General Finance Est. 2001

General Finance Limited

Reissued Condensed Financial Statements

For the six months ended

30 September 2019

General Finance Limited

Index to Reissued Condensed Financial Statements

General Finance Limited

Condensed Statement of Comprehensive Income
For the six months ended 30 September 2019

	Note	6 months ended Sep 2019 $	6 months ended Sep 2018 $
Interest income		1,178,016	654,377
Interest expense		(552,272)	(261,802)
Net interest income		625,744	392,575
Fee and commission income		231,320	137,188
Fee and commission expense		(57,742)	(44,625)
Net fee and commission income		173,578	92,563
Bad debts recovered		5,839	13,950
Net revenue		805,161	499,088
Impairment gain / (loss) on loan receivables		(20,072)	38,896
Personnel expenses		(276,125)	(293,726)
Depreciation and amortisation expense		(12,961)	(9,299)
Occupancy expenses		(48,622)	(24,023)
Other expenses		(229,963)	(174,534)
Profit before income tax		217,418	36,402
Income tax expense		(61,735)	(10,642)
Net profit attributable to the shareholders of the Company		**155,683**	**25,760**
Other comprehensive income			
Other comprehensive Income		-	-
Total comprehensive income attributable to the shareholders of the Company		**155,683**	**25,760**

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

General Finance Limited

Condensed Statement of Changes in Equity
For the six months ended 30 September 2019

	Note	Share Capital	Retained Earnings	Total
Balance at 1 April 2018		3,050,000	335,332	3,385,332
Adoption of NZ IFRS 9	**2**	-	(19,119)	(19,119)
Restated total equity at the beginning of the 2018 financial period *		**3,050,000**	**316,213**	**3,366,213**
Profit for the period		-	25,760	25,760
Other comprehensive income		-	-	-
Total comprehensive income for the period		**-**	**25,760**	**25,760**
Balance at 30 September 2018		**3,050,000**	**341,973**	**3,391,973**
Balance at 1 April 2019		**4,650,000**	**440,978**	**5,090,978**
Profit for the period		-	155,683	155,683
Other comprehensive income		-	-	-
Total comprehensive income for the period		**-**	**155,683**	**155,683**
Transactions with owners in their capacity as owners:				
Contributions of equity		300,000	-	300,000
Balance at 30 September 2019		**4,950,000**	**596,661**	**5,546,661**

* See **Note 2** for details regarding the restatement in relation to the adoption of NZ IFRS 9.

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

General Finance Limited

Condensed Statement of Financial Position
As at 30 September 2019

	Note	30 Sep 2019 $	31 Mar 2019 $	30 Sep 2018 $	1 Apr 2018 Restated* $
Share capital		4,950,000	4,650,000	3,050,000	3,050,000
Retained earnings		596,661	440,978	341,973	316,213
Total equity		**5,546,661**	**5,090,978**	**3,391,973**	**3,366,213**
Assets					
Cash and cash equivalents		7,471,050	2,814,108	3,354,886	4,844,288
Other current assets	9	171,678	13,803	12,948	8,070
Income tax receivable		-	45,450	40,781	-
Loan receivables	4	23,625,489	17,196,205	10,965,515	8,583,952
Intangible assets		38,973	47,648	52,119	33,107
Property, plant and equipment		4,421	6,176	7,931	-
Deferred tax asset		41,583	33,304	25,506	40,373
Total assets		**31,353,194**	**20,156,694**	**14,459,686**	**13,509,790**
Liabilities					
Accounts payable and accruals	9	195,113	152,766	139,170	143,093
Related party payables	9	-	12,492	-	77,056
Term deposits	5	25,606,856	14,900,458	10,928,543	9,854,092
Income tax payable		4,564	-	-	69,336
Total liabilities		**25,806,533**	**15,065,716**	**11,067,713**	**10,143,577**
Net assets		**5,546,661**	**5,090,978**	**3,391,973**	**3,366,213**

*See **Note 2** for details regarding the restatement in relation to the adoption of NZ IFRS 9.

