemic.

The public health and social measures implemented included restrictions on travel / non-essential movement, entry bans/closure of borders, quarantines, temporary closure of non-essential businesses and schools, and the cancellation of gatherings and events.

These public health and social measures have lowered overall economic activity and confidence, due to a reduced ability for many businesses to operate, reduced demand for many goods and services, and resulted in significant volatility and instability in financial markets.

The New Zealand Government implemented a four-level COVID-19 alert system which specifies public health and social measures to be taken in response to the pandemic. With Alert Level 1 being the least restrictive and onerous and Alert Level 4 being the most. Under these measures, the Company was classified as a provider of essential services and was able to undertake its normal business activities in the ordinary course of business.

The economic responses implemented by the New Zealand Government have mitigated some of the economic impacts. These responses range from quantitative easing and reductions in official interest rates by the central banks to the release of significant government financial stimulus and welfare support packages.

As a result of the pandemic, the Company anticipates that the lowered levels of economic activity and confidence will continue for at least the short to medium term and will likely result in increased business failures and unemployment levels in New Zealand. Consequently, the Company has concluded there been an increase in the level of inherent uncertainty in the significant accounting estimates and judgements applied by Management in the preparation of these financial statements (refer note 2.2 and 2.3).

These financial statements have been prepared based upon conditions existing as at 31 March 2020 and consider those events occurring subsequent to that date that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of the COVID-19 pandemic occurred before 31 March 2020 its impacts are considered an event that is indicative of conditions that arose prior to reporting period. Accordingly, as at the date of signing these financial statements, all reasonably known and available information with respect to the COVID-19 pandemic has been taken into consideration in the critical accounting estimates and judgements applied by Management (refer note 2.2 and 2.3 below) and all reasonably determinable adjustments have been made in preparing these financial statements.

2.2 Applicability of the going concern basis of accounting

Whilst the COVID-19 pandemic and measures implemented have lowered overall economic activity and confidence (described above), Management have assessed and determined that the Company's application of the going concern basis of accounting remains appropriate.

The Company has responded to the pandemic in the following ways:
- Undertook an analysis of its forecast cashflows to evaluate of the appropriateness of the Company's continued application of the going concern basis of accounting. This forecast cashflows took into consideration the Company's expectation of the impact of the pandemic on its earnings, cash flow and financial position.
- Assessed the direct and indirect financial impacts of the pandemic on the carrying value of reported amounts of assets, liabilities, revenues and expenses.
- Implemented and enacted appropriate Health and Safety responses.
- Implemented cost saving measures and actively seeking further cost saving measures where possible.

Cashflow forecast and going concern

Whilst the COVID-19 pandemic and measures implemented have lowered overall economic activity and confidence (described above), the Company's earnings, cash flow and financial position have not been significantly adversely impacted since the outbreak began up to the date of the signing of these financial statements (25 June 2020).

The Company has determined that the main potential downside impacts of the pandemic on the Company's earnings, cash flows, financial position and application of the going concern basis of accounting as at 31 March 2020 to be the following:

1) A reduction in term deposit reinvestment rates.
2) A reduction in new term deposit investments.
3) The inability for borrowers to make loan payments on their contractual repayment dates.
4) A reduction in loan security values (residential property values).

At the end of March 2020, the Company prepared revised forecast cashflows taking into consideration the Company's expectation of the impact of the pandemic for the period 1 April 2020 to 30 June 2021 (12 months after the expected signing date) which incorporate highly stressed scenarios of reduced reinvestment rates, reduced new term deposit investments and extensions of loan settlement dates.

Under the most stressed scenario the Company assumed:

1) A reduction in term deposit reinvestment rates from 79% actual for the 2020 financial year to 25%.
2) A reduction in new term deposit investments from an average of $2.4 million actual per month for the 2020 financial year to $Nil.
3) An assumption that 50% of loans that mature are not repaid on their expected repayment date. The expected repayment dates already factored in expected delays due to the Covid-19 government restrictions.
4) A reduction in loan security values (residential property values) by 25%.

Due to the Company's significant levels of cash and cash equivalents at 31 March 2020 ($12.5 million), and its well secured loan book (refer note 2.3 below), under the revised cashflow forecasts and the stressed scenarios, show that the Company will be able to continue its normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Since 31 March 2020 and up to the date of the signing of these financial statements (25 June 2020), the Company has performed better than its base revised forecast cashflows. The Company initially saw a reduction in term deposit reinvestment rates, new term deposit investments and an increase in loan arrears, in line with expectations. There has not yet been any notable adverse impact on residential property prices, however it is anticipated to occur in the next 12 months by various New Zealand economists. Performance since Alert level 2 has been significantly better than expected with cash and cash equivalents further increasing (to $20.0 million on 24 June 2020) as a result of loan repayments and new term deposit investments.

Accordingly, Management have assessed and determined that the Company's application of the going concern basis of accounting remains appropriate.

Direct and indirect financial impacts of the pandemic on the carrying value of reported amounts of assets and liabilities

Assets and liabilities	*Reported amount $*	*Direct and indirect financial impacts*
Assets		
Cash and cash equivalents	12,472,062	No impact
Other current assets	160,056	No impact
Related party receivables	110,538	No impact
Tax receivable	-	No impact
Loan receivables	34,855,849	No material impact – refer note 2.3.
Property, plant and equipment	2,665	No impact
Intangible assets	29,299	No impact
Deferred tax asset	47,643	No impact
Total assets	**47,678,112**	
Liabilities		
Accounts payable and accruals	265,882	No impact
Related party payables	119,258	No impact
Term deposits	41,450,497	No impact
Income tax payable	9,781	No impact
Total liabilities	**41,845,418**	

Health and safety responses

Despite the Company being an essential services provider (Non-bank Deposit Taker) during Alert level 4 (and after year end, Alert level 3) restrictions, the Company implemented strict working from home measures in line with the New Zealand Government guidelines. This was not a significant issue as the Company already had remote working capability in place.

