

**FINANCE DIRECT LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**FINANCE DIRECT LIMITED**

**COMPANY DIRECTORY  
AS AT 31 MARCH 2024**

<b>Nature of Business</b>	Consumer Based Finance Company	
<b>Registered Office</b>	Level 8, 57 Symonds Street Grafton, Auckland 1010 Tel: 0800 399 666	
<b>Company Number</b>	981004	
<b>Incorporated</b>	23 September 1999	
<b>Directors</b>	Josh De Jong (Chairman) Wayne Croad (Managing Director) Richard Lott Stephen Massey Kirstin Poole (Resigned on 15 May 2023)	
<b>Shares Issued</b>	22,222,222 Ordinary Shares 415,000 Perpetual Preference Shares	
<b>Shareholders</b>		
	The Trustees of Gateway Trust	13,999,977
	Richard Lott	5,999,998
	Oaklands Group Holdings Limited	2,222,222
	Wayne Croad	25
		-----
	Total Ordinary Shares	22,222,222
		=====
	Richard Lott	15,000
	The Trustees of Gateway Trust	50,000
	Charlotte Lee & Vickie Loach (jointly)	250,000
	John Walters	100,000
		-----
	Total Perpetual Preference Shares	415,000
		=====
<b>Solicitors</b>	KP Legal Level 1, 7 Owens Road Epsom Auckland 1023	
	Buddle Findlay Level 18, HSBC Tower 188 Quay Street Auckland 1010	
<b>Bankers</b>	ANZ Bank Limited ASB Bank Limited	
<b>Auditor</b>	Grant Thornton New Zealand Audit Limited L4, Grant Thornton House 152 Fanshawe Street Auckland 1010	
<b>Trustee</b>	Covenant Trustee Services Limited Level 6, 191 Queen Street Auckland 1010	

**FINANCE DIRECT LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2024**

The Directors present the consolidated financial statements of Finance Direct Limited (the Parent) and the subsidiary it controls (“the Group”) for the year ended 31 March 2024 and the independent auditor’s report thereon.

The shareholders of the Parent Company have exercised their rights under Section 211(3) of the Companies Act 1993 (the Act) and unanimously agreed that this report need not comply with any of the Sections (a) and (f) to (j) of Section 211(1) of the Act. The Company opted to voluntarily disclose information required by Sections (f) and (i).

**Directors’ Interests**

The Directors have disclosed the following information in accordance with Section 211(1)(e) of the Companies Act 1993:

**Interested Transactions**

During the year ended 31 March 2024, the Group paid consulting fees of \$106,700 (31 March 2023: \$123,000) to KP Legal, a legal firm in which Kirstin Poole (director up until 15 May 2023) is a Partner.

During the year ended 31 March 2024, the Group paid \$172,500 (31 March 2023: \$207,000) to Oogaware Limited for software development. Robert Durrant (a director of subsidiary company) is a director and shareholder of Oogaware Limited.

During the year ended 31 March 2024, the Group paid Stephen Massey director fees of \$25,000 (31 March 2023: Nil).

During the year ended 31 March 2024, the Group paid a finder’s fee of Nil to a party related to Wayne Croad as part of capital raising (31 March 2023: \$140,000).

During the year ended 31 March 2024, the Group received motor vehicle lease payments of Nil (31 March 2023: \$1,000) from Gateway Family Trust, an entity related to Wayne Croad (Managing Director).

In addition to annual salary and directors’ fees, Wayne Croad also received reimbursement of utilities for his home office and general expenses of \$43,000 (31 March 2023: \$53,000). This is included in Total Directors’ Remuneration.

Parties related to Wayne Croad hold secured debenture stock of \$2,000 (31 March 2023: \$2,000) in the Parent Company, at an interest rate of 7.85% (31 March 2023: 6.15%).

Lending Crowd Trustee Limited, a wholly owned company of subsidiary Lending Crowd Limited, is a non-consolidated related party entity (Note 2). At 31 March 2024, an amount of \$16,200 (31 March 2023: \$48,100) is receivable from Lending Crowd Trustee Limited. Lending Crowd Trustee Limited was set up to hold funds on behalf of the investors while the investors decide on their investment portfolio. During the year ended 31 March 2024, Lending Crowd Limited received platform fees of \$309,800 (31 March 2023: \$617,000) and flex income of \$658,000 (31 March 2023: \$591,500) for providing the services. Amount outstanding represents monies to be transferred from Lending Crowd Trustee Limited to the Company for services provided.

**FINANCE DIRECT LIMITED**  
**ANNUAL REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

During the year ended 31 March 2024, the Parent company received management fees of \$13,000 (31 March 2023: \$98,500) and referral commission of \$294,700 (31 March 2023: \$313,000) from its subsidiary Lending Crowd Limited. During the year ended 31 March 2024, the Parent company paid management fees of Nil (31 March 2023: Nil) to its subsidiary Lending Crowd Limited. The balance due from its subsidiary at 31 March 2024 was \$232,700 (31 March 2023: \$126,800).

There were no other outstanding balances with related parties (31 March 2023: Nil). No amounts owed by related parties were written off or forgiven during the year ended 31 March 2024 (31 March 2023: Nil).

**Directors' Remuneration**

Total remuneration details of Directors were as follows:

	<b>31-Mar 2024 \$'000</b>	<b>31-Mar 2023 \$'000</b>
Wayne Croad	206	147
Richard Lott	41	46
Josh De Jong	18	11
Kirstin Poole	3	21
Robert Durrant (Director of subsidiary company)	22	53
Stephen Massey	25	-
	<b>315</b>	<b>278</b>

**Share Transactions**

No shares were issued during the year ended 31 March 2024. During the year ended 31 March 2023, the existing ordinary shares were split at the ratio of 1 to 25 shares, and a further 2,222,222 shares were issued to a new shareholder.

**Directors' Loans**

There were no loans made by the Group to Directors during the year ended 31 March 2024 (31 March 2023: Nil).

The Board did not receive any notices from Directors requesting to use Group information received in their capacity as Directors which would not otherwise have been available to them.

For and on behalf of the Board of Directors who approved these consolidated financial statements for issue on 27 June 2024.

*Josh de Jong*

.....  
 Josh De Jong  
 Chairman



.....  
 Wayne Croad  
 Managing Director

# Independent Auditor's Report

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 Auckland 1140  
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To the Shareholders of Finance Direct Limited

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Finance Direct Limited on pages 8 to 50 which comprise the consolidated statement of financial position as at 31 March 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Finance Direct Limited as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (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 and the provision of other assurance services, we have no relationship with, or interests in, the Group.

### Emphasis of Matter

We draw attention to Note 11 of the consolidated financial statements, which describes the effects of restatement of prior year comparative figures due to an error with regards to provision for overcharged loan fee in the prior year consolidated financial statements. Our Opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the audit matter is significant	How our audit addressed the key audit matter
<p><b>Allowance for impairment losses from loans and advances</b></p> <p>The allowance for impairment losses from loans and advances to customers amount to \$428,000 in the consolidated financial statements as at 31 March 2024.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Obtained an understanding of the lending processes and controls and models used to determine the allowance for impairment losses from loans and advances, including event identification, collateral valuation and how management's estimates and judgements are determined.</li> </ul>

Due to the significance of the judgements applied in determining the allowance for impairment losses from loans and advances, this matter was considered to be an area which had the greatest impact on our overall audit strategy. If the carrying value of the loan is greater than the recoverable amount of the receivable, the corresponding impairment may have a material impact within the consolidated financial statements.

The determination of assumptions for measurement of impairment is highly subjective due to the level of judgement applied by management. Change in assumptions and the methodology applied may have a material impact on the measurement of the allowance for impairment losses from loans and advances.

The principles for determining the allowance for impairment losses from loans and advances are described in note 1(l) and 1(m) and note 2 of the consolidated financial statements. The description of credit risks and the review of the allowance for impairment losses is disclosed in note 23 and note 26 of the consolidated financial statements.

**Provision for overcharged loan fees**

The Group recognises a provision of \$724,000 at reporting date in the consolidated financial statements for overcharged loan fees arising from past reporting periods, as disclosed in Note 32. In addition as disclosed in Note 11 the impact of this provision has given rise to a restatement of the 2023 comparative and prior financial statement balances.

Due to the significance of this error, including estimates and judgements applied by management and the time incurred by audit to perform our work, we have included this matter as a key audit matter.

- For a selection of the new loans issued by the Group, we inspected the loan agreement and other available information that formed part of management’s loan approval process (such as credit scores and security details), and reviewed management’s approval process controls, to determine whether new loans were appropriately approved and that the information available supported any conclusions reached about the expected credit loss at that point.
- We obtained the Group’s loan ledger at year end and using our knowledge of the Group and the industry, identified loans for which we believed there may be indicators of impairment. We considered management’s conclusions regarding impairment for each of these loans individually.
- For each significant identified loan with indicators of impairment, we tested whether there was adequate security against each advance in order to recover the outstanding balance. Where provided, we considered adequacy of third-party valuations, and also verified any prior ranking securities to independent sources.
- For the Expected credit losses model (ECL) , we:
  - (a) Recalculated the provision based on the input factors identified by management as part of the expected credit loss methodology; and
  - (b) Assessed the calculation of the expected credit losses model against the requirements of NZ IFRS 9 *Financial Instruments* for the recognition and measurement of 12-month and lifetime expected credit losses on financial assets.
  - (c) Assessed the judgements made by management regarding the assumptions used for the expected credit loss methodology, including challenging the appropriateness of the risk factors and industry norms, that had been considered when developing the 12-month and lifetime expected credit loss impairment model.
- We assessed the appropriateness of the Group disclosures in the financial statements against the requirements of the accounting standards.

We have:

- We obtained an understanding of the error and reviewed managements methodology in their model for calculating the error on loan origination fees.
- We reviewed managements estimates and judgements for reasonableness as applied in their model for calculating the impact of loan fees overcharged for each of the historical periods impacted
- For a sample of affected loans we traced the loan from managements model to supporting evidence and recalculated the overcharged loan fees error for accuracy.
- We performed some sensstiviety analysis against key management estimates or judgement to ensure calculations by management were reasonable
- We assessed the appropriateness of the Grouiups disclosres in the financial statements against the requirements of the accounting standards.

### **Information Other than the Financial Statements and Auditor's Report thereon**

The Directors are responsible for the other information. The other information comprises the Company Directory and the Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 information, we are required to report that fact. We have nothing to report in this regard.

### **Directors' responsibilities for the Consolidated Financial Statements**

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/>

### **Report on other legal and regulatory matters**

Subsidiary company Lending Crowd Limited has breached its Financial Markets Authority Licensing requirement to maintain a positive NTA (Net tangible asset) position as at 31 March 2024.

