General Finance Limited

Financial Statements

For the year ended 31 March 2019

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General Finance Limited

Business Profile
As at 31 March 2019

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	4,342,913 Ordinary Shares	
		Ordinary
Shareholder	Corporate Holdings Limited (from 19 Dec 2017)	4,342,913
	Total Shares	4,342,913
	(General Finance Holdings Ltd – prior to 19 Dec 2017)	
Directors	Donald F Hattaway *(Chair) – Appointed 19 Dec 2017* Robert G Hart – *Appointed 19 Dec 2017* Brent D King *(Managing Director) – Appointed 19 Dec 2017* Gregory J Pearce *(Executive Director) – Appointed 19 Dec 2017* Alistair A Ward – *Appointed 19 Dec 2017*	
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 – *Appointed in Feb 2018* William Buck Christmas Gouwland Limited – *Resigned in Feb 2018*	

Who is General Finance Limited

General Finance Limited was incorporated in 1997. It commenced business in 1999 as a second mortgage lender. In 2001 it expanded to provide a full product range of residential home loans. General Finance registered its first prospectus in 2004 and became a deposit taker.

General Finance Limited is a non-bank deposit taker and mortgage lending Company located in premises in the Auckland CBD. The Company is engaged in mortgage origination and management, providing a range of residential mortgage services. These include no-financials, non-conforming, bridging, and some second mortgages. Lending is secured on residential properties only and funded on our own balance sheet using deposit funding.

The Company has been at the forefront in the market of mortgage product development, with initiatives including:

- longer dated interest-only facilities aimed at the residential property investor market;
- no financials products aimed at the self-employed market;
- becoming an important player in the non-conforming mortgage market, lending to those individuals who have or have had some credit issues;
- developing in-house expertise in lending to trust entities and family owned residential property investment companies;
- offering a range of bridging finance mortgages.

General Finance Limited has been a survivor of the finance company sector collapse in the mid to late 2000's. General Finance Limited traded profitably throughout this period. The latest Product Disclosure Statement was released in June 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 announced on 17 June 2019 that it intends to migrate its listing from the NZAX market to the NZX Main Board.

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

During the 2019 financial year, business has been strong, with active demand on both the deposit and lending sides of the business.

General Finance Limited

Directors' Statement
For the year ended 31 March 2019

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 9 to 35 for issue.

For and on behalf of the Board

Director

Date: 26/6/19

Director

Date: 26/06/19

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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 9 to 35, which comprise the statement of financial position as at 31 March 2019, 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 2019, 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 General Finance Limited, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which 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 General Finance Limited and the Shareholders of General Finance Limited, 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) *Code of Ethics for Assurance Practitioners* 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.

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 2019 (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-8/

The engagement partner on the audit resulting in this independent auditor's report is N S de Frere.

Baker Tilly Staples Rodway

BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

26 June 2019

General Finance Limited

Statement of Comprehensive Income
For the year ended 31 March 2019

	Note	2019 $	2018 Restated* $
Interest income	4	1,475,751	1,328,087
Interest expense		(592,791)	(535,602)
Net interest income		882,960	792,485
Fee and commission income		304,592	267,681
Fee and commission expense		(92,332)	(69,637)
Net fee and commission income		212,260	198,044
Bad debts recovered		28,163	16,719
Net revenue		1,123,383	1,007,248
Release / (increase in) allowance for expected credit losses	7	19,456	(40,897)
Personnel expenses		(548,670)	(178,118)
Depreciation and Amortisation Expense	9, 10	(21,419)	-
Occupancy expenses		(71,854)	(43,683)
Other expenses	5	(341,426)	(366,312)
Profit before income tax		159,470	378,238
Income tax expense	8	(34,705)	(106,057)
Net profit attributable to the shareholders of the Company		**124,765**	**272,181**
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income attributable to the shareholders of the Company		**124,765**	**272,181**

*See **note 2.2** for details regarding the restatement in relation to errors identified

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 2019

	Note	Share Capital	Retained Earnings	Total
Balance at 1 April 2017		2,800,000	267,115	3,067,115
Prior period restatement (net of tax)	**2.2(c)**	-	45,434	45,434
Adoption of IFRS 9	**2.2(a)**	-	(18,517)	(18,517)
Restated total equity at the beginning of the 2018 financial year *		**2,800,000**	**294,032**	**3,094,032**
Profit for the period		-	272,181	272,181
Other comprehensive income		-	-	-
Total comprehensive income for the period		**-**	**272,181**	**272,181**
Transactions with owners in their capacity as owners:				
Contributions of equity	**12, 17**	250,000	-	250,000
Dividends paid	**17**	-	(250,000)	(250,000)
		250,000	(250,000)	-
Balance at 31 March 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, 17**	1,600,000	-	1,600,000
Dividends paid		-	-	-
		1,600,000	-	1,600,000
Balance at 31 March 2019		**4,650,000**	**440,978**	**5,090,978**

*See **note 2.2** for details regarding the restatement in relation to errors identified