Other health and safety measures have been put into place including social distancing, contact tracing and cleaning.

Personal protective equipment (PPE) including masks, gloves and hand sanitiser was made available to employees from early March 2020.

Cost saving measures

1. Term deposit interest rates were further reduced in May 2020 in line with the global interest rate trends.
2. Employee costs were reduced where necessary as a result of COVID-19.
3. Other cost savings initiatives have been implemented where possible.

2.3 Allowance for expected credit losses

Significant increase in credit risk

Expected credit losses ('ECL') are measured as an allowance equal to 12 month ECL, or lifetime ECL for assets with a significant increase in credit risk or in default or otherwise credit impaired. An asset moves to doubtful when its credit risk has increased significantly since initial recognition. NZ IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Calculation of loss allowance

When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The ECL is calculated on an individual loan basis by applying an expected loss factor to the loan balance. The expected loss factor is determined from the Company historical loss experience data.

Historical loss experience data is reviewed by management and adjustments made to reflect current and forward looking economic and credit conditions. In addition, management recognise that a certain level of imprecision exists in any model used to generate risk grading and provisioning levels. As such an adjustment is applied for model risk.

In instances where the probability of default has increased significantly (a significant increase in credit risk), or where the loan is in default, the expected credit loss (or loss given default) may not increase significantly due to the Company's lending criteria which prohibits lending when the loan to valuation ratio (LVR) exceeds 75%. This means in general that the Company expects that the present value of expected cash flows from a loan in default to approximate the carrying value of the loan prior to the default event, except in cases where the LVR has increased considerably due to a reduction in the security property valuation or a significant increase in the loan balance.

Management regularly reviews and adjusts its ECL estimates, judgements, assumptions, and methodologies as data becomes available. Changes in these estimates, judgements, assumptions, and methodologies could have a direct impact on the level of credit provision and credit impairment charge recorded in the financial statements (refer Note 7 Loan Receivables).

If the 12-month ECL rate for loans without a significant increase in credit risk increased/(decreased) by 0.2% higher/(lower) as at 31 March 2020, the loss allowance on loan receivables would have been $67,347 higher/(lower).

If the lifetime ECL rate for loans with a significant increase in credit risk and credit impaired loans increased/(decreased) by 1.0% higher/(lower) as at 31 March 2020, the loss allowance on loan receivables would have been $15,163 higher/(lower).

Impact of COVID-19 on loan receivables / expected credit losses

The COVID-19 Alert Level 4 restrictions impacted negatively on borrowers' ability to pay monthly interest and/or to repay their loans by the due date because of the following:

1) Delays by banks in processing refinancing applications from our borrowers.
2) Borrowers were unable to effectively market their properties for sale.
3) In some cases, borrower income had reduced and impacted on their ability to service their loans.

These factors have improved since COVID-19 restrictions reduced to Alert Level 2 and 1 and are expected to continue to improve as restrictions are further relaxed.

The income of several borrowers and their ability to pay interest may continue to be adversely affected. However only a small number of loans are likely to be affected and no significant impact of cash flows is expected.

Repayment may be delayed for some borrowers; however, the delays are not expected to exceed 1-3 months. These delays were further stressed in the going concern cash flow forecast described above.

The highest loan to valuation ratio (LVR) of the Company's loan book as at 31 March 2020 was 77.0% (2019: 74.1%) and the weighted average LVR of the loan book was 58.5% (2019: 55.2%), based on loan security valuations on origination of the loan. As at 31 March 2020, approximately 90% of the Company's loans receivables (both in number and dollar value terms) had security valuations with valuation dates being less than 12 months old. The remaining loans receivable security valuations were individually assessed and determined as materially in line with current property values.

There has been no measurable effect on LVRs so far. Now that the property market is able to function normally again the effect on property values and LVRs will be able to be assessed in coming months. It is possible that there will be a softening in property values but the Company does not expect it to exceed a range of 5-12%. Since 31 March 2020 and up to the date of the signing of these financial statements, there has been no evidence which indicates a softening of the residential property values in New Zealand that would have a material impact on the Company's expected credit losses.

According to sensitivity analysis performed on the residential property security valuations underlying the Company's loan receivables as at 31 March 2020:

1) A 10% drop in property market values would result in no loan losses.
2) A 20% drop in property values would result in a loss in the range of $10,000 – $20,000.
3) A 25% drop in property values would result in a loss in the range of $200,000 – $250,000.

The above sensitivity analysis factors in the expected selling costs of the property as well as the time value of money over the expected time to sell (or to refinance) the property.

Expected credit losses:

1) Based on the history of the Company loan book over the last 7 years, the average annual write-offs as a percentage of the average loan receivable balance over the same period was 0.15%. This would be an appropriate basis for 12-month expected credit losses in 'normal' economic conditions.
2) The Company recognises that New Zealand's economic forecast for the next 12 months is unfavourable due to the impacts of the COVID-19 pandemic as described above. As a result, the Company has concluded that the probability of default has increased. However due to the Company's well secured loan book (as described above), the loss given default and expected credit losses have increased but not by a material amount. As such, the Company has determined that 0.31% (2019: 0.31%) of the gross loan balance is a more appropriate expectation of losses for the next 12 months.
3) Lifetime ECL's for loans with a significant increase in credit risk and for loans in default have been calculated based on the Company's expectations for discounted net cash flows from the respective loan receivables over the expected remaining life of the loans in light of COVID-19.

3. Management of capital

The Company's capital includes share capital and retained earnings as disclosed in the Statement of Changes in Equity.

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. In accordance with its Trust Deed, and the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010, and the Non-Bank Deposit Takers Act 2013, the Company has a minimum capital ratio requirement of 8% of capital against risk weighted assets which it is required to maintain. The minimum capital ratio requirement reduced from 15% on 16 September 2019 when the Company published its first credit rating.