### **Restriction on use of our report**

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders, as a body 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 the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

### **Grant Thornton New Zealand Audit Limited**



**K Price**

**Partner**

**Auckland, New Zealand**

27 June 2024

**FINANCE DIRECT LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2024**

	Note	31-Mar 2024 \$'000	31-Mar 2023 Restated* \$'000
<b>Continuing Operations</b>			
Interest revenue	3	2,218	2,108
Interest expense	3	(948)	(854)
<b>Net interest revenue</b>	3	<u>1,270</u>	<u>1,254</u>
Fee and commission revenue	4	984	1,151
Fee and commission expense	4	(805)	(742)
<b>Net fee and commission revenue</b>	4	<u>179</u>	<u>409</u>
<b>Other revenue</b>	5	22	29
<b>Operating result</b>		<u>1,471</u>	<u>1,692</u>
Net impairment losses	6	(62)	(34)
Operating expenses and staff costs	7	(2,059)	(1,770)
<b>Net loss before income tax from continuing operations</b>		<u>(650)</u>	<u>(112)</u>
Income tax benefit	10	172	39
<b>Loss for the year from continuing operations</b>		<u>(478)</u>	<u>(73)</u>
<b>Discontinued Operations</b>			
Profit / (Loss) for the year from discontinued operations	9	(308)	12
<b>Loss for the year</b>		<u>(786)</u>	<u>(61)</u>
<b>Other comprehensive income for the year, net of tax</b>		-	-
<b>Total comprehensive loss for the year, net of tax attributable to the shareholders</b>		<u>(786)</u>	<u>(61)</u>
<b>Profit for the year attributable to:</b>			
Non-controlling interest		(97)	4
Owners of the parent		(689)	(65)
		<u>(786)</u>	<u>(61)</u>
<b>Total comprehensive income attributable to:</b>			
Non-controlling interest		(97)	4
Owners of the parent		(689)	(65)
		<u>(786)</u>	<u>(61)</u>

\* See note 11 for details regarding the restatements

*The accompanying notes form part of and are to be read in conjunction with the Consolidated Financial Statements.*



**FINANCE DIRECT LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2024**

	Note	Share Capital	Retained Earnings	Total Attributable to Owners of Parent	Non- controlling Interest	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 April 2023 as originally presented</b>		3,245	630	3,875	11	3,886
Correction of error (net of tax*)	11	-	(418)	(418)	(111)	(529)
<b>Restated total equity as at 1 April 2023*</b>		3,245	212	3,457	(100)	3,357
Profit for the period		-	(689)	(689)	(97)	(786)
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	(689)	(689)	(97)	(786)
Dividends Paid	22	-	(254)	(254)	(3)	(257)
Issue of Shares		-	-	-	-	-
Capital Raising Costs		-	-	-	-	-
Transactions with Owners		-	(254)	(254)	(3)	(257)
<b>Balance as at 31 March 2024</b>		<b>3,245</b>	<b>(731)</b>	<b>2,514</b>	<b>(200)</b>	<b>2,314</b>
<b>Balance as at 1 April 2022</b>		1,495	836	2,331	5	2,336
Correction of error (net of tax*)	11	-	(384)	(384)	(97)	(481)
<b>Restated total equity at the beginning of the financial year*</b>		1,495	452	1,947	(92)	1,855
Profit for the period (restated*)	11	-	(65)	(65)	4	(61)
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period (restated*)		-	-	(65)	4	(61)
Dividends Paid	22	-	(175)	(175)	(12)	(187)
Issue of Shares		2,000	-	2,000	-	2,000
Capital Raising Costs		(250)	-	(250)	-	(250)
Transactions with Owners		1,750	(175)	1,575	(12)	1,563
<b>Balance as at 31 March 2023 (restated*)</b>		<b>3,245</b>	<b>212</b>	<b>3,457</b>	<b>(100)</b>	<b>3,357</b>

\* See note 11 for details regarding the restatements

*The accompanying notes form part of and are to be read in conjunction with the Consolidated Financial Statements.*

**FINANCE DIRECT LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2024**

	Note	31-Mar 2024 \$'000	31-Mar 2023 Restated* \$'000	01-Apr 2022 Restated* \$'000
<b>Assets</b>				
Cash and cash equivalents	12	1,570	930	1,013
Loans and advances to customers	13	11,451	16,945	12,043
Trade and other receivables	14	78	109	193
Property, plant and equipment	15	161	293	321
Intangible assets	16	6	334	364
Income tax receivable		221	113	83
Other assets	18	204	283	205
Deferred tax asset	17	386	354	296
<b>Total assets</b>		<b>14,077</b>	<b>19,361</b>	<b>14,518</b>
<b>Liabilities</b>				
Trade and other payables	19	409	477	475
Loans and borrowings	20	10,457	14,508	11,416
Other liabilities	21	173	281	104
Provision for overcharged loan fees	32	724	738	668
<b>Total liabilities</b>		<b>11,763</b>	<b>16,004</b>	<b>12,663</b>
<b>Net assets</b>		<b>2,314</b>	<b>3,357</b>	<b>1,855</b>
<b>Equity</b>				
Equity attributable to owners of the parent:				
Share capital	22	3,245	3,245	1,495
Retained earnings		(731)	212	355
		<b>2,514</b>	<b>3,360</b>	<b>1,850</b>
Non-controlling interest		(200)	(100)	5
<b>Total equity</b>		<b>2,314</b>	<b>3,357</b>	<b>1,855</b>

For and on behalf of the Board of Directors who approved these consolidated financial statements for issue on 27 June 2024.

\* See note 11 for details regarding the restatements

*Josh de Jong*

.....  
 Josh De Jong  
 Chairman



.....  
 Wayne Croad  
 Managing Director

*The accompanying notes form part of and are to be read in conjunction with the Consolidated Financial Statements.*

**FINANCE DIRECT LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2024**

		<b>31-Mar 2024</b>	<b>31-Mar 2023</b>
		<b>\$'000</b>	<b>\$'000</b>
	<b>Note</b>		
<b>Cash Flows from Operating Activities</b>			
Interest received		2,223	2,108
Interest paid		(948)	(854)
Fee and commission revenue received		1,632	2,433
Fee and commission expenses paid		(863)	(978)
Other revenue received		139	74
Payments to suppliers and employees		(2,384)	(2,287)
Taxation paid		(109)	(54)
Net decrease / (increase) in loans and advances to customers	1(q)	5,431	(4,936)
<b>Net Cash Flows from / (used in) Operating Activities</b>		<u>5,121</u>	<u>(4,494)</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment		(20)	(37)
Proceeds from sale of property, plant and equipment		18	-
Purchase of intangible assets		(172)	(208)
<b>Net Cash Flows used in Investing Activities</b>		<u>(174)</u>	<u>(245)</u>
<b>Cash Flows from Financing Activities</b>			
Net (decrease) / increase in secured debenture stock	1(q)	(4,051)	3,092
Share capital issued during the year		-	1,751
Dividend paid		(256)	(187)
<b>Net Cash Flows (used in) / from Financing Activities</b>		<u>(4,307)</u>	<u>4,656</u>
<b>Net increase / (decrease) in cash held</b>		640	(83)
<b>Cash balance at start of the year</b>		930	1,013
<b>Cash balance at end of the year</b>		<u>1,570</u>	<u>930</u>
<b>Made up as follows:</b>			
Cash and cash equivalents	12	<u>1,570</u>	<u>930</u>
Cash flows of discontinued operations	9		

*The accompanying notes form part of and are to be read in conjunction with the Consolidated Financial Statements.*

**FINANCE DIRECT LIMITED**  
**RECONCILIATION OF NET PROFIT**  
**WITH CASH FLOWS FROM OPERATING ACTIVITIES**  
**FOR THE YEAR ENDED 31 MARCH 2024**

		<b>31-Mar 2024</b>	<b>31-Mar 2023</b>
		<b>\$'000</b>	<b>\$'000</b>
	<b>Note</b>		
Loss for the Year from Continuing Operations		(478)	(73)
(Loss) / Profit for the Year from Discontinued Operations		(308)	12
<b>Total Loss for the Year</b>		<u>(786)</u>	<u>(61)</u>
<b>Add:</b>			
Depreciation of property, plant and equipment		56	64
Impairment of property, plant and equipment		10	-
Amortisation of intangible assets		220	238
Impairment of intangible assets		280	-
Loss on disposal of fixed assets		66	-
Increase in Expected Credit Loss		62	34
Bad debts written off		-	-
<b>Deduct:</b>			
Decrease / (increase) in loans and advances to customers	1(q)	5,432	(4,936)
Decrease in accounts receivable and other assets		109	6
(Decrease) / increase in accounts payable and other liabilities		(190)	249
Increase in current tax assets		(108)	(30)
Increase in deferred tax asset		(30)	(58)
<b>Net Cash Flows from / (used in) Operating Activities</b>		<u>5,121</u>	<u>(4,494)</u>

*The accompanying notes form part of and are to be read in conjunction with the Consolidated Financial Statements.*

## FINANCE DIRECT LIMITED

### NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

#### 1 MATERIAL ACCOUNTING POLICIES

##### (a) General Information

The reporting entity is Finance Direct Limited and its subsidiary (the "Group"). The Group is profit oriented and incorporated and domiciled in New Zealand. The Group is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 ("FMCA 2013").

Finance Direct Limited (the "Company" or the "Parent Company") is the Group's ultimate parent company.

##### (b) Basis of Preparation

The Group financial statements have been prepared on the basis of historical cost. Cost is initially based on the fair values of the consideration given in exchange for assets.

The Consolidated Statement of Comprehensive Income discloses the net interest revenue, net fee and commission revenue and other revenue in line with the Statement of Comprehensive Income presentation used by other financial institutions.

The Consolidated Statement of Financial Position discloses assets and liabilities in order of their liquidity in line with the Statement of Financial Position presentation used by other financial institutions. Where it is not evident from the financial statement line item, disclosure of the current/non-current split has been made in the Maturity Profile of Financial Assets and Financial Liabilities (see Note 23) or the relevant note.

The Group financial statements are presented in New Zealand dollars (\$), which is the functional currency of the Group. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars (\$'000).

##### (c) Statement of Compliance

The financial statements for the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They have also been prepared under the assumption that the Group operates on a going concern basis. They comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial standards and interpretations issued by the New Zealand Accounting Standards Board, as appropriate for profit-oriented entities that fall into the Tier 1 for-profit category as determined by the External Reporting Board in its Accounting Standards Framework because it has public accountability. The consolidated financial statements also comply with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

##### (d) Changes in Accounting Policies and Disclosures

###### (i) *New and revised standards that are effective for these financial statements*

A number of revised standards are effective for annual periods beginning on or after 1 April 2023, but none of them have a direct impact on the 31 March 2024 consolidated financial statements.

