2024
Annual Report

Xceda Finance Limited
For the year ended 31 March 2024

Contents

Xceda Finance Limited ("Xceda") is pleased to present this 2024 Annual Report, for the period ended 31 March 2024.

Group Directory

Directors

I G Hankins (Appointed Chairman on 27/09/23)

R A Verry

S W Weenink (Former Chairman, resigned on 27/09/23)

D E T McGrath

Shareholders

% of total	Number of shares	Shareholder
100%	7,534,075	Xceda Capital Group Limited
100%	**7,534,075**	**Ordinary Shares**

Registered Office

38 Richardson Street, Whakatane 3120

Nature of Business

Non-Bank Deposit Taker, Financial Services Provider (FSP 3501)

Company Number

455363 (NZ Business Number 9429039261922)

Auditor

Grant Thornton New Zealand Audit Limited
152 Fanshawe Street, Auckland

Solicitors

Buddle Findlay
Aon Centre, 1 Willis Street, Wellington Central, Wellington

Donnell Sherry
Level 1/18 Link Drive, Wairau Valley, Auckland

PWC Legal
Level 27/15 Customs Street West, Auckland

Lodder Law Limited
Level 7A/16 Anzac Avenue, Auckland

Bankers

ANZ Bank New Zealand
236-238 The Strand, Whakatane

Bank of New Zealand
181 The Strand, Whakatane

Westpac Banking Corporation
164 The Strand, Whakatane
123 Eagle Street, Brisbane

ASB
202 The Strand, Whakatane

Chairman's Report

Ian Hankins
Chairman

Xceda takes great pride in our rich heritage, being founded in Whakatane in 1989. For over 30 years Xceda Finance (formerly named Asset Finance Limited) has been offering lending and retail investment products to New Zealanders, and since 2021 loan products to the Australian market.

Licensed by the Reserve Bank of New Zealand as a Non-Bank Deposit Taker, Xceda adheres to strict prudential regulations and governance practices. We are committed to providing New Zealand individuals and businesses with tailored financial services, focusing on personal service and responsible customer outcomes.

FY24 Performance

Our continued focus during the past financial year was on sustainable growth, whilst preparing for the changes that will be introduced under the new Deposit Takers Act – to which we refer below. This included growth and investment in our people and culture, product development, technology and balance sheet strength.

Key performance metrics to report are:

- **Total assets grew by 40% to $125.2 million;**
- **Total secured deposits grew by 43% to $113.7 million;**
- **Total equity grew by 11% to $10.1 million;**
- **Number of customer deposit accounts grew by 29%;**
- **Regulatory capital ratio average of 15.29% (minimum 10% required); and**
- **Net profit before taxation grew by 46% to $1.9 million.**

Our forecast for this current financial year ended 31st March 2025 (FY25) is to continue our growth across all the above key metrics. Notably this will include our total regulatory capital growth, in respect of which we continue to have strong support from our shareholders. This capital underpins our regulatory licence, and ensures that Xceda maintains the required capital as a buffer to protect depositors.

Upgrade to Xceda's Credit Rating

We are delighted that as a result of the strength of the business and our results during the last financial year, our rating agency Equifax updated our credit rating to B+ in May of this year.

Noting the factors contributing to the revised rating result, Equifax commented in its report:

"The Company's scale has steadily increased over the period under review, evidenced by a four-year (Mar20-Mar24) compound annual growth rate ('CAGR') of 36.4% for a gross loan book and 47.1% for its retail funding base. Together with a healthy level of profitability maintained over the assessed period,

Chairman's Report

this has supported an improvement in the Company's overall credit profile and the credit rating upgrade."

It is our ambition to achieve further upward movement in our credit rating over this current financial year as we grow and continue to demonstrate the capability to manage the core operating standards required of a deposit taking institution.

Governance and Compliance

Xceda places a significant emphasis on robust governance, risk management, and compliance practices, ensuring the highest standards are upheld. This philosophy is a "top-down approach", with our Board of Directors actively involved in policy formulation around best-practice governance.

The Xceda Board consists of two independent directors, Ross Verry (Independent Director) and myself (Independent Chairman), and one Executive Director, Daniel McGrath (CEO). This collective group has considerable banking experience, and it is this level of governance capability that is vital for Xceda as we continue to forge our path as a challenger banking institution in New Zealand.

Ross Verry
(Independent Director)

Daniel McGrath
(CEO)

During the year, one of our directors and former Chairman Scott Weenink resigned from the Board. Scott was a director with Xceda since December 2018 and during that time he was instrumental in assisting our new governance processes and overall strategy. We thank Scott for his service to Xceda, and wish him well in his new role as the Chief Executive of New Zealand Cricket.

Xceda attributes its success this past year to the dedication and resilience of its staff and Board of Directors, who extremely successfully navigated various market challenges, including the current high interest rate environment and cost of living pressures experienced by all sectors of the New Zealand economy. We take pride in investing in our people, culture and compliance to ensure that our services continue to exceed our customers' expectations.

The Deposit Takers Act 2023

The new Deposit Takers Act ("DTA") came in to force in New Zealand on 6th July 2023. The purpose of the DTA was to bring all Non-Bank Deposit Takers (including Xceda) and Registered Banks under a single prudential regulatory regime. This legislation is consistent with other jurisdictions such as Australia which provides that all licensed deposit takers are regulated directly by the Reserve Bank of New Zealand ("RBNZ").

One of the key objectives of the DTA is the introduction of a Deposit Compensation Scheme ("DCS"), whereby deposits held in licensed deposit taking institutions (including Xceda) will be covered by the Scheme. The scheme will protect up to $100,000 per depositor (customer) per deposit taker

(financial institution) in the event of a failure. The latest update from the RBNZ is that the Scheme will commence on 1st July 2024.

Other legislative changes under the DTA will be gradually introduced up to 2028, at which time the DTA and all associated secondary legalisation (including Regulations and Standards) will be in force. The core standards to be introduced in 2028 will include new requirements for capital and liquidity of licensed deposit takers. Crucially, the DTA has also established a Propertionalty Framework which sets out how the RBNZ takes a proportionate approach when developing prudential standards for licensed deposit takers under the DTA. Each institution will be categorised into one of three groups based on the size of the institution. For Xceda and the other "Group 3 Deposit Takers", the Proportionality Framework will operate to ensure that we are not overburdened with compliance or other rules and policies that are more appropriate for the larger banks in Group 1 and Group 2. We see this as acutely positive to drive competition in the New Zealand banking sector.

Xceda's management has been actively involved in the RBNZ consultation process, and our CEO Daniel McGrath is a member of the NBDT Working Group with the RBNZ as part of the overall industry consultation.

Overall, Xceda is pleased with the consultation process under the DTA, and the clarity that we now have around the future requirements under our RBNZ license. We look forward to continuing to keep our customers updated with the changes that will continue as the DTA standards and regulations are introduced over the period until 2028.

FY24 and Beyond

Xceda's leadership team and Board of Directors are focussed on maintaining our strategy as an RBNZ licensed deposit taker. As alluded to above, the Deposit Takers Act 2023 has fundamentally entrenched Xceda within the New Zealand "banking" sector, albeit at this stage as a smaller licensed deposit taker.

Our lending and deposit products available to customers will continue to expand as our balance sheet grows, however any expansion will only be within the strict regulatory parameters and other risk mitigant strategies imposed by our Board of Directors.

As we continue on this growth path, we will be investing further this coming financial year on the development of our technology capabilities. This is essential to be able to offer better services to our customers, and also take advantage of the ever-increasing "fintech" products that are now available to allow smaller institutions like Xceda to compete with the main banks (e.g. online banking and other digital customer solutions).

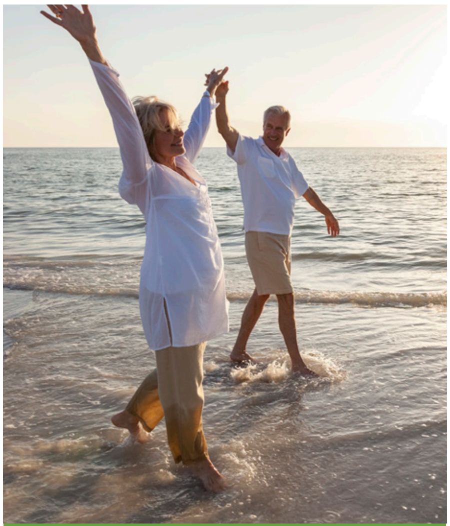
I would like to thank our dedicated shareholders for their support and encouragement of our business. As a prudentially regulated entity, Xceda is required to hold capital based on a risk-weighting formula set by the Reserve Bank. To have our shareholders consistently prepared to provide capital support as we grow is vital to the provision of services to our customers.

We continue to look forward to achieving our goals for the current financial year, whilst always maintaining Xceda's highly regarded customer service philosophy.

Yours sincerely,

Ian Hankins
Chairman

Key performance highlights



2024 Performance Snapshot

$1.9m
Net profit before tax
↑ 46%*

$125.2m
Total assets
↑ 40%*

$113.7m
Total deposits
↑ 43%*

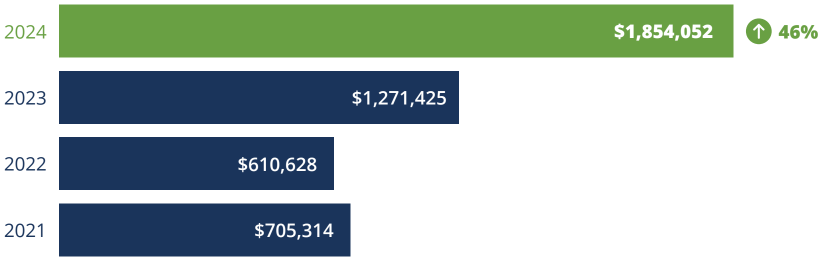
$10.1m
Total equity
↑ 11%*

15.29%
Average Capital Ratio

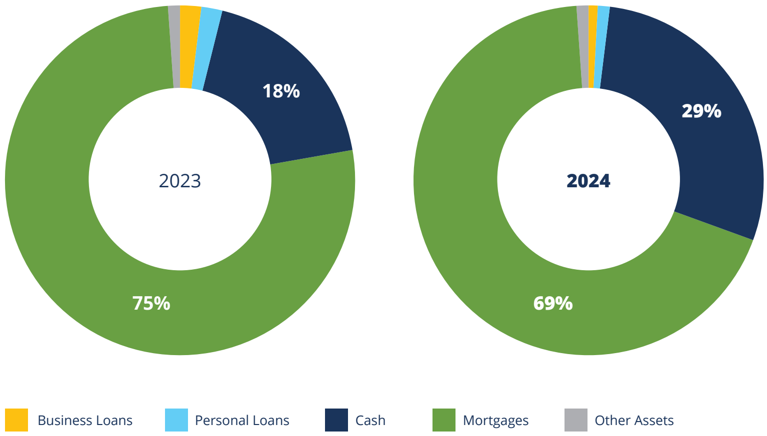
89.1%
Portion of loans with an LVR < 70%