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 2019

	Note	2019 $	2018 Restated* $	1 Apr 2017 Restated* $
Share capital	12	4,650,000	3,050,000	2,800,000
Retained earnings		440,978	316,213	294,032
Total equity		**5,090,978**	**3,366,213**	**3,094,032**
Assets				
Cash and cash equivalents	6	2,814,108	4,844,288	3,624,873
Accounts receivable		13,803	8,070	6,697
Tax receivable	8	45,450	-	-
Loan receivables	7	17,196,205	8,583,952	8,276,815
Property, plant and equipment	9	6,176	-	-
Intangible assets	10	47,648	33,107	-
Deferred tax asset	8	33,304	40,373	21,494
Total assets		**20,156,694**	**13,509,790**	**11,929,879**
Liabilities				
Accounts payable and accruals		152,766	143,093	78,312
Related party payables	17	12,492	77,056	-
Term deposits	11	14,900,458	9,854,092	8,681,074
Income tax payable	8	-	69,336	76,461
Total liabilities		**15,065,716**	**10,143,577**	**8,835,847**
Net assets		**5,090,978**	**3,366,213**	**3,094,032**

*See **note 2.2** for details regarding the restatement in relation to errors identified

Authorised for issue on behalf of the Board:

OHattaway

Director

Date: 26/6/19

Director

Date: 26/06/19

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 2019

	Note	2019 $	2018 $
Cash flows from / (to) operating activities			
Cash was provided from (applied to)			
Interest received		1,373,861	1,399,050
Other income		27,783	16,719
Loan fees, commission and other income		246,734	221,724
Payments to suppliers and employees		(1,130,670)	(506,806)
Interest paid		(585,614)	(559,138)
Income tax paid		(142,421)	(132,061)
Loan receivables (net advances)		(8,436,192)	(388,456)
Net cash inflow / (outflow) from / (to) operating activities		(8,646,518)	51,032
Cash flows to investing activities			
Cash was applied from / (applied to)			
Purchases of property, plant and equipment	**9, 17**	(9,394)	-
Purchases of intangible assets	**10**	(32,742)	(33,107)
Net cash outflow to investing activities		(42,136)	(33,107)
Cash flows from / (to) financing activities			
Cash was provided from / (applied to)			
Shares issued		1,600,000	250,000
Dividends paid		-	(250,000)
Term deposit (net receipts)		5,058,474	1,201,490
Net cash inflow from financing activities		6,658,474	1,201,490
Net cash and cash equivalents movement for year		(2,030,180)	1,219,415
Opening cash and cash equivalents balance		4,844,288	3,624,873
Closing cash and cash equivalents balance	6	2,814,108	4,844,288

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 in accordance with historical cost concepts, as modified by the revaluation of certain assets and liabilities as identified in the accounting policies below.

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

Revenue, which includes interest income and fee income, is recognised to the extent that it is probable that economic benefits will flow to the Company and they can be measured reliably. Expenses are recognised in the Statement of Other Comprehensive Income on an accrual basis.

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.

Leased Assets

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Financial Assets

Financial assets are recognised in the Statement of Financial Position when the Company becomes party to an unconditional financial contract. The Company derecognises a financial asset from its Statement of Financial Position when, and only when, (i) the contractual rights to the cash flows from the financial asset expire, or (ii) the Company has transferred the contractual rights to receive the cash flows of the financial asset, or assumes a contractual obligation to pay the cash flows to one or more recipients.

All of the Company's financial assets are initially recorded at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest method. An allowance for 12 month expected credit losses is recognised where there has not been a significant increase in credit risk of the financial asset since initial recognition. Where there has been a significant increase in credit risk since initial recognition, an allowance for lifetime expected credit losses is made.

The Company's financial assets include loan receivables, cash and cash equivalents and accounts receivable.

Impairment of Financial Assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

Note 7	Loan Receivables
Note 2.1	Critical accounting estimates and judgements

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial Liabilities

The Company's financial liabilities include term deposits and trade creditors. All financial liabilities are initially recognised at cost (net of transaction costs) and are subsequently measured at amortised cost using the effective interest method.

Term deposits may have the interest either capitalised or paid out in accordance with the terms of the term deposit. The Company derecognises a financial liability from its Statement of Financial Position, when and only when, it is extinguished.

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 150 days and other highly liquid investments readily convertible into cash used by the Company as part of day-to-day cash management.

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 by not yet effective. None of these are expected to have a significant effect on the financial statements of the Company, except the following set out below:

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 standard is effective for accounting periods beginning on or after 1 January 2019. General Finance Limited has adopted NZ IFRS 16 on 1 April 2019.

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. The Company is considering formalising a lease agreement with Moneyonline Limited, which is likely to mirror the term and other conditions of Moneyonline Limited's lease agreement with an external party. As at 1 April 2019, the total remaining term of that lease was 26 months, and the current monthly allocation of the lease costs paid by the Company is $7,138, implying total undiscounted remaining payments of $185,595 as at 1 April 2019. Should an agreement be formalised with Moneyonline Limited, a lease liability and 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).

Management have analysed the impact of potential right-of-use asset (described above) on the capital ratio (refer note 3) as at 31 March 2019. The potential impact is expected to be no greater than a 1.5% (reduction) in the capital ratio, i.e. the Company would still be well within its capital ratio requirements at 31 March 2019 and up to the date of these financial statements.

1.5 New and amended standards adopted by the Company

All mandatory standards, amendments and interpretations have been adopted in the current year.

2. Critical accounting estimates, judgments and errors

2.1 Critical accounting estimates and judgements

There are a number of critical 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.

Allowance for expected credit losses

An allowance for expected credit losses is raised by management in respect of loan receivables. The Company makes judgements on the probability of default upon initial recognition of loan receivables and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in the credit risk, the Company compares the risk of a loss being incurred on the loan receivable as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

The Company categorises loans as performing loans (where there has not been a significant increase in credit risk) and under-performing loans (where there has been a significant increase in credit risk).