###### (ii) *Accounting Policies*

The accounting policies below have been consistently applied in the preparation of the 31 March 2024 Group financial statements.

## FINANCE DIRECT LIMITED

### NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

#### 1 MATERIAL ACCOUNTING POLICIES (continued)

##### (e) Segment Reporting

The Group operates in one industry as a Financial Institution and provider of financial services. Due to the size and nature of the Group's activities, business operations are not organised into separate operating segments. Management monitors the operating results of the business on an entity wide basis for the purpose of making decisions about resource allocation and performance assessment. All business activities are carried out within New Zealand so there is no geographic segment reporting to management. Concentration of credit exposure information has been disclosed in Note 22 to comply with NZ IFRS 7 *Financial Instruments: Disclosures*.

The Chief Operating Decision Maker is the Group's Managing Director.

##### (f) Basis of Consolidation

The Group financial statements include the Parent Company and its subsidiary as of 31 March 2024. The Parent Company controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiary company has an annual statutory reporting date of 31 March.

All transactions and balances between Group companies are eliminated on consolidation. Amounts reported in the financial statements of the subsidiary company have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period, if any, are recognised from the effective date of acquisition or up to the effective date of disposal, as applicable.

Non-controlling interests presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the Parent Company and the non-controlling interests based on their respective ownership interests.

##### (g) Revenue

###### Recognition of revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

To determine whether we recognise revenue, the Group follows a 5 step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

The following specific recognition criteria must also be met before revenue is recognised:

###### Interest

For all financial instruments measured at amortised cost, interest is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense within profit or loss within the Consolidated Statement of Comprehensive Income. The Group recognises interest revenue on an accruals basis using the effective interest rate method.

## FINANCE DIRECT LIMITED

### NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

#### 1 MATERIAL ACCOUNTING POLICIES (continued)

##### (g) Revenue (continued)

###### **Fee and commission revenue**

The Group earns fee revenue from a range of services it provides to customers. Fee revenue can be divided into the following categories:

###### *Lending and credit related fees*

Fees and direct costs relating to loan origination, financing or restructuring and to loan commitments are deferred and amortised to profit or loss in the Consolidated Statement of Comprehensive Income.

Lending and credit related fees are amortised over the loan churn period, to be consistent with the treatment of amortising brokerage fees from insurance, as described below.

###### *Commissions and other fees*

When commissions or fees relate to specific transactions or events, they are recognised in profit or loss in the Consolidated Statement of Comprehensive Income when the service is provided to the customer. When they are charged for services provided over a period, they are recognised in profit or loss in the Consolidated Statement of Comprehensive Income on an accruals basis as the service is provided.

Fee revenue and commissions are amortised over the loan churn period.

###### *Payment protection insurance*

The Group acts as an agent for payment protection insurance. Given its agency relationship, revenue from payment protection insurance is presented on a net basis rather than on a gross basis.

Insurance revenue and expense on loans is amortised over time, which is determined to be the historical loan churn period instead of term of loan.

###### *Repayment waiver*

The Parent company introduced Repayment Waiver as payment protection insurance in November 2019. Borrowers have the option of including the cost of repayment waiver as part of their loan. If a borrower chooses to include payment protection cover, the Company will remit instalments on their loan for up to 6 months if they get injured or sick. The Parent Company has determined that Repayment Waiver is a self-insurance arrangement in accordance with NZ IFRS 17 Appendix B "Definitions of an insurance contract" B19(c) and therefore NZ IFRS 17 "Insurance Contracts" does not apply. Repayment Waiver income is recognized over time, which is the average life of the loans.

The Group has not entered into any other material contracts with customers.

## FINANCE DIRECT LIMITED

### NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

#### 1 MATERIAL ACCOUNTING POLICIES (continued)

##### (h) Financial Instruments

Financial instruments are classified in one of the following categories at initial recognition: Financial Assets at Fair Value through Profit or Loss, Financial Assets at Fair Value through Other Comprehensive Income or Financial Assets at amortised cost. All Financial Liabilities measured at amortised cost. Furthermore, financial instruments are split between derivative and non-derivative financial instruments, where applicable.

Financial instruments are transacted on a commercial basis to derive an interest yield/cost with terms and conditions having due regard to the nature of the transaction and the risks involved.

To determine the classification of a financial asset's subsequent measurement basis a Business Model Test and a Cash Flow Characteristics Test was performed. Amortised cost was applied where the loan or receivable is held to collect cash flows of principal and interest and not with the intention of selling instruments. Amortised cost is consistent with existing classification applied by the Group to loans and receivables at cost less impairment allowances.

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as most loans and advances recognised by the Group have been recognised at amortised cost.

The carrying value of any financial assets at initial recognition includes any directly attributable transaction costs.

At each reporting date, the Group did not hold any of the following types of financial instruments: Financial assets measured at Fair Value through Profit or Loss, Financial assets measured at Fair Value through Other Comprehensive Income and none of its financial liabilities were accounted for at Fair Value through Profit or Loss.

##### **Financial Assets at Amortised Cost**

These assets are recorded upon initial recognition at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment. This category of Financial Assets includes:

##### *Cash and cash equivalents*

These include cash at bank on call and short-term deposits. Refer 1(r).

##### *Loans and advances to customers*

These are recorded at amortised cost using the effective interest rate method, less allowance for credit losses and impairment.

##### *Trade and other receivables*

These include accounts receivable, accrued interest on loans and advances to customers and other sundry debtors, less any applicable impairment.



## FINANCE DIRECT LIMITED

### NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

#### 1 MATERIAL ACCOUNTING POLICIES (continued)

##### (h) Financial Instruments (continued)

###### Financial Liabilities Measured at Amortised Cost

This category includes all financial liabilities other than those at Fair Value through Profit or Loss. Liabilities in this category are measured at amortised cost using the effective interest rate method and include:

###### *Loans and borrowings*

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing plus transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

###### *Other liabilities*

These are recorded at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments. These amounts are unsecured.

##### (i) Share Capital

Ordinary Shares and Perpetual Preference Shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of tax, from the proceeds.

##### (j) Property, Plant and Equipment

###### Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

###### Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss in the Consolidated Statement of Comprehensive Income as incurred.

###### Depreciation

Depreciation is provided on motor vehicles and office furniture and equipment. Depreciation is recognised in profit or loss in the Consolidated Statement of Comprehensive Income to write off the cost of an item of property, plant and equipment, less any residual value, over its expected useful life, at the following rates for each reporting period presented:

Office Furniture and Equipment	11.4% - 50% Diminishing Value
Motor Vehicles	21% - 30% Diminishing Value
Leasehold Improvements	11.1% - 20% Diminishing Value

The useful lives and residual values are reviewed annually and the depreciation method selected best reflects the decline in service potential of each class of asset according to management.

## FINANCE DIRECT LIMITED

### NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

#### 1 MATERIAL ACCOUNTING POLICIES (continued)

##### (k) Leases

###### Right-of-use Assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

###### Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group used the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

###### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US\$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the remaining lease term.

The Group does not have any right-of-use assets or lease liabilities to recognise in its financial statements.

## FINANCE DIRECT LIMITED

### NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

#### 1 MATERIAL ACCOUNTING POLICIES (continued)

##### (l) Asset Quality

Loan quality is measured in terms of past due status and impairment status. When the quality of loan is classified as Past Due or Impaired, it is the entire balance of that loan classified as such.

##### Past Due Assets

An asset is Past Due when a counterparty has failed to make a payment when contractually due.

##### Impaired Assets

Impaired assets include restructured assets, assets acquired through the enforcement of security and other impaired assets.

“Restructured asset” means an impaired asset for which:

- a) the original terms have been changed to grant the counterparty a concession that would not otherwise have been available, due to the counterparty’s difficulties in complying with the original terms; and
- b) the revised terms of the facility are not comparable with the terms of new facilities with comparable risks; and
- c) the yield on the asset following restructuring is equal to, or greater than, the Group’s average cost of funds, or that a loss is not otherwise expected to be incurred.

##### (m) Impairment of Loans and Advances

Expected credit losses (“ECL”) are recognised for loans and advances and other financial assets held at amortised cost. At initial recognition, allowance is required for ECL resulting from default events that are possible within with next 12 months, or less where the remaining life is less than 12 months (“12-month ECL”). In the event of a significant increase in credit risk, an allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument (“lifetime ECL”). Financial assets that have not deteriorated significantly in credit quality since initial inception or that of low credit risk, where 12-month ECL is recognised are considered to be “Stage 1”. Financial assets which are considered to have experienced a significant increase in credit risk are in “Stage 2” and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit-impaired are in “Stage-3”.

##### *Stage 1 – Unimpaired and without significant increase in credit risk*

ECL resulting from default events that are possible within the next 12 months are recognised for financial instruments that remain in Stage 1.

##### *Stage 2 – Significant increase in credit risk*

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment compares the risk of default occurring at the reporting date to that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when past due.

Interest revenue derived from loans with lifetime expected credit loss is expected to have minimal impact as the Group has the policy of ceasing interest charge on loans which are considered to be high risk of lifetime expected credit loss.

## FINANCE DIRECT LIMITED

### NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

#### 1 MATERIAL ACCOUNTING POLICIES (continued)

##### (m) Impairment of Loans and Advances(continued)

###### *Stage 3 – Credit-impaired*

The Group determines that a financial instrument is credit-impaired and in Stage 3 by considering relevant objective evidence such as:

- Contractual payments of either principal or interest are past due for more than 90 days;
- Other indications that the borrower is unlikely to pay, for example a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- The loan is otherwise considered to be in default.

If an unlikelihood to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due. Interest revenue is recognised by applying the effective interest rate to the amortised cost, i.e., gross carrying amount less ECL allowance.

###### *Write-off*

Financial assets and the related impairment allowances are normally written off in full when there is no realistic prospect of recovery. Where loans are secured, this is generally after the receipt of any proceeds from the realisation of security.

##### **Movement between stages**

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of Stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition. Financial instruments are transferred out of Stage 3 when they no longer exhibit any evidence of credit impairment and there is sufficient evidence to demonstrate significant reduction in the risk of non-payment of future cash flows, observed over a minimum one-year period and there are no other indicators of impairment. For loans that are assessed for impairment on individual basis, all available evidence is assessed on a case-by-case basis. Aging of past due balances is a key factor in determining the stage of a loan or portfolio of loans.

##### **Impairment of Non-Financial Assets**

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss in the Consolidated Statement of Comprehensive Income.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### (n) Expense Recognition

All expenses are recognised in profit or loss in the Consolidated Statement of Comprehensive Income on an accrual basis.