* from previous year

Net profit Before Tax

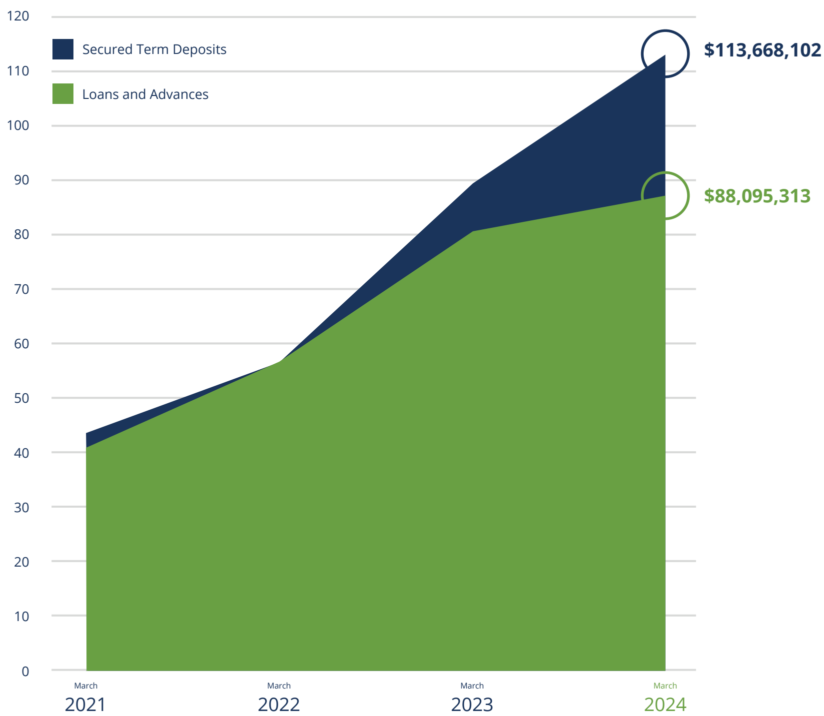


Asset Concentration



Deposit and Loans

$Millions



Financial Statements

Xceda Finance Limited
For the year ended 31 March 2024

Financial Statements Contents

CONSOLIDATED FINANCIAL OVERVIEW

For the year ended 31 March 2024

	Notes	2024 $	2023 $
STATEMENT OF COMPREHENSIVE INCOME			
Net interest income		**5,025,918**	4,023,804
Other revenue		**3,096,269**	2,385,929
Tax expense		**551,437**	368,914
Net profit after income tax		**1,302,615**	902,511
Other comprehensive Income		**(139,163)**	109,996
Total comprehensive Income		**1,163,452**	1,012,507
STATEMENT OF CHANGES IN EQUITY			
Total Equity at start of year		**9,158,238**	8,045,732
New share capital issued		**-**	100,000
Dividends		**(175,000)**	-
Total Comprehensive Income for the year attributable to Shareholders		**1,163,452**	1,012,506
Total Equity at end of year		**10,146,690**	9,158,238
Total equity at end of year consists of:			
Share capital		**5,681,067**	5,681,067
Other reserves		**320**	139,483
Retained earnings		**4,465,303**	3,337,688

All equity is attributable to the Shareholders of the Company.

		2024 $	2023 $
STATEMENT OF FINANCIAL POSITION			
Total assets		**125,169,531**	89,102,712
Total liabilities		**(115,022,841)**	(79,944,474)
Equity		**10,146,690**	9,158,238
STATEMENT OF CASH FLOWS			
Net cash flows used in operating activities		**(10,004,617)**	(18,655,346)
Net cash flows used in investing activities		**(73,278)**	(99,697)
Net cash flows from financing activities		**29,770,894**	27,971,685

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2024

	Notes	**2024** **$**	2023 $
Interest revenue	3	**11,461,113**	7,384,793
Interest expense	3	**(6,435,195)**	(3,360,989)
Net interest income		**5,025,918**	**4,023,804**
Other revenue	4	**3,096,269**	2,385,928
Total operating income		**8,122,187**	**6,409,732**
Expenses			
Operating expenses and staff costs	6	**5,091,180**	4,835,482
Impairment losses of financial assets	5	**1,176,955**	302,826
Total operating expenses		**6,268,135**	5,138,308
Profit before income tax		**1,854,052**	1,271,424
Income tax	8	**(551,437)**	(368,914)
Profit from continuing operations		**1,302,615**	902,510
Other comprehensive income (net of tax):			
Exchange differences on translation of foreign operations		**(1,054)**	111,742
Net loss on hedges		**4,025**	(1,746)
Realised gains on foreign operations reclassified to profit		**(142,134)**	-
Other comprehensive income for the year, net of tax		**(139,163)**	109,996
Total comprehensive income for the year		**1,163,452**	1,012,506
Attributable to:			
Shareholders		**1,163,452**	1,012,506

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2024

	Notes	2024 $	2023 $
Assets			
Cash and cash equivalents	11	**36,074,283**	16,381,283
Prepayments and other receivables		**224,439**	305,986
Current tax asset		**-**	31,306
Loans and advances	12	**88,095,313**	71,467,420
Property, plant and equipment	14	**140,977**	208,847
Intangible assets	15	**166,678**	236,002
Derivative financial instruments	21	**3,712**	308,160
Deferred tax	13	**464,130**	163,708
Total assets		**125,169,532**	**89,102,712**
Liabilities			
Accounts payable and accruals		**277,963**	291,191
Current tax liabilities		**515,981**	-
Derivative financial instruments	21	**9,830**	-
Employee entitlements	18	**194,239**	152,292
Other payables	16	**356,727**	243,477
Term deposits and call accounts	17	**113,668,102**	79,257,514
Total liabilities		**115,022,842**	**79,944,474**
Net assets		**10,146,690**	**9,158,238**
Equity			
Share capital	19	**5,681,067**	5,681,067
Foreign currency translation reserve	20	**(1,959)**	141,229
Hedge reserves	20	**2,279**	(1,746)
Retained earnings	20	**4,465,303**	3,337,688
Total equity		**10,146,690**	**9,158,238**

The financial statements were approved for issue for and on behalf of the Board as at 26th June 2024:

I G Hankins

D McGrath

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2024

	Notes	Share Capital	Foreign Currency Translation Reserve	Hedge Reserve	Retained Earnings	Total Equity
		$	$	$	$	$
Balance as at 1 April 2022		5,581,067	29,487	-	2,435,178	8,045,732
Year ended 31 March 2023						
Net profit after income tax		-	-	-	902,510	902,510
Other comprehensive income		-	111,742	(1,746)	-	109,996
Total comprehensive income		-	**111,742**	**(1,746)**	**902,510**	**1,012,506**
Share capital increase	19	100,000	-	-	-	100,000
Total transactions with owners, recognised directly in equity		**100,000**	-	-	-	**100,000**
Balance as at 31 March 2023		**5,681,067**	**141,229**	**(1,746)**	**3,337,688**	**9,158,238**
Balance as at 1 April 2023		**5,681,067**	**141,229**	**(1,746)**	**3,337,688**	**9,158,238**
Year ended 31 March 2024						
Net profit after income tax		-	-	-	1,302,615	1,302,615
Other comprehensive income		-	(1,054)	4,025	-	2,971
Realised (gain)/loss on foreign operations reclassified to profit/ loss		-	(142,134)	-	-	(142,134)
Total comprehensive income		-	(143,188)	4,025	1,302,615	1,163,452
Dividends		-	-	-	(175,000)	(175,000)
Total transactions with owners, recognised directly in equity		**-**	-	-	(175,000)	**(175,000)**
Balance as at 31 March 2024		**5,681,067**	**(1,959)**	**2,279**	**4,465,303**	**10,146,690**

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 31 March 2024

	Notes	2024 $	2023 $
Cash flows from operating activities			
Loans and advances receipts		**76,526,605**	52,741,228
Loans and advances payments		**(94,094,854)**	(74,402,835)
Interest received		**11,344,667**	7,403,726
Other revenue received		**3,096,564**	2,382,059
Payments to suppliers and employees		**(4,779,951)**	(4,490,968)
Net goods and service tax paid/(received)		**122,981**	(126,504)
Tax paid		**(250,127)**	(17,362)
Interest paid		**(3,756,578)**	(2,144,690)
Net cash outflow from operating activities	28	**(11,790,693)**	(18,655,346)
Cash flows from investing activities			
Sale proceeds of property, plant and equipment		**1,521**	9,075
Acquisition of property, plant and equipment		**(13,451)**	(18,757)
Payments for intangible assets		**(61,348)**	(90,015)
Net cash outflow from investing activities		**(73,278)**	(99,697)
Cash flows from financing activities			
New investment deposits received		**49,203,033**	38,585,230
Existing investment deposits repaid		**(17,471,062)**	(10,713,545)
Proceeds from issue of new share capital		**-**	100,000
Dividends paid		**(175,000)**	-
Net cash inflow from financing activities		**31,556,971**	27,971,685
Net increase in cash and cash equivalents		**19,693,000**	9,216,642
Cash and cash equivalents at the beginning of the financial year		**16,381,283**	7,164,641
Cash and cash equivalents at end of year	11	**36,074,283**	16,381,283

1 MATERIAL ACCOUNTING POLICIES

(a) General Information

Presented are the consolidated financial statements of Xceda Finance Limited (the “Company”) and its subsidiary (collectively, the “Group”) for the year ended 31 March 2024. The Company is a profit-oriented entity, incorporated and domiciled in New Zealand.

Xceda Finance Limited owns 100% (31 March 2023: 100%) of the share capital of Xceda Finance Pty Limited; a company incorporated in Australia.

The Group is an FMC reporting entity as defined in the Financial Markets Conduct Act 2013 (FMCA 2013) and its financial statements comply with that Act.

Xceda Finance entered into a Trust Deed (formerly referred to as the Debenture Trust Deed) with the Supervisor on 15 March 2004, which was amended on 1 December 2010, 11 September 2012, 21 October 2016, 3 December 2018, and 30 August 2023. On the 30 August 2023, this was renamed from the Debenture Trust Deed to the Trust Deed.

(b) Statement of Compliance

The financial statements for the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP") and the requirements set out in the Companies Act 1993, the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. The Group is reporting as a Tier 1 For-profit reporting entity as defined by the External Reporting Board in its Accounting Standards Framework because it has public accountability.

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”), New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial standards, as appropriate for profit-oriented entities issued by the New Zealand Accounting Standards Board.

(c) New and amended standards and interpretations

There were several amendments and interpretations that apply for the first time in 2023, but do not have an impact on the consolidated financial statements of the Group.

<u>Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2</u>

The amendments to IAS 1 and IFRS Practice Statement 2 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacement the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

<u>NZ IFRS 17 Insurance Contracts (effective date from 1 January 2023)</u>

NZ IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of NZ IFRS 17 is the General (building block) Model, supplemented by:

- A specific adaptation for contracts with direct participation features (the Variable Fee Approach).
- A simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

NZ IFRS 17 is not expected to have a material impact on the Group as currently no insurance products meeting NZ IFRS 17 are offered.

(d) Basis of preparation

The financial statements have been prepared on the basis of historical cost, under the assumption that the Group operates on a going concern basis.