Authorised for issue on behalf of the Board:

Director

Date: 24 January 2020

Director

Date: 24 January 2020

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

General Finance Limited

Condensed Statement of Cash Flows
For the six months ended 30 September 2019

	30 Sep 2019 $	30 Sep 2018 $
Cash flows from / (to) operating activities		
Cash was provided from / (applied to)		
Interest received	1,084,991	658,490
Bad debts recovered	5,839	13,570
Loan fees, commission and other income	144,069	117,986
Payments to suppliers and employees	(792,228)	(622,091)
Interest paid	(491,190)	(263,068)
Income tax paid	(20,000)	(105,891)
Loan receivables (net advances)	(6,258,462)	(2,330,016)
Net cash outflow to operating activities	(6,326,981)	(2,531,020)
Cash flows from / (to) investing activities		
Cash was provided from / (applied to)		
Purchases of property, plant and equipment	-	(9,394)
Purchases of intangible assets	(2,531)	(26,848)
Net cash outflow to investing activities	(2,531)	(36,242)
Cash flows from / (to) financing activities		
Cash was provided from / (applied to)		
Shares issued	300,000	-
Term deposits (net receipts)	10,686,454	1,077,860
Net cash inflow from financing activities	10,986,454	1,077,860
Net cash and cash equivalents movement for year	4,656,942	(1,489,402)
Opening cash and cash equivalents balance	2,814,108	4,844,288
Closing cash and cash equivalents balance	7,471,050	3,354,886

* See **Note 2** for details regarding the restatement in relation to the adoption of NZ IFRS 9 and errors identified.

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

1.0 Reporting and Accounting Basis

1.1 Reporting Entity

The condensed 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, an established New Zealand owned and operated mortgage company. On 3 August 2018, Corporate Holdings Limited became a fully owned subsidiary of General Capital Limited, a Company then listed on the NZX Alternative Exchange (NZAX). On 1 July 2019, General Capital Limited transitioned from its listing on the NZAX to the NZX Main Board.

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 condensed financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Regulations 2014 and New Zealand Generally Accepted Accounting Practice (NZ GAAP). 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 condensed financial statements comply with NZ IAS 34 *Interim Financial Reporting* and should be read in conjunction with the financial statements for the year ended 31 March 2019.

These condensed 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 condensed financial statements these amounts have been rounded to the nearest dollar.

1.3 Reissued Financial Statements

The previously issued financial statements of the Company for the six-month period ended 30 September 2019 dated 18 November 2019 have been withdrawn and are replaced by these financial statements. The revision was necessary as the original audit report attached to the financial statements did not include the required Key Audit Matters section. The directors have determined that it is appropriate to reissue these financial statements in order to allow the auditor to reissue their opinion to include the Key Audit Matters section in their report. Aside from the inclusion of the revised audit report and the re-dating of the financial statements, there has been no other change to these financial statements when compared to the superseded financial statements dated 18 November 2019.

1.4 Changes in accounting policies

The accounting policies applied by the Company are consistent with those applied and disclosed in the previous full year financial statements, except for the following changes:

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 had no lease agreements in place from 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 (via General Capital 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 30 September 2019, the total remaining term of that lease was 20 months, and the current monthly allocation of the lease costs paid by the Company is $7,518, implying total undiscounted remaining payments of $150,360 as at 30 September 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).

2 Impact of the adoption of new accounting standards

(a) Impact of the adoption of NZ IFRS 9

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

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

No change was 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 in the prior period comparatives was reflected as follows:

> An increase to loss allowances for 12-month expected credit losses of $26,554 as at 31 March 2018 having an after tax impact on opening retained earnings of $19,119 (decrease) as at 1 April 2018. Refer to note 4 for further information.

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

Statement of Financial Position (extract):

	As reported 31 Mar 2018 $	**Increase/ Decrease $**	**31 Mar 2018 Restated $**
Retained earnings	335,332	(19,119)	316,213
Total equity	**3,385,332**	**(19,119)**	**3,366,213**
Assets			
Loan receivables	8,610,506	(26,554)	8,583,952
Deferred tax asset	32,938	7,435	40,373
Total assets	**13,528,909**	**(19,119)**	**13,509,790**
Net assets	**3,385,332**	**(19,119)**	**3,366,213**

3. Minimum Capital Requirements

The Company is required to comply with certain minimum capital requirements under Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010 as introduced by the Reserve Bank of New Zealand. At 30 September 2019 the Company's capital ratio was 25% (31 March 2019: 34%).

The Company has a minimum capital ratio requirement of 8% since it obtained a credit rating on 16 September 2019. Prior to this date, the minimum capital ratio requirement in accordance with the Company's trust deed was 15% (10% prior to 19 December 2017).