## FINANCE DIRECT LIMITED

### NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

#### 1 MATERIAL ACCOUNTING POLICIES (continued)

##### (o) Employee Benefits

###### Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

###### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee expense in profit or loss in the Consolidated Statement of Comprehensive Income when they are due.

##### (p) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Consolidated Statement of Comprehensive Income 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 period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

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.

In principle deferred tax liabilities are recognised from taxable temporary timing differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and unused tax losses and tax credits 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.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

##### (q) Cash Flows

The Consolidated Statement of Cash Flows has been prepared using the direct approach. The following are the definitions used in the Consolidated Statement of Cash Flows:

Operating activities are the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

## FINANCE DIRECT LIMITED

### NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

#### 1 MATERIAL ACCOUNTING POLICIES (continued)

##### (q) Cash Flows (continued)

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Group.

In accordance with NZ IAS 7 *Statement of Cash Flows*, cash receipts and payments shown under the following headings in the Statement of Cash Flows have been disclosed on a net basis:

- (a) Net decrease/(increase) in loans and advances to customers;
- (b) Net (decrease)/increase in secured debenture stock.

The Group manages its ongoing day to day lending, cash flow and funding requirements on a net basis and believes that the disclosure of cash receipts and payments on a net basis for the above items provides users of the financial statements with a better understanding on how the Group has managed its cash flows during each reporting period.

##### (r) Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

##### (s) Intangible Assets

Intangible assets comprise acquired computer software and websites.

Costs associated with developing or maintaining computer software and website are recognised as an expense as incurred. However, some costs directly attributable to creating, producing and preparing identifiable and unique products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. These assets are amortised using the diminishing value method over their useful lives at a rate of 50% because that amortisation method best reflects the decline in service potential according to management.

Computer software and websites are subject to the same impairment review process as property, plant and equipment. Any impairment loss is recognised under operating expenses in the Consolidated Statement of Comprehensive Income.

#### 2 CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES

The Group prepares its consolidated financial statements in accordance with NZ IFRS, the application of which often requires judgements to be made by management when formulating the Group's financial position and results. Under NZ IFRS, the Directors are required to adopt those accounting policies most appropriate to the Group's circumstances for the purpose of presenting fairly the Group's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Group should it later be determined that a different choice would be more appropriate.

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provides an explanation of each below.

The discussion below should also be read in conjunction with the Group's disclosure of material NZ IFRS accounting policies, which is provided in Note 1 to the consolidated financial statements, "Material Accounting Policies".

## FINANCE DIRECT LIMITED

### NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

#### 2 CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES (continued)

##### Impairment losses on loans and advances

Within NZ IFRS 9, in determining Estimated Credit Losses, management is required to exercise judgement in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Judgement has been applied in determining the lifetime and point of initial recognition of revolving facilities.

Management regularly reviews and adjusts the methodology and assumptions for impairment testing as improved analysis becomes available, to minimise any differences between loss estimates and actual loss experience. Further disclosures are found in Note 11, Note 22, and Note 24.

##### Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition, therefore, involves judgement regarding the future financial performance of the Group.

Management believes that sufficient and suitable taxable profits will be made available by the Group in the future and has accordingly accounted for a deferred tax asset of \$386,000 (31 March 2023: \$354,000).

##### Consolidation of Lending Crowd Trustee Limited

Lending Crowd Limited, a subsidiary of Finance Direct Limited wholly owns a company Lending Crowd Trustee Limited. Lending Crowd Trustee Limited is a corporate trustee company and holds cash on behalf of depositors solely in a fiduciary capacity. Management has applied judgement in determining whether the Group controls LCTL. The determination whether the Group exercises power and has rights over returns of LCTL, as defined by NZ IFRS 10 *Consolidated Financial Statements* involves judgement and is not usually straightforward and involves various factors. Management, in its assessment, considered the terms of the standard Investor Agreement for LCTL defining any investor's rights and the arrangement undertaken by LCTL for and on behalf of the investors, as well as LCTL's constitution defining the relationship between LCTL and the Group. By virtue of the underlying agreements, the conclusion is that the control criteria are not met, even though LCL wholly owns LCTL, and therefore LCTL is not reported as part of the Group. LCL is also not considered to have significant influence due to the limitations imposed by the agreements.

LCTL qualifies as a "structured entity" which is defined by NZ IFRS 12 as "An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements." While LCL wholly owns the share of LCTL and there are common directors within the Group, its activities are mainly directed by the contractual agreements it has with investors and the Trustees. Its activities are limited to holding and facilitating the exchange of funds coming in from the investors and disbursing the same to the borrowers.

At 31 March 2024 \$820,580 (31 March 2023: \$1,862,997) was held on trust and the Directors hold the view that these amounts and the company should not be consolidated into this reporting group because Lending Crowd Limited does not control Lending Crowd Trustee Limited nor these funds and any balance on LCTL's financial statements related to the investments received and loans advanced to borrowers.

##### Discontinued operations

The Company has impaired the software held by Lending Crowd Limited. The software services a very small niche market and it is not practical to estimate the value of the software.

**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

**2 CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES  
(continued)**

**Provision for overcharged loan fees**

Refer to note 32 for an estimate by management of a liability that has arisen due to overcharges on past loan origination fees. Management will continue to investigate this error which may result in further liabilities being realised in future reporting periods. Refer note 11 for impact of the restatement that has arisen due to this error.

**3 NET INTEREST REVENUE**

	<b>31-Mar 2024</b>	<b>31-Mar 2023</b>
	<b>\$'000</b>	<b>Restated* \$'000</b>
<b>Interest revenue</b>		
Loans and advances	2,187	2,097
Impaired loans and advances	14	5
Cash and short term investments	17	6
<b>Total interest revenue</b>	2,218	2,108
<b>Interest expense</b>		
Secured debenture stock	(931)	(840)
Other	(17)	(14)
<b>Total interest expense</b>	(948)	(854)
<b>Net interest revenue</b>	1,270	1,254

Interest from impaired loans and advances include interest revenue from restructured assets of Nil (31 March 2023: Nil). Refer note 24(d).

**4 NET FEE AND COMMISSION REVENUE**

	<b>31-Mar 2024</b>	<b>31-Mar 2023</b>
	<b>\$'000</b>	<b>Restated* \$'000</b>
<b>Fee and commission revenue</b>		
Lending and credit related fee revenue	1,083	1,095
Brokerage revenue	(388)	(292)
Payment protection insurance commission	18	-
Repayment waiver revenue	271	348
<b>Total fee and commission revenue</b>	984	1,151
<b>Fee and commission expense</b>		
Brokerage and documentation fees	(509)	(403)
Repayment waiver expenses	(296)	(339)
<b>Total fee and commission revenue</b>	(805)	(742)
<b>Net fee and commission revenue</b>	179	409



**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

**5 OTHER REVENUE**

	<b>31-Mar 2024</b>	<b>31-Mar 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Other sundry revenue	22	30
	22	30

**6 NET IMPAIRMENT LOSSES**

		<b>31-Mar 2024</b>	<b>31-Mar 2023</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
Movement in expected credit loss –Stage 1	11	(19)	(51)
Movement in expected credit loss –Stage 2	11	1	13
Movement in expected credit loss –Stage 3	11	(44)	4
Bad debts written off		-	-
		(62)	(34)

**7 OPERATING EXPENSES AND STAFF COSTS**

		<b>31-Mar 2024</b>	<b>31-Mar 2023</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
Net profit before income tax includes the following expenses:			
Executive Director's remuneration		113	38
Non-Executive Directors' fees		150	175
Auditor's remuneration	8	147	127
Depreciation of property, plant and equipment	13	49	55
Amortisation of intangible assets	14	215	228
Leasing and rental costs		82	79
Personnel costs		470	447
Marketing and selling costs		19	134
Legal, accounting, trustee and other corporate costs		201	177
Insurance costs		108	91
Impairment of assets		290	-
Administrative expenses		215	219
		2,059	1,770
Key management compensation included in the above:			
Short-term employee benefits		206	147

No post-employment benefits, other long-term benefits, termination benefits or share-based payments have been made to key management personnel during the reporting period 31 March 2024 (31 March 2023: Nil).

**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

**8 AUDITOR'S REMUNERATION**

	<b>31-Mar 2024</b>	<b>31-Mar 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Amounts paid/payable to the auditor for:		
Audit of the consolidated financial statements	145	118
Assurance services	2	9
Total auditor's remuneration	147	127

**9 DISCONTINUED OPERATIONS**

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

On 3 November 2023, Lending Crowd Limited (a subsidiary of Finance Direct Limited) announced its decision to close the peer-to-peer lending platform and not accept any new loans from 15 November 2023 onwards. The platform represented all of Lending Crowd Limited's revenue. The Company will continue as a non-trading Company and will retain its licence.

	<b>31-Mar 2024</b>	<b>31-Mar 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	870	987
Expenses	(1,038)	(971)
Profit before income tax	(168)	16
Income tax expense	(140)	(4)
Profit after income tax of discontinued operations	(308)	12
Net cash inflow from operating activities	(154)	230
Net cash inflow from investing activities	-	-
Net cash inflow from financing activities	(10)	(41)
Net increase in cash	(164)	189

**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

**10 INCOME TAX EXPENSE**

	<b>Note</b>	<b>31-Mar 2024</b>	<b>31-Mar 2023</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Income tax</b>			
Current period – continuing operations		172	39
Current period – discontinued operations		(140)	(5)
		32	34
<b>Deferred tax</b>			
Origination and reversal of temporary differences		(32)	(58)
<b>Income tax expense reported in the Statement of Comprehensive Income (Attributable to profit from continuing operations)</b>			
		(172)	(39)
<b>Income tax expense reported in the Statement of Comprehensive Income (Attributable to profit from discontinued operations)</b>			
		(140)	(5)
<b>Numerical reconciliation of income tax expense to prima facie tax payable:</b>			
Net profit before income tax expense		(818)	(95)
Tax at the New Zealand tax rate of 28%		(32)	(27)
Prior period adjustment		(7)	(16)
Non-deductible expenses		7	9
		(32)	(34)

**Imputation Credit Account**

Imputation credits of \$82,000 (31 March 2023: \$258,000) are available for use in subsequent reporting periods.

The Group has losses to carry forward of \$825,000 (31 March 2023: \$82,000).