The Group meets the definition of a non-bank deposit taker under NZ IFRS 7 “Financial Instruments: Disclosures” and is subject to the specific additional disclosure requirements applicable to financial institutions defined in Appendix E of NZ IFRS 7.

The accounting policies set out below have been applied consistently in preparing the consolidated financial statements. There have been minor presentation changes where the comparative information has also changed in order to be consistent.

1 MATERIAL ACCOUNTING POLICIES (continued)

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Group.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

(f) Segment reporting

The Group operates in a single industry, as a finance company predominantly in New Zealand, with a minor segment in Australia. The operating segments of the Group are NZ - Business & Commercial, NZ - Consumer, and AU - Business & Commercial as shown in Note 33. These segments are reported in a manner consistent with the internal reporting that is used internally by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker is the Chief Executive Officer.

(g) Foreign currency transactions

The Group's consolidated financial statements are presented in New Zealand dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into New Zealand dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

1 MATERIAL ACCOUNTING POLICIES (continued)

(h) 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 and similar expense

For all financial instruments measured at amortised cost, the Group recognises interest revenue on an accruals basis when the services are rendered using the effective interest rate method.

Credit Impaired Assets

The calculation takes into account all contractual terms of the financial instrument 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 income or expense.

Once the recorded value of a credit-impaired financial asset or a group of assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the net carrying amount.

Fee and commission revenue

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

Lending/Establishment fees

Fees and direct costs relating to loan origination, financing or restructuring of loan commitments are deferred and amortised to profit or loss in the Statement of Comprehensive Income over the life of the loan using the effective interest rate method. Other lending fees not directly related to the origination of a loan are recognised over the period of service.

Payment protection plan fees

Borrowers have the option of including the cost of payment protection plan cover as part of their loan. If a borrower chooses to include payment protection cover, the Group will remit instalments on their loan for up to 6 months if they get injured or are sick. The Group has determined that the Payment Protection Plan is a self-insurance arrangement in accordance with NZ IFRS 17 Appendix A "Definitions of an insurance contract" B27 (c) and therefore NZ IFRS 17 "Insurance Contracts" does not apply. Payment Protection Plan income is recognised over the life of the loan.

Commission and other fees

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

1 MATERIAL ACCOUNTING POLICIES (continued)

(i) Financial Instruments

Classification

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Initial recognition of a financial asset shall be at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets shall be at:

(a) Amortised cost;

(b) Fair value through profit and loss; or

(c) Fair value through other comprehensive income.

To determine the classification of a financial asset's subsequent measurement basis a Business Model Test and a Cash Flow Characteristics Test is performed. Amortised cost should be applied where the loan or receivable is held to collect cash flows of principal and interest and not with the intention of selling instruments. The Group's financial assets are assets held for the collection of contractual cash flows that are payments of principal and interest. These financial assets are measured at amortised cost.

Financial Assets/Liabilities at fair value through profit or loss

Assets and liabilities in this category are either held for trading or are managed with other assets and liabilities and are accounted for and evaluated on a fair value basis. Fair value reporting of these assets and liabilities reflects the Group's risk management process, which includes utilising natural offsets where possible and managing overall risks of the portfolio on a trading basis.

The Group does not have any financial assets or financial liabilities that were measured as fair value through the profit and loss or OCI.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less an allowance for credit losses. Cash and cash equivalents, loans and advances and most other receivables fall into this category of financial instruments.

Individually significant loans are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Loans that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry, type of loan and other shared credit risk characteristics. The impairment loss estimate is then based on historical counterparty default rates for each identified group, together with general economic conditions and assessment of both the current as well as the forecast direction of conditions at the reporting date. Refer to Note 1(n).

Financial liabilities

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 and include:

Term deposits, call accounts, and other borrowings

Term deposits, call accounts, and other borrowings are initially recognised at cost, being the fair value of the consideration received. After initial recognition, interest-bearing instruments are subsequently measured at amortised cost using the effective interest 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 year that are unpaid and arise when the Group becomes obliged to make future payments. These amounts are unsecured.

1 MATERIAL ACCOUNTING POLICIES (continued)

(j) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a high probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.
- hedges of a net investment in a foreign operation (net investment hedge).

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

a. There is ‘an economic relationship’ between the hedged item and the hedging instrument.

b. The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.

c. The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised as other income or other expense. Refer to Note 21 for more details.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

1 MATERIAL ACCOUNTING POLICIES (continued)

(j) Derivative financial instruments and hedge accounting (continued)

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

The Group uses forward currency contract as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 21 for more details.

(k) 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 plant and equipment are recognised in profit or loss within the Statement of Comprehensive Income as incurred.

Depreciation

Depreciation is provided on plant, equipment and equipment. Rates of depreciation applied approximate the assets useful economic life and the method selected best reflects the decline in service potential arising from each class of asset. The following rates have been used:

Building improvements	5% to 48% diminishing value
Building improvements - accelerated depreciation	7% straight line
Furniture and fittings	11% to 18% diminishing value
Office equipment	11% to 67% diminishing value

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is shorter, using the diminishing value method. Leased assets are depreciated over their useful lives.

A change in depreciation method and useful life has been applied to a group of building improvements related to the Head Office fit-out. This has resulted in accelerated depreciation to align the useful life with the premises' renewal rights.

Depreciation methods, useful lives and residual values are reassessed at the reporting dates.

1 MATERIAL ACCOUNTING POLICIES (continued)

(l) Intangible assets Software

Software acquired or internally developed by the Group is stated at cost less accumulated amortisation and any accumulated impairment losses. Expenditure on software assets is capitalised only when it increases the future economic value of that asset.

The amortisation of software is calculated using the diminishing value method, at a rate of 50%.

(m) Asset Quality

Loan quality is measured in terms of past due status and impairment status. The past due status is calculated and recorded on every loan at the end of each month, while the impairment status is tested periodically in accordance with the policies outlined below.

When the quality of a loan is classified as Past Due or Impaired, it is the entire balance of that loan that is classified as such, not just the Past Due or Impaired portion.

Restructured Assets

Restructured assets are those loans and advances where:

(a) the original terms have been changed to grant the counterparty a concession that would not otherwise have been available. The changed terms and conditions are set out in an entirely new contractual arrangement; and

(b) the yield on the asset following restructuring is equal to, or greater than, the Group's average cost of funds and there is no objective evidence to support impairment of the financial asset as specified in NZ IFRS 9.

Impaired Assets

The Group classifies impaired assets into one of two categories:

Financial Assets acquired through the enforcement of security

Financial assets acquired through the enforcement of security are any financial assets which are legally owned as a result of the enforcement of security. The Group had no financial assets acquired through the enforcement of security as at 31 March 2024 (31 March 2023: nil).

Other Impaired Assets

Other impaired assets are financial assets that are individually determined to be impaired at reporting date, but that are not classified as financial assets acquired through the enforcement of security. See Note 1 (n).

(n) Impairment losses on loans and advances

In recognising credit losses, the Group considers a broader range of information, including past events, current conditions, forecast economic conditions, and security held that affect the expected collectability of the future cash flows of financial assets. Impairment losses are calculated on individual loans and loans assessed collectively.

A distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have a low credit risk ("Stage 1"); and

- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date, and are individually assessed. Losses for impaired loans are recognised immediately when there is objective evidence that impairment of a loan or portfolio of loans has occurred.

1 MATERIAL ACCOUNTING POLICIES (continued)

(n) Impairment losses on loans and advances (continued)

Collectively assessed loans (Stage 1 and Stage 2)

Loans that have been individually assessed but no objective evidence of impairment existed, and loans that are not considered individually significant, are pooled into similar credit risk groups. These groups are then assessed for impairment based on historical loss experience of assets with similar risk characteristics, including the following factors: with the historical loss experience for each credit group adjusted for the impact of current observable data and current and future economic conditions.

- Historical loss experience for each credit group;
- Impact of current observable data, such as current LVRs across each group; and
- Current and future economic conditions, such as market sentiment, forecasted property prices, and changes in regulations.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

For 'Stage 1' financial assets, 12-month expected credit losses are recognised. For Stage 2 financial assets, lifetime expected credit losses are recognised, discounted at the effective interest rate.

Individually assessed loans (Stage 3)

At each reporting date, the Group assesses individually significant loans where there is objective evidence that the loan is impaired. The loans are assessed on a case by case basis. In determining individual impairment allowances on these loans, many factors are considered, including the following:

- Current security values;
- Solvency of the borrower and guarantor; and
- Payment history on the account

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loans current carrying amount. Any gain or loss is reflected in profit or loss within the Statement of Comprehensive Income. The carrying amount of impaired loans on the Statement of Financial Position is reduced through use of an allowance account.

Loan write offs

Loans are normally written off in full when there is no realistic prospect of recovery of the amounts in a timely manner. If the Group receives payment on a loan that has been written off, it is recorded as bad debt recovered and appears as 'Other Revenue' in the Statement of Comprehensive Income.

Interest on impaired assets

All interest Revenue earned on Stage 3 individually assessed loans for the period is reported as interest on impaired assets.

(o) Employee benefits

A provision is recognised for the amount expected to be paid 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.

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

(ii) Other long-term employee benefit obligations
Other long-term benefits are measured on an undiscounted basis and relate to bonuses and deferred compensation not payable wholly within twelve months after the end of the reporting period.

1 MATERIAL ACCOUNTING POLICIES (continued)

(p) Provisions

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of past events, or it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligations at the reporting date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(q) Expense recognition

All expenses are recognised in profit or loss in the Statement of Comprehensive Income on an accruals basis. Interest expense is recognised using the effective interest rate method.

(r) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised as profit or loss within the 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 year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous reporting 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 not recognised on the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable profit. 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 differences.

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

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 and liabilities.

(s) Cashflows

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

Operating activities include the principal revenue-producing activities of the entity 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 equivalents.

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

(t) Cash and cash equivalents

These comprise cash balances and other short-term deposits and they are measured at amortised cost. These are highly liquid investments that are readily convertible to known amounts of cash and they are subject to an insignificant risk of changes in value. Any Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

1 MATERIAL ACCOUNTING POLICIES (continued)

(u) Equity Share capital

Share capital includes ordinary shares that are recognised at the amount paid per share when issued less incremental costs directly attributable to the issue of ordinary shares, net of any tax effect.

Foreign currency translation reserve

The translation reserve includes exchange differences arising from the translation of the assets & liabilities of the Group's foreign entities into New Zealand dollars.

Hedge reserves

Cash flow hedge reserve

This comprises the fair value gains and losses associated with the effective portion of designated cash flow hedging instruments, net of tax.

2 MATERIAL JUDGEMENTS AND ESTIMATES

In applying NZ GAAP management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities where it is not readily apparent. Actual results may differ. The estimates and underlying assumptions, and their bases, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the material judgements and estimates that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment losses on loans and advances

The Group assesses the expected credit losses associated with its debt instruments carried at amortised cost. The assumptions made with regard to these assets are as follows:

Category	Definition	Basis for recognition of impairment
Performing	A low risk of default. A strong capacity to meet contractual obligations.	Twelve month expected losses or the lifetime of the asset where the expected lifetime is less than twelve months.
Underperforming	A significant increase in credit risk. These are presumed to be loans which are 60 days or more past due	Lifetime expected losses.
Non-performing	Interest and principal payments are 90 days past due.	Lifetime expected losses.