The Company has complied with this ratio requirement during the year. As at 31 March 2020, the capital ratio of the Company was 19.6% (2019: 33.7%).

The Company maintains an appropriate buffer above these ratios and reports these to its Board of Directors monthly.

4. Interest income

	2020 $	2019 $
Loan receivables	2,705,791	1,414,582
Other interest income	136,562	61,169
Total interest income	2,842,352	1,475,751

5. Other expenses

	2020 $	2019 $
Auditors Remuneration		
Audit of financial statements		
- Audit of financial statements	96,600	95,853
- Audit of quarterly trustee certificates	3,623	3,605
Other services		
- Tax compliance fees	3,447	12,813
Total Fees Paid to the Auditors	103,670	112,271
Directors fees *(note 17)*	57,058	62,000
Management fees *(note 17)*	-	13,548
Subvention payment *(note 17)*	113,340	12,492

The above items are included within other expenses in the Statement of Comprehensive Income

6. Cash and cash equivalents

	2020 $	2019 $
Cash	20,000	-
Bank deposit and current accounts	6,752,062	664,108
Short term bank deposit (original maturity of less than 183 days)	5,700,000	2,150,000
	12,472,062	2,814,108

Interest Rates: On Call: Between 0.00% and 0.10% (March 2019: Between 0.00% and 0.10%).
Short term bank deposits: Between 2.40% and 2.75% (March 2019: Between 2.94% and 3.23%).

7. Loan receivables

	2020 $	2019 $
First mortgage advances	33,806,493	15,152,307
Second mortgage advances	349,917	1,219,216
Combined first and second mortgage advances[1]	1,033,456	1,006,436
	35,189,866	17,377,959
Less deferred fee income and expenditure	(225,360)	(128,096)
Less impairment allowance	(108,657)	(53,658)
Net carrying value	**34,855,849**	**17,196,205**
Current portion	31,009,328	16,217,687
Non-current portion	3,846,521	978,518
	34,855,849	**17,196,205**

[1] Loan advance secured by first mortgage over one property and second mortgage over another property. Classified as a second mortgage for the purposes of calculating the Company's capital ratio in accordance with the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010 (refer to note 3).

Loan receivables represent loans at commercial interest rates. Current loan receivables are contractually repayable within 12 months. Non-current loan receivables are contractually repayable within 12 months to 3 years of balance date.

At year end there was $742,412 in outstanding loan commitments including future capitalised interest (March 2019: $169,379).

Interest rate: Between 7.05% and 16.50% (2019: Between 8.95% and 16.50%).
Effective interest rate: Between 7.85% and 19.71% (2019: Between 10.04% and 20.34%).
For loans that are in default, additional interest of up to 10% is charged.

The core lending activity of the Company is providing, through a broker network, short term and bridging finance secured by mortgage over residential property. The majority of loans are entered into with a maturity date within 12 months, with a proposal that repayment will be funded by the sale of the secured property or through refinancing by the borrower. The Company's lending policy allows for a maximum "loan to security value" of 70% (excluding fees and charges) on advances.

Sometimes loan repayments do not occur on the contractual maturity date and the term of the loan is extended i.e. rollover occurs. Before a loan is rolled over, the Company's standard credit checking and approval processes are re-applied. The current "loan to security value" position will be re-assessed and updated valuations are obtained where the Directors consider this appropriate. Loan application fees are charged and evidence is obtained of the borrower's agreement to the contractual terms and conditions of the extended loan.

At balance date, 37.1% (March 2019: 41.5%) of loans by number and 31.6% (March 2019: 31.5%) by value represent loans that have been rolled over and are into their second or subsequent credit periods.

Where loans have been rolled over, their classification in these financial statements as current or non-current, or as past due, is based on payment due dates as per the terms of the extended contract, and not as per the original or preceding contract.

Borrower payment terms are profiled as follows:

	2020 $	2019 $
Interest only paid monthly	29,098,627	15,300,772
Interest capitalised	6,091,239	2,077,187
Total loan receivables	35,189,866	17,377,959

Loan fees (for all loans) and interest (for capitalised interest loans) are capitalised to the loan balances when charged and recognised over the life of the loans using the effective interest method. The associated cash is received when the loans are repaid (or partially repaid). Income recognised during the financial year from amounts capitalised to loan receivables were as follows:

	2020 $	2019 $
Interest income	282,068	137,944
Loan fees	427,987	281,176
Total	710,055	419,120

Reconciliation of gross loan receivable balance movements through ECL stages:

	12 month ECL	Lifetime ECL Not credit impaired	Lifetime ECL Credit Impaired	Total
Balance as at 31 March 2018	8,599,716	-	124,700	8,724,416
New loan advances	13,282,004	-	-	13,282,004
Repayments	(4,503,761)	-	(112,312)	(4,616,073)
Loan balances written off	-	-	(12,388)	(12,388)
Balance as at 31 March 2019	**17,377,959**	**-**	**-**	**17,377,959**
New loan advances	30,848,719			30,848,719
Repayments	(13,036,812)			(13,036,812)
Transfer to lifetime not credit impaired	(610,369)	610,369	-	-
Transfer to lifetime credit impaired	(905,956)	-	905,956	-
Balance as at 31 March 2020	**33,673,541**	**610,369**	**905,956**	**35,189,866**

Reconciliation of movements in impairment allowance by stage:

	12 month ECL	Lifetime ECL Not credit impaired	Lifetime ECL Credit Impaired	Total
Impairment allowance as at 31 March 2018	26,554	-	58,949	85,503
Movement due to new loan advances	41,011	-	-	41,011
Movement due to loan repayments	(13,906)	-	(46,561)	(60,467)
Loan balances written off	-	-	(12,388)	(12,388)
Impairment allowance as at 31 March 2019	**53,659**	**-**	**-**	**53,659**
Movement due to new loan advances	95,252	-	-	95,252
Movement due to loan repayments	(40,254)	-	-	(40,254)
Transfer to lifetime not credit impaired	(1,885)	1,885	-	-
Transfer to lifetime credit impaired	(2,797)	-	2,797	-
Impairment allowance as at 31 March 2020	**103,975**	**1,885**	**2,797**	**108,657**

In instances where the probability of default has increased significantly (a significant increase in credit risk), or where the loan is in default, the expected credit loss (or loss given default) may not increase significantly due to the Company's lending criteria which prohibits lending when the loan to valuation ratio (LVR) exceeds 75%. This means in general that the Company expects that the present value of expected cash flows from a loan in default to approximate the carrying value of the loan prior to the default event, except in cases where the LVR has increased considerably due to a reduction in the security property valuation or a significant increase in the loan balance.

The LVR of loans with a significant increase in credit risk or in default was in a range of 44.9% - 64.3% as at 31 March 2020, based on the security property valuation at origination. As at 31 March 2019 there were no loans with a significant increase in credit risk or in default.

8. Income Tax

	2020 $	2019 $
Profit Reconciliation		
Operating surplus before income tax	502,608	159,470
Temporary differences / permanent differences	6,309	(3,035)
Tax loss offset from related parties *(refer below)*	(291,445)	(32,122)
Imputation credits attached to dividends received	-	142
Taxable income	217,472	124,455
Prima facie tax – 28% (2019: 28%)	60,892	34,847
Less imputation credits attached to dividends	-	(142)
	60,892	34,705
Current tax	75,231	27,636
Deferred tax	(14,339)	7,069
Income tax expense	60,892	34,705
Current tax @ 28%	75,231	27,636
Resident withholding tax paid	-	(25)
Transfer of prior year receivable to provisional tax	(45,450)	-
Provisional tax payments	(20,000)	(73,061)
Income tax payable / (receivable)	9,781	(45,450)

Tax loss offset from related parties

Losses totalling $404,785 (March 2019: $44,614) have been offset against the Company's taxable profits by related companies General Capital Limited and Investment Research Group Limited. Subvention payments totalling $113,340 (March 2019: $12,492) (i.e. the tax effect of the loss offset) have been charged to the Company by the related companies, and the difference of $291,445 (March 2019: $33,122) is shown as a reduction in taxable income in the profit reconciliation above. Further details on related parties can be found in note 16.

Imputation Credits

As at balance date imputation credits totalled $93,232 (March 2019: $73,232). Subject to the provisions of the Income Tax Act 2007, the benefit of these credits may be passed to the shareholder as imputed tax paid on future dividends.

Movements through the Imputation Credit account were as follows:

	2020 $	2019 $
Balance at beginning of year	73,232	35,037
Income tax payments / (refunds)	20,000	142,426
Resident withholding tax credits received	-	25
Credits attached to dividends received	-	142
Imputation credits written off on change of ownership	-	(104,398)
Balance at end of year	93,232	73,232

Deferred Tax Reconciliation	2020 $	2019 $
Balance at beginning of year	33,304	40,373
Increase / (decrease) in accrued expenses	(1,061)	1,848
Increase / (decrease) in impairment loss provision	15,400	(8,917)
Balance at end of year	47,643	33,304

Deferred tax attributed to:

	2020	2019
Accrued expenses	17,219	18,280
Impairment loss provision	30,424	15,024
	47,643	33,304

9. Property, plant and equipment

	Office Equipment $
Cost	
At 1 April 2018	-
Additions (refer note 16)	9,394
At 31 March 2019	9,394
At 31 March 2020	9,394
Accumulated depreciation	
At 1 April 2018	-
Depreciation charge for the year	(3,218)
At 31 March 2019	(3,218)
Depreciation charge for the year	(3,511)
At 31 March 2020	(6,729)
Net book value	
At 31 March 2019	**6,176**
At 31 March 2020	**2,665**

Office equipment held by the Company includes computer equipment and other office equipment. Office equipment is depreciated on a straight-line basis at depreciation rates between 30% and 40% per annum.

10. Intangible assets – software

	Software system $
Cost	
At 1 April 2019	33,107
Additions	32,742
At 31 March 2019	65,849
Additions	4,444
At 31 March 2020	70,293
Accumulated amortisation	
At 1 April 2019	-
Amortisation charge for the year	(18,201)
At 31 March 2019	(18,201)
Amortisation charge for the year	(22,793)
At 31 March 2020	(40,994)
Net book value	
At 31 March 2019	**47,648**
At 31 March 2020	**29,299**

Intangible assets - software comprise purchased licenses and customisation costs relating to a new loan software system. The loan system was a work in progress at 31 March 2018 and became operational on 1 April 2019. The loan system and customisation costs have an expected useful life of 3 years and is being amortised on a straight-line basis over that period.

11. Term Deposits

	2020 $	2019 $
Gross term deposit liability	41,520,102	14,928,161
Less deferred commission expenditure	(69,605)	(27,703)
Net carrying value	41,450,497	14,900,458
Contractual repayment terms:		
On call	364,006	74,980
Within 12 months	26,053,028	7,253,613
Greater than 12 months	15,033,463	7,571,865
	41,450,497	14,900,458

Repayment Terms:	On call up to 5 years
Interest Rate:	3.10% - 6.75% and 1.00% on call (March 2019: 3.75% - 6.75% and 2.00% on call)
Effective Interest Rate:	3.10% - 6.75% and 1.00% on call (March 2019: 3.80% - 6.75% and 2.00% on call)
Security:	First ranking security interest over the assets and undertakings of General Finance Limited in favour of the Trustee (subject only to any prior security interests permitted by the Trust Deed and preferential claims given priority by operation of law).