**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
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**11 CORRECTION OF MATERIAL ERROR IN LOAN FEES**

During 2023, the Company discovered an error relating to historically overcharged loan fees. The error resulted in a material overstatement of loan fees. The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

	<b>31 March 2023 \$'000</b>	<b>Increase /(Decrease) \$'000</b>	<b>31 March 2023 (Restated) \$'000</b>	<b>31 March 2022 \$'000</b>	<b>Increase /(Decrease) \$'000</b>	<b>1 April 2022 \$'000</b>
Provision for overcharged loan fees	-	(738)	(738)	-	(668)	(668)
Deferred tax asset	145	209	354	109	187	296
<b>Net Assets</b>	<b>3,886</b>	<b>(529)</b>	<b>3,357</b>	<b>2,336</b>	<b>(481)</b>	<b>1,855</b>
Retained Earnings and NCI	641	(529)	112	841	(481)	360
<b>Total Equity</b>	<b>3,886</b>	<b>(529)</b>	<b>3,357</b>	<b>2,336</b>	<b>(481)</b>	<b>1,855</b>

**Statement of Comprehensive Income (Extract)**

	<b>2023 \$'000</b>	<b>Increase/(Decrease) \$'000</b>	<b>2023 (Restated) \$'000</b>
Fees and commission revenue	1,159	(8)	1,151
<b>Profit before income tax</b>	<b>(104)</b>	<b>(8)</b>	<b>(112)</b>
Income tax benefit	34	5	39
Profit from discontinued operations	57	(45)	12
Profit for the period	(13)	(48)	(61)

**Profit for the period attributable to:**

Non-controlling interest	18	(14)	4
Owners of the parent	(31)	(34)	(65)
	(13)	(48)	(61)

**Total comprehensive income attributable to:**

Non-controlling interest	18	(14)	4
Owners of the parent	(31)	(34)	(65)
	(13)	(48)	(61)

While the overcharged amount is not a material impact in any individual financial period, due to the error dating back several years, the accumulative liability at reporting date is material and has resulted in a restatement.

Refer note 32 for further explanation of the reporting date provision for overcharged loan fees.

**12 CASH AND CASH EQUIVALENTS**

	<b>31-Mar 2024 \$'000</b>	<b>31- Mar 2023 \$'000</b>
Cash and cash equivalents include the following components:		
Cash at bank and in hand	1,570	930
	1,570	930

**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

**13 LOANS AND ADVANCES TO CUSTOMERS**

	<b>31-Mar 2024 \$'000</b>	<b>31-Mar 2023 \$'000</b>
Loans and advances to customers	11,879	17,311
Less: Expected Credit Loss Allowance	(428)	(366)
<b>Net loans and advances to customers</b>	<b>11,451</b>	<b>16,945</b>
 Gross amount of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance	 404	 353

**Expected Credit Loss Allowance**

	<b>31 March 2024</b>			<b>Total \$'000</b>
	<b>Stage 1 \$'000</b>	<b>Stage 2 \$'000</b>	<b>Stage 3 \$'000</b>	
As at 1 April 2023	67	14	285	366
Transfer of financial instruments:				
Transfer from Stage 0 to 2	-	13	-	13
Transfer from Stage 1 to 2	-	-	-	-
Transfer to Stage 3	-	(14)	14	-
Net further lending / repayment	19	-	30	49
Total Expected Credit Loss as at 31 March 2024	86	13	329	428

	<b>31 March 2023</b>			<b>Total \$'000</b>
	<b>Stage 1 \$'000</b>	<b>Stage 2 \$'000</b>	<b>Stage 3 \$'000</b>	
As at 1 April 2022	34	14	284	332
Transfer of financial instruments:				
Transfer from Stage 0 to 1	-	14	-	14
Transfer from Stage 1 to 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net further lending / repayment	33	(14)	1	20
Total Expected Credit Loss as at 31 March 2023	67	14	285	366

Lifetime expected credit loss allowance includes allowance for restructured assets of Nil (31 March 2023: Nil). No restructured assets were written off during the period (31 March 2023: Nil).

The maturity profile of loans and advances to customers is shown in Note 23.

**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

**13 LOANS AND ADVANCES TO CUSTOMERS (continued)**

**Types of Securities**

	<b>31-Mar 2024</b>	<b>31-Mar 2024</b>	<b>31-Mar 2023</b>	<b>31-Mar 2023</b>
	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>	<b>%</b>
<b>Commercial</b>				
Unsecured	21	0.18	12	0.07
<b>Residential Mortgages</b>				
1 <sup>st</sup> Mortgage	1,191	10.40	2,961	17.47
<b>Consumer Loans</b>				
Motor Vehicle/Boat	4,850	42.35	5,711	33.70
Other Assets	968	8.45	1,073	6.33
Unsecured	403	3.52	471	2.78
<b>All Other Loans</b>				
Motor Vehicle/Boat	4,018	35.10	6,717	39.65
<b>Total</b>	11,451	100.00	16,945	100.00

**14 TRADE AND OTHER RECEIVABLES**

	<b>31-Mar 2024</b>	<b>31-Mar 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Sundry Debtors	23	47
Accrued Income	-	-
Prepayments	55	62
	78	109

**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

**15 PROPERTY, PLANT AND EQUIPMENT**

	<b>Motor Vehicle \$'000</b>	<b>Office Furniture &amp; Equipment \$'000</b>	<b>Leasehold Improvements \$'000</b>	<b>Total \$'000</b>
<b>Cost</b>				
Balance at 1 April 2023	172	366	113	651
Additions	0	19	0	19
Disposals	(20)	(93)	(73)	(186)
Balance at 31 March 2024	<b>152</b>	<b>292</b>	<b>40</b>	<b>484</b>
<b>Depreciation and impairment losses</b>				
Balance at 1 April 2023	105	224	29	358
Depreciation charge for the reporting period	18	29	9	56
Impairment	10	0	0	10
Disposals	(17)	(65)	(19)	(101)
Balance at 31 March 2024	<b>116</b>	<b>188</b>	<b>19</b>	<b>323</b>
<b>Carrying Amount At 31 March 2024</b>	<b>36</b>	<b>104</b>	<b>21</b>	<b>161</b>
<b>Cost</b>				
Balance at 1 April 2022	172	333	109	614
Additions	-	33	4	37
Disposals	-	-	-	-
Balance at 31 March 2023	<b>172</b>	<b>366</b>	<b>113</b>	<b>651</b>
<b>Depreciation and impairment losses</b>				
Balance at 1 April 2022	79	196	19	294
Depreciation charge for the reporting period	26	28	10	64
Disposals	-	-	-	-
Balance at 31 March 2023	105	224	29	358
<b>Carrying Amount At 31 March 2023</b>	<b>67</b>	<b>142</b>	<b>84</b>	<b>293</b>

A motor vehicle with an opening carrying amount of \$23,734 was partially impaired throughout the year. An impairment loss of \$10,000 was recorded.

**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

**16 INTANGIBLE ASSETS**

	<b>Software \$'000</b>	<b>Website \$'000</b>	<b>Total \$'000</b>
<b>Cost</b>			
Balance at 1 April 2023	1,638	261	1,899
Additions	171	0	171
Disposals	0	0	0
Balance at 31 March 2024	<b>1,809</b>	<b>261</b>	<b>2,070</b>
<b>Amortisation and impairment losses</b>			
Balance at 1 April 2023	1,306	259	1,565
Amortisation charge for the reporting period	219	1	220
Impairment	278	1	279
Balance at 31 March 2024	<b>1,803</b>	<b>261</b>	<b>2,064</b>
<b>Carrying Amount At 31 March 2024</b>	<b>6</b>	<b>-</b>	<b>6</b>
<b>Cost</b>			
Balance at 1 April 2022	1,430	261	1,691
Additions	208	-	208
Disposals	-	-	-
Balance at 31 March 2023	<b>1,638</b>	<b>261</b>	<b>1,899</b>
<b>Amortisation and impairment losses</b>			
Balance at 1 April 2022	1,069	258	1,327
Amortisation charge for the reporting period	237	1	238
Disposals	-	-	-
Balance at 31 March 2023	<b>1,306</b>	<b>259</b>	<b>1,565</b>
<b>Carrying Amount At 31 March 2023</b>	<b>332</b>	<b>2</b>	<b>334</b>

Some of the intangible assets of Lending Crowd Limited were impaired, due to the closure of their platform. Impairment losses of \$279,000 have been recorded.



**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

**17 DEFERRED TAX ASSET**

	Note	31-Mar 2024 \$'000	31-Mar 2023 \$'000
<b>The balance comprises temporary differences attributable to:</b>			
Expected Credit Losses	11	120	103
Holiday pay accrual		5	10
Income tax losses carried forward		230	32
Provision for overcharged fees		204	209
Provision for restructuring		14	-
LCL write-off adjustment		(187)	-
<b>Net deferred tax asset</b>		<b>386</b>	<b>354</b>
<b>Movements</b>			
Opening balance		354	296
Expected Credit Losses		17	10
Holiday pay accrual		(5)	3
Income tax losses carried forward		195	23
Provision for overcharged fees		(2)	22
Provision for restructuring		14	-
LCL write-off adjustment		(187)	-
Closing balance		386	354

**18 OTHER ASSETS**

	31-Mar 2024 \$'000	31-Mar 2023 \$'000
Deferred brokerage fees	69	159
Deferred Repayment Waiver Cost	135	124
	204	283
Current	177	229
Non-Current	27	54
	204	283

**19 TRADE AND OTHER PAYABLES**

	31-Mar 2024 \$'000	31-Mar 2023 \$'000
Accounts payable	42	70
Accrued expenses	367	407
	409	477

Trade and other payables are all current.

**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

**20 LOANS AND BORROWINGS**

	<b>31-Mar 2024 \$'000</b>	<b>31-Mar 2023 \$'000</b>
Secured debenture stock	10,457	14,508

The debenture stock issued by Finance Direct Limited is secured under a Debenture Stock Trust Deed between Finance Direct Limited and Covenant Trustee Services Limited as Trustee. The Deed creates a floating charge in favour of the Trustee over all of the assets and undertakings of Finance Direct Limited. Total carrying value of assets used as security for the debenture stock at 31 March 2024 is \$13,677,000 (31 March 2023: \$18,673,000). At 31 March 2024, liabilities totalling \$108,000 (31 March 2023: \$127,000) rank in priority to secured debenture stockholders in the event that Finance Direct Limited was put into receivership.

Interest rates on Debenture Stock deposits range from 4.75% p.a. to 9.45% p.a. (31 March 2023: 3.75% p.a. to 10.50% p.a.). Refer to Note 23 for the current weighted average interest rates and the maturity profile.

The maturity profile of secured debenture stock is shown in Note 23.