Collectively impaired loans

Loans and advances not considered specifically impaired are subject to a collective impairment assessment. The collective impairment allowance is calculated as a percentage of the balance of loans and advances of that credit profile, with the percentage varying by credit profile and how far past due the account is. This percentage for each credit profit is calculated by taking into consideration the probability of default and the probability of loss given default. The credit profile is determined by of the type of collateral held for the loan or advance.

The Group takes into consideration historical data, the quality of the securities held as collateral, current market conditions, and forecast market data in determining this percentage, in line with the accounting policy in Note 1(m).

Note 25(c) shows the aging of Past Due but not Impaired Loans and advances. These loans and advances, and restructured loans and advances are subject to the collective impairment allowance. The collective impairment allowance is updated each month.

Individually impaired loans

The Group reviews its loans and advances portfolio to assess quality and impairment on a monthly basis. An allowance for impairment may be established if there is objective evidence that a loan or advance is impaired (for example, missing out on payments of principal and/or interest. Any fluctuations between the amount expected to be recovered and the actual amounts recovered are reflected in profit or loss within the Statement of Comprehensive Income. A loan or advance is considered individually impaired when management reviews it and determines that it is probable that not all amounts due according to the original contractual terms will be collected, and the amount expected to be collected can be reliably estimated. At a minimum, management reviews loans and advances with balances of $10,000 or more that are past due 90 days or more.

When a loan or advance has been identified as individually impaired, the carrying amount of the loan or advance is reduced by recording a specific impairment allowance for loan losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan or advance. Past experience and judgement are used in estimating the timing and amounts of the expected cash flows. Specific impairment allowances are updated each month, with the expected future cash flows reviewed when new information becomes available.

2 MATERIAL JUDGEMENTS AND ESTIMATES (continued)

Several of the assets used as security against larger business loans have a high value, and some of them are unique. These factors mean fluctuations in the sale prices of the assets can be significant. When exposures secured by these assets become specifically impaired and are expected to be recovered from selling the assets, it is difficult to make an accurate assessment of the expected cash flows from the asset sales. Both management and the directors give significant consideration to the realisable value of such assets securing specifically impaired loans.

Deferred tax assets

As described in Note 13, the financial statements include a deferred tax asset of $464,130 (31 March 2023: $163,708). This has been recognised to the extent that it is probable that future taxable profits will be available for set-off against deductible temporary differences. The judgement made by the directors and management is that based on the plans and projections of the Group that it will generate sufficient profitability and therefore the deferred tax asset is realisable in the future.

3 INTEREST REVENUE AND EXPENSE

	2024	2023
	$	$
Interest revenue		
Loans and advances	**9,928,630**	7,006,326
Interest on impaired assets	**634,020**	268,211
Cash and short term investments	**898,123**	110,256
Other interest	**340**	-
	11,461,113	7,384,793
Interest expense		
Term deposits	**6,411,140**	3,360,989
Call accounts	**24,055**	-
	6,435,195	3,360,989

4 OTHER REVENUE

	2024	2023
	$	$
Lending/Establishment fee income		
Amortisation over life of loan	**1,845,513**	1,140,642
Recognised at drawdown or at time of service	**215,413**	234,458
Payment protection plan fees amortised over life of loan	**39,160**	135,131
Other income	**798,775**	875,697
Realised FX gain transferred from OCI	**197,408**	-
	3,096,269	2,385,928

Other Income predominantly relates to:

- Income generated by on-charging specific loan accounts for expenses such as legal and repossession fees that have been paid and which the Group is entitled to recover from customers;
- Maintenance fees;
- Early termination fees; and
- Foreign exchange gains/(losses) through profit and loss

5 IMPAIRMENT

	2024	2023
	$	$
(a) **Impairment losses recognised in profit or loss**		
Movement in expected credit loss allowance on loans that are not credit impaired	**43,362**	(24,883)
Credit impaired loans		
Addition to impairment allowance	**1,151,648**	383,087
Reversal of existing impairment allowance	**(208,403)**	(226,941)
Net exchange differences	**(227)**	-
Movement in lifetime expected credit loss allowance	**943,018**	156,146
Loans and advances written off	**190,575**	171,563
Impairment losses of financial assets	**1,176,955**	302,826
(b) **Allowance for impairment losses in Statement of Financial Position**		
Lifetime expected credit loss allowance (credit impaired loans)		
Opening balance	**239,466**	83,320
Recognised in profit or loss	**943,018**	156,146
Net exchange differences	**227**	-
Closing balance	**1,182,711**	239,466
12 month expected credit loss allowance (loans that are not credit impaired)		
Opening balance	**112,228**	136,738
Recognised in profit or loss	**43,362**	(24,883)
Net exchange differences	**386**	373
Closing balance	**155,976**	112,228
Total allowance for impairment losses	**1,338,687**	351,694

More information about impairment allowances and their calculation is contained in 1(n) and 2. There are no financial assets that are purchased or originated credit impaired.

6 OPERATING EXPENSES AND STAFF COSTS

Personnel costs	**1,417,210**	1,574,989
Administrative expenses	**2,077,772**	1,659,359
Directors Fees	**116,677**	157,436
Payment protection plan remittance entitlements	**(8,647)**	(26,922)
Other operating expenses	**1,105,345**	1,032,689
Loss on disposal of property and equipment	**228**	16,426
Donations	**4,799**	1,801
Depreciation	**79,793**	59,521
Amortisation	**130,672**	207,177
Audit fees	**167,331**	153,006
	5,091,180	4,835,482

7 AUDITOR REMUNERATION

	2024 $	2023 $
Amounts paid to the auditor for:		
Audit of the financial statements	**157,171**	147,506
Limited assurance review of trustee reporting	**3,692**	3,000
Reasonable assurance review of the depositor register	**3,072**	2,500
Other assurance services	**3,396**	-
	167,331	153,006

The auditor of the Group is Grant Thornton New Zealand Audit Limited.

The auditor provided other assurance services in relation to the scrutineering of the Special General Meeting on 29 August 2023. For more information, refer to note 33(b).

8 INCOME TAX

	2024 $	2023 $
(a) Income tax expense		
Income tax:		
Current income tax	**797,436**	26,804
Deferred tax (note 13):		
Relating to origination and reversal of temporary differences	**(245,999)**	342,110
	(245,999)	342,110
Income tax expense reported in Statement of Comprehensive Income	**551,437**	**368,914**
Other comprehensive income		
Deferred tax related to items recognised in other comprehensive income during the year		
Exchange differences on investment in subsidiary	**56,012**	(45,655)
Net (gain)/loss on cash flow hedges	**(1,565)**	679
Deferred tax charged to other comprehensive income	**54,447**	**(44,976)**

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2024 $	2023 $
Profit from continuing operations before income tax expense	**1,854,052**	1,271,424
Tax at the New Zealand tax rate of 28% (2023: 28%)	**519,135**	355,999
Impact of lower tax rate in Australia of 25% (2023: 25%)	**(543)**	(5,974)
Unutilised foreign tax credits	**-**	16,665
Permanent differences	**32,845**	2,224
Income tax expense	**551,437**	**368,914**

9 IMPUTATION CREDITS

Imputation credits of $82,477 (31 March 2023: $533) are available for use in subsequent reporting periods.

10 DIVIDENDS PAID AND DECLARED

	2024 $	2023 $
Final Dividend	**175,000**	-
Details		
Shares on issue at end of period	**7,534,075**	7,534,075
Amount per share (Dividend/ No. of shares on issue)	**0.02**	-

11 CASH AND CASH EQUIVALENTS

	2024 $	2023 $
Bank balances	**36,074,283**	16,381,283
	36,074,283	**16,381,283**

12 LOANS AND ADVANCES RECEIVABLES

	2024 $	2023 $
At amortised cost		
Loans and advances receivable	**90,208,915**	72,565,886
Unearned income	**(774,915)**	(746,772)
Allowance for impairment losses	**(1,338,687)**	(351,694)
Total net loans and advances	**88,095,313**	71,467,420
Split by maturity:		
Current	**84,816,424**	64,489,878
Non-current	**3,278,889**	6,977,543
	88,095,313	71,467,421

More information about impairment allowances is contained in Note 1(n), 2 and 5.

13 DEFFERED TAX ASSETS

Deferred tax assets

	2024 $	2023 $
The balance comprises temporary differences attributable to:		
Impairment allowance	**374,833**	98,438
Provision for employee benefits	**47,641**	36,784
Accelerated depreciation for tax purposes	**8,285**	(5,162)
Accruals	**35,293**	35,815
Provision for payment protection plan remittance entitlements	**696**	3,768
Investment in subsidiary	**(1,732)**	(57,743)
Revaluation of cash flow hedges	**(886)**	679
Unused tax losses	**-**	51,129
	464,130	**163,708**

13 DEFFERED TAX ASSETS (continued)

	2024 $	2023 $
Movements recognised in profit or loss in the Statement of Comprehensive Income:		
Opening balance	**163,708**	550,795
Impairment allowance	**276,392**	37,322
Provision for employee benefits	**10,857**	2,090
Accelerated depreciation for tax purposes	**13,447**	5,162
Accruals	**(522)**	7,843
Provision for Payment Protection Plan remittance entitlements	**(3,072)**	(11,912)
Prepayments	**-**	6,974
Unused tax losses	**(51,127)**	(389,589)
Movements recognised in other comprehensive income in the Statement of Comprehensive Income:		
Investment in subsidiary	**56,012**	(45,656)
Net loss in cash flow hedges	**(1,565)**	679
Closing balance	**464,130**	163,708

14 PROPERTY, PLANT & EQUIPMENT

	Office Equipment	Building Improvements	Furniture and Fittings	Motor Vehicles	Total
	$	$	$	$	$
Year ended 31 March 2023					
Opening net book amount	73,278	162,334	32,115	1,721	269,448
Additions	9,495	9,262	-	-	18,757
Disposals	(132,470)	(67,161)	(49,747)	(13,500)	(262,878)
Depreciation charge (note 6)	(34,980)	(19,571)	(4,609)	(361)	(59,521)
Depreciation written back on disposal	126,685	56,396	47,820	12,140	243,041
Closing net book amount	42,008	141,260	25,579	-	208,847
At 31 March 2023					
Cost	139,597	657,624	46,958	-	844,179
Accumulated depreciation	(97,589)	(516,364)	(21,379)	-	(635,332)
Net book amount	42,008	141,260	25,579	-	208,847
Year ended 31 March 2024					
Opening net book amount	42,008	141,260	25,579	-	208,847
Additions	13,451	-	-	-	13,451
Disposals	(1,968)	-	-	-	(1,968)
Depreciation charge (note 6)	(20,854)	(55,303)	(3,636)	-	(79,793)
Depreciation written back on disposal	439	-	-	-	439
Closing net book amount	33,076	85,957	21,943	-	140,976
At 31 March 2024					
Cost	151,081	657,624	46,958	-	855,663
Accumulated depreciation	(118,004)	(571,667)	(25,015)	-	(714,686)
Net book amount	33,077	85,957	21,943	-	140,977

