

# **Gold Band Finance Limited**

**Financial statements  
For the year ended  
31 August 2019**



**Gold Band Finance Limited**  
**Contents**  
As at 31 August 2019

	<b>Page</b>
Company directory	3
Independent auditors' report	4 - 7
Statement of comprehensive income	8
Statement of changes in equity	9
Statement of financial position	10
Statement of cash flows	11
Notes to the financial statements	12 - 36

**Gold Band Finance Limited**  
**Company directory**  
As at 31 August 2019

**Share capital:** 7,428,924 Ordinary shares

**Domicile and country  
of incorporation:** New Zealand

**Company number:** CH321896

**Registered office:** Harmans Lawyers  
485 Papanui Road, Christchurch

**Board of Directors:** Robin Charles Standage LL.M (Hons)  
Robin Wales  
Paul Alexander Rogers M.Bld.Sc, M.I.PENZ, M.IoD  
John Philip Thompson

**Auditors:** PricewaterhouseCoopers  
Christchurch

**Bankers:** ASB Bank Limited

**Solicitors:** Harmans Lawyers  
Anthony Harper



## *Independent auditor's report*

To the shareholders of Gold Band Finance Limited

We have audited the financial statements which comprise:

- the statement of financial position as at 31 August 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### *Our opinion*

In our opinion, the accompanying financial statements of Gold Band Finance Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 August 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

---

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Company in the areas of other related assurance services and supervisor reporting. The provision of these other services has not impaired our independence as auditor of the Company.

## *Our audit approach*

### Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall materiality: \$76,000, which represents 1% of net assets.

We chose net assets as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark.

We have determined that there is one key audit matter:

- Recoverability of finance receivables

### Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

### Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

### Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Recoverability of finance receivables</i></p> <p>Note 9 of the financial statements provides details of the net finance receivables at amortised cost of \$23.6m million after an allowance for impairment as at 31 August 2019.</p> <p>We consider this a key audit matter due to the judgement involved regarding the recoverability of finance receivables and the related allowance for impairment. If the carrying value of an individual loan is greater than the recoverable amount of the receivable, the corresponding impairment may have a material impact within the financial statements.</p> <p>Management consider the expected credit loss method when entering into a finance receivable contract based on historic knowledge of the customer, type of security and other factors in the current macroeconomic environment.</p> <p>The allowance for impairment of loans is assessed monthly by management, on a loan by loan basis.</p> <p>The key judgments applied by management and the Directors include:</p> <ul style="list-style-type: none"> <li>• The credit quality of the receivable, including any adverse change in borrower status and payment history that increases the probability of default; and</li> <li>• The quality of the underlying security provided for the receivable.</li> </ul> <p>Where an allowance is required, this is recognised in the allowance for impairment and monitored on a regular basis.</p>	<p>We obtained an understanding of the lending process, and particularly the process for assessing the recoverability of finance receivables and the calculation of the allowance for impairment. Further, we obtained an understanding of the relevant controls in place to ensure that finance receivables are recoverable and that allowances for impairment are recognised appropriately.</p> <p>For a selection of the new loans issued by the Company, 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.</p> <p>We obtained the finance receivables ledger at year end, and using our knowledge of the Company 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.</p> <p>For each identified loan, we tested whether there was adequate security against each advance in order to recover the outstanding balance. Where provided, we considered the adequacy of third party valuations, and also verified any prior ranking securities to independent sources.</p> <p>For the collective provisioning model, we:</p> <ul style="list-style-type: none"> <li>• recalculated the provision based on the input factors identified by management as part of the expected credit loss methodology, and</li> <li>• 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.</li> </ul> <p>We have no material matters to report</p>

### *Information other than the financial statements and auditor's report*

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we will not express any form of assurance conclusion on the other information. At the time of our audit, the Directors have advised that no other information will be included in the annual report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.



---

### *Responsibilities of the Directors for the financial statements*

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

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

---

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our auditor's report.

---

### *Who we report to*

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

---

The engagement partner on the audit resulting in this independent auditor's report is Nathan Wylie.

For and on behalf of:

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants  
28 November 2019

Christchurch

## Statement of comprehensive income

		Year 31/08/19 \$000	Year 31/08/18 \$000
	Note		
Interest revenue	3	3,128	3,059
Lending fees		82	142
Establishment fees	4	498	509
<b>Total Finance Income</b>		<b>3,708</b>	<b>3,710</b>
<b>Less finance expenses</b>			
Interest expenses	3	1,070	945
Movement in provision for doubtful loans	9(B)	(102)	(91)
Loans written off (recovered)		314	217
Other finance expenses		56	49
		<b>1,338</b>	<b>1,120</b>
<b>Gross finance margin</b>		<b>2,370</b>	<b>2,590</b>
Other income		20	24
Administration expenses	5	1,155	1,201
Other operating expenses		44	36
		<b>1,199</b>	<b>1,237</b>
<b>Net operating income before tax</b>		<b>1,191</b>	<b>1,377</b>
Income tax expense	6	334	387
<b>Net operating income after tax</b>		<b>857</b>	<b>990</b>
<b>Total comprehensive income for the period</b>		<b>857</b>	<b>990</b>

The accompanying notes form part of the financial statements



## Statement of changes in equity

	Share Capital	Retained Earnings	Total equity
	\$000	\$000	\$000
<b>Opening equity 01/09/2018</b>	3,594	3,815	7,409
<b>Changes on initial application of NZ IFRS 9</b>	-	-	-
<b>Restated balance at 01/09/2018</b>	3,594	3,815	7,409
<b>Total comprehensive income</b>			
Net income for the period after tax attributable to the owners of the Company	-	857	857
Dividends paid	-	(595)	(595)
<b>Closing equity 31/08/2019</b>	<u>3,594</u>	<u>4,077</u>	<u>7,671</u>