The allowance for performing loans is estimated based on the 12 month expected credit losses of the loans, or where the loans are less than 12 months from maturity, the expected losses for the lifetime of the loan.

The allowance for under-performing loans is based on the lifetime expected credit losses of the loans. Allowances for lifetime expected credit losses for under-performing loans are calculated on an individual basis. The allowances are probability weighted losses which are determined by evaluating a range of possible future outcomes and are discounted using the original effective interest rate of the loans.

Refer to note 7 for further details on the provision for expected credit losses.

2.2 Impact of the adoption of new standards and correction of errors in relation to the prior period financial statements

(a) Impact of the adoption of NZ IFRS 9

The Company has adopted NZ IFRS 9 *Financial instruments* in the current period beginning 1 April 2018.

There has been no change to the classification of financial assets or financial liabilities.

No change has been reflected with regard to the allowance for lifetime expected credit losses as required by NZ IFRS 9. This was previously the loan receivables impairment provision.

With respect to 12 month expected credit losses for loans without significant deterioration in credit risk, an increase to loss allowances has been recognised in the current period financial statements, and increases to loss allowances in the prior period comparatives have been reflected as follows:

An increase to loss allowances for 12-month expected credit losses of $25,719 as at 1 April 2017 and $26,554 as at 31 March 2018 having an after tax impact of $601 (decrease) on profit for the year ended 31 March 2018, an after tax impact on opening retained earnings of $18,517 (decrease) as at 1 April 2017 an after tax impact on opening retained earnings of $19,119 (decrease) as at 1 April 2018. Refer to note 7 for further information and to note 2.2 (d) for extract financial statements illustrating the impact of the adoption of the new standard.

(b) Impact of the adoption of NZ IFRS 15

The Company has adopted NZ IFRS 15 *Revenue from Contracts with Customers* in the current period beginning 1 April 2018.

NZ IFRS 15 deals with revenue recognition and establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flow arising for an entity's contracts with customers. This standard replaces NZ IAS 18 *Revenue*.

- Loan receivable related income: Interest income and fee income directly related to the origination of loan receivables are scoped out of NZ IFRS 15, and are recorded in accordance with NZ IFRS 9.
- Other income: No impact has been identified in the prior year or current year financial statements in relation to the recognition of other revenue.

(c) Correction of errors in relation to the prior period financial statements

Management under the new ownership identified the following errors and reclassifications in relation to the prior period financial statements:

Accrued interest income that had not been recognised totalled $43,607 as at 31 March 2017 having an after tax impact of $31,397 (increase) on retained earnings as at 1 April 2017.

Prepaid commission expenses (deposits) that had not been recognised totalled $3,482 having an after tax impact of $2,507 (increase) on retained earnings as at 1 April 2017.

Fee income that had not been recognised totalled $3,508 as at 31 March 2017 having an after tax impact of $2,526 (increase) on retained earnings as at 1 April 2017.

Fee income (loans) and corresponding commission costs (loans) that had not been deferred totalled $10,043 as at 31 March 2017 having a nil impact on retained earnings as at 1 April 2017.

Deferred tax assets not recognised in respect of accrued expenses totalled $9,004 having an after tax impact of $9,004 (increase) on retained earnings as at 1 April 2017.

Transaction costs directly attributable to the acquisition of loans receivable and capitalised interest were recorded as liabilities in the Statement of Financial Position rather than being included as part of the financial asset. This totalled $39,069 as at 31 March 2017.

Refer to note 2.2 (d) for extract financial statements illustrating the impact of the correction of the errors.

(d) Financial statement extracts illustrating impacts of adoption of NZ IFRS 9 and correction of errors in relation to the prior period financial statements.

The above errors and reclassifications have been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Statement of Financial Position (extract):

	As reported 31 Mar 2018 $	Increase/ (Decrease) $	31 Mar 2018 Restated $	As reported 31 Mar 2017 $	Increase/ (Decrease) $	1 Apr 2017 Restated $
Retained earnings	335,332	(19,119)	316,213	267,115	26,917	294,032
Total equity	**3,385,332**	**(19,119)**	**3,366,213**	**3,067,115**	**26,917**	**3,094,032**
Assets						
Loan receivables	8,610,506	(26,554)	8,583,952	8,294,488	(17,673)	8,276,815
Deferred tax asset	32,938	7,435	40,373	5,289	16,205	21,494
Total assets	**13,528,909**	**(19,119)**	**13,509,790**	**11,931,347**	**(1,468)**	**11,929,879**
Liabilities						
Deposit stock	9,854,092	-	9,854,092	8,684,556	(3,482)	8,681,074
Deferred income	-	-	-	39,069	(39,069)	-
Income tax payable	69,336	-	69,336	62,294	14,167	76,461
Total liabilities	**10,143,577**	**-**	**10,143,577**	**8,864,232**	**(28,385)**	**8,835,847**
Net assets	**3,385,332**	**(19,119)**	**3,366,213**	**3,067,115**	**26,917**	**3,094,032**

Statement of Comprehensive Income (extract):	**As reported 2018 $**	**Effect of restatement $**	**2018 Restated* $**
Release / (increase in) provision on loan receivables	(40,061)	(836)	(40,897)
Profit before income tax	379,074	(836)	378,238
Income tax expense	(106,291)	234	(106,057)
Net Profit attributable to the shareholders of the Company	**272,783**	**601**	**272,181**
Total Comprehensive Income attributable to the shareholders of the Company	**272,783**	**601**	**272,181**

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. The Company has a minimum capital ratio requirement of 15% (10% prior to 19 December 2017) of capital against risk weighted assets which it is required to maintain 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 complied with this ratio requirement during the year. As at 31 March 2019, the capital ratio of the Company was 33.7% (2018: 48.0%).