15 INTANGIBLE ASSETS

	Capital WIP $	Software $	Total $
Year ended 31 March 2023			
Opening net book amount	-	353,164	353,164
Additions	-	90,015	90,015
Impairment charge	-	-	-
Amortisation charge (note 6)	-	(207,177)	(207,177)
Closing net book amount	-	236,002	236,002
At 31 March 2023			
Cost	-	641,761	641,761
Accumulated amortisation and impairment	-	(405,759)	(405,759)
Net book amount	-	236,002	236,002
Year ended 31 March 2024			
Opening net book amount	-	236,002	236,002
Additions	61,348	-	61,348
Reclassification	(61,348)	61,348	-
Impairment charge	-	-	-
Amortisation charge (note 6)	-	(130,672)	(130,672)
Closing net book amount	-	166,678	166,678
At 31 March 2024			
Cost	-	703,109	703,109
Accumulated amortisation and impairment	-	(536,431)	(536,431)
Net book amount	-	166,678	166,678

16 OTHER PAYABLES

	2024 **$**	2023 $
Resident withholding tax payable	**321,409**	170,993
Employee taxes and other liabilites	**32,833**	50,234
Other accruals	**-**	8,794
Provision for Payment Protection Plan remittance entitlements	**2,485**	13,456
	356,727	243,477

17 SECURED TERM DEPOSITS AND CALL ACCOUNTS

	2024 $	2023 $
At amortised cost		
Term deposits	**110,336,054**	**79,257,514**
Call account deposits	**3,332,048**	-
	113,668,102	79,257,514
Current	**78,053,478**	45,527,075
Non-current	**35,614,624**	33,730,439
	113,668,102	**79,257,514**

Term deposits and call accounts are secured under the Trust Deed.

The deed creates a security interest in favour of the Trustee over all of the present and after acquired personal property of the charging Company. The security interest is first ranking (subject to Prior Security Interests) and a financing statement is registered on the Personal Property Securities Register (PPSR).

In the current financial year, the Group has updated the PDS to include call accounts as a new product, with variable rates and no notice period to withdraw funds.

Interest rates on term deposits range from 3.50% to 8.10% p.a. (31 March 2023: 3.50% to 8.10% p.a.). Interest rates on Call account deposits are variable and throughout the period have ranged from 4.75% to 5.00% p.a. (31 March 2023: n/a). Refer to Note 24 for the current weighted average interest rates and the maturity profile.

18 EMPLOYEE ENTITLEMENTS

	2024 $	2023 $
Short term employee benefits		
Wages and salaries accrued	**24,093**	20,920
Bonuses accrued	**100,112**	71,566
Holiday pay	**70,034**	59,806
	194,239	**152,292**

19 SHARE CAPITAL

	2024 Shares	2023 Shares	2024 $	2023 $
Opening balance	**7,534,075**	7,460,001	**5,681,067**	5,581,067
Shares issued during the period	**-**	74,074	**-**	100,000
Closing balance	**7,534,075**	7,534,075	**5,681,067**	5,681,067

Share Issue Details and Rights

All shares have an equal right to vote, to dividends and to any surplus on winding up.

20 RESERVES

	2024 $	2023 $
Movements:		
Hedging reserve - cash flow hedges		
Opening balance	**(1,746)**	-
Fair value loss on currency forward contracts	**4,025**	(1,746)
Closing balance	**2,279**	(1,746)
Foreign currency translation reserve		
Opening balance	**141,229**	29,487
Exchange differences on translation of foreign operations	**(1,054)**	111,742
Realised gains	**(142,134)**	-
Closing balance	**(1,959)**	141,229
Total reserve balances	**320**	**139,483**

21 FINANCIAL INSTRUMENTS

Material accounting policies

Details of the material accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of every financial instrument on issue are disclosed in Note 1 to the financial statements.

Financial risk management objectives

By their nature the Group's activities are principally related to the use of financial instruments. The Group is borrowing funds, primarily from the New Zealand public, by issuing Secured Deposits for various periods pursuant to a registered Product Disclosure Statement; and lending funds to the public by providing finance in the form of consumer loans, business loans, and mortgages.

The Group actively manages its interest rate exposures with the objective of enhancing net interest income within prudent risk tolerances. Interest rates on loans and advances are set on a case by case basis, and depositor interest rates are reviewed periodically depending on the Group's liquidity requirements and current market rates.

The Group seeks to maintain its interest margins by obtaining competitive margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standings.

The Group's activities expose it to credit risk, market risk (including interest rate risk), liquidity risk, foreign currency exchange risk and the risk of money laundering and/or terrorism financing.

(a) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. Interest rate risk is the risk of loss to the Group arising from adverse fluctuation in interest rates. To mitigate this risk the Group enters into fixed borrowing and lending agreements for various maturity dates and through regular monitoring of rates offered on deposits and those charged on advances.

The sensitivity analysis below has been determined based on the variable rate loans and advances in the comparative period. The analysis is prepared assuming the amount outstanding at each reporting date was outstanding for the whole year. A 1% p.a. interest rate increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management assessment of the reasonably possible change in interest rates.

Profit for the year ended 31 March 2024 would not change (31 March 2023: no change) if interest rates had been 1.00% p.a. higher/lower and all other variables were held constant.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's lending policy requires that credit approval procedures be undertaken for each loan advance. As a minimum, credit checks are performed on each individual, company and collateral item relating to each loan before the loan is considered. Loans and advances are secured by charges over residential property, commercial and industrial property, other assets (including but not limited to buildings, plant and motor vehicles) and debenture charges including personal guarantees. Security is used as a means of mitigating the risk of financial loss arising from defaults.

Loan receivables consist of a large number of customers, spread across diverse industries and geographical locations. Certain restrictions exist on maximum net exposure to any one borrower or group of related borrowers. The Trust Deed sets the limit at 10% of total tangible assets. As at 31 March 2024 the largest exposure to any one borrower or group of related borrowers as a percentage of total tangible assets was 2.35% (31 March 2023: 4.00%)

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained. Detailed notes on concentration of credit exposure and asset quality are contained in Notes 23 and 25 respectively.

21 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

Liquidity is the risk that the Group will encounter difficulty in raising funds at short notice to meet commitments associated with financial instruments. The Group maintains sufficient funds to meet their commitments by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Liquidity risk and exposure is monitored on an ongoing basis. The maturity profile of monetary assets and liabilities is shown on Note 24.

(d) Money laundering and terrorism financing risk

Money laundering involves transforming money from crime ("dirty money") into money that: (a) has the appearance of coming from a legitimate source; and (b) makes the criminal origin of the money difficult to trace ("clean money"). The Group has performed an Anti-Money Laundering (AML) and Countering Financing of Terrorism (CFT) risk assessment and has an AML and CFT programme in place to mitigate the potential risks associated with money laundering and terrorism financing.

(e) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency) and the Group's net investments in foreign subsidiaries.

The Group manages its foreign currency risk by hedging transactions and it's net investment in subsidiary. When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of forecast transactions, the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

The Group hedges its exposure to fluctuations on the translation into NZD of its foreign operations by using foreign currency forward contracts.

At 31 March 2024 the Group had loans totalling AUD$12,290,434 (31 March 2023: AUD$9,957,720) to third parties.

At 31 March 2024 a 5% increase/decrease in the NZD against the AUD would have the impact on profit of +/- $2,000.

(f) Fair value of financial instruments

<u>Measurement of Fair Value Hierarchy</u>

The carrying amounts of assets and liabilities at the reporting date approximate their fair values. The table on the following page 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 quotes prices included within Level 1 that are observable for the asset or liabilities,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).

<u>Valuation Techniques and Significant Unobservable Inputs</u>

Neither loans and advances, nor secured term deposits 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 term deposits are estimated by discounting the future contractual cash flows using the current weighted average interest rate at the reporting date applicable for secured deposits with similar terms and conditions.

Both loans and advances and secured deposits 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 term deposits.

21 FINANCIAL INSTRUMENTS (continued)

Description	Valuation	Valuation technique	Unobservable inputs	Sensitivity of fair value to changes in inputs. The Estimated Fair Value would increase/(decrease) if
Secured term deposits	110,090,280 (31 March 2023: 78,721,398)	Discounted contractual cashflow - Level 3	• Weighted average interest rate 7.13% p.a. (31 March 2023: 5.94%) • Weighted average months to maturity 11.07 (31 March 2023: 13.87) • Current weighted average interest rate 7.57% p.a. (31 March 2023: 7.03%)	• Weighted average interest rate was higher/(lower) • Weighted average months to maturity was higher/(lower) • Current weighted average interest rate was (higher)/lower
Loans and advances	88,138,687 (31 March 2023: 71,405,493)	Discounted contractual cashflow - Level 3	• Weighted average interest rate 11.53% (31 March 2023: 11.27%) • Weighted average months to maturity 5.14 (31 March 2023:10.46) • Current weighted average interest rate 11.53% p.a. (31 March 2023: 11.50%)	• Weighted average interest rate was higher/(lower) • Weighted average months to maturity was higher/(lower) • Current weighted average interest rate was (higher)/lower

21 FINANCIAL INSTRUMENTS (continued)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

	2024 Carrying amount $	2024 **Fair value $**	**2023 Carrying amount $**	2023 **Fair value $**
Financial assets				
Loans and receivables:				
Cash and cash equivalents	**36,074,283**	36,074,283	**16,381,283**	16,381,283
Loan and advances	**88,095,313**	88,138,687	**71,467,421**	71,405,493
Derivative financial Instruments	**3,712**	3,712	**308,160**	308,160
	124,173,308	124,216,682	**88,156,864**	88,094,936
Financial liabilities				
Borrowings:				
Term deposits	**110,336,054**	110,090,280	**79,257,514**	78,721,398
Call accounts	**3,332,048**	3,332,048	**-**	-
Accounts payable	**277,963**	277,963	**291,191**	291,191
Employee entitlements	**194,239**	194,239	**152,292**	152,292
Derivative Financial Instruments	**9,830**	9,830	**-**	-
	114,150,134	113,904,360	**79,700,997**	79,164,881

Except as detailed in the above table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Assumptions used in determining fair value of financial assets and liabilities

Cash and cash equivalents

These are short term in nature; carrying value is equivalent to fair value.

Loan and advances

Fair value is estimated based on current market interest rates available for receivables of similar maturity and risk. The interest rate is used to discount future cash flows.

Secured term deposits

Financial liabilities with a maturity of one year or more, fair values have been estimated using the discounted cash flow approach using current rates offered for similar liabilities for similar remaining maturities. For liabilities with a maturity less than 12 months from the reporting date, the carrying amount is considered to be a reasonable estimate of fair value.

Call accounts

These are a short term in nature; carrying value is equivalent to fair value.

21 FINANCIAL INSTRUMENTS (continued)

(g) Hedging activities and derivatives

The Group is exposed to certain risks relating to its ongoing business operations. The primary risk managed using derivative instruments is foreign currency risk.