The Company has a total of 471 depositors as at 31 March 2020 (March 2019: 222). As at balance date, the largest deposit the Company has is $1,401,819 (March 2019: $628,149) which represents 3.38% (March 2019: 4.21%) of total deposits. As at balance date the largest aggregate deposits under a single deposit holder totals $4,763,337 (March 2019: $2,633,389) which represents 11.47% (March 2019: 17.64%) of total deposits and have a weighted average maturity date of 3.10 months from balance date (March 2019: 6.43 months from balance date). The largest deposit holder at 31 March 2020 and 31 March 2019 is a director of General Capital Limited (refer to note 16).

Further analysis of gross deposit funding is as follows:

a) Concentration of funding

	2020 $	2019 $
Northland	1,331,034	309,106
Auckland	17,905,252	5,862,445
Waikato	3,350,350	1,093,667
Bay of Plenty	4,259,303	1,387,313
Wellington	2,696,853	1,312,135
Other North Island	2,892,174	1,430,059
South Island	3,496,951	880,321
Overseas *	5,588,185	2,653,115
Total gross term deposit liability	41,520,102	14,928,161

*The largest deposit holder resides overseas and is a director of General Capital Limited (refer to note 16).

b) Contractual maturity of funding

	2020 $	2019 $
Maturing in 0 - 6 months	12,872,122	4,190,400
Maturing in 6 - 12 months	13,561,058	3,141,478
Maturing in 12 - 24 months	11,171,206	5,185,710
Maturing after 24 months	3,915,716	2,410,573
Total gross term deposit liability	41,520,102	14,928,161

Also refer to note 19 for further details on the contractual and expected liquidity profile of financial assets and financial liabilities

c) Profile of deposit holders

	2020	2020 $	2019	2019 $
Deposits over $200,000	38	19,755,073	12	6,165,149
Deposits $100,000 - $200,000	62	8,892,406	18	2,598,273
Deposits $50,000 - $100,000	102	7,040,426	44	3,159,596
Deposits $20,000 - $50,000	135	4,360,750	60	1,913,651
Deposits $10,000 - $20,000	70	1,017,019	48	775,251
Deposits under $10,000	64	454,428	40	316,241
Total gross term deposit liability	471	41,520,102	222	14,928,161

d) Reconciliation of liabilities arising from financing activities

	Opening Balance 1 April $	Financing Cash Flows $	Non-cash Changes[1] $	Closing Balance 31 March $
For the year ended 31 March 2020				
Term deposits	14,928,161	26,393,382	198,559	41,520,102
Total	14,928,161	26,393,382	198,559	41,520,102
For the year ended 31 March 2019				
Term deposits	9,862,540	5,058,474	7,147	14,928,161
Total	9,862,540	5,058,474	7,147	14,928,161

[1]Non-cash changes relate to the movement in unpaid interest in the term deposit balance.

12. Share capital

	Number of ordinary shares	Value $
Opening balance as at 1 April 2018	3,009,580	3,050,000
Issue of fully paid ordinary shares	1,333,333	1,600,000
Balance as at 31 March 2019	4,342,913	4,650,000
Issue of fully paid ordinary shares	171,428	300,000
Balance as at 31 March 2020	4,514,341	4,950,000

The Company issued 171,428 ordinary shares on 30 September 2019 to the parent company (Corporate Holdings Limited) for an issue price of $1.75 per share resulting in an increase in capital of $300,000. The Company issued 1,333,333 ordinary shares on 18 December 2018 to the parent company (Corporate Holdings Limited) for an issue price of $1.20 per share resulting in an increase in capital of $1,600,000.

All ordinary shares are fully paid, have no par value and rank pari passu (equally) in all respects. An ordinary share confers on the holder the right to one vote on a poll.

13. Unrecognised Assets and Liabilities

The Company has not entered into any contractual arrangements which would lead to off Statement of Financial Position assets or liabilities. (March 2019: Nil)

14. Capital Commitments

There were no material commitments for capital expenditure outstanding at balance date. (March 2019: Nil)

15. Contingencies

There were no material contingent assets or liabilities at balance date. (March 2019: Nil)

16. Related Party Transactions and Balances

Major shareholders, directors, directors of subsidiaries and closely related persons or entities to them are considered related parties of the Company.

Related parties that the Company transacts with:

Related Party	Relationship
Donald Hattaway	Non-executive Chair
Robert Hart	Non-executive Director
Alistair Ward	Non-executive Director *(resigned effective 16 September 2019)*
Brent King	Managing Director
Greg Pearce	Executive Director
Rewi Bugo	Director of Ultimate Parent Company
Garth Ward	Director of Parent Company *(resigned effective 14 September 2019)*
Beaconsfield Nominees Limited	Common Director with General Capital Limited
Casrom Trustee Company Limited	Common Director
Corporate Holdings Limited	Parent Company
Ellis Tanner Hart Limited	Common Director
Equity Investment Advisers Limited	Common Director
General Capital Limited	Ultimate Parent Company
Investment Research Group Limited	Common Shareholder / Directors
Moneyonline Limited	Common Director
Pegasus Golf Limited	Common Director with Sports & Education Corporation Limited (parent company of Pegasus Golf Limited)[1]

[1] *Sports & Education Corporation Limited was a related party by virtue of common directorship between 30 November 2018 and 10 October 2019.*

Related party balances at period end:	**2020 $**	**2019 $**
Included in related party payables:		
Equity Investment Advisers Limited	3,946	-
General Capital Limited	113,063	-
Investment Research Group Limited	2,249	-
	119,258	-
Included in accounts payable and accruals:		
Brent King	-	71
Equity Investment Advisers Limited	-	2,985
General Capital Limited	-	1,810
Investment Research Group Limited	-	(2,841)
	-	2,025
Included in related party receivables:		
General Capital Limited	68,394	-
Investment Research Group Limited	42,144	-
	110,538	-
Term deposits held by related parties[2]	5,623,275	2,834,450
Loan receivable from Pegasus Golf Limited[3]	-	307,254