**21 OTHER LIABILITIES**

	<b>31-Mar 2024 \$'000</b>	<b>31-Mar 2023 Restated* \$'000</b>
Deferred fee revenue:		
Current	153	245
Non-Current	20	36
	173	281

**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

**22 SHARE CAPITAL**

Issued and paid up capital:

	<b>31-Mar 2024</b>	<b>31-Mar 2024</b>	<b>31-Mar 2023</b>	<b>31-Mar 2023</b>
	<b>No. of Shares</b>	<b>\$'000</b>	<b>No. of Shares</b>	<b>\$'000</b>
Ordinary Shares	22,222,222	3,080	22,222,222	3,080
Perpetual Preference Shares	415,000	415	415,000	415
Number of Shares issued	22,637,222	3,495	22,637,222	3,495
Less: Share issue costs	-	(250)	-	(250)
	22,637,222	3,245	22,637,222	3,245

No shares were issued during the year ended 31 March 2024. During the year ended 31 March 2023, the existing ordinary shares were split at the ratio of 1 to 25 shares. A further 2,222,222 shares were issued to a new shareholder.

All Ordinary Shares are issued and fully paid, have no par value and have an equal right to vote, to dividends and to any surplus on winding up.

No Perpetual Preference Shares were issued during the year ended 31 March 2024 (31 March 2023: Nil). Perpetual Preference Shares are not redeemable.

Perpetual Preference Shares have no voting rights. In liquidation of the Parent Company, the Perpetual Preference Shares rank ahead of the Ordinary Shares for a return of the Issue Price. The holders of Perpetual Preference Shares rank equally with each other upon a liquidation of the Company.

Perpetual Preference Shares carry the right to a dividend, payable quarterly at a rate determined by the directors of the Parent Company. Dividends on Perpetual Preference Shares will not be paid if the financial condition of the Group would not support the payment of dividend or if the Board of Directors is not satisfied that the Parent Company can satisfy solvency test immediately after the payment of dividend. In the event that the dividends were not paid due to the financial condition of the Group, the Parent Company has no liability to pay the dividend.

	<b>31-Mar 2024</b>	<b>31-Mar 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Dividends paid during the period	254	175

## FINANCE DIRECT LIMITED

### NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

#### 23 FINANCIAL INSTRUMENTS

##### **Fair value of financial assets and financial liabilities not carried at fair value**

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the consolidated financial statements.

##### ***Loans and advances to customers***

Each loan has particular circumstances, which determine its fair value. Fair value for loans and advances is estimated using discounted cash flow models. Discount rates applied in this calculation are based on current interest rates for advances with similar credit and maturity profiles.

##### ***Loans and borrowings***

Fair value is calculated based on the present value of contractual principal and interest cash flows, discounted at market rates of interest at the reporting date.

##### ***Cash and cash equivalents, trade and other receivables and trade and other payables***

Due to the relatively short term nature of these financial arrangements, the carrying amounts of these items are considered to be equivalent to their fair value.

Set out below is a comparison by class of the carrying amounts and fair values of financial instruments that are not carried at fair value in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

##### **Fair value of financial assets and liabilities**

The carrying amounts of assets and liabilities at the reporting date approximate their fair values. The table below analyses financial assets and liabilities carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

As loan receivables are not traded in an active market, fair values are estimated by discounting the future contractual cash flows using the current weighted average interest rate at the reporting date applicable for loans with similar terms and conditions. They have accordingly been classified as Level 3.

Fair values for Loans and borrowings are estimated by using the discounted cash flow approach using current rates offered for similar liabilities for similar remaining maturities.

The Directors consider the carrying value of all other assets and liabilities approximate their respective fair values as they are either short-term in nature or re-price frequently and are of a high credit quality.

**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

**23 FINANCIAL INSTRUMENTS (continued)**

Valuation Techniques and Significant Unobservable Inputs

Neither loans and advances, nor the Loans and borrowings (secured debenture) are traded in an active market. Fair values for loans and advances are estimated by discounting the future contractual cash flows using the current weighted average interest rate at the reporting date applicable for loans with similar terms and conditions. Fair values for secured debenture stock are estimated by discounting the future contractual cash flows using the current weighted average interest rate at the reporting date applicable for secured debenture stock deposits with similar terms and conditions.

Both loans and advances and secured debenture stock have accordingly been classified as Level 3.

The following table shows the discounted future contractual cash flow Level 3 valuation techniques used in measuring the fair value of loans and advances and secured debenture stock.

Description	Valuation ('000s)	Valuation technique	Unobservable inputs	Sensitivity of fair value to changes in inputs. The Estimated Fair Value would increase/(decrease) if
Secured debenture stock	\$10,457 (31 March 2023: \$14,508)	Discounted contractual cashflow - Level 3	<ul style="list-style-type: none"> <li>• Weighted average interest rate 7.67% p.a. (31 March 2023: 6.67%)</li> <li>• Weighted average months to maturity 13.70 (31 March 2023: 12.75)</li> <li>• Current weighted average interest rate 7.67% p.a. (31 March 2023: 6.67%)</li> </ul>	<ul style="list-style-type: none"> <li>• Weighted average interest rate was higher/(lower)</li> <li>• Weighted average months to maturity was higher/(lower)</li> <li>• Current weighted average interest rate was (higher)/lower</li> </ul>
Loans and advances	\$11,451 (31 March 2023: \$16,945)	Discounted contractual cashflow - Level 3	<ul style="list-style-type: none"> <li>• Weighted average interest rate 15.05% (31 March 2023: 14.24%)</li> <li>• Weighted average months to maturity 30.44 (31 March 2023: 30.33)</li> <li>• Current weighted average interest rate 15.05% p.a. (31 March 2023: 14.24% p.a.)</li> </ul>	<ul style="list-style-type: none"> <li>• Weighted average interest rate was higher/(lower)</li> <li>• Weighted average months to maturity was higher/(lower)</li> <li>• Current weighted average interest rate was (higher)/lower</li> </ul>

**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

**23 FINANCIAL INSTRUMENTS (continued)**

The fair values of financial assets and financial liabilities are stated on the following table:

	<b>31-Mar 2024</b>	<b>31-Mar 2024</b>	<b>31-Mar 2023</b>	<b>31-Mar 2023</b>
	<b>Carrying Amount</b>	<b>Total Fair Value</b>	<b>Carrying Amount</b>	<b>Total Fair Value</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>				
<b><i>Amortised cost:</i></b>				
Cash and cash equivalents	1,570	1,570	930	930
Loans and advances to customers	11,451	11,349	16,945	16,904
Trade and other receivables	161	161	109	109
<b>Total Financial Assets</b>	<b>13,182</b>	<b>13,080</b>	<b>17,984</b>	<b>17,943</b>
<b>Financial Liabilities</b>				
<b><i>Amortised cost:</i></b>				
Loans and borrowings	10,457	10,628	14,508	14,466
Trade and other payables	409	418	477	478
<b>Total Financial Liabilities</b>	<b>10,866</b>	<b>11,046</b>	<b>14,985</b>	<b>14,944</b>

**Financial risk management objectives**

The Group's management monitors and manages the financial risks relating to the operations of the Group through monthly Board reporting which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

**Foreign currency risk management**

All of the Group's operations are carried out within New Zealand. As a result, the Group is not exposed to any direct foreign currency exchange risks.

**Interest rate risk management**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Loans and advances to customers are provided at fixed interest rates in order to mitigate interest rate risk, terms of which typically range for periods between two and five years. Should loans go into default, interest is charged at penalty rates set when the respective loan agreements are entered into.

Interest rates on secured debenture stock are subject to market influences, but are fixed for the duration of the investment term at the time the relevant investments are made by the investors. Loans and borrowings are at interest rates of between 5.03% and 22.95% (31 March 2023: 5.03% and 22.95%). Contractual maturity dates range between a period of 6 months and 60 months.

As a result, the Group is not exposed to material cash flow interest rate risk. If interest rates increase / decrease by 1% profit and equity will increase/decrease by \$15,700 (31 March 2023: \$5,000).

The Group is also not exposed to fair value interest rate risk as no financial instruments are carried at fair value.

## FINANCE DIRECT LIMITED

### NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

#### 23 FINANCIAL INSTRUMENTS (continued)

##### Credit risk management

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments which potentially subject the Group to credit risk principally consist of cash and cash equivalents, loans and advances to customers, and trade and other receivables.

The Group's cash balances and call deposits are placed with major trading banks with high credit ratings assigned by international credit-rating agencies. The Group performs credit evaluations on all customers requiring loans and advances. The Group requires collateral or other security to support financial instruments with credit risk.

The Group operates a lending policy with various levels of authority depending on the size and loan to value ratio of the loan, ensuring compliance with all Trust Deed covenants. The Group closely monitors the performance of its borrowers, the payment of instalments under its loans, and has adopted a formal debt management process to be followed when a loan falls into arrears.

Risk gradings categorise exposures according to the degree of risk of financial loss faced and focus management on the attendant risks. Risk grades are used to determine where impairment allowances may be required. Following the adoption of NZ IFRS 9 *Financial Instruments*, where Expected Credit Losses are recognised, the current risk grading framework consists of three grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. They are as follows:

- Stage 1 – Unimpaired and without significant increase in credit risk
- Stage 2 – Significant increase in credit risk
- Stage 3 – Credit Impaired

See note 1(m) for further details.

The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances to customers are:

- Mortgages over properties.
- General Security Agreements.
- Charges over business assets and motor vehicles.
- Personal guarantees.

Maximum exposure to credit risk is represented by the carrying value of each financial asset in the Consolidated Statement of Financial Position which is net of any impairment allowance. Concentration of credit exposures set out in Note 22 do not take into account the fair value of any collateral, in the event of counterparties failing to meet their contractual obligations.

As at 31 March 2024, the Group's loan advances are secured over 1<sup>st</sup> mortgage 10.40% (2023: 17.47%), motor vehicle/boat 77.45% (2023: 73.35%) and other assets 8.45% (2023: 6.33%). 3.70% of loans were unsecured as at 31 March 2024 (2023: 2.85%).

##### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium, and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

## FINANCE DIRECT LIMITED

### NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

#### 23 FINANCIAL INSTRUMENTS (continued)

The Group has prepared liquidity forecasts which indicate there is sufficient liquidity to meet its commitments. The forecasts are prepared on the assumption that loan repayments will continue to be received and a level of reinvestment, based on recent reinvestment rates, will continue to occur.

The Group has complied with all Trustee imposed liquidity requirements following their introduction on 1 December 2010 and continues to manage its liquidity risk by maintaining adequate cash reserves and funding facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The tables in Note 23 detail the Group's expected maturity for its financial assets and the remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the contractual maturities of the financial assets except where the Group anticipates that the cash flow will occur in a different period and the cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. In addition, an expected maturity analysis for loans and advances to customers has been provided.