The Group's risk management strategy and how it is applied to managing risk is explained below.

The Group has $nil (March 2023: $nil) derivatives not designated as hedging instruments.

The Group's derivative financial instruments are measured at fair value and are summarised below

	2024	2023
	$	$
Derivative financial assets		
AUD forward contracts – cashflow hedge	**-**	11,952
AUD forward contracts – net investment hedge	**3,712**	296,208
Derivative financial assets	**5,736**	**310,183**
Derivative financial liabilities		
AUD forward contracts – cashflow hedge	**9,830**	-
Derivative financial liabilities	**9,830**	-

Cash flow hedges

Foreign exchange forward contracts are designated as hedging instruments in cash flow hedges of interest receivable to the parent in NZD from the foreign subsidiary in AUD. These forecast transactions are highly probable, and ineffectiveness may arise from the timing of payment of interest.

At 31 March 2024, cash flow hedges have been assessed as 49% effective (31 March 2023: 91%)

Net investment hedges

Structural FX risk results from the Parent's capital deployed in its Australian subsidiary, where it is denominated in AUD. As exchange rates move, the NZD equivalent of offshore capital is subject to change that could introduce significant variability to the Group's reported financial results and capital ratios.

The Group uses FX forward contracts when hedging the currency translation risk arising from net investments in foreign operations. The Group currently applies hedge accounting to its net investment in Australia which constitutes to 100% of the Group's offshore operation. Ineffectiveness only arises if the notional values of the FX forward contracts exceed the net investment in Australian operations.

At 31 March 2024, net investment hedges have been assessed as 100% effective (31 March 2023: 100%)

21 FINANCIAL INSTRUMENTS (continued)

Derivative maturity profile

The following table summaries the maturity profile of the Group's derivative financial instruments based on contractual payments:

As at 31 March 2024

	Hedging instrument	Hedge risk	Nominal amounts Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $	more than 5 years $
Derivative financial instruments								
Cashflow hedges	Forward contracts	FX risk	513,609	513,309	-	-	-	-
Net investment hedges	Forward contracts	FX risk	1,287,886	10,518,338	769,548	-	-	-
Total derivative financial instruments			1,801,495	11,031,647	769,548	-	-	-

As at 31 March 2023

	Hedging instrument	Hedge risk	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $	more than 5 years $
Derivative financial instruments								
Cashflow hedges	Forward contracts	FX risk	427,381	196,409	230,972	-	-	-
Net investment hedges	Forward contracts	FX risk	10,340,105	6,968,163	-	-	-	-
Total derivative financial instruments			10,767,486	7,164,572	230,972	-	-	-

The following table shows the weighted average FX rate related to significant hedging instruments in one-to-one hedge relationships.

	Hedging instrument	Hedge risk	Currency Pair	**31 March 2024**	**31 March 2024**
Cashflow hedges	Forward contracts	FX risk	AUD:NZD	**0.9307**	0.9073
Net investment hedges	Forward contracts	FX risk	AUD:NZD	**0.9179**	0.9009

21 FINANCIAL INSTRUMENTS (continued)

Impact of hedge accounting in reserves

The pre-tax impact of cash flow and net investment hedges on reserves is detailed below:

	Cash Flow Hedge Reserve	Net Investment hedge reserve
Balance as at 1 April 2023	2,425	-
Net losses from changes in fair value	(5,590)	-
Balance as at 31 March 2024	**(3,165)**	-
Balance as at 1 April 2022	-	-
Net gains from changes in fair value	2,425	-
Balance as at 31 March 2023	**2,425**	-

22 CONCENTRATION OF CREDIT EXPOSURE

Loans and advances

	2024 %	2023 %
Product concentration of Loans and advances (gross exposure)		
Business Finance	**1.02**	3.07
Personal Loans	**0.91**	3.03
Mortgages	**98.07**	93.90
	100.00	100.00

Business Finance

This product category is made up of any loan or credit facility we have provided to businesses to fund working capital or the purchase of assets. The average cash paid out on business facility loans for the year ended 31 March 2024 was $598,708 (31 March 2023: $163,209) for a term of 22.81 months (31 March 2023: 27.66 months). Typical business facilities are Principal & Interest loans up to $350,000 for a maximum term of five years secured by plant & machinery and/or general security agreements (GSA) and/or real estate property. Loans secured by GSA are capped at $50,000

Personal Loans

This product category consists of loans the Group has provided to individuals for personal purposes where the value of the loan is less than $40,000. The average cash paid out on personal loans in the year ended 31 March 2024 was $16,124 (31 March 2023: $4,266), with the average term of those loans being 34.50 months (31 March 2023: 25.43 months), although those amounts and terms do vary depending on the purpose of the loan. These loans are usually secured by motor vehicles or other securities registered under the Personal Property Securities Act 1999. Amounts up to $3,000 can be lent unsecured, but unsecured lending accounts for less than 1% of all loans. In March 2023, the Group ceased offering this product. It is expected that the current personal loans book will run down to $nil over the next 18 months.

Mortgages

This product category largely consists of interest only loans secured by first mortgage over land or residential dwellings from $500,000 to $2,000,000 for a maximum term of 18 months and a LVR of less than 70%. These loans could be provided for business, investment, or personal purposes. The average cash paid out on mortgage loans in year ended 31 March 2024 was $773,201 (31 March 2023: $812,150) for a term of 8.50 months (31 March 2023: 8.47 months)

22 CONCENTRATION OF CREDIT EXPOSURE (continued)

	2024 %	2023 %
Geographical concentration of Loans and advances (gross exposure)		
Auckland & Northland	**58.07**	60.37
Waikato	**3.02**	5.87
Bay of Plenty	**6.68**	3.55
Central North Island	**0.74**	3.91
Lower North Island	**9.76**	4.77
South Island & Other	**5.41**	6.20
Australia	**16.32**	15.33
	100.00	100.00

	2024 %	2023 %
Primary collateral held against Loans and advances (net exposure)		
First mortgage	**96.23**	93.02
Second mortgage or agreement to mortgage	**2.62**	3.97
PPSR charge	**1.14**	2.92
No security	**0.01**	0.09
	100.00	100.00

	2024 #	2023 #
Concentration of Loans and advances to individual counterparties (gross exposure)		
% of shareholder funds		
10 - 19.9%	**31**	24
20 - 29.9%	**7**	4
30 - 39.9%	**1**	2

	2024 %	2023 %
Funding		
Product concentration of Funding		
Secured deposits	**100**	100
	100	100

	2024 %	2023 %
Geographical concentration of Funding		
Auckland & Northland	**26.07**	31.70
Waikato	**12.94**	12.19
Bay of Plenty	**15.13**	18.07
Other - North Island	**17.11**	13.70
South Island	**18.26**	16.83
Overseas	**10.49**	7.51
	100.00	100.00

22 CONCENTRATION OF CREDIT EXPOSURE (continued)

	2024	2023
	#	#
Concentration of Funding from individual counterparties		
% of shareholders funds		
10 - 19.9%	**7**	7
20 - 29.9%	**2**	1

23 MATURITY PROFILE & INTEREST RATE REPRICING PROFILE

The table below analyses the Groups financial assets and liabilities at the reporting date into the relevant maturity groupings, based on the remaining period to the contractual maturity date.

Key management personnel and the Directors review the loan book on a regular basis and make assessments on the collectability of the outstanding loans. The difference between the contractual cash flows and expected cash flows comprise (a) impairment losses estimated and agreed by management and the Directors as described in Note 1(n) and (b) fees that have yet to be recognised as revenue for accounting purposes, but which are contractually due.

Maturity Profile of Monetary Items

As at 31 March 2024

	Statement of Financial Position	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	5 years +
	$	$	$	$	$	$	$
Non-derivative Financial Assets							
Cash and cash equivalents	36,074,283	36,074,283	36,074,283	-	-	-	-
Loans and advances	88,095,313	86,516,281	67,431,944	13,670,268	4,903,449	488,349	22,271
Total Assets	124,169,596	122,590,564	103,506,227	13,670,268	4,903,449	488,349	22,271
Non-derivative Financial Liabilities							
Employee entitlements	194,239	194,239	194,239	-	-	-	-
Term deposits	110,336,054	17,192,034	38,830,885	41,081,488	29,351,034	7,928,627	-
Call Accounts	3,332,048	3,332,048	3,332,048	-	-	-	-
Accounts payable	277,963	277,963	277,963	-	-	-	-
Total Liabilities	114,140,304	20,996,284	42,635,135	41,081,488	29,351,034	7,928,627	-
Total	10,029,292	1,594,280	60,871,092	(27,411,220)	24,447,585)	(7,440,278)	22,271

The expected maturity of financial assets and liabilities only differs materially from the contractual maturity in respect of loans and advances. The expected maturity of loans and advances and the adjusted cash flows are as follows:

Loans and advances (expected)	88,095,313	85,177,593	66,093,256	13,670,268	4,903,449	488,349	22,271
Adjusted total	**10,029,292**	**255,592**	**23,458,121**	**(27,411,220)**	**(24,447,585)**	**(7,440,278)**	**22,271**

23 MATURITY PROFILE & INTEREST RATE REPRICING PROFILE (continued)

As at 31 March 2023

	Statement of Financial Position	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	5 years +
	$	$	$	$	$	$	$
Non-derivative Financial Assets							
Cash and cash equivalents	16,381,283	16,381,283	16,381,283	-	-	-	-
Loans and advances	71,467,421	71,039,428	31,236,026	32,409,036	6,931,715	433,016	29,635
Total assets	87,848,704	87,420,711	47,617,309	32,409,036	6,931,715	433,016	29,635
Non-derivative Financial Liabilities							
Employee entitlements	152,292	152,292	152,292	-	-	-	-
Term deposits	79,257,514	84,657,112	28,314,651	20,570,419	24,503,413	11,268,629	-
Accounts payable	291,191	291,191	291,191	-	-	-	-
Total liabilities	79,700,997	85,100,595	28,758,134	20,570,419	24,503,413	11,268,629	-
Total	8,147,707	2,320,116	18,859,175	11,838,617	(17,571,698)	(10,835,613)	29,635

The expected maturity of financial assets and liabilities only differs materially from the contractual maturity in respect of loans and advances. The expected maturity of loans and advances and the adjusted cash flows are as follows:

Loans and advances (expected)	71,467,421	70,687,734	30,884,332	32,409,036	6,931,715	433,016	29,635
Adjusted total	**8,147,707**	**1,968,422**	**18,507,481**	**11,838,617**	**(17,571,698)**	**(10,835,613)**	**29,635**

As at 31 March 2024

	Weighted Average Interest Rate	Total	Within 6 Months	Between 6 -12 Months	Between 1 - 2 Years	Between 2 - 5 Years	Over 5 Years	Non-interest bearing
	% p.a.	$	$	$	$	$	$	$
Non-derivative Financial Assets								
Cash and cash equivalents	4.85%	36,074,283	36,074,283	-	-		-	-
Loans and advances	11.53%	88,095,313	70,129,396	12,948,696	4,548,697	446,253	22,271	-
Total Assets		24,169,596	106,203,679	12,948,696	4,548,697	446,253	22,271	-