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

4. Interest income

	2019 $	2018 $
Loan receivables	1,414,582	1,294,616
Other interest income	61,169	33,471
Total interest income	**1,475,751**	**1,328,087**

5. Other expenses

	2019 $	2018 $
Audit fees – *Baker Tilly Staples Rodway*	99,458	60,375
Audit fees – *William Buck Christmas Gouwland*	-	17,494
Tax services – *Baker Tilly Staples Rodway*	12,813	1,932
Directors fees *(note 17)*	62,000	32,666
Management fees *(note 17)*	13,548	64,316
Subvention payment *(note 17)*	12,492	-

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

6. Cash and cash equivalents

	2019 $	2018 $
Bank deposit and current accounts	664,108	2,332,941
Short term bank deposit (original maturity of less than 150 days)	2,150,000	2,511,347
	2,814,108	4,844,288

Interest Rates: Between 0.00% and 0.10% (on call) and between 2.94% - 3.23% (short term bank deposit)
There is no overdraft facility (March 2018: Nil)

7. Loan receivables

	2019 $	2018 $
First mortgage advances	15,152,307	7,651,223
Second mortgage advances	1,219,216	1,059,505
Combined first and second mortgage advances[1]	1,006,436	-
Unsecured advances	-	13,688
	17,377,959	8,724,416
Less deferred fee income and expenditure	(128,096)	(54,961)
Less allowance for 12-month expected credit losses	(53,658)	(26,554)
Less allowance for lifetime expected credit losses	-	(58,949)
Net carrying value	17,196,205	8,583,952
Current portion	16,217,687	8,145,777
Non-current portion	978,518	438,175
	17,196,205	8,583,952

[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 2 years.

At year end there was $169,379 in outstanding loan commitments including future capitalised interest (March 2018: $10,596).

Interest rate: Between 8.95% and 16.50% (2018: Between 8.95% and 16.50%).
Effective interest rate: Between 10.04% and 20.34% (2018: Between 11.14% and 25.25%).
For loans that are in default, an additional 10% interest 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.

Frequently the loan repayment does 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, 41.5% (March 2018: 57.9%) of loans by number and 31.5% (March 2018: 59.7%) 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:

	2019 $	2018 $
Principal only	-	13,688
Principal and interest paid monthly	-	61,187
Interest only paid monthly	15,300,772	8,474,380
Interest capitalised	2,077,187	175,161
Total loan receivables	17,377,959	8,724,416

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:

	2019 $	2018 $
Interest income	137,944	16,046
Loan fees	281,176	247,104
Total	419,120	263,150

Credit risk – loan receivables

The Company considers the probability of default upon initial recognition of loan receivables and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in the credit risk, the Company compares the risk of a loss being incurred on the loan receivable as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward looking information. The following key indicators are considered:

- The loan to valuation ratio of the loan.
- Any known changes to the secured property which may impact on the value of the security.
- Current and forecast economic data including property values, interest rates, regional economic activity and employment data.
- Defaults in contractual payments by the borrower, or changes in the expected payment ability of the borrower.
- Other adverse items.

The Company uses two categories for loan receivables which reflect their credit risk and how the loan loss provision is determined for each of those categories.

Category 1 – Performing loans

Performing loans are those where there has been no significant increase in credit risk. Generally, these loans have a loan to valuation ratio below 85%, all contractual payment obligations have been met by borrowers, and there are no other indicators that a loss is more likely to be incurred than when the loan was first originated. The presumption that loans which are 30 days past due have a significant increase in credit risk since initial recognition is able to be rebutted by management where the loan to valuation ratio has not increased significantly (for instance above 85%) and there are no other adverse factors.

The provision is based on the 12 month expected credit losses of the loans, or where the loans are less than 12 months from maturity, the expected losses for the lifetime of the loan (loans normally have a contractual maturity period of between 3 months and 24 months). Management have calculated the allowance for 12-month expected losses based on average historical annual write offs and have given due consideration to current and forecasted economic factors. Accordingly, an allowance of 0.31% has been recognised for performing loans (March 2018: 0.31%).

Category 2 – Under-performing loans

Under-performing loans are those where there has been a significant increase in credit risk. Generally, these loans have a loan to valuation ratio above 85% or there are other indicators that a loss is more likely to be incurred than when the loan was originated. The provision is based on the lifetime expected credit losses of the loans.

Allowances for lifetime expected credit losses for under-performing loans are calculated on an individual basis. The allowances are probability weighted losses which are determined by evaluating a range of possible future outcomes and are discounted using the original effective interest rate of the loans.