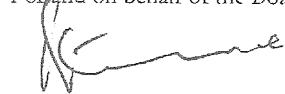
	Share Capital	Retained Earnings	Total equity
	\$000	\$000	\$000
<b>Opening equity 01/09/2017</b>	3,594	3,421	7,015
<b>Total comprehensive income</b>			
Net income for the period after tax attributable to the owners of the Company	-	990	990
Dividends paid	-	(596)	(596)
<b>Closing equity 31/08/2018</b>	<u>3,594</u>	<u>3,815</u>	<u>7,409</u>

The accompanying notes form part of the financial statements

## Statement of financial position

		As at 31/08/19 \$000	As at 31/08/18 \$000
	Note		
<b>Assets</b>			
Cash and Cash equivalents	7	3,914	3,658
Sundry receivables	8	8	10
Prepayments		13	15
Loan receivables	9	23,566	21,341
Property, plant and equipment		84	37
Intangible assets		30	41
Deferred Tax	6	157	173
<b>Total Assets</b>		<u>27,772</u>	<u>25,275</u>
<b>Liabilities</b>			
Trading and other liabilities	10	128	85
Employee entitlements	11	50	38
Income Tax payable		54	135
Unearned establishment fees	4	236	277
Unearned commission revenue		15	17
Finance borrowings	12	19,618	17,314
<b>Total Liabilities</b>		<u>20,101</u>	<u>17,866</u>
<b>Net Assets</b>		<u>7,671</u>	<u>7,409</u>
<b>Closing equity</b>			
Share capital	13	3,594	3,594
Retained Earnings		<u>4,077</u>	<u>3,815</u>
		<u>7,671</u>	<u>7,409</u>

For and on behalf of the Board of Directors, who authorise the issue of the financial statements



Director

28.11.19

Date



Director

28.11.19

Date

The accompanying notes form part of the financial statements

## Statement of cash flows

		Year 31/08/19 \$000	Year 31/08/18 \$000
	Note		
<b>Cash flow from operating activities</b>			
Interest received		3,133	3,103
Establishment fees		457	498
Lending fees		82	140
Recoveries of loans previously written off		36	61
Other income received		24	17
Interest paid		(730)	(680)
Payments to suppliers and employees		(1,143)	(1,306)
Income tax (paid)/received		(399)	(385)
Fringe Benefit tax (paid)		(6)	-
		<u>1,454</u>	<u>1,448</u>
<b>(Increase)/decrease in operating assets</b>			
Net repayment of / (investment in) loan receivables		(2,489)	(1,501)
Net increase / (decrease) in debentures and deposits		<u>1,967</u>	<u>2,664</u>
<b>Net cash inflow from operating activities</b>	14	<u>932</u>	<u>2,611</u>
<b>Cash flows to investing activities</b>			
Purchase of plant, equipment and intangibles		<u>(80)</u>	<u>(60)</u>
<b>Net cash (outflow) to investing activities</b>		<u>(80)</u>	<u>(60)</u>
<b>Cash flows to financing activities</b>			
Dividend paid		<u>(595)</u>	<u>(596)</u>
<b>Net cash (outflow) to financing activities</b>		<u>(595)</u>	<u>(596)</u>
<b>Net increase (decrease) in cash held</b>		256	1,955
Cash balances at beginning of period		<u>3,658</u>	<u>1,703</u>
<b>Cash balances at end of period</b>		<u>3,914</u>	<u>3,658</u>

The accompanying notes form part of the financial statements

# Gold Band Finance Limited

## Notes to Financial statements

For the year ended 31 August 2019

### 1. General information

The financial statements are for Gold Band Finance Limited (the "Company"). The Company is a profit-oriented entity incorporated and domiciled in New Zealand. The registered office is located at Harmans Lawyers, 485 Papanui Road, Christchurch.

The principal activity of the Company is the borrowing and lending of money in New Zealand. All activities represent continuing activities. The Company is a Non-Bank Deposit Taker as defined in the Non-Bank Deposit Takers Act 2013, as an issuer of debt securities is regulated under the Financial Markets Conduct Act 2013, and is a registered Financial Service Provider under the Financial Service Providers Act 2008.

The financial statements have been approved for issue by the Directors on 28 November 2019.

### 2. Summary of significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements. These policies have been consistently applied unless otherwise stated.

#### (A) Statement of compliance

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. The company is in compliance with International Financial Reporting Standards (IFRS).

The financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Companies Act 1993.

#### (B) Basis of preparation

These financial statements have been prepared under the historical cost convention.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The application of NZ IFRS required management to make judgements, estimates and assumptions about the carrying values of assets and liabilities not readily available from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to the 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 revision and future periods if the revision affects both current and future periods.

The financial statements are presented in New Zealand dollars which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

#### (C) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all entities that are controlled by the Parent Company, as defined in NZ IFRS 10 "Consolidated Financial Statements".

Control is achieved when the Company has the power to govern the financial and operating policies of an entity. The control criteria concerning the Parent Company's (investor's) power over the activities of controlled entities (the investees), its rights to receive returns from the controlled entities

and its ability to affect these returns have been examined to identify the entities to be included in the consolidated financial statements

Consolidation of a controlled entity begins from the date when the Parent Company obtains control over that entity, and ceases when the Parent Company loses control over the entity.

Consistent accounting policies have been applied in the preparation and presentation of the consolidated financial statements.

In preparing the consolidated financial statements, all inter-entity balances and transactions, income and expenses arising within the consolidated entity are eliminated in full.

The acquisition of subsidiaries is accounted for using the acquisition method. Each identifiable asset and liability is measured at its fair value at acquisition date.