[2]*Includes term deposits held by Directors of the Company, Directors of the ultimate parent company, their families and their controlled entities.*
[3]*Loan repaid on 22 July 2019.*

Related party transactions during the period:

Related Party	Type	Transaction	2020	2019
Key Management Personnel[5]	Expense	Short-term Remuneration[2]	454,920	229,528
	Expense	Expense reimbursement	32,913	14,100
Corporate Holdings Limited	Expense	Personnel expenses	-	125,309
Equity Investment Advisers Limited	Expense	Brokerage	79,984	23,638
	Expense	Personnel expenses	-	5,674
	Contra Expense	Other expenses recharged	4,830	-
Ellice Tanner Hart Limited	Expense	Legal expenses	7,692	-
General Capital Limited	Expense	Personnel expenses	22,590	9,603
	Expense	Occupancy expenses	98,564	49,783
	Expense	Other expenses	77,980	13,123
	Expense	Subvention payment (note 8)	111,091	12,492
	Contra Expense	Personnel expenses recharged	43,183	17,452
	Contra Expense	Other expenses recharged	69,164	-
Investment Research Group Limited	Expense	Management fees	-	13,548
	Expense	Other expenses	-	31,923
	Expense	Advertising expense	2,875	2,300
	Expense	Subvention payment (note 8)	2,249	-
	Asset	Prepaid advertising[5]	115,000	-
	Asset	Fixed assets purchased (note 9)	-	9,394
	Contra Expense	Personnel expenses recharged	41,776	47,061
	Contra Expense	Other expenses recharged	37,431	-
Moneyonline Limited	Expense	Other expenses	165	12,356
Pegasus Golf Limited[4]	Revenue	Fees and interest on loan	10,227	11,877
Various related parties[3]	Expense	Interest expense on term deposits	177,415	55,626

[1]Key Management Personnel includes Directors and from the start of the 31 March 2020 financial year, the Chief Financial Officer.
[2]Net of amounts recharged to related companies.
[3]Includes term deposits held by Directors of the Company, Directors of the ultimate parent company, their families and their controlled entities.
[4]Only includes transactions since the entity became a related party on 30 November 2018. The loan was repaid in full on 22 July 2019.
[5]Prepaid advertising spend with major NZ media company owned by Investment Research Group and on-charged to the Company. At year end there is a balance of $98,960 (2019: $nil) left to spend. The balance is included in other current assets.

Other Related Party Transactions

171,428 ordinary shares were issued to the parent entity on 30 September 2019 for an issue price of $1.75 per share resulting in an increase of share capital of $300,000 (refer to note 12).

1,333,333 ordinary shares were issued to the parent entity on 18 December 2018 for an issue price of $1.20 per share resulting in an increase of share capital of $1,600,000 (refer to note 12).

On 27 July 2018, an executive director of the Company contributed $150,000 towards a loan receivable of the Company on equal terms with the Company in respect of the proportion contributed. The loan contribution was repaid by the Company on 11 December 2018. The proportion of interest in relation to the contribution totalled $5,039 and the proportion of fee income in relation to the contribution totalled $2,000.

17. Lending Industry Segments and Concentration of Credit

Credit exposures are concentrated in the residential property sector, particularly in the North Island and the Auckland Market. As at 31 March 2020, advances by General Finance in the North Island residential property sector represented 94.9% (March 2019: 96.5%) of its total exposure, with 51.2% (March 2019: 41.1%) being in the Auckland market. The geographical profile of loan receivables is analysed further as follows:

Credit risk concentration

	2020 $	2019 $
Northland	2,068,544	2,429,642
Auckland	18,012,270	7,140,043
Waikato	4,189,996	1,197,481
Tauranga	2,037,576	931,246
Wellington	4,398,852	2,785,633
Other North Island	2,672,401	2,279,399
Canterbury	1,810,227	614,515
Total	35,189,866	17,377,959

As at 31 March 2020 the Company's loan advances are secured as follows: first mortgages 96.1% (March 2019: 87.2%), second mortgages 1.0% (March 2019: 7.0%), combined first and second mortgages 2.9% (March 2019: 5.8%). There were no unsecured loans as at 31 March 2020 (March 2019: $nil).

The Company is also exposed to credit risk from deposits held with banks. As at balance date, the Company's cash and cash equivalents are held in Bank of New Zealand (representing 55.3% (March 2019: 55.3%) of total equity of the Company at 31 March 2020) and Westpac (representing 0.0% (March 2019: 0.0%) of total equity of the Company at 31 March 2020) who both have AA- credit ratings from Standard & Poor's.

The maximum credit exposure of the Company, assuming a zero value for collateral is $48,494,878 (March 2019: $20,361,446). This includes loans receivable of $35,189,866 (March 2019: $17,377,959), undrawn loan commitments of $742,412 (March 2019: $169,379), related party receivables of $110,538 (March 2019: $nil) and bank deposits of $12,452,062 (March 2019: $2,814,108). Of this exposure, 74.1% is covered by collateral over properties as disclosed in note 7 (March 2019: 86.2%) and 25.7% is deposited with registered New Zealand banks (March 2019: 13.8%).

The Company has no foreign exchange exposure.

As at 31 March 2020 the Company had the following concentration of credit exposures on loan advances as a percentage of equity.