Reconciliation of movement in allowance for 12-month expected credit losses for performing loans

	31 Mar 2019 $	31 Mar 2018 $
Balance at beginning of period	26,554	25,719
Increase due to new loans advanced	41,010	23,294
Decrease due to repaid loans	(13,906)	(22,116)
Decrease due to transfers to under-performing loans	-	(343)
Balance at end of period	53,658	26,554

Reconciliation of movement in allowance for lifetime expected credit losses for under-performing loans

	31 Mar 2019 $	31 Mar 2018 $
Balance at beginning of period	58,949	18,888
Additional allowance for lifetime expected credit losses	-	45,261
Reversals of previously recognised lifetime expected credit losses	(46,561)	(5,200)
Bad debts written off	(12,388)	-
Balance at end of period	-	58,949

Reconciliation of movement in performing loans

	31 Mar 2019 $	31 Mar 2018 $
Balance at beginning of period	8,599,716	8,329,273
Advances	13,282,004	7,432,982
Repayments	(4,503,761)	(7,162,539)
Bad debts written off	-	-
Balance at end of period	17,377,959	8,599,716

Reconciliation of movement in under-performing loans

	31 Mar 2019 $	31 Mar 2018 $
Balance of under-performing loans at beginning of period	124,700	18,888
Additions to under-performing loans	-	111,012
Repayments	(112,312)	(5,200)
Bad debts written off	(12,388)	-
Balance of under-performing loans at end of period	-	124,700

8. Income Tax

	2019 $	2018 $
Profit Reconciliation		
Operating surplus before income tax	159,470	378,238
Temporary differences / permanent differences	(3,035)	911
Tax loss offset from related party *(refer below)*	(32,122)	-
Imputation credits attached to dividends received	142	142
Non taxable income	-	(9)
Taxable income	124,455	379,282
Prima facie tax – 28% (2017: 28%)	34,847	106,199
Less imputation credits attached to dividends	(142)	(142)
	34,705	106,057
Current tax	27,636	124,937
Deferred tax	7,069	(18,880)
Income tax expense	34,705	106,057
Current tax @ 28%	27,636	124,937
Resident withholding tax paid	(25)	(25)
Provisional tax payments	(73,061)	(69,739)
Income tax (receivable) / payable for current year	(45,450)	55,173
Prior year tax payable	-	14,163
Income tax (receivable) / payable	(45,450)	69,336

Tax loss offset from related party

Losses of $44,614 have been offset against the Company's taxable profits by the ultimate parent company, General Capital Limited (refer to note 17). A subvention payment of $12,492 (i.e. the tax effect of the loss offset) has been charged to the Company by General Capital Limited in relation to the tax loss offset, and the difference of $32,122 is shown as a reduction in taxable income in the profit reconciliation above. There were no tax loss offsets in the prior year.

Imputation Credits

As at balance date imputation credits totalled $73,232 (March 2018: $35,037). 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:

	2019 $	2018 $
Balance at beginning of year	35,037	6,911
Income tax payments / (refunds)	142,426	132,037
Resident withholding tax credits received	25	25
Credits attached to dividends received	142	142
Credits attached to dividends paid	-	(97,222)
Imputation credits written off on change of ownership	(104,398)	(6,856)
Balance at end of year	73,232	35,037

Deferred Tax Reconciliation	**2019 $**	**2018 $**
Balance at beginning of year	40,373	21,494
Increase / (decrease) in accrued expenses	1,848	7,428
Increase / (decrease) in impairment loss provision	(8,917)	11,451
Balance at end of year	33,304	40,373

Deferred tax attributed to:

	2019 $	2018 $
Accrued expenses	18,280	23,941
Impairment loss provision	15,024	16,432
	33,304	40,373

9. Property, plant and equipment

	Office Equipment $
Cost	
At 1 April 2017 / 31 March 2018	-
Additions (refer note 17)	9,394
At 31 March 2019	9,394
Accumulated depreciation	
At 1 April 2017 / 31 March 2018	-
Depreciation charge for the year	(3,218)
At 31 March 2019	(3,218)
Net book value	
At 1 April 2017 / 31 March 2018	-
At 31 March 2019	6,176

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 2017	-
Additions	33,107
At 31 March 2018	33,107
Additions	32,742
At 31 March 2019	65,849
Accumulated amortisation	
At 1 April 2017	-
Amortisation charge for the year	-
At 31 March 2018	-
Amortisation charge for the year	(18,201)
At 31 March 2019	(18,201)
Net book value	
At 31 March 2018	**33,107**
At 31 March 2019	**47,648**

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 2018. 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

	2019 $	2018 $
Gross term deposit liability	14,928,161	9,862,510
Less deferred commission expenditure	(27,703)	(8,418)
Net carrying value	**14,900,458**	**9,854,092**
Contractual repayment terms:		
On call	74,980	105,243
Within 12 months	7,253,613	4,217,743
Greater than 12 months	7,571,865	5,531,107
	14,900,458	**9,854,092**

Repayment Terms:	On call up to 5 years
Interest Rate:	3.75% - 6.75% and 2.00% on call (March 2018: 4.00% - 7.00% and 2.00% on call)
Effective Interest Rate:	3.80% - 6.75% and 2.00% on call (March 2018: 4.07% - 7.19% 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 222 depositors as at 31 March 2019 (March 2018: 170). As at balance date, the largest deposit the Company has is $628,149 (March 2018: $300,000) which represents 4.21% (March 2018: 3.04%) of total deposits. As at balance date the largest aggregate deposits under a single deposit holder totals $2,633,389 (March 2018: $600,000) which represents 17.64% (March 2018: 6.08%) of total deposits and have a weighted average maturity date of 6.43 months from balance date (March 2018: 3.25 months from balance date). The largest deposit holder at 31 March 2019 is a director of General Capital Limited (refer to note 17).