Gold Band Finance Limited had a wholly owned subsidiary company, LoanCo Limited, which was amalgamated with Gold Band Finance Limited as at 30 August 2019.

#### **(D) Finance Income and Expenses**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured. The following specific recognition criteria must also be met:

##### **Interest revenue**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance).

##### **Interest expense**

Interest on debt securities is recognised as an expense in the period it relates to using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

##### **Establishment fees**

Establishment fees are fees that are amortised over the term of the loan to which they relate as they are intrinsic to the set-up and availability of the credit facility. If a loan is closed before its full term, any unamortised balance of establishment fee is recognised in revenue as an extinguished fee in the period when the loan is closed. The unamortised part of establishment fees is included in liabilities as unearned income.

##### **Administration and other fees**

Fees other than establishment and guarantee fees are recognised on an accruals basis as the service is provided.

#### **(E) Financial assets**

Financial assets comprise cash and cash equivalents, sundry receivables and loan receivables. From 1 September 2018, the Company has applied NZ IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Company's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit

loss allowance recognised. Interest income from these financial assets is included in 'Finance income' using the effective interest rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method. The Company does not hold any of these instruments at 31/08/2019.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method. The Company does not hold any of these instruments at 31/08/2019.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and similar institutions, other short-term highly liquid investments and bank overdrafts repayable on demand.

#### **Expected Credit Losses**

The Company assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan

### **(F) Other assets**

#### **Plant and equipment**

All plant and equipment is stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of comprehensive income during the financial period in which they are incurred.

Depreciation of plant and equipment is calculated using diminishing value rates which are estimated to expense the cost of the assets over their useful lives. The following depreciation rates have been applied:

- Computer equipment	50%
- Furniture and fittings	10 - 24%
- Office equipment	10 - 50%
- Motor vehicle	30%
- Mobile Phones	67%

The residual values and useful lives of these assets are reviewed, and adjusted if appropriate, at least at each financial period for any impairment in value. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of comprehensive income.

### **Intangible assets**

Intangible assets are stated at historical cost less any accumulated amortisation and any accumulated impairment losses.

Computer software has a finite useful life. The amortisation rate applied to software is 50%. The Company does not own any internally developed or internally generated software.

## **(G) Financial liabilities**

Financial liabilities comprise finance borrowings and trading and other liabilities. All these liabilities fall within the "Other financial liabilities" category of financial instruments.

### **Finance borrowings**

Debenture stock refers to borrowings that are required to be redeemed on specific dates and are therefore classified as liabilities. They are recognised initially at fair value plus transaction costs incurred and subsequently measured at amortised cost. Any difference between the proceeds (net of transactions costs) and the redemption value is recognised in the Statement of comprehensive income over the period of the borrowings using the effective interest method.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Unsecured deposits include deposits at call which can be redeemed at a date nominated by the investor. They are recognised initially at fair value plus transaction costs incurred and subsequently measured at amortised cost adjusted for any new deposits or repayments.

### **Trading and other liabilities**

Trading liabilities represent liabilities for goods and services provided to the Company prior to the end of the financial period, which are unpaid at the end of that period. Miscellaneous liabilities that are not individually material are disclosed together as other liabilities. These amounts are unsecured. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

## **(H) Provisions**

Provisions are recognised when a legal or constructive obligation exists as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

### **Provision for dividend**

Provision is made for the amount of any dividend declared on or before the end of the reporting period but not distributed by the end of the period.

Dividend distribution to shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

**(I) Other liabilities**

**Employee entitlements**

Liabilities for salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised as a liability in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. The liability for employee entitlements is carried at the present value of the estimated future cash flows.

**Income Tax**

The income tax expense (credit) recognised for the period is based on the accounting profit or loss, adjusted for non-taxable and non-deductible differences.

**(i) Current Tax**

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or tax loss for the period, calculated using tax laws that are enacted by the reporting date.

Current tax assets or liabilities arising within each entity constituting the Company are not off set in the consolidated financial statements.

**(ii) Deferred Tax**

Deferred tax is accounted for using the comprehensive liability method, in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset or liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except the temporary differences that may arise on investments in subsidiaries, where the timing of the reversal of these differences can be controlled and it is probable that the temporary differences will not reverse in the near future.

Deferred income tax assets are recognised in respect of all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In respect of deductible temporary differences that may arise on investments in subsidiaries, deferred tax assets are recognised only to the extent that temporary differences will reverse in the foreseeable future.

Deferred tax assets and liabilities are offset in the Company's financial statements because they relate to income tax levied by the same taxation authority. Deferred tax assets or liabilities arising within each entity constituting the Company are not off set in the consolidated financial statements.

**Goods and Services Tax**

The Company is registered for GST, which enables a recovery of the eligible proportion of GST input in relation to costs incurred in making supplies of financial services. The non-recoverable portion of the GST input component is recognised as part of the underlying asset or expense item as applicable. Otherwise, all figures in the financial statements have been prepared exclusive of GST.

Receivables and payables are stated with the amount of GST included. The net amount recoverable from, or payable to, the taxation authority is included as a part of receivables or payables in the Statement of financial position.

**Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives



received from the lessor) are charged to the Statement of comprehensive income on a straight-line basis over the period of the lease.

**(J) Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**(K) Statements of cash flows**

Definitions of the terms used in the Statements of cash flows are as follows:

“Cash balances” include coins and notes, demand deposits and other highly liquid investments readily convertible into cash such as term deposits with banks and similar institutions, and include at call borrowings such as bank overdrafts used by the company as part of its day-to-day cash management.

“Operating Activities” include the principal revenue producing activities and other transactions and other events that are not investing or financial activities.

“Investing Activities” are those activities relating to the acquisition and disposal of non-current assets, and other investments not included in cash and cash equivalents.