#### Capital management

The Group considers share capital and retained earnings to be capital for management purposes. In implementing current capital requirements, the Board of Directors is cognisant of its responsibilities for ensuring that the Group complies with the following requirements:

- To maintain a Capital Ratio of not less than 10% of Total Exposure, as required under the Non-bank Deposit Takers Act 2013 and its regulations. The Group's Capital Ratio as at 31 March 2024 was 13.69% (31 March 2023: 16.19%) with a margin of 3.69% (31 March 2023: 6.19%).
- To ensure that Aggregate Related Party Exposures do not exceed 15% of Capital, as required under the Non-bank Deposit Takers Act 2013 and its regulations and the Debenture Stock Trust Deed dated 30 September 2004 between Finance Direct Limited and Covenant Trustee Services Limited as Trustee. The Group does not have related party exposures.
- To maintain a Capital Ratio of not less than 12% of Total Exposure, as required under the Debenture Stock Trust Deed dated 30 September 2004 between Finance Direct Limited and Covenant Trustee Services Limited as Trustee. The Group's Capital Ratio as at 31 March 2024 was 13.69% (31 March 2023: 16.19%) with a margin of 3.69% (31 March 2023: 6.19%).
- To not at any time permit Total Liabilities to exceed 88% of Total Tangible Assets, as required under the Debenture Stock Trust Deed dated 30 September 2004 between Finance Direct Limited and Covenant Trustee Services Limited as Trustee. The Group's Total Liabilities Limitation Ratio as at 31 March 2024 was 86.06% (31 March 2023: 81.75%) with a margin of 1.94% (31 March 2023: 6.25%).

The Group'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 impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group also monitors the level of dividends it is able to pay to ordinary shareholders at each reporting date.

The Group has complied with all Trustees imposed capital requirements throughout the year ended 31 March 2024 and the year ended 31 March 2023. There has been no material change in the Group's approach to capital management during each reporting period.

All Non-Bank Deposit Takers were relicensed by the Reserve Bank of New Zealand by 30 April 2016. The parent company received its Non-Bank Deposit Taker Licence on 13 February 2015.

The Group is exempt from requirements to have a credit rating under Non-bank Deposit Takers (Credit Ratings Minimum Threshold) Exemption Amendment Notice 2020. This notice expires on 28 February 2025.



**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

**24 CONCENTRATION OF CREDIT EXPOSURE**

**LOANS AND ADVANCES TO CUSTOMERS**

**Geographical Concentration of Loans and Advances**

	<b>31-Mar 2024</b>	<b>31-Mar 2024</b>	<b>31-Mar 2023</b>	<b>31-Mar 2023</b>
	<b>%</b>	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>
Auckland and Northland	56.96	6,766	65.27	11,323
Bay of Plenty	1.66	197	1.38	239
Central North Island	8.81	1,047	5.78	997
Overseas	1.29	153	0.78	135
South Island	14.07	1,671	11.44	1,958
Waikato	7.72	917	6.28	1,088
Wellington	9.49	1,128	9.07	1,571
	<u>100.00</u>	<u>11,879</u>	<u>100.00</u>	<u>17,311</u>

**Product Concentration of Loans and Advances**

	<b>31-Mar 2024</b>	<b>31-Mar 2023</b>
	<b>%</b>	<b>%</b>
Personal Loans	58.90	58.27
Business Loans	41.10	41.73
	<u>100.00</u>	<u>100.00</u>

Loans are classified as business loans when loans were raised specifically for business purposes. All other loans are treated as personal loans.

At 31 March 2024, the Group had 2,114 (31 March 2023: 2,370) open loans with an average balance of \$5,620 (31 March 2023: \$7,339) which provides a relatively low credit risk. All loans are secured by registered security interests over motor vehicles, boats, charges over business assets, General Security Agreements, personal guarantees and agreements to mortgage real estate (secured by caveats over the relevant real estate) owned by borrowers.

**Concentration of Loans and Advances to Individual Counterparties**

	<b>Number of Counterparties</b>	
	<b>31-Mar 2024</b>	<b>31-Mar 2023</b>
<b>% of Shareholder Funds</b>		
10 - 29.99%	<u>1</u>	<u>3</u>

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue during any of the period reported on.

**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

**24 CONCENTRATION OF CREDIT EXPOSURE (continued)**

**Geographical Concentration of Funding**

	<b>31-Mar 2024 %</b>	<b>31-Mar 2024 \$'000</b>	<b>31-Mar 2023 %</b>	<b>31-Mar 2023 \$'000</b>
Auckland and Northland	43.66	4,566	46.04	6,679
Bay of Plenty	5.81	608	2.43	353
Central North Island	10.79	1,128	5.41	785
Overseas	13.98	1,461	15.56	2,257
South Island	13.63	1,425	8.35	1,212
Waikato	5.48	573	18.61	2,700
Wellington	6.65	696	3.60	522
	<u>100.00</u>	<u>10,457</u>	<u>100.00</u>	<u>14,508</u>

**Expected Credit Loss**

Expected credit loss for loans and advances as at 31 March 2024 and 31 March 2023 was determined as follows:

**31 March 2024**

	<b>Current \$'000</b>	<b>Loans and Advances Past Due</b>				<b>Total \$'000</b>
		<b>1-30 Days \$'000</b>	<b>31-60 Days \$'000</b>	<b>61-90 Days \$'000</b>	<b>90+ Days \$'000</b>	
		Gross carrying amount	8,942	2,149	269	
Lifetime expected credit loss	-	-	-	-	342	342
Lifetime expected credit loss rate	-	-	-	79.91%	-	-
12-month expected credit loss	86	-	-	-	-	86
12-month credit loss rate	0.96%	-	-	-	-	-

**31 March 2023**

	<b>Current \$'000</b>	<b>Loans and Advances Past Due</b>				<b>Total \$'000</b>
		<b>1-30 Days \$'000</b>	<b>31-60 Days \$'000</b>	<b>61-90 Days \$'000</b>	<b>90+ Days \$'000</b>	
		Gross carrying amount	16,275	427	115	
Lifetime expected credit loss	-	-	-	-	298	298
Lifetime expected credit loss rate	-	-	-	-	89.76%	-
12-month expected credit loss	67	-	-	-	-	67
12-month credit loss rate	0.41%	-	-	-	-	-

**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

**25 LIQUIDITY RISK**

**(a) Residual contractual maturities of financial assets and financial liabilities**

The table below analyses the Group's financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the undiscounted contractual cash flows and differ from the net carrying amounts as reported in the Consolidated Statement of Financial Position owing to interest to be incurred in subsequent periods and do not reflect any expected loss rates. Contractual cash flows differ from the expected cash flows owing to management's estimates of the expected average life of the finance receivables based on historical experience and asset quality of the ledger. These estimates are reviewed and revised where necessary at each financial reporting date.

	Weighted Average Effective Interest Rate %	31-March 2024					Gross Nominal Inflow/ (Outflow) \$'000	Carrying Amount \$'000
		0 - 6	7 - 12	1 - 2	2 - 5	5+		
		Months \$'000	Months \$'000	Years \$'000	Years \$'000	Years \$'000		
<b>Financial Assets</b>								
<b>Non-Derivative:</b>								
Cash and cash equivalents		1,570	-	-	-	-	1,570	1,570
Loans and advances to customers	15.05	4,162	2,485	3,865	4,580	-	15,092	11,879
Trade and other receivables		78	-	-	-	-	78	78
		<u>5,810</u>	<u>2,485</u>	<u>3,865</u>	<u>4,580</u>	<u>0</u>	<u>16,740</u>	<u>13,527</u>
<b>Financial Liabilities</b>								
<b>Non-Derivative:</b>								
Trade and other payables		(410)	-	-	-	-	(410)	(410)
Provision for overcharged loan fees		(724)	-	-	-	-	(724)	(724)
Secured debenture stock	7.67	(3,822)	(3,022)	(2,537)	(1,974)	-	(11,355)	(10,457)
		<u>(4,956)</u>	<u>(3,022)</u>	<u>(2,537)</u>	<u>(1,974)</u>	<u>-</u>	<u>(12,489)</u>	<u>(11,591)</u>
<b>Total</b>		<u>854</u>	<u>(537)</u>	<u>1,328</u>	<u>2,606</u>	<u>-</u>	<u>4,251</u>	<u>1,936</u>

The expected maturity differs from the contractual maturity in respect of loans and advances for the Group as at 31 March 2024 because the expected maturity of loans and advances is reduced by allowance for impairments on loans, being management's best estimate of the expected impact to the gross contractual maturity of loans and advances.

The expected maturity of loans and advances and the adjusted contractual cash flows are as follows:

FINANCE DIRECT LIMITED

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25 LIQUIDITY RISK (continued)

		31-March 2024					Gross Nominal Inflow/ (Outflow)	
		0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000	(Outflow)	
							\$'000	
Loans and advances to customers net of expected credit loss		3,665	2,485	3,865	4,580	-	14,595	
<b>Adjusted Total</b>		<b>1,081</b>	<b>(537)</b>	<b>1,328</b>	<b>2,606</b>	<b>-</b>	<b>4,478</b>	

  

		31-March 2023					Gross Nominal Inflow/ (Outflow)	Carrying Amount
Weighted Average Effective Interest Rate %		0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000	(Outflow)	\$'000
<b>Financial Assets</b>								
<b>Non-Derivative:</b>								
Cash and cash equivalents		930	-	-	-	-	930	930
	Loans and advances to customers	14.24	7,381	3,216	4,518	6,818	-	21,933
	Trade and other receivables		109	-	-	-	109	109
			<b>8,420</b>	<b>3,216</b>	<b>4,518</b>	<b>6,818</b>	<b>-</b>	<b>22,972</b>
<b>Financial Liabilities</b>								
<b>Non-Derivative:</b>								
Trade and other payables			(477)	-	-	-	(477)	(477)
Provision for overcharged loan fees			(738)	-	-	-	(738)	(738)
	Secured debenture stock	6.67	(4,633)	(5,001)	(3,826)	(2,083)	-	(15,543)
			<b>(5,848)</b>	<b>(5,001)</b>	<b>(3,826)</b>	<b>(2,083)</b>	<b>-</b>	<b>(16,758)</b>
<b>Total</b>			<b>2,572</b>	<b>(1,785)</b>	<b>692</b>	<b>4,735</b>	<b>-</b>	<b>6,214</b>

The expected maturity differs from the contractual maturity in respect of loans and advances for the Group as at 31 March 2023 because the expected maturity of loans and advances is reduced by allowance for impairments on loans, being management's best estimate of the expected impact to the gross contractual maturity of loans and advances.