Further analysis of gross deposit funding is as follows:

a) Concentration of funding

	2019 $	2018 $
Auckland	5,862,443	4,642,865
Wellington	1,312,135	984,181
Other North Island	4,220,147	3,106,837
South Island	880,321	950,475
Overseas *	2,653,115	178,152
Total gross term deposit liability	14,928,161	9,862,510

*The largest deposit holder resides overseas and is a director of General Capital Limited (refer to note 17).

b) Contractual maturity of funding

	2019 $	2018 $
Maturing in 0 - 6 months	4,190,400	2,207,958
Maturing in 6 - 12 months	3,141,478	2,115,504
Maturing in 12 - 24 months	5,185,710	3,702,957
Maturing after 24 months	2,410,573	1,836,091
Total gross term deposit liability	14,928,161	9,862,510

c) Profile of deposit holders

	2019	2019 $	2018	2018 $
Deposits over $200,000	12	6,165,149	9	3,201,608
Deposits $100,000 - $200,000	18	2,598,273	14	2,007,821
Deposits $50,000 - $100,000	44	3,159,596	27	1,969,236
Deposits $20,000 - $50,000	60	1,913,651	58	1,884,047
Deposits $10,000 - $20,000	48	775,251	38	605,606
Deposits under $10,000	40	316,241	24	194,192
Total gross term deposit liability	222	14,928,161	170	9,862,510

12. Share capital

	Number of ordinary shares	Value $
Opening balance as at 1 April 2017	2,800,000	2,800,000
Issue of fully paid ordinary shares	209,580	250,000
Balance as at 31 March 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

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.

The Company issued 209,580 ordinary shares on 28 February 2018 to the parent company (Corporate Holdings Limited) for an issue price of $1.19 per share resulting in an increase in capital of $250,000.

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. Lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2019 $	2018 $
No later than 1 year	-	7,013
Later than 1 year and no later than 5 years	-	-
Total	-	7,013

The Company has no lease agreements in place as at 1 April 2019 and up to the date of 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 (refer to note 17). These costs are included in occupancy expenses in the statement of comprehensive income.

In the prior year, the Company leased its premises under a lease agreement which expired on 30 June 2018 and was not renewed.

14. 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 2018: Nil)

15. Capital Commitments

There were no material commitments for capital expenditure outstanding at balance date. (March 2018: Nil)

16. Contingencies

There were no material contingent assets or liabilities at balance date. (March 2018: Nil)

17. Related Party Transactions and Balances

On 19 December 2017 (the "transaction date"), 100% of the ordinary shares of the Company were acquired by Corporate Holdings Limited ("the parent entity") from General Finance Holdings Limited.

Accordingly, related party transactions will be disclosed in two sections, one for balances and transactions prior to the transaction date, and one for balances and transactions after the transaction date.

All remuneration paid to executive and non-executive directors is considered to be short-term remuneration in accordance with NZ IAS 24.

Related party transactions and balances prior to the transaction date:

During the period from 1 April 2017 up to the transaction date the Company paid a total of $15,000 in Directors Fees to non-executive directors. The Chair received $9,000 and the other non-executive Director received $6,000. The Executive Directors also received remuneration for the executive services that they provide to the Company of $72,000.

Parties related to the previous Directors, including family members, had invested in aggregate $290,969 as at 1 April 2017 in deposit stocks of the Company on normal terms and conditions and at arm's length. Total interest paid to related parties on their deposit stocks during the period up to the transaction date was $12,028.

On 8 December 2017 the Company declared a full imputed final dividend of $250,000 ($0.08929 per share).

Related party transactions and balances after the transaction date:

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). 209,580 ordinary shares were issued to the parent entity on 28 February 2018 for an issue price of $1.19 per share resulting in an increase of share capital of $250,000 (refer to note 12).

The Company paid a total of $62,000 (2018: $17,666) in Directors Fees to non-executive directors. The Chairperson received $27,600 (2018: $7,865) and the other non-executive Directors received $34,400 (2018: $9,802) in aggregate. These amounts include GST where applicable.

Directors fees and remuneration to executive directors was paid by Investment Research Group Limited, subsidiary of Corporate Holdings Limited (the parent company) and recharged to General Finance Limited up to 31 March 2018. Since 1 April 2018 these costs were paid by General Finance and the portion of executive directors' remuneration not related to the Company was recharged to related entities.

The Company paid a total of $285,629 (2018: $58,182) in remuneration to executive directors including $47,061 (2018: $nil) paid on behalf of and recharged to Investment Research Group Limited and $9,040 (2018: $nil) paid on behalf of and recharged to General Capital Limited, the ultimate parent company. After offsetting the amounts recharged to related entities, $229,528 (2018: $34,247) executive directors remuneration is included in personnel expenses in the statement of comprehensive income and $nil (2018: $23,935) is included in management fees (note 5). Executive directors were reimbursed $14,100 in aggregate (2018: $1,493) for expenses paid on behalf of the Company. At year end there is $71 (2018: $270) owing to executive directors included in accounts payable and accruals.

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.

The Company recharged a total of $55,473 (2018: $nil) for employee benefits paid on behalf of and recharged to Investment Research Group Limited and $17,452 (2018: $nil) for employee benefits paid on behalf of and recharged to General Capital Limited, the ultimate parent company. These amounts include a portion relating to executive directors' remuneration as disclosed above.

Management fees of $13,548 (Mar 2018: $64,316) were charged by Investment Research Group Limited to the Company. This included $nil for executive directors salaries (2018: $23,935), recharges of fees of $6,555 (2018: $26,150) paid to Garth Ward, a contractor of Investment Research Group / Director of the parent entity in relation to management services rendered to General Finance Limited and recharges of shared costs including shared rental and other costs totalling $6,993 (2018: $14,231).

Insurance and other costs of $31,923 (2018: $9,675) were paid by Investment Research Group Limited and recharged to the Company.

Advertising fees of $2,300 (2018: $nil) were charged to the Company by Investment Research Group Limited.