“Financing Activities” are those activities relating to changes in the equity and debt capital structure of the Company and those activities relating to the cost of servicing the Company’s equity.

Debenture stock, unsecured deposits and loan receivables are presented net of receipts and payments to provide more meaningful disclosure.

**(L) Fair value measurement**

Fair value of assets and liabilities is measured and disclosed in accordance with NZ IFRS 13 “Fair Value Measurement”.

The valuation techniques shall be applied consistently to the same types of assets and liabilities except where an alternative technique is identified that can provide a valuation more representative of fair value of an asset or a liability in the current market circumstances. If a valuation technique is materially changed, the reasons for the change and its effects will be disclosed.

**(M) Significant accounting judgements, estimates and assumptions**

In applying the Company’s accounting policies, estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from the resulting accounting estimates.

Significant judgments, estimates and assumptions made by the management in the preparation of these financial statements are outlined below:

**Provisions for impairment loss**

The measurement of the expected credit loss (“ECL”) allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 9C, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing Companies of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Company in the above areas is set out in note 9C.

#### **Expected maturity profile of financial assets and financial liabilities**

Judgement is involved in identifying loans where actual repayments are likely to vary from contractual repayments. The estimate of expected maturity profile of financial assets and liabilities involves adjusting their contractual maturity profile for the expected early or late cash flows, based on historic experience of cash flows from different Companies of financial assets and liabilities, and on an individual review of high value loans. The key assumptions are set out in note 18B.

#### **Fair values of loan receivables, debenture stock and unsecured deposits**

The estimate of fair value of loan receivables, debenture stock and unsecured deposits involves judgment in identifying financial instruments with a similar risk profile available in the market in order to ascertain market interest rates at the end of the reporting period.

The estimate of the risk of non-performance of assets involves judgment concerning economic conditions affecting credit risk at present and in the future period of settlement. The estimate of non-performance of liabilities involves judgment in identifying organisations or market sectors sufficiently similar to the Company to use credit risk rating as the basis of the Company's credit risk calculation, and further judgment in adjusting that information to more closely reflect the Company's level of credit risk.

The estimate of measurement risk involves judgment in assessing the reliability of data used as well as the reliability of the assumptions used with the modelling or calculation technique.

#### **Deferred Tax**

Deductible temporary income tax differences are recognised as deferred tax assets provided management considers it probable that future taxable profits are available to utilise temporary differences. A further judgement regarding the likely value and timing of reversals of temporary timing differences between accounting assets and liabilities and their tax base is involved in estimating the portion of Deferred Tax expected to be recovered or settled within 12 months and after more than 12 months from the end of reporting period.

#### **Current Tax**

The interpretation of Income Tax legislation involves judgement. Whilst no material differences arose between the Income Tax estimates and its later assessments in the past, the values of the reported Income Tax assets and liabilities include an element of accounting judgement.

### **(N) Changes to accounting policies and adoption of new accounting standards.**

The Company has adopted NZ IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies. No adjustments to the amounts previously recognised in the financial statements were made. The Company did not early adopt any of NZ IFRS 9 in previous periods.

As permitted by the transitional provisions of NZ IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

The adoption of NZ IFRS 9 has not resulted in significant changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

Set out below are disclosures relating to the impact of the adoption of NZ IFRS 9 on the Company.

#### **Classification and measurement of financial instruments**

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and NZ IFRS 9 at 1 September 2018 are compared as follows:

IAS 39

NZ IFRS 9

	Measurement Categories	Measurement Categories
<b>Financial Assets</b>		
Cash and cash equivalents	Amortised cost (Loans and receivables)	Amortised cost
Loan receivables	Amortised cost (Loans and receivables)	Amortised cost
<b>Financial Liabilities</b>		
Trade and other Payables	Financial Liabilities at Amortised cost	Financial Liabilities at Amortised cost
Unearned establishment fees	Financial Liabilities at Amortised cost	Financial Liabilities at Amortised cost
Unearned commission revenue	Financial Liabilities at Amortised cost	Financial Liabilities at Amortised cost
Finance borrowings	Financial Liabilities at Amortised cost	Financial Liabilities at Amortised cost

There were no changes to the measurement basis of any of the financial assets and liabilities of the Company. There were no changes to the provisioning methodology as a result of adopting the three stage impairment model.

**NZ IFRS 15: Revenue from contracts with customers** was also effective for the period. Given that the Company generates income from Financial Instruments, this standard had no impact on the Company.

**(O) Application of standards that have been issued but are not yet effective**

**New and amended financial reporting standards that have not been early adopted by the Company:**

**NZ IFRS 16: Leases (Effective date: periods beginning on or after 1 January 2019)**

NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers'. The Company intend to adopt this standard on its effective date and this will result in an asset and liability being recognised on the Statement of Financial Position. As the Company is operating on a month to month lease, this is not expected to result in a material asset or liability based on the current circumstances.