Equity Percentage	2020 No of Exposures	2020 Average Value $	2019 No of Exposures	2019 Average Value $
0% to 5%	21	175,593	26	140,003
5% to 10%	26	398,386	12	365,081
10% to 15%	10	741,748	11	617,454
15% to 20%	7	1,003,529	-	-
20% to 25%	4	1,249,538	1	1,176,561
25% to 30%	1	1,704,041	1	1,388,362
Total no. of exposures	69		51	

The concentration of the credit exposure to the six largest exposures is 22.2% (March 2019: 30.8%) of the total loan portfolio. The Company has elected to disclose the largest six exposures as this is considered to provide a meaningful indication of concentration of credit risk. An exposure is calculated as the total of all loan exposures to a single borrower or group of linked borrowers.

18. Asset Quality

The provision for expected credit losses is detailed and explained in note 7. Gross past due loan receivables total $5,422,214 (March 2019: $627,706) which equates to 15.4% (March 2019: 3.6%) of total loan receivables.

As shown in the aging analysis of past-due loans below, the balance comprises:

Stage 1 *12-month ECL*
Gross loans receivable totalling $3,905,889 (March 2019: $627,706) were past due and the Company has concluded there has not been a significant increase in credit risk. Of this balance, $nil loans (March 2019: 177,808) were past due by greater than 30 days.

Stage 2 *Lifetime ECL not credit impaired*
Gross loans receivable totalling $610,369 (March 2019: $nil) were past due by between 30 and 90 days and the Company has concluded there has been a significant increase in credit risk.

Stage 3 *Lifetime ECL credit impaired*
Gross loans receivable totalling $905,956 (March 2019: $nil) were past due by greater than 90 days and the Company has concluded there has been a significant increase in credit risk.

Aging analysis of past-due loans	**2020** **$**	**2019** **$**
Up to 30 Days	3,905,889	449,898
31 - 60 Days	610,369	177,808
61 - 90 Days	-	-
91 - 120 Days	546,788	-
120+ Days	359,168	-
Total	5,422,214	627,706

19. Liquidity Profile

The following tables set out the undiscounted contractual cash flows, and the undiscounted expected cash flows, of the Company's financial assets and liabilities. Refer notes 6, 7 and 11 for respective interest rates. No other monetary assets and liabilities are interest bearing.

March 2020	Weighted Average Int. Rate	Total $	0 – 6 Months $	7 - 12 Months $	13 - 24 Months $	24+ Months $
Financial assets						
Cash and cash equivalents	1.26%	12,496,761	12,496,761	-	-	-
Other receivables	0%	111,010	111,010	-	-	-
Loan receivables	9.31%	36,794,218	20,544,067	12,085,213	2,720,171	1,444,767
Totals		49,401,989	33,151,838	12,085,213	2,720,171	1,444,767
Financial liabilities						
Other payables	0%	172,110	172,110	-	-	-
Term deposit	5.15%	43,366,922	13,544,847	14,189,421	11,776,984	4,155,670
Totals		43,839,032	13,716,957	14,189,421	11,776,984	4,155,670
Net cashflow		5,562,957	19,434,881	(2,104,208)	(9,056,813)	(2,710,903)

March 2019	Weighted Average Int. Rate	Total $	0 – 6 Months $	7 - 12 Months $	13 - 24 Months $	24+ Months $
Financial assets						
Cash and cash equivalents	2.41%	2,840,721	2,840,721	-	-	-
Other receivables	0%	490	490	-	-	-
Loan receivables	10.81%	18,243,356	10,940,870	6,219,791	743,271	339,424
Totals		21,084,567	13,782,081	6,219,791	743,271	339,424
Financial liabilities						
Other payables	0%	48,996	48,996	-	-	-
Term deposit	5.53%	15,985,335	4,486,666	3,388,915	5,554,788	2,554,966
Totals		16,034,331	4,535,662	3,388,915	5,554,788	2,554,966
Net cashflow		5,050,236	9,246,419	2,830,876	(4,811,517)	(2,215,542)

March 2020	Total	Expected Cash Flows 0 - 6 Months	7 - 12 Months	13 - 24 Months	24+ Months
	$	$	$	$	$
Financial assets					
Bank deposits	12,530,768	12,530,768	-	-	-
Other receivables	111,010	111,010	-	-	-
Loan receivables	38,437,399	10,990,318	6,819,638	17,822,591	2,804,852
Totals	**51,079,177**	**23,632,096**	**6,819,638**	**17,822,591**	**2,804,852**
Financial liabilities					
Other payables	172,110	172,110	-	-	-
Term deposit	44,968,870	11,235,268	7,439,464	7,856,748	18,437,390
Totals	**45,140,980**	**11,407,378**	**7,439,464**	**7,856,748**	**18,437,390**
Net cashflow	**5,938,197**	**12,224,718**	**(619,826)**	**9,965,843**	**(15,632,538)**

March 2019	Total	Expected Cash Flows 0 - 6 Months	7 - 12 Months	13 - 24 Months	24+ Months
	$	$	$	$	$
Financial assets					
Bank deposits	2,848,017	2,848,017	-	-	-
Other receivables	490	490	-	-	-
Loan receivables	19,162,213	5,983,278	3,573,667	8,902,230	703,038
Totals	**22,010,720**	**8,831,785**	**3,573,667**	**8,902,230**	**703,038**
Financial liabilities					
Other payables	48,996	48,996	-	-	-
Term deposit	17,051,439	1,959,505	1,567,915	2,700,283	10,823,736
Totals	**17,100,435**	**2,008,501**	**1,567,915**	**2,700,283**	**10,823,736**
Net cashflow	**4,910,285**	**6,823,284**	**2,005,752**	**6,201,947**	**(10,120,698)**

The table above shows management's expected maturities of existing financial assets and liabilities. In determining the expected cash flow, the following assumptions have been made based on management's best estimate having regard to past experience, current market conditions and the future outlook including COVID-19 estimated impacts:

- Term deposit reinvestment rates assumptions:
  - 25% for maturities up to 30 September 2020;
  - 50% for maturities up to 31 March 2021; and
  - 60% for maturities after 31 March 2021.
  - For March 2019 expected cash flows a 60% reinvestment rate was assumed.
- Term deposit reinvestments are made for a weighted average 18-month term (March 2019: 24 months)
- 50% of loans (March 2019: 50%) not past due repay on existing contractual maturity date, with the balance rolled over at their existing interest rates and repaid after a further 12 months.