23 MATURITY PROFILE & INTEREST RATE REPRICING PROFILE (continued)

	Weighted Average Interest Rate % p.a.	Total $	Within 6 Months $	Between 6 -12 Months $	Between 1 - 2 Years $	Between 2 - 5 Years $	Over 5 Years $	Non-interest bearing $
Non-derivative Financial Liabilities								
Employee entitlements		194,239	-	-	-	-	-	194,239
Term deposits	7.13%	10,336,054	35,516,491	39,204,939	28,280,349	7,334,275	-	-
Call accounts	5.00%	3,332,048	3,332,048	-	-	-	-	-
Accounts payable	-	277,963	-	-	-	-	-	277,963
Total Liabilities	7.04%	14,140,304	38,848,539	39,204,939	28,280,349	7,334,275	-	472,202
Total	2.54%	10,029,292	67,355,140	(26,256,243)	(23,731,652)	(6,888,022)	22,271	(472,202)

As at 31 March 2023

Non-derivative Financial Assets								
Cash and cash equivalents	2.10%	16,381,283	16,381,283	-	-	-	-	-
Loans and advances	11.27%	71,467,421	33,653,992	30,835,886	6,558,179	389,729	29,635	-
Total Assets	9.56%	**87,848,704**	**50,035,275**	**30,835,886**	**6,558,179**	**389,729**	**29,635**	**-**
Non-derivative Financial Liabilities								
Employee entitlements		152,292	-	-	-	-	-	152,292
Term deposits	5.94%	79,257,514	26,315,774	19,211,301	23,154,468	10,575,971	-	-
Accounts payable		291,191	-	-	-	-	-	291,191
Total Liabilities	**5.91%**	**79,700,997**	**26,315,774**	**19,211,301**	**23,154,468**	**10,575,971**	**-**	**443,483**
Total	**3.65%**	**8,147,707**	**23,719,501**	**11,624,585**	**(16,596,289)**	**(10,186,242)**	**29,635**	**(443,483)**

24 ASSET QUALITY

	2024	2023
	$	$
(a) **Summary of Loans and advances**		
Loans and advances by Quality		
Not Past Due	**78,199,828**	64,179,295
Past Due but Not Impaired	**3,539,863**	2,996,705
Individually Impaired	**7,537,955**	4,444,785
Restructured	**156,354**	198,331
Gross loans and advances	**89,434,000**	71,819,116
Impairment provisions	**(1,338,687)**	(351,694)
Net loans and advances	**88,095,313**	**71,467,422**

The individually impaired loans and advances is primarily attributable to the impairment of a single loan, secured against a first mortgage. As at 31 March 2024, this loan, with a gross exposure of $3,918k (March 2023: $3,521k), remains impaired in accordance with the Group's impairment policy. As at 31 March 2024, management have assessed the recoverable amount to be $3,000k, which results in a specific allowance impairment of $992k (31 March 2023: $29k). Management is actively engaged in working closely with the borrower to ensure the full repayment of the outstanding loan amount. In May 2024, the property was actively listed for sale by tender. For more detail on the specific impairment provision, refer to Notes 1(n), 2, and 5.

(b) **Summary of Loans and advances movements**

For the Year Ended 31 March 2024

	Performing Not Past Due	**Past Due but Not Impaired**	**Individually Impaired**	**Restructured**	**Total**
	$	**$**	**$**	**$**	**$**
Opening Balance	**64,179,295**	**2,996,705**	**4,444,785**	**198,331**	**71,819,116**
Transfers to Not Past Due	230,822	(230,822)	-	-	-
Transfers to Past Due Not Impaired	(3,902,231)	3,902,231	-	-	-
Transfers to Individually Impaired	(3,361,733)	(28,245)	3,389,978	-	-
Transfers to Restructured	(52,150)	(223)	-	52,373	-
Business activity during the year*	92,028,259	1,735,298	81,700	10,664	93,855,921
Repayments during the year	(70,905,162)	(4,748,815)	(291,576)	(103,882)	(76,049,435)
Write-offs	(17,272)	(86,266)	(86,932)	(1,132)	(191,602)
Closing Balance	**78,199,828**	**3,539,863**	**7,537,955**	**156,354**	**89,434,000**

For the Year Ended 31 March 2023

	Performing Not Past Due	**Past Due but Not Impaired**	**Individually Impaired**	**Restructured**	**Total**
Opening Balance	**47,702,769**	**2,058,954**	**329,013**	**411,876**	**50,502,612**
Transfers to Not Past Due	388,595	(388,595)	-	**-**	-
Transfers to Past Due Not Impaired	(3,017,327)	2,746,476	270,851	**-**	-
Transfers to Individually Impaired	(3,565,177)	(270,851)	3,958,368	(122,340)	-
Transfers to Restructured	(46,015)	-	-	46,015	-
Business activity during the year*	73,304,144	612,579	179,228	47,282	74,143,233
Repayments during the year	(50,539,518)	(1,672,028)	(275,489)	(166,842)	(52,653,877)
Write-offs	(48,176)	(89,830)	(17,186)	(17,660)	(172,852)
Closing Balance	**64,179,295**	**2,996,705**	**4,444,785**	**198,331**	**71,819,116**

*Business activity during the year includes new loans advanced, interest and fees charged, and other related transactions.

24 ASSET QUALITY (continued)

(c) Aging of Past Due but not Impaired Loans and advances

	2024 $	2023 $
Aging of Past Due but not Impaired Loans and advances		
Past due 0 - 30 days	**3,092,518**	2,375,503
Past due 31 - 60 days	**395,372**	443,111
Past due 31 - 90 days	**11,576**	34,118
Past due 91 - 120 days	**1,766**	16,803
Past due more than 120 days	**38,631**	127,170
	3,539,863	**2,996,705**

(d) Security held over Individually Impaired Loans and advances

	2024 %	2023 %
First mortgage	**97.82**	84.16
Second mortgage or agreement to mortgage	**0.69**	14.99
PPSR Charges	**1.49**	0.85
	100.00	100.00

25 CAPITAL COMMITMENTS

There are no capital commitments as at 31 March 2024 (31 March 2023: none).

26 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

If a borrower elects to take out optional Payment Protection Plan (PPP) cover, they may be entitled to have instalments on their loan forgiven. The maximum entitlement under PPP results from death of the nominated borrower. In the case of death, instalments equal to the loan balance up to a maximum of $10,000 can be forgiven.

An estimate of the expected liability under the (PPP) cover has been made based on the history of successful remittances since the commencement of the plan. Based on this estimate, an allowance has been provided for as disclosed as part of note 16. As such, there is no contingent liability recognised for the year ended 31 March 2024 (31 March 2023: nil).

There are no other contingent liabilities at each reporting date other than normal purchase and lease commitments. The Group has no contingent assets at 31 March 2024 (31 March 2023: nil).

27 RELATED PARTY DISCLOSURE

(a) Related parties

Only related parties with transactions or balances during any reporting period that require disclosure are listed.

Related party	Relationship to Xceda Finance Limited ("XFL")
Xceda Capital Group Limited	Related to a director and senior officer in XFL, is 100% shareholder of XFL
Xceda Capital Pty Limited	An entity with a common parent.
Other related individuals	Entities and parties are related to a director or senior officer of XFL. All of these transactions relate to investments in deposits at arm's length. Not individually disclosed due to the type of the transactions.

27 RELATED PARTY DISCLOSURE (continued)

(b) Loans to related parties

The Group advanced two loans to Xceda Capital Group Limited, outlined below. One of these was a fixed loan that has been fully repaid in the current financial period, while the other was the extension of a Business Finance Revolving Credit Facility with a limit of $350,000 to Xceda Capital Group Limited. As at 31 March 2024, this facility had an outstanding drawn down balance of $328,575 (31 March 2023: n/a).

	2024	2023
	$	$
Loans to related parties		
Opening balance	**-**	-
Loans advanced	**750,000**	-
Interest and fees charged	**48,091**	-
Payments received	**(19,516)**	-
Principal repaid	**(450,000)**	-
Closing Balance	**328,575**	-

There have not been any other related party loans written. There have been no loans written off or forgiven during the year ended 31 March 2024 (31 March 2023: $nil).

(c) Loans from related parties

The Group received one subordinated debt from Xceda Capital Group Limited, outlined below. This was fully repaid in the current financial period. As at 31 March 2024, this loan had a $nil balance (31 March 2023: n/a).

All loans advanced and facilities have been extended at an arms' length basis with an average interest rate of 16.95% (31 March 2023: n/a).

	2024	2023
	$	$
(d) Loans from related parties		
Opening balance	**-**	-
Loans received	**720,000**	-
Interest and fees incurred	**14,305**	-
Payments made	**(14,305)**	-
Principal repaid	**(720,000)**	-
Closing balance	**-**	-

27 RELATED PARTY DISCLOSURE (continued)

	2024 $	2023 $
(e) *Deposits from other related individuals*		
Opening balance	**992,520**	700,000
• Deposits received	**1,110,950**	775,000
• Deposits matured	**(688,746)**	(500,000)
• Interest accrued	**59,616**	39,990
• RWT deducted and interest paid	**(23,142)**	(22,470)
Closing Balance	**1,451,198**	**992,520**

(f) Other related party transactions in the current period

(i) The Group received fees from Xceda Capital Pty Limited for the use of software. The total fees received in the year ended 31 March 2024 were $20,000 (31 March 2023: $48,000).

(ii) The Group paid $743,532 in the year ended 31 March 2024 for management fees that related to leases of office premises held by Xceda Capital Group Limited and an on charge of services provided by the CEO &CFO (31 March 2023:$646,609).

(i) The Group paid $301,333 to Xceda Capital Pty Limited in the year ended 31 March 2024 for management fees and other on charged costs that related to the origination and management of loans in Australia. (31 March 2023: $290,095).

At 31 March 2024 there was $nil owed to Xceda Capital Group Limited as a trade payable (31 March 2023: $nil).

At 31 March 2024 there was $3,176 payable to Xceda Capital Pty Limited (31 March 2023: $nil).

At 31 March 2024 there was $nil receivable from Xceda Capital Pty Limited (31 March 2023: $16,000).

(i) Key management compensation

The compensation of the key management personnel of the entity is set out below.

	2024 $	2023 $
Short term employee benefits paid in period		
Directors' fees	**116,677**	157,436
Total short term employee benefits paid in period	**116,677**	**157,436**

The CEO and the CFO are employed by the Parent Company Xceda Capital Group Limited and a management fee is charged to Xceda Finance Limited.