The Company purchased $9,394 (2018: $nil) office equipment (refer to note 9) from Investment Research Group at book value.

There is a credit balance owing from Investment Research Group Limited to the Company of $2,841 (2018: $nil) included in accounts payable and accruals, and a balance of $nil (2018: $77,056) payable to Investment Research Group Limited included in related party payables. The balances are unsecured and payable on normal business trading terms.

The Company was charged a subvention payment of $12,492 (2018: $nil) from General Capital Limited in relation to a group tax loss offset (refer to note 8). During the year, General Capital Limited charged $49,783 (2018: $nil) for a share of occupancy costs, $9,603 (2018: $nil) for employee costs, and $13,123 ($nil) for other an allocation of shared office costs. There is a balance owing to General Capital Limited of $1,810 (2018: $nil) included in accounts payable and accruals, and a balance of $12,492 (2018: $nil) payable to General Capital Limited included in related party payables. The balances are unsecured and payable on normal business trading terms.

Salary costs of $125,309 (2018: $5,875) were recharged by Corporate Holdings Limited to the Company.

Salary costs of $5,674 (2018: $nil) and deposit brokerage costs of $23,638 (2018: $4,435) were charged by Equity Investment Advisers Limited, an entity related by common directorship. At year end there is $2,985 (2018: $300) owing to Equity Investment Advisers Limited included in accounts payable and accruals.

Shared office costs of $12,356 (2018: $nil) were charged by Moneyonline Limited, an entity related by common directorship. At year end there is $308 (2018: $nil) owing to Moneyonline Limited included in accounts payable and accruals.

Directors of the Company and directors of the ultimate parent company had invested in aggregate $2,834,450 as at 31 March 2019 in term deposits of the Company on normal terms and conditions and at arm's length. Total interest paid or compounded on their term deposits during the year totalled $55,626 (2018: $nil).

The Company has a loan receivable exposure of $307,254 from Pegasus Golf Limited at year end (2018: $nil). Pegasus Golf Limited became a related entity on 30 November 2018 by virtue of common directorship. From the date the entity became a related entity up to year end, interest and fee income of $11,877 (2018: $nil) has been capitalised to the loan balance.

18. 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 2019, advances by General Finance in the North Island residential property sector represented 96.5% (March 2018: 89.3%) of its total exposure, with 41.1% (March 2018: 31.1%) being in the Auckland market. The geographical profile of loan receivables is analysed further as follows:

Credit risk concentration

	2019 $	2018 $
Northland	2,429,642	945,678
Auckland	7,140,043	2,715,825
Waikato	1,197,481	756,743
Wellington	2,785,633	1,599,566
Other North Island	3,210,645	1,772,829
Christchurch	172,161	704,262
Other South Island	442,354	215,825
Unsecured	-	13,688
Total	17,377,959	8,724,416

As at 31 March 2019 the Company's loan advances are secured as follows: first mortgages 87.2% (March 2018: 87.7%), second mortgages 7.0% (March 2018: 12.1%), combined first and second mortgages 5.8% (March 2018: 0%) and unsecured 0% (March 2018: 0.2%).

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 2018: 113.9%) of total equity of the Company at 31 March 2018) and Westpac (representing 0.0% (March 2018: 30.0%) of total equity of the Company at 31 March 2019) who both have AA- credit ratings from Standard & Poor's.

The maximum credit exposure of the Company, assuming a zero value for collateral is $20,361,446 (March 2018: $13,579,300). This includes loans receivable of $17,377,959 (March 2018: $8,724,416), undrawn loan commitments of $169,379 (March 2018: $10,596) and bank deposits of 2,814,108 (March 2018: $4,844,288). Of this exposure, 86.2% is covered by collateral over properties as disclosed in note 7 (March 2018: 64.2%) and 13.8% is deposited with registered New Zealand banks (March 2018: 35.7%).

The Company has no foreign exchange exposure.

As at 31 March 2019 the Company had the following concentration of credit exposures on loan advances as a percentage of equity.

Equity Percentage	2019 No of Exposures	2019 Average Value $	2018 No of Exposures	2018 Average Value $
0% to 5%	26	140,003	18	98,669
5% to 10%	12	365,081	10	206,309
10% to 15%	11	617,454	7	415,233
15% to 20%	-	-	2	612,648
20% to 25%	1	1,176,561	1	763,959
25% to 30%	1	1,388,362	-	-
Total no. of exposures	51		38	

The concentration of the credit exposure to the six largest exposures is 30.8% (March 2018: 38.2%) 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.

19. Asset Quality

The provision for expected credit losses for performing and under-performing loans is detailed and explained in note 7. Gross past due loan receivables total $627,706 (March 2018: $1,595,265) which equates to 3.6% (March 2018: 18.3%) of total loan receivables. This balance comprises:

- Past due but not considered under-performing loans total $627,706 (March 2018: $1,470,565) which equates to 3.6% (March 2018: 16.8%) of total loan receivables.
- Under-performing loans total $nil (March 2017: $124,700) which equates to 0% (March 2018: 1.4%) of total gross loan receivables. Any interest accrued or capitalised on impaired assets has been provided for in the period it was accrued.

As at 31 March 2019 the total provision for lifetime expected credit losses for under-performing loans was $nil (March 2018: $58,949) assessed on an individual loan basis. As the Company has security over all (2018: all but 1) of its loans, the level of the impairment provision represents only those cases where the security value (if any) is not expected to cover the outstanding loan balance.