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

4. Loan receivables

	30 Sep 2019 $	31 Mar 2019 $
First mortgage advances	22,276,407	15,152,307
Second mortgage advances	595,770	1,219,216
Combined first and second mortgage advances[1]	1,006,209	1,006,436
	23,878,386	17,377,959
Less deferred fee income and expenditure	(179,167)	(128,096)
Less allowance for 12-month expected credit losses	(73,730)	(53,658)
Less allowance for lifetime expected credit losses	-	-
Net carrying value	23,625,489	17,196,205
Current portion	22,307,847	16,217,687
Non-current portion	1,317,642	978,518
	23,625,489	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 2 years.

At period end there was $145,367 in outstanding loan commitments including future capitalised interest (March 2019: $169,379).

Credit risk – finance 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 finance receivable.
- Any known changes to the secured property or the property market which may impact on the value of the security.
- 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 finance 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% 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. 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 2019: 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

	6 months ended 30 Sep 2019 $	12 months ended 31 Mar 2019 $
Balance at beginning of period	53,658	26,554
Increase due to new loans advanced	33,350	41,010
Decrease due to repaid loans	(13,278)	(13,906)
Decrease due to transfers to under-performing loans	-	-
Balance at end of period	73,730	53,658

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

	6 months ended 30 Sep 2019 $	12 months ended 31 Mar 2019 $
Balance at beginning of period	-	58,949
Additional allowance for lifetime expected credit losses	-	-
Reversals of previously recognised lifetime expected credit losses	-	(46,561)
Bad debts written off	-	(12,388)
Balance at end of period	-	-

Reconciliation of movement in performing loans

	6 months ended 30 Sep 2019 $	12 months ended 31 Mar 2019 $
Balance at beginning of period	17,377,959	8,599,716
Additions to performing loans	10,800,771	13,282,004
Repayments	(4,300,344)	(4,503,761)
Bad debts written off	-	-
Balance at end of period	23,878,386	17,377,959

Reconciliation of movement in under-performing loans

	6 months ended 30 Sep 2019 $	12 months ended 31 Mar 2019 $
Balance at beginning of period	-	124,700
Additions to under-performing loans	-	-
Repayments	-	(112,312)
Bad debts written off	-	(12,388)
Balance at end of period	-	-

5. Term Deposits

	30 Sep 2019 $	31 Mar 2019 $
Gross deposit stock liability	25,675,697	14,928,161
Less deferred commission expenditure	(68,841)	(27,703)
Net carrying value	25,606,856	14,900,458
Contractual repayment terms:		
On call	7,137	74,980
Within 12 months	13,188,078	7,253,613
Greater than 12 months	12,411,641	7,571,865
	25,606,856	14,900,458

Reconciliation of movement in term deposits

	6 months ended 30 Sep 2019 $	12 months ended 31 Mar 2019 $
Balance of term deposits at beginning of period	14,928,161	9,862,510
Additions	11,614,457	6,945,820
Withdrawals	(1,037,066)	(2,005,903)
Compound interest reinvested	170,145	125,734
Balance of term deposits at end of period	25,675,697	14,928,161

6. Unrecognised Assets and Liabilities

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

7. Capital Commitments

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

8. Contingencies

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

9. Related Party Transactions and Balances

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
Cascade Benevolent Trust	Common Trustee / 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)

General Finance Limited

Selected notes to and forming part of the condensed financial statements
For the six months ended 30 September 2019

Related party balances at period end:

	30 Sep 2019 $	31 Mar 2019 $
Included in accounts payable and accruals:		
Brent King	173	71
Greg Pearce	122	-
Ellice Tanner Hart Limited	7,269	-
Equity Investment Advisers Limited	3,025	2,985
General Capital Limited	2,037	1,810
Investment Research Group Limited	-	(2,841)
	12,626	2,025
Included in other current assets:		
Equity Investment Advisers Limited	4,830	-
Investment Research Group Limited	5,806	-
	10,636	-
Term deposits held by related parties[2]	3,614,736	2,834,450
Loan receivable from Pegasus Golf Limited	-	307,254

Related party transactions during the period:

Related Party	Type	Transaction	30 Sep 2019	30 Sep 2018
Non-executive Directors	Expense	Directors Fees	32,533	31,000
Executive Directors	Expense	Remuneration[1]	124,319	112,898
	Expense	Expense reimbursement	13,568	5,562
Corporate Holdings Limited	Expense	Personel expenses	-	58,882
Equity Investment Advisers Limited	Expense	Brokerage	51,098	4,298
	Expense	Personel expenses	-	3,793
	Contra Expense	Other expenses recharged	4,830	-
Ellice Tanner Hart Limited	Expense	Legal expenses	7,269	-
General Capital Limited	Expense	Personel expenses	11,644	-
	Expense	Occupancy expenses	44,682	-
	Expense	Other expenses	75,569	-
	Contra Expense	Personel expenses recharged	21,591	2,060
Investment Research Group Limited	Expense	Management fees	-	13,548
	Expense	Prepaid advertising	115,000	-
	Expense	Other expenses	-	16,977
	Contra Expense	Personel expenses recharged	21,038	16,480
	Contra Expense	Other expenses recharged	2,000	-
Moneyonline Limited	Expense	Occupancy expenses	-	19,124
Pegasus Golf Limited[3]	Revenue	Fees and interest on loan	7,659	-
Various related parties[2]	Expense	Interest expense on term deposits	74,642	8,255

[1]Net of amounts recharged to related companies.
[2]Includes term deposits held by Directors of the Company, Directors of the ultimate parent company, their families and their controlled entities.
[3]Only includes transactions since the entity became a related party on 30 November 2018.

Other related party transactions during the period:

The Company issued 171,428 ordinary shares on 30 September 2019 to the parent company for an issue price of $1.75 per share resulting in an increase in capital of $300,000.

In the prior period ended 30 September 2018, a Director of the Company contributed $150,000 towards a finance receivable of the Company on equal terms with the Company in respect of the proportion contributed. The proportion of interest in relation to the contribution totaled $2,428 and the proportion of fee income in relation to the contribution totaled $2,000 for the 6 month period ended 30 September 2018 (2019: $Nil). The contributed portion of the loan receivable and the associated interest and fees have been derecognised (net off with respective asset and income balances) in line with the requirements of NZ IFRS 9 *Financial Instruments*. The loan contribution was repaid by the Company on 11 December 2018.

10. 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 other liabilities is considered to closely approximate their carrying value.

11. Post Balance Date Events

There have been no material post balance date events (March 2019: Nil)

Level 9, 45 Queen Street, Auckland 1010
PO Box 3899, Auckland 1140
New Zealand

T: +64 9 309 0463
F: +64 9 309 4544
E: auckland@bakertillysr.nz
W: www.bakertillysr.nz

bakertilly
STAPLES RODWAY

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 3 to 14, which comprise the condensed statement of financial position as at 30 September 2019, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the period then ended, and notes to the condensed 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 30 September 2019, and its financial performance and its cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standard 34: *Interim Financial Reporting* ('NZ IAS 34').

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) *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 carried 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: Reissue of financial statements

We draw attention to Note 1.3 in the financial statements, which noted that the financial statements have been reissued as a result of the reissue of our audit report to include a section on Key Audit Matters. This audit report supersedes our audit report on the previously issued financial statements dated 18 November 2019. 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 period. 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. Key audit matters are selected from the matters communicated with the Directors, but are not intended to represent all matters that were discussed with them.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Loan Receivables As disclosed in Note 4 of the Company's financial statements, the Company has loan receivable assets of $23.6m consisting on 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.	Our audit procedures related to the key audit matter among others included: ▪ Evaluating the design and implementation of the key controls over loan receivable origination, ongoing administration and impairment assessment and calculations; ▪ Obtaining a representative sample of loan receivables and agreed these loan receivables to the loan agreements, client acceptance documents, mortgage documents, and registered valuations performed on acceptance; ▪ Examining the company's loan receivables individually assessed for impairment and forming our own judgements as to whether the impairment provision recognised by Management was appropriate; ▪ 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 for reasonably possible changes to the key inputs; ▪ For the 12 month expected credit loss provision, challenging and evaluating the logic on management's model and key assumptions used with our own experience. Also, testing key inputs used in the collective impairment

Key Audit Matter	How our audit addressed the key audit matter
	models and the mathematical accuracy of the calculations within the model; and ▪ Evaluating the related disclosures about loan receivables, and the risk attached to them which are included in Note 4 of the Company's financial statements.

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 IAS 34, 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.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent fairly the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

24 January 2020