28 RECONCILIATION OF NET SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES

	2024 $	2023 $
Total Comprehensive Income for the period	**1,302,615**	902,510
Depreciation	**210,465**	266,698
Increase in impairment allowance	**986,380**	10,762
Loss on sale of property, plant & equipment	**7**	131,263
Loans and advances written off	**190,575**	171,562
Interest expense reinvested	**2,678,617**	1,216,299
Tax expense	**797,436**	23,788
Deduct		
Increase in loans and advances	**(17,804,847)**	(21,487,692)
Increase in payables	**141,944**	48,826
Decrease in tax liability	**(250,127)**	(17,362)
Decrease in prepayments and other receivables	**(41,433)**	12,563
Increase in derivative financial instruments	**314,278**	(308,160)
Decrease in GST	**122,981**	(126,486)
Decrease in deferred tax asset	**(300,423)**	387,086
Other comprehensive (income)/expense (net of tax)	**(139,161)**	112,997
Net cash used in operating activities	**(11,790,693)**	(18,655,346)

29 RECONCILIATION OF SECURED DEPOSITS ARISING FROM FINANCING ACTIVITIES

	Total $
At 31 March 2023	**79,257,514**
Repayment principal and interest	**(17,471,062)**
Proceeds	**49,203,033**
Reinvested Interest	**2,678,617**
Total 31 March 2024	**113,668,102**
At 31 March 2022	**50,169,529**
Repayment principal and interest	**(10,713,545)**
Proceeds	**38,585,230**
Reinvested Interest	**1,216,300**
Total 31 March 2023	**79,257,514**

30 RANKING OF LIABILITIES

Except for prior security interests totalling no more than 2% of total tangible assets, the Trust Deed prohibits the Group from granting any security interests that rank ahead of, or equally with, the first interest given to the Supervisor for the benefit of Stockholders under the Trust Deed.

As at 31 March 2024, there were no outstanding prior security interests that had been granted by the Group (31 March 2023: nil). The only interests that rank ahead of the first interest given to the Supervisor are those given preference by law such as PAYE and RWT.

30 RANKING OF LIABILITIES (continued)

The secured deposits totalling $113,668,102 as at 31 March 2024 (31 March 2023: $79,257,514) reported in these financial statements are secured by security interest in favour of the Supervisor over all of the present and after acquired personal property of the Group, and rank ahead of the other secured liabilities (other than permitted prior security interests and claims given preference by law, such as outstanding taxes and payments to employees).

All other liabilities reflected in the Statement of Financial Position are ranked equally.

31 SUBSEQUENT EVENTS

On 12 April 2024, the Group paid a dividend of $125,000 to the parent Xceda Capital Group Limited.

On 21 May 2024, Xceda Finance Limited issued 666,667 shares to the parent Xceda Capital Group Limited at $1.35 per share, totalling $900,000.

On 7 May 2024, the Group's credit rating agency, Equifax, upgraded the credit rating from B/Stable to B+/Positive.

The Directors are not aware of any other matters or circumstances since the end of each reporting period, not otherwise dealt with within these financial statements that have significantly or may significantly affect the operations of the Group.

32 CAPITAL MANAGEMENT AND CAPITAL RATIO CALCULATIONS

When managing capital, management's objective is to maintain acceptable capital ratios to support the business and ensure the Group continues as a going concern. In order to achieve this objective, the Group performs monthly reviews of its capital structure in light of current and forecast financial performance and economic conditions.

Business initiatives and strategies are developed in response to these reviews. Should it need to, the Group will adjust its dividend payment (if any) to shareholders to maintain adequate capital.

The Group had two capital ratios it must adhere to pursuant to its Trust Deed.

Capital ratios are calculated as at the end of every calendar month. The ratios are summarised on the following pages. Deferred tax and any intangible assets are deducted from capital for ratio calculation purposes.

(a) Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010

The regulations include a minimum capital ratio, to be calculated according to the framework prescribed by the Reserve Bank of New Zealand (RBNZ). The minimum capital ratio is 8% for companies that have a credit rating from a ratings agency approved by the RBNZ under section 86 of the Non-bank Deposit Takers Act 2013, and 10% for those without such a rating. Per the Trust Deed the minimum capital ratio to be maintained is 10% (31 March 2023: 10%).

Xceda Finance has a B/Stable credit rating as at 31 March 2024 (31 March 2023: B/Stable). Ratings have been issued by Equifax (31 March 2023: Equifax), a ratings agency approved by the RBNZ.

A key premise of the framework under which the capital ratios are calculated is that financiers with higher risk loans and other assets should require more capital compared with companies carrying lower risk loans and other assets. To achieve this, the regulations require each loan or other asset to be assigned a class according to a schedule defined in the regulations. Each class of asset has a corresponding risk weight. The risk weight together with the level of exposure to that asset type determine the amount of shareholder capital required.

32 CAPITAL MANAGEMENT AND CAPITAL RATIO CALCULATIONS (continued)

Full details are set out in the regulations, and the calculations for the Group for each reporting period are set out below.

	2024 **$**	2023 $
Risk weighted exposures		
Total risk-weighted amount for credit risk	**51,273,629**	45,255,362
Aggregate amount for operational and market risk	**15,436,811**	11,756,606
Total risk-weighted exposures	**66,710,440**	**57,011,968**
Capital for ratio calculation purposes		
Gross capital	**10,146,690**	9,151,732
Deductions	**(607,245)**	(402,332)
Capital	**9,539,445**	**8,749,400**
Capital ratio	**14.31**	15.41
Capital	**9,539,445**	8,749,400
Capital required – 10% of risk weighted exposures	**(6,671,044)**	(5,701,197)
Capital surplus over minimum requirement	**2,868,401**	**3,048,203**

During the year ended 31 March 2024, the reported capital ratios ranged from 14.31% to 15.68% and there were no breaches in satisfying the Group's capital ratios (31 March 2023: from 13.99% to 16.71% with no breaches).

(b) Debenture Trust Deed dated 15 March 2004 (as amended)

Until 29 August 2023, under the terms of the Debenture Trust Deed, the capital required differs depending on the level of the Group's Total Tangible Assets and amount of shareholder funds. The applicable ratio as at 31 March 2023 through to 31 July 2023, stated that "…total liabilities are not to exceed 90% of Total Tangible Assets". For the purposes of the Trust Deed calculations, total liabilities exclude Subordinated Debt and Unsecured Capital Notes.

On 29 August 2023, Xceda Finance Limited held a special general meeting with Deposit Holders in accordance with the Trust Deed, in which a Special Resolution was proposed to amend the Trust Deed. The Special Resolution was passed with a Quorum achieved of 42.4% (minimum 25% required) with 98.6% of the vote "For" the resolution (minimum 75% required). The Trustee (Covenant Trustee Services Limited) announced and confirmed the result and the voting process was scrutinised and confirmed by Grant Thornton New Zealand.

As part of the Trust Deed amendments, Section 5.1 (a) Total Liabilities Limited was removed.

The Group had one breach to this ratio during the reporting period ended 31 March 2024 (31 March 2023: 1 breach).

- In April 2023, the predefined threshold was exceeded by 0.24% to this ratio.
- In March 2023, the predefined threshold was exceeded by 0.13% to this ratio.

This discrepancy was rectified through appropriate measures by 31 May 2023.

The Total Liabilities Limited ratio was not applicable at 31 March 2024 (31 March 2023: 90.13%).

	2024 **$**	2023 $
Total assets	-	89,102,711
Intangible assets	-	(399,710)
Total liabilities	-	79,944,474
Ratio calculation	-	90.13
90% of Total Tangible Assets	-	79,832,701
Total liabilities for ratio calculation purposes	-	(79,944,474)

33 SEGMENTAL REPORTING

For management purposes, the Group organises some revenue streams and assets based on the following three segments. The Chief Executive Officer, being the chief operating decision maker, assesses the segment performance and decides on the resource allocation.

NZ – Business & Commercial

Business and commercial loans that are advanced in New Zealand (NZ) and that are not governed by the CCCFA.

NZ - Consumer

Consumer loans and advances that are governed by the Credit Contracts and Consumer Finance Act 2003 (“CCCFA”) and advanced in New Zealand (NZ).

AU – Business & Commercial

Business and commercial loans that are advanced in Australia (AU) and that are not governed by the National Consumer Credit Protection Act 2009 (National Credit Act).

Due to the infrastructure, staff and most operating costs required for the NZ segments are the same, management does not attribute all revenues, expenses, assets and liabilities into these two segments. Decision making is made at the operating income and total assets level.

The segmental reporting that is routinely used by Management and how it reconciles to amounts reported in the primary financial statements is shown below.

Neither secured deposit liabilities nor interest expense is apportioned between the consumer and the business loan books in the management reporting and therefore has not been allocated to a specific segment.

There are no instances in either reporting period where there is revenue arising from a single borrower in excess of 10% of total revenue.

31 March 2024
For the period end 31 March 2024

	NZ - Consumer $	NZ - Business $	AU – Business $	Unallocated $	Total $
Interest revenue	1,119,333	8,050,676	1,392,641	898,123	11,460,773
Interest expense	(681,943)	(4,904,799)	(848,453)	-	(6,435,195)
Net interest income	**437,390**	**3,145,877**	**544,188**	**898,123**	**5,025,578**
Other income	118,203	2,077,934	283,453	616,679	3,096,269
Net profit before tax	**140,164**	**1,317,858**	**13,877**	**382,153**	**1,854,052**
Loans and advances	**4,417,618**	**70,452,493**	**13,225,202**	**-**	**88,095,313**

31 March 2023
For the period end 31 March 2023

	NZ - Consumer $	NZ - Business $	AU – Business $	Unallocated $	Total $
Interest revenue	1,218,368	5,262,195	793,974	110,256	7,384,793
Interest expense	(541,701)	(2,339,634)	(479,654)	-	(3,360,989)
Net interest income	**676,667**	**2,922,561**	**314,320**	**110,256**	**4,023,804**
Other income	324,285	1,328,607	192,354	540,683	2,385,929
Net profit before tax	**183,544**	**779,535**	**188,983**	**119,363**	**1,271,425**
Loans and advances	**7,864,485**	**53,703,610**	**9,899,327**	**-**	**71,467,422**

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Independent Auditor's Report

To the Shareholders of Xceda Finance Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Xceda Finance Limited (the "Company") and its controlled subsidiary (the "Group") on pages 10 to 51 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 a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group 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 provider of other assurance services, we have no relationship with, or interests in, the Group.

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
Allowance for impairment losses from loans and advances The allowance for impairment losses from loans and advances to customers amount to $1,176,955 in the	We have: • 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

Why the audit matter is significant	How our audit addressed the key audit matter
consolidated financial statements as at 31 March 2024. Due to the materiality and 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 balance. The principles for determining the allowance for impairment losses from loans and advances are described in *Note 1(n)* and *Note 2* of the consolidated financial statements. The description of credit risks and the allowance for impairment losses is disclosed in *Note 21* and *Note 5* of the consolidated financial statements.	identification, collateral valuation and how management's estimates and judgements are determined. • 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 tested 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 period 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 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 collective provisioning model, 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 judgements made by management regarding the assumptions used for the expected credit loss methodology, including challenging the appropriateness of the risk factors that had been considered when developing the 12 month and lifetime expected credit loss as part of the 3 stage impairment model.

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

The Directors are responsible for the other information. The other information comprises the Group Directory, Chairmans Report, Key Performance Highlights and the Consolidated Financial Overview 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 consolidated financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1/

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

Grant Thornton

V J Black
Partner
Auckland, New Zealand
26 June 2024

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