The expected maturity of loans and advances and the adjusted contractual cash flows are as follows:

**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
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**25 LIQUIDITY RISK (continued)**

	31-March 2023					Gross Nominal Inflow/ (Outflow) \$'000
	0 - 6	7 - 12	1 - 2	2 - 5	5+	
	Months \$'000	Months \$'000	Years \$'000	Years \$'000	Years \$'000	
Loans and advances to customers net of expected credit loss	6,988	3,216	4,518	6,818	-	21,540
<b>Adjusted Total</b>	2,916	(1,785)	692	4,735	-	6,558

**(b) Current and non-current of gross carrying amounts of loans and advances to customers and secured debenture stock**

	31-Mar 2024 \$'000	31-Mar 2023 \$'000
<b>Current</b>		
Loans and Advances to Customers	2,368	6,730
Secured Debenture Stock	(6,296)	(8,953)
Total	(3,928)	(2,223)
<b>Non-Current</b>		
Loans and Advances to Customers	9,511	10,581
Secured Debenture Stock	(4,161)	(5,555)
Total	5,350	5,026
<b>Total</b>		
Loans and Advances to Customers	11,879	17,311
Secured Debenture Stock	(10,457)	(14,508)
Total	1,422	2,803

**26 ASSET QUALITY**

**(a) Summary of Lending**

	31-Mar 2024 \$'000	31-Mar 2023 \$'000
Neither past due nor credit impaired	8,942	16,275
Past due but not credit impaired	2,533	683
Impaired	404	353
<b>Gross loans and advances</b>	11,879	17,311
Less: Expected Credit Loss	(428)	(366)
<b>Net loans and advances</b>	11,451	16,945

**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
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**26 ASSET QUALITY**

The Group closely monitors the performance of its borrowers and the payment of instalments under its loans. The Directors have adopted a formal debt management process to be followed when a loan falls into arrears, which includes specified time driven debt collection procedures, although management may take such actions earlier as circumstances require. Special monitoring of assets occurs when there is a risk of the asset becoming impaired and active management is required to maintain full recovery of the outstanding debt amount.

**(b) Loans and Advances Past Due but Not Credit Impaired**

	<b>31-Mar 2024 \$'000</b>	<b>31-Mar 2023 \$'000</b>
<b>Past Due Assets Not Credit Impaired</b>		
Opening balance	683	418
Collected during the period	(673)	(414)
Additions to Past Due asset status	2,523	674
Reclassified as Impaired assets	-	5
Closing balance	2,533	683

	<b>31-Mar 2024</b>			<b>31-Mar 2023</b>		
	<b>Total</b>	<b>Instalment Arrears</b>	<b>Balance of Loan Principal</b>	<b>Total</b>	<b>Instalment Arrears</b>	<b>Balance of Loan Principal</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Analysis of Past Due Assets Not Credit Impaired:</b>						
0 - 30 Days	2,149	-	2,149	427	14	413
31 - 60 Days	269	-	269	115	7	108
61 - 90 Days	115	-	115	141	6	135
90+ Days	-	-	-	-	-	-
<b>Total Past Due Assets Not Credit Impaired</b>	<b>2,533</b>	<b>-</b>	<b>2,533</b>	<b>683</b>	<b>27</b>	<b>656</b>

Past Due Assets Not Credit Impaired represent Loans and Advances to Customers where contractual interest or principal payments are past due but the Directors believe that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

**c) Impaired Assets**

At 31 March 2024, there were no real estate assets or other assets acquired through the enforcement of security (31 March 2023: Nil). The breakdown of the gross amount of other individually impaired loans and advances and individual impairment allowances is as follows:

**FINANCE DIRECT LIMITED**

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**26 ASSET QUALITY (continued)**

**c) Impaired Assets (continued)**

	<b>31-Mar 2024 \$'000</b>	<b>31-Mar 2023 \$'000</b>
<b>Total Gross Impaired Assets</b>		
Opening balance	353	341
Net additions	56	35
Loan repayments received	(5)	(23)
Amounts written off	-	-
Closing balance	404	353
<b>Expected Credit Losses</b>	(342)	(299)
<b>Total Net Credit Impaired Assets</b>	62	54

**Types of Securities**

	<b>31-Mar 2024 \$'000</b>	<b>31-Mar 2024 %</b>	<b>31-Mar 2023 \$'000</b>	<b>31-Mar 2023 %</b>
Property and Motor Vehicle	156	38.75	161	45.50
Motor Vehicle	185	45.74	173	48.84
Home Contents	2	0.48	2	0.55
Household Chattels	56	13.88	17	4.97
Property	5	1.15	-	0.14
<b>Total</b>	404	100.00	353	100.00

**d) Restructured Assets**

At 31 March 2024, there were no restructured assets (31 March 2023: 1).

	<b>31-Mar 2024 \$'000</b>	<b>31-Mar 2023 \$'000</b>
Personal loans	-	1
<b>Total Restructured Assets</b>	-	1

## FINANCE DIRECT LIMITED

### NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

#### 27 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	31-Mar 2024		31-Mar 2023	
	Loans and borrowings \$'000	Total \$'000	Loans and borrowings \$'000	Total \$'000
<b>Opening Balance</b>	14,508	14,508	11,416	11,416
Cash flows:				
- Repayment	(8,750)	(8,750)	(4,691)	(4,691)
- Proceeds	4,373	4,373	7,579	7,579
- Interest paid	326	326	204	204
<b>Closing Balance</b>	10,457	10,457	14,508	14,508

#### 28 INTEREST IN SUBSIDIARIES

In October 2015, Lending Crowd Limited obtained its peer-to-peer lending license under the FMCA 2013. The platform that supports its day-to-day operations was launched on 21 December 2015 and Lending Crowd Limited is structured as a subsidiary of Finance Direct Limited, controlled 76% by Finance Direct Limited and 24% by Robert Durrant (31 March 2023: 76% by Finance Direct Limited and 24% by Robert Durrant).

Lending Crowd Limited also has 100 (31 March 2023: 100) Perpetual Preference Shares on issue to C Lee & V Loach.

Lending Crowd Limited is incorporated in New Zealand and its principal place of business is in New Zealand. This company has an annual reporting date of 31 March to align with the Parent Company.

As at 31 March 2024, Finance Direct Limited advanced consumer loans of \$4,295,000 (31 March 2023: \$5,340,900) through the peer to peer lending platform. These advances were included in Loans and Advances to Customers on the Consolidated Statement of Financial Position. Similar to loans advanced by the Parent Company, these loans were secured by motor vehicles and properties. As at 31 March 2024, there were 342 (31 March 2023: 95) overdue loans (not impaired) at the value of \$920,000 (31 March 2023: \$181,700).

Refer note 9 for details on discontinuation of the peer-to-peer business.

#### 29 CAPITAL COMMITMENTS

There were no capital commitments at 31 March 2024 (31 March 2023: Nil).

#### 30 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets or contingent liabilities at 31 March 2024 (31 March 2023: Nil).

#### 31 RELATED PARTY TRANSACTIONS

During the year ended 31 March 2024, the Group paid consulting fees of \$106,700 (31 March 2023: \$123,000) to KP Legal, a legal firm in which Kirstin Poole (director up until 15 May 2023) is a Partner.

During the year ended 31 March 2024, the Group paid \$172,500 (31 March 2023: \$207,000) to Oogaware Limited for software development. Robert Durrant (a director of subsidiary company) is a director and shareholder of Oogaware Limited.

During the year ended 31 March 2024, the Group paid Stephen Massey director fees of \$25,000 (31 March 2023: Nil).



## FINANCE DIRECT LIMITED

### NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

#### 31 RELATED PARTY TRANSACTIONS (continued)

During the year ended 31 March 2024, the Group paid a finder's fee of Nil to a party related to Wayne Croad as part of capital raising (31 March 2023: \$140,000).

During the year ended 31 March 2024, the Group received motor vehicle lease payments of Nil (31 March 2023: \$1,000) from Gateway Family Trust, an entity related to Wayne Croad (Managing Director).

In addition to annual salary and directors' fees, Wayne Croad also received reimbursement of utilities for his home office and general expenses of \$43,000 (31 March 2023: \$53,000). This is included in Total Directors' Remuneration.

Parties related to Wayne Croad hold secured debenture stock of \$2,000 (31 March 2023: \$2,000) in the Parent Company, at an interest rate of 7.85% (31 March 2023: 6.15%).

Lending Crowd Trustee Limited, a wholly owned company of subsidiary Lending Crowd Limited, is a non-consolidated related party entity (Note 2). At 31 March 2024, an amount of \$16,200 (31 March 2023: \$48,100) is receivable from Lending Crowd Trustee Limited. Lending Crowd Trustee Limited was set up to hold funds on behalf of the investors while the investors decide on their investment portfolio. During the year ended 31 March 2024, Lending Crowd Limited received platform fees of \$309,800 (31 March 2023: \$617,000) and flex income of \$658,000 (31 March 2023: \$591,500) for providing the services. Amount outstanding represents monies to be transferred from Lending Crowd Trustee Limited to the Company for services provided.

During the year ended 31 March 2024, the Parent company received management fees of \$13,000 (31 March 2023: \$98,500) and referral commission of \$294,700 (31 March 2023: \$313,000) from its subsidiary Lending Crowd Limited. During the year ended 31 March 2024, the Parent company paid management fees of Nil (31 March 2023: Nil) to its subsidiary Lending Crowd Limited. The balance due from its subsidiary at 31 March 2024 was \$232,700 (31 March 2023: \$126,800).

The Parent company sold property, plant and equipment at the book value of Nil (31 March 2023: Nil) and intangible assets at the book value of Nil (31 March 2023: Nil) to its subsidiary Lending Crowd Limited during the year ended 31 March 2024.

There were no other outstanding balances with related parties (31 March 2023: Nil). No amounts owed by related parties were written off or forgiven during the year ended 31 March 2024 (31 March 2023: Nil).

#### 32 PROVISION FOR OVERCHARGED LOAN FEES

	31-Mar 2024	31-Mar 2023 Restated*
	\$'000	\$'000
Opening Balance	738	668
Provided during the year	12	70
Payments during the year	(26)	-
<b>Closing Balance</b>	<b>724</b>	<b>738</b>

During the period, management determined that due to a formula error in the calculation of direct costs associated with performing loan origination services, that an overcharge has occurred on a number of loans dating back several years. Management has estimated the likely liability due to customers who have been overcharged and provided for this cost. In due course once the liability has been determined with greater precision, steps will be taken to notify affected customers and commence repayment actions. Refer note 11 for details on the impact of the error and restatement of prior periods upon the financial statement accounts.

**FINANCE DIRECT LIMITED**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024**

**33 SUBSEQUENT EVENTS**

There are no other known subsequent events requiring disclosure in the financial statements (31 March 2023: Nil).