Security held over the past due assets is by way of first or second mortgage over residential properties. Loans now unsecured and impaired as a result of security enforcement total $nil (March 2018: $13,688) which equates to 0.0% (March 2018: 0.2%) of total loan receivables.

As at 31 March 2018, the Company had $842,633 in over 90-day past due assets (March 2019: $nil), as disclosed in note 7. Of this amount, $124,700 was considered to be under-performing at 31 March 2018 (March 2019: $nil).

Aging analysis – past due but not considered under-performing loans	**2019 $**	**2018 $**
Up to 30 Days	449,898	170,879
31 - 60 Days	177,808	581,754
61 - 90 Days	-	-
91 - 120 Days	-	-
120+ Days	-	717,932
Total	**627,706**	**1,470,565**

Under-performing loans have a carrying value of $nil (March 2018: $65,751, comprising the loan value of $124,700, less allowance for lifetime expected credit losses of $58,949). Further details on how management identifies a loan as under-performing is included in note 7.

20. 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 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 monetary assets	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 2018	Weighted Average Int. Rate	Total $	Contractual Cash Flows 0 – 6 Months $	7 - 12 Months $	13 - 24 Months $	24+ Months $
Financial assets						
Cash and cash equivalents	1.26%	4,857,886	4,857,886	-	-	-
Other monetary assets	0%	3,470	3,470	-	-	-
Loan receivables	11.89%	9,138,575	6,718,709	1,956,086	463,780	-
Totals		13,999,931	11,580,065	1,956,086	463,780	-
Financial liabilities						
Other payables	0%	128,364	128,364	-	-	-
Term deposit	5.60%	10,548,230	2,499,402	2,295,800	3,907,436	1,895,592
Totals		10,676,594	2,577,766	2,295,800	3,907,436	1,895,592
Net cashflow		3,323,337	9,002,299	(339,714)	(3,443,656)	(1,895,592)

		Expected Cash Flows			
March 2019	**Total**	**0 - 6 Months**	**7 - 12 Months**	**13 - 24 Months**	**24+ Months**
	$	**$**	**$**	**$**	**$**
Financial assets					
Bank deposits	2,848,017	2,848,017	-	-	-
Other monetary assets	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)**

		Expected Cash Flows			
March 2018	**Total**	**0 - 6 Months**	**7 - 12 Months**	**13 - 24 Months**	**24+ Months**
	$	**$**	**$**	**$**	**$**
Financial assets					
Bank deposits	4,874,918	4,874,918	-	-	-
Other monetary assets	3,470	3,470	-	-	-
Loan receivables	9,616,405	3,814,432	1,262,212	4,322,731	217,030
Totals	**14,494,793**	**8,692,820**	**1,262,212**	**4,322,731**	**217,030**
Financial liabilities					
Other payables	128,364	128,364	-	-	-
Term deposit	11,728,899	1,161,059	1,097,835	1,950,533	7,519,472
Totals	**11,857,263**	**1,289,423**	**1,097,835**	**1,950,533**	**7,519,472**
Net cashflow	**2,637,530**	**7,403,397**	**164,377**	**2,372,198**	**(7,302,442)**

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 current market conditions and past experience:

- 60% of maturing deposit holders reinvest (March 2018: 60%)
- Reinvestments are made for a weighted average 24-month term (March 2018: 24 months)
- 50% of loans (March 2018: 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.

21. 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.

22. 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 2019 bank deposits attracted a weighted average interest rate of 2.41% (March 2018: 1.26%). A 1% increase / decrease in the weighted average interest rate would increase / decrease annual interest income by $28,141 (March 2018: $48,443) 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 2019 the weighted average loan to asset ratio was 55.2% (March 2018: 51.2%). Based on sensitivity testing of the loan portfolio at 31 March 2019 the Company estimates it has a $33,988 (31 March 2018: $139,931) exposure on secured mortgages to a property downturn of up to 25% (including the cost of realisation) from most recent valuations. A total of $53,658 (March 2018: $85,503) 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.

23. Post Balance Date Events

There have been no material post balance date events (March 2018: Nil)

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

	2019 $	2018 Restated* $
Reported Profit after Tax	**124,765**	**272,181**
Add/(deduct) non-cash items		
Bad debts written off – loan receivables	12,388	-
Movement in allowance for expected losses (loan receivables)	(31,844)	40,897
Depreciation and amortisation	21,419	-
Deferred tax movement	7,069	(18,879)
	9,032	22,018
Movements in other working capital items		
(Increase) / Decrease in loan receivables (net advances)	(8,436,192)	(388,456)
(Increase) / Decrease in accrued interest on loan receivables	(9,940)	(33,304)
(Increase) / Decrease in capitalised loan fees	(133,585)	(63,360)
(Increase) / Decrease in capitalised interest	(81,353)	102,491
(Increase) / Decrease in accounts receivable	3	3,227
(Increase) / Decrease in prepaid commission	(19,286)	(4,936)
Increase / (Decrease) in income tax payable	(114,786)	(7,125)
Increase / (Decrease) in deferred income	62,538	29,996
Increase / (Decrease) in interest payable	7,177	(23,536)
Increase / (Decrease) in related party payable	(64,564)	77,056
Increase / (Decrease) in accounts payable and accruals	9,673	64,780
	(8,780,315)	(243,167)
Total movement – inflow / (outflow)	**(8,771,283)**	**(221,149)**
Net cash inflow / (outflow) from operating activities	**(8,646,518)**	**51,032**

**Impact on March 2018 reconciliation resulting from IFRS 9 adjustments described in note 2.2 (a).*