### 3. Interest income and expense

	Year 31/08/19 \$000	Year 31/08/18 \$000
<b>Interest income</b>		
Loan receivables	3,094	3,024
Cash and short term funds	34	35
	<u>3,128</u>	<u>3,059</u>
<b>Interest expense</b>		
Finance borrowings	1,069	943
Other	-	2
	<u>1,069</u>	<u>945</u>

### 4. Amortisation of establishment fees

	As at 31/08/19 \$000	As at 31/08/18 \$000
<b>Unearned establishment fees</b>		
Opening balance	277	287
New fees	457	499
Earned fees	(498)	(509)
	<u>236</u>	<u>277</u>
Total credited to Statement of comprehensive income	498	509

### 5. Administration expenses

(A) Administration expenses

	Year 31/08/19 \$000	Year 31/08/18 \$000
Fees paid to auditor(s) (5B)	68	66
Directors fees	49	49
Collection costs	7	10
Computer consultancy	61	56
Employee benefits	725	618
Management contract	-	36
Legal expenses	50	76
Rent of premises - operating leases	40	37
Advertising and other promotional expenses	25	81
Other administration expenses	130	172
	<u>1,155</u>	<u>1,201</u>

(B) Fees paid to auditor(s)

	Year 31/08/19 \$000	Year 31/08/18 \$000
<b>Audit of financial statements</b>		
Audit of financial statements - PWC	60	55
<b>Other services</b>		
Performed by PWC		
Trustee Reporting	5	5
Deposit Register Audit	3	3
Tax Advice – GST Review	-	3
<b>Total other services</b>	8	11
<b>Total fees paid to auditor(s)</b>	68	66

6. **Income Tax**

(A) Income Tax charged in Statement of comprehensive income

	Year 31/08/19 \$000	Year 31/08/18 \$000
<b>Current Tax expense</b>	318	370
<b>Deferred Tax expense (income)</b>		
Origination and reversal of temporary differences	16	17
	334	387

(B) Reconciliation of income tax expense with prima facie tax payable on net operating income before tax

	Year 31/08/19 \$000	Year 31/08/18 \$000
Taxable income	1,191	1,377
Prima facie income tax @ 28%	333	386
Tax effect of amounts which are non-deductible	1	1
	334	387

(C) Deferred income tax assets and liabilities

	As at 31/08/19	As at 31/08/18
	\$000	\$000
<b>Deferred income tax assets</b>		
Provision for doubtful debts	129	155
Miscellaneous liabilities	28	18
<b>Deferred Tax Asset</b>	<u>157</u>	<u>173</u>

There are no arrangements in place to offset income tax assets and liabilities between different entities within the Company.

(D) Imputation credit account

	Year 31/08/19	Year 31/08/18
	\$000	\$000
Balance at the end of the period	1,863	1,692
Imputation credits that will arise from the payment of Income Tax that has been provided for	<u>54</u>	<u>137</u>
Amount of imputation credits available for use in the subsequent reporting periods	<u>1,917</u>	<u>1,829</u>

7. Cash and cash equivalents

	As at 31/08/19	As at 31/08/18
	\$000	\$000
Cash at bank	3,914	3,658
	<u>3,914</u>	<u>3,658</u>

Cash at bank earns interest from 0% to 1.5% per annum (August 2018: 0% to 1.5% per annum).

8. Sundry receivables

	As at 31/08/19	As at 31/08/18
	\$000	\$000
Sundry debtors	3	6
GST receivable	<u>5</u>	<u>4</u>
	<u>8</u>	<u>10</u>

## 9. Loan receivables

(A) At amortised cost

	As at 31/08/19 \$000	As at 31/08/18 \$000
Loan receivables	24,027	21,895
Less provision for impairment	(461)	(554)
	<u>23,566</u>	<u>21,341</u>
Due within 12 months	17,964	16,088
Due after 12 months	5,602	5,253
	<u>23,566</u>	<u>21,341</u>

(B) Provision for impairment

NZ IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with NZ IFRS 9 is that it should consider forward-looking information.

The Company considers a financial instrument to have experienced a significant increase in credit risk when the probability of default increases.

	As at 31/08/19 \$000	As at 31/08/18 \$000
<b>Provision for doubtful debts</b>		
Stage 1	51	44
Stage 2	410	510
	<u>461</u>	<u>554</u>

There were no restructured assets or financial assets acquired through enforcement of security at the end of any of the accounting periods reported above.

	Year 31/08/19 \$000	Year 31/08/18 \$000
<b>Stage 1 impairment provision</b>		
Opening balance	44	119
Movement in provision	7	(75)
	51	44

**Stage 2 impairment provision**

Opening balance	510	491
Additions to provision	384	414
Reversals of provision	(162)	(184)
Receivables written off	(244)	(211)
	<u>488</u>	<u>510</u>

**Provisions raised for accrued interest**

(87)	(35)
------	------

**Total charged (credited) to Statement of comprehensive income**

(102)	(91)
-------	------

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

**10. Trade and other liabilities**

	<b>As at 31/08/19</b>	<b>As at 31/08/18</b>
	<b>\$000</b>	<b>\$000</b>
Accounts payable and accruals	110	67
RWT / NRW payable	3	3
Other liabilities	15	15
	<u>128</u>	<u>85</u>

**11. Employee entitlements**

	<b>As at 31/08/19</b>	<b>As at 31/08/18</b>
	<b>\$000</b>	<b>\$000</b>
Salaries and wages accrued	5	5
Accumulating leave accrued	45	33
	<u>50</u>	<u>38</u>

**12. Finance Borrowings**

	<b>As at 31/08/19</b>	<b>As at 31/08/18</b>
	<b>\$000</b>	<b>\$000</b>
Secured debenture stock	19,618	17,314
	<u>19,618</u>	<u>17,314</u>
Due within 12 months	7,788	5,832
Due after 12 months	11,830	11,482
	<u>19,618</u>	<u>17,314</u>



### Debenture and deposits security

The Company funds its operations through debenture stock and unsecured deposits, in addition to the shareholders' funds.

Debenture stock is secured in terms of a Trust Deed dated 30 June 1993 (as amended) between the Company and Covenant Trust Services Limited, for the debenture stockholders. The security constitutes a charge over the assets of the Company. There is no charge registered over the assets of the Company ranking in point of security ahead of the debenture stock.