20. Fair Value

Fair value of assets

The fair value of the Company's loan receivables and other assets is considered to closely approximate their carrying value. As loan receivables are not traded in an active market, fair values are estimated by discounting the future contractual cash flows using interest rates applicable for an instrument with similar terms and conditions.

Fair value of liabilities

The fair value of the Company's deposits and of other liabilities is considered to closely approximate their carrying value.

21. Risk Management Policies

The Company manages risk through an approval, delegation and limits structure. Regular reviews of the policies, systems and risk reports are conducted within the Company.

The Company has a Risk Management Programme pursuant to the requirements of the Non-bank Deposit Takers Act 2013. The Risk Management Programme identifies risks to be managed and describes the processes to measure, monitor and control those risks.

* *Credit risk*, applicable to loan receivables and bank deposits, is the risk of potential loss arising from the under-performance by the counterparty to an instrument or facility. Credit risk arises when funds are extended, committed, invested or otherwise exposed through contractual agreements. Credit risk is controlled through a combination of approvals, limits, reviews and monitoring procedures which are carried out on a regular basis, the frequency of which is dependent on the level of risk. The Directors oversee credit policy and asset quality.

Loan receivables are subject to regular scrutiny, as a key component of credit risk management. This includes a review of the borrower's repayment history and any interest arrears; any changes in the borrowers circumstances which could impact on their ability to repay either interest or principal amounts on their due date; and any movement in the security value.

* *Interest rate risk* management focuses on two principal factors; mismatches between the repricing dates of interest-bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities in interest bearing assets. Management's objective is to produce strong and stable net interest income over time.

At 31 March 2020 bank deposits attracted a weighted average interest rate of 1.26% (March 2019: 2.41%). A 1% increase / decrease in the weighted average interest rate would increase / decrease annual interest income by $124,521 (March 2019: $28,141) based on the deposits held at reporting date. All deposits have fixed interest rates for their terms, as do loan receivables, so the Company is not exposed to interest rate risk on these items.

* *Liquidity risk* is the risk that under certain conditions, cash outflows can exceed cash inflows in a given period. The Trust Deed requires us to have a liquidity cover ratio of at least 1.25 times which is measured based on the total expected cash position from loans and deposits expected to mature over the next three-month period. The Company closely monitors and forecasts its liquidity and ensures that sufficient funds are available to meet the repayment requirements for deposits as they fall due, by both holding cash on hand and by collections of loan receivables.

* *Indirect price risk* relates to the risk arising from the link between the Company's mortgage securities and the property market, which may vary from time to time. The Company assesses the risk of loss in fair value from the effect of hypothetical changes in property values. The Company's weighted average loan to asset ratio is not to exceed 70% (first mortgages) or 65% (second mortgages) of market value.

As at 31 March 2020 the weighted average loan to asset ratio was 58.5% (March 2019: 55.2%). Based on sensitivity testing of the loan portfolio at 31 March 2020 the Company estimates it has a $202,797 (31 March 2020: $33,988) exposure on secured mortgages to a property downturn of up to 25% (including the cost of realisation) from most recent valuations. A total of $108,657 (March 2019: $53,658) has been provided for expected credit losses in the financial statements (refer note 7).

Other material business risks to which the Company is exposed consist of operating risks that are inherent in day to day operations. These risks include natural disaster, criminal activity including fraud and forgery, systems failure, personnel failure and non-compliance with legislation and regulations. In accordance with Company Policy, operating risks are managed as part of the day to day running of all business activities. Operating risks are managed by setting standards and policies, providing advisory and investigation services, and monitoring compliance.

22. Reconciliation of Net Profit after Tax with Cash Inflow from Operating Activities

	2020 $	2019 $
Reported Profit after Tax	**441,716**	**124,765**
Add/(deduct) non-cash items		
Bad debts written off – loan receivables	-	12,388
Movement in allowance for expected losses (loan receivables)	54,999	(31,844)
Depreciation and amortisation	26,303	21,419
Deferred tax movement	(14,339)	7,069
	66,963	9,032
Movements in other working capital items		
(Increase) / Decrease in loan receivables (net advances)	(17,171,447)	(8,436,192)
(Increase) / Decrease in accrued interest on loan receivables	(112,604)	(9,940)
(Increase) / Decrease in capitalised loan fees	(308,599)	(133,585)
(Increase) / Decrease in capitalised interest	(214,162)	(81,353)
(Increase) / Decrease in other current assets	(151,347)	-
(Increase) / Decrease in related party receivable	(110,538)	3
(Increase) / Decrease in prepaid commission	(41,901)	(19,286)
Increase / (Decrease) in income tax payable	55,231	(114,786)
Increase / (Decrease) in deferred income	97,265	62,538
Increase / (Decrease) in interest payable	198,558	7,177
Increase / (Decrease) in related party payable	106,766	(64,564)
Increase / (Decrease) in accounts payable and accruals	113,114	9,673
	(17,539,664)	(8,780,315)
Total movement – inflow / (outflow)	**(17,472,701)**	**(8,771,283)**
Net cash inflow / (outflow) from operating activities	**(17,030,985)**	**(8,646,518)**

23. Post Balance Date Events

Global pandemic of coronavirus disease 2019

Note 2.1 of these financial statements described the impact of the ongoing outbreak of COVID-19 pandemic which occurred before 31 March 2020 and continues as at the date of the signing of these financial statements.

Other

There have been no other material post balance date events that would materially impact the Company's financial statements (March 2019: None).