The Company maintains its debenture and deposits portfolio from the reinvestment of existing debentures and deposits as well as new investment as required, and expects to continue to do so in the future based on the level of support from investors experienced to date and when compliant with Trust Deed covenants. In the short to medium term, the Company intends to establish alternative sources of funding, in addition to or as an alternative to debenture and deposit investment.

### Capital management

Management of finance borrowings is an integral part of the Company's capital management. The objective of the Company's capital management is to provide the Company with a strong capital base to safeguard the Company's ability to successfully continue and develop its business. This objective is met through processes maintaining the mix of equity and finance borrowings at adequate levels.

The Company endeavours to deliver shareholders' returns that ensure their satisfaction and support adequate equity levels. Finance borrowing is maintained during the periods in which a Product Disclosure Statement is issued by offering interest rates considered to fairly reward investors and meet the market expectation.

The Trust Deed securing debenture stock imposes certain borrowing restrictions based on defined ratios of the Company's assets and liabilities specified by the Deed, and certain lending restrictions in respect of value of advances to related parties or to any one company or Company of related companies. A list of these restrictions is included in every Product Disclosure Statement issued by the Company.

The Company complies with the Non-Bank Deposit Taker Regulations introduced by the Reserve Bank of New Zealand and incorporates the requirements in its Risk Management Plan. The Regulations include minimum capital requirements, in addition to restrictions to related party exposure, and minimum liquidity requirements. The Company complies with the Non-Bank Deposit Takers Act 2013, which contains director and officer suitability requirements. Other compliance requirements are similar to those included in the Non-Bank Deposit Taker Regulations. Gold Band Finance Limited was granted a Non-Bank Deposit Takers license on 30 April 2015.

The main limits imposed by these Regulations and by the Trust Deed that impact the Company are:

- Total Liabilities (as defined in the Trust Deed) are not permitted to exceed 92.5% of Total Tangible Assets (as defined).
- The aggregate (as defined) of Stock and Prior Charges must not exceed the aggregate of:
  - (i) 96% of First Category Assets (as defined), and
  - (ii) 85% of Second Category Assets (as defined), and
  - (iii) 70% of Third Category Assets (as defined), and
  - (iv) 40% of Total Other Tangible Assets (as defined),  
or twelve times Adjusted Shareholders' Funds (as defined).
- The aggregate amounts secured under Prior Charges must not exceed 7.5% of Total Tangible Assets.
- The aggregate of advances to related parties must not exceed 10% of Total Tangible Assets, unless prior written approval has been obtained from the Trustee.
- The aggregate of assets other than finance receivables and current contracts must not exceed 5% of Total Tangible Assets.
- The total amount loaned to any one Company or Company of related companies, other than deposits with banks or similar institutions (as defined in the Trust Deed), must not exceed 10% of Total Tangible Assets.
- Capital is not permitted to be less than 12% of the sum of the amounts of risk weighted credit risk, market risk, and operational risk (the "Capital Ratio" percentage), as defined in the Deposit Takers Regulations.

- Liquidity ratio measuring expected cash inflows against contractual cash outflow obligations for periods up to 60 days, is not permitted to be less than the amount prescribed in the Company's Risk Management Programme.
- Liquidity Mismatch ratio measuring expected cash inflows against expected cash outflows over periods from 61 days up to 24 months, is not permitted to be less than 110%.
- The aggregate of advances to related parties is not permitted to exceed 15% of Capital in accordance with the Deposit Takers Regulations.

The Capital Ratio percentage at 31 August 2019 was 22.19% (at 31 August 2018 23.86%). The minimum requirement is 12% as stated above.

The Company has incorporated the above restrictions and conditions in its capital management process by aligning its borrowing and lending policies with the requirements of the Trust Deed and closely monitoring compliance with these standards.

A comprehensive monthly financial report is prepared for the Supervisor, comprising extracts from the Statement of comprehensive income and Statement of financial position, a cash flow forecast and other information relating to meeting the conditions stated in the Trust Deed. A monthly report is provided to the Reserve Bank. This report covers the financial performance and financial position of the Company, as well as detailed analysis of its financial assets and liabilities, including various aspects of credit risk management information. The report to Supervisor as well as the report to Reserve Bank are reviewed by the Board.

Six-monthly and Yearly Certificates confirming compliance with all requirements of the Trust Deed are prepared based on audited interim and annual financial statements. All ratios and limits were complied within the period ended 28 February 2019.

### 13. Share capital

	As at 31/08/19 \$000	As at 31/08/18 \$000
Ordinary shares	3,594	3,594
Number of shares	7,428,924	7,428,924

All shares are fully paid up ordinary shares and rank equally in all respects including voting rights.

The share capital is 7,428,924 shares. The shares have no par value.

No new shares were issued during any of the periods reported above.

### 14. Reconciliation of net operating income after tax to net cash flows from ordinary activities

	Year 31/08/19 \$000	Year 28/02/18 \$000
Net operating income after tax	857	543
<b>Add (deduct) non-cash items:</b>		
Depreciation and amortisation	44	14
Loans written off	350	191
Debenture and deposit interest expense compounded	323	161
Movement in provision for impairment of loan receivables	(102)	(68)
	615	298

**Deferrals or accruals of past or future operating cash flows:**

Net repayment (investment in) loan receivables	(2,489)	(666)
Net increase in debenture stock and unsecured deposits	1,967	1,352
Increase in operating creditors and accruals and unearned revenue	35	(124)
Increase in sundry debtors, prepayments and accrued interest	13	40
(Increase) / Decrease in deferred Income Tax	15	10
Movement in current Income Tax assets and liabilities	(81)	(67)
	(540)	545
<b>Net cash inflow from operating activities</b>	<b>932</b>	<b>1,386</b>

**15. Classification of financial assets and liabilities**

	<b>As at 31/08/19</b>	<b>As at 31/08/18</b>
	<b>\$000</b>	<b>\$000</b>
The total of financial assets classified as "Financial Assets at amortised cost"	27,483	25,271
The total of financial liabilities classified as "Financial liabilities measured at amortised cost"	19,793	17,858

**16. Values of assets and liabilities expected to be recovered / settled within 12 months and after 12 months.**

More detailed information on expected value and timing of recovery of financial assets and settlement of financial liabilities is provided in Note 18B (Liquidity risk management).

Expected recovery of prepayments reflects the period of service which prepayments are expected to cover. Prepaid Income Tax is expected to be applied to the Income Tax liability arising in the current financial year. Expected recovery of Deferred Tax has been estimated by reference to the expected timing of reversal of timing differences between the accounting and tax base value of assets and liabilities.

Property, plant and equipment and intangible assets which consist of computer software are continuously contributing to the business operations and their forecast depreciation is regarded as a close estimate of their value recovered by the business.

Income Tax Payable liability (if any) and the dividend liability are always settled as soon as practicable after the financial year end. This period is not expected to exceed 12 months.

Settlement of unearned revenue has been estimated by reference to policies governing recognition of unearned revenue described in Note 2(D). The estimate included the expected impact of early settlement of a proportion of loans receivable.

As at 31/08/19			
Recovery / settlement expected:			
		within 12 months	after 12 months
		\$000	\$000
	Note		
<b>Assets</b>			
Cash and cash equivalents	7	3,914	-
Sundry receivables	8	8	-
Prepayments		13	-
Loan receivables	9	17,940	5,626
Property, plant and equipment		36	48
Intangible assets		15	15
Deferred Tax	6	108	49
<b>Total Assets</b>		<u>22,034</u>	<u>5,738</u>

<b>Liabilities</b>			
Trade and other liabilities	10	114	14
Employee entitlements	11	39	11
Income Tax payable	6	54	-
Unearned fee revenue	4	189	47
Unearned commission revenue		6	9
Finance borrowings	12	<u>7,788</u>	<u>11,830</u>
<b>Total Liabilities</b>		<u>8,190</u>	<u>11,911</u>

As at 31/08/18			
Recovery / settlement expected:			
		within 12 months	after 12 months
		\$000	\$000
	Note		
<b>Assets</b>			
Cash and cash equivalents	7	3,658	-
Sundry receivables	8	10	-
Prepayments		15	-
Loan receivables	9	16,050	5,291
Property, plant and equipment		11	26
Intangible assets		25	16
Deferred Tax	6	113	60
<b>Total Assets</b>		<u>19,882</u>	<u>5,393</u>

	Note		
<b>Liabilities</b>			
Trade and other liabilities	10	72	13
Employee entitlements	11	30	8
Income Tax payable	6	135	-
Unearned fee revenue	4	224	53
Unearned commission revenue		7	10
Finance borrowings	12	<u>5,832</u>	<u>11,482</u>
<b>Total Liabilities</b>		<u>6,300</u>	<u>11,566</u>

## 17. Related entity transactions

Related parties include the key management personnel, their close family members, and entities controlled or significantly influenced by such persons. Key management personnel are defined as being Directors and senior management of the Company.

Transactions with other related parties include loans, deposits and services provided to or by related parties.

All loans to related parties are secured and provided on normal commercial terms and conditions. Deposits from related parties are accepted on normal commercial terms. Loan transactions comprise loan advances and repayments, fees and interest earned on these loans. No bad or doubtful debt expenses have occurred and no provisions for impairment relate to these receivables.

Deposit transactions comprise investment of funds by a related party in the Parent company and interest credited to these deposits.

	Year 31/08/19 \$000	Year 31/08/18 \$000
<b>Loan receivable balance</b>		
Other related parties	18	105
<b>Net loan advances (repayments)</b>		
Other related parties	(87)	(100)
<b>Interest earned on loan receivables</b>		
Other related parties	5	15
<b>Deposits balance</b>		
Other related parties	904	757
<b>Net amount of deposits (withdrawals)</b>		
Other related parties	124	(245)
<b>Interest credited to deposits</b>		
Other related parties	33	36
<b>Services received</b>		
Legal services	7	5
Other services	7	-

## Key management personnel

Compensation provided to key management personnel in exchange for services rendered to the Company was as follows:

	Year 31/08/19 \$000	Year 31/08/18 \$000
Short-term employee benefits	347	275

## 18. Financial instruments and risk

Financial instruments used by the Company include financial assets comprising deposits with banks and other financial institutions, sundry receivables, loan receivables, and financial liabilities comprising trade payables and other creditors, and finance borrowings.

The Company's activities expose it to financial risks, which include credit risk, liquidity risk and market risk. The Board manages these risks for the consolidated entity.

### (A) Credit risk

The carrying amount of financial assets recorded in the financial statements is the Company's maximum exposure to credit risk at the reporting date, without taking into account of the value of any collateral or security obtained.

Credit risk on liquid funds is minimised by placing funds on deposit with large retail banks.

Credit risk arising on loan receivables refers to circumstances where a significant amount of loan advances are not repaid, or the collateral or other security taken for those loans proves inadequate for any reason, and full recovery of loans concerned is not possible. This risk is managed by lending and credit management policies and by the Company's strategy of diversifying its exposure to a range of industry and customer sectors.

### Lending and credit management policies

Lending and credit management policies include obtaining comprehensive personal and financial information from each loan applicant, assessing each application against a lending policy approved by the Board, securing each loan by taking collateral and other securities to adequately cover the advance, and implementing a structured credit management monitoring and recovery process, to promptly identify any non-performing loans and maximise their recovery.

The Company employs staff who are experienced and suitably qualified, and supports their further training to ensure that the best methodologies are applied in Company's lending and credit management processes.

### Diversification of the Company's lending

Diversification of the Company's lending in terms of personal and commercial lending, industry sector, geographic regions within New Zealand and type of security has been achieved as follows:

	As at 31/08/19	As at 31/08/18
<b><u>Categories of customers</u></b>		
Personal	14.0%	21.7%
Commercial	86.0%	78.3%
	<u>100.0%</u>	<u>100.0%</u>

	As at 31/08/19	As at 31/08/18
<b><u>Industry sectors</u></b>		
Commercial	44.4%	29.4%
Hospitality and tourism	1.6%	3.3%
Personal	4.0%	7.1%
Property development	11.2%	7.8%
Property general	35.5%	45.5%
Transport	0.0%	0.1%
Vehicles	3.2%	6.8%
	<u>100.0%</u>	<u>100.0%</u>

	As at 31/08/19	As at 31/08/18
<b><u>Geographic regions</u></b>		
Auckland / Northland	5.5%	6.5%
Central North Island	0.9%	2.5%
Wellington	3.5%	2.7%
Nelson / Marlborough	3.6%	4.7%
Canterbury	85.8%	82.0%
Otago / Southland	0.6%	1.3%
West Coast	0.1%	0.3%
	<u>100.0%</u>	<u>100.0%</u>

<b><u>Type of security</u></b>		
Loans secured by first mortgage	31.2%	36.6%
Loans secured by second or lower mortgage	55.8%	47.8%
Loans secured under PPSA	13.0%	15.6%
	<u>100.0%</u>	<u>100.0%</u>

There were no unsecured loans in any of the periods reported.

The Company monitors levels of lending to individual counterparties. The following table details numbers of individual counter parties with loan receivables credit exposure shown as a percentage of equity:

	As at 31/08/19	As at 31/08/18
Percentage of shareholders' funds		
10-20%	9	8
20-30%	2	-
30-40%	-	-

The largest credit risk exposure to an individual counterparty for the Company as at 31 August 2019 were funds deposited with ASB Bank Limited (31 August 2018: ASB Bank Limited).

#### (B) Liquidity risk

Liquidity risk is the risk that the Company may encounter in raising funds at short notice to meet its financial commitments as they fall due. This risk may arise from the mismatch of maturities of financial assets and liabilities or from significant amount of loan advances not repaid at the time they are due for repayment by the borrower.

The risk management guidelines adopted by the Company are designed to actively manage and minimise liquidity risk through maintaining sufficient cash reserves held with trading banks to meet the forecast cash flow requirements, and through monitoring and managing the contractual and expected maturity profile of its financial assets and liabilities.

The management of cash flow from financial assets and liabilities includes monitoring of cash reserves and cash flows daily, establishing and implementing authorised lending parameters calculated to minimise any mismatch between maturities of financial asset and liability portfolios, maintaining accurate rolling maturity forecasts and managing overdue payments on daily basis, with recovery action taken as required.

The Company did not have any standby bank overdraft facility in any of the reporting periods.

The liquidity and interest rate profile tables have been prepared on the basis of maturity or contractual repricing, whichever is earlier.

**Contracted Maturity****As at 31 August 2019:**

	Effective interest rate %	Total \$000	On demand \$000	Less than 3 months \$000	3-6 months \$000	6-12 months \$000	12-24 months \$000	24-60 months \$000
<b>Financial assets</b>								
Bank deposits	1.4	3,914	3,914	-	-	-	-	-
Other receivables	-	5	5	-	-	-	-	-
Finance receivables	12.7	23,566	-	7,355	6,113	4,473	3,947	1,678
New lending	13.7	761	-	468	48	198	22	26
Interest on loans	-	2,183	-	762	216	365	485	355
<b>Total financial assets</b>		<b>30,429</b>	<b>3,919</b>	<b>8,585</b>	<b>6,377</b>	<b>5,036</b>	<b>4,454</b>	<b>2,059</b>
<b>Financial liabilities</b>								
Sundry creditors	-	128	-	114	-	14	-	-
Loan commitments	-	761	-	761	-	-	-	-
Debenture stock	5.9	19,618	-	2,666	1,317	3,805	4,986	6,844
Interest on debentures and deposits	-	1,921	-	271	242	405	550	454
<b>Total financial liabilities</b>		<b>22,428</b>	<b>-</b>	<b>3,812</b>	<b>1,559</b>	<b>4,224</b>	<b>5,536</b>	<b>7,298</b>

**As at 31 August 2018:**

	Effective interest rate %	Total \$000	On demand \$000	Less than 3 months \$000	3-6 months \$000	6-12 months \$000	12-24 months \$000	24-60 months \$000
<b>Financial assets</b>								
Bank deposits	1.4	3,658	3,658	-	-	-	-	-
Other receivables	-	3	3	-	-	-	-	-
Finance receivables	14.0	21,341	-	7,321	1,913	6,867	1,816	3,424
New lending	15.6	290	-	14	69	33	79	95
Interest on loans	-	10,360	-	734	680	1,231	2,215	5,500
<b>Total financial assets</b>		<b>35,652</b>	<b>3,661</b>	<b>8,069</b>	<b>2,662</b>	<b>8,131</b>	<b>4,110</b>	<b>9,019</b>
<b>Financial liabilities</b>								
Sundry creditors	-	115	-	102	-	13	-	-
Lending commitments	-	290	-	290	-	-	-	-
Debenture stock	5.9	17,314	-	2,065	947	2,820	5,974	5,508
Interest of debentures and deposits	-	1,800	-	243	221	383	503	450
<b>Total financial liabilities</b>		<b>19,519</b>	<b>-</b>	<b>2,700</b>	<b>1,168</b>	<b>3,216</b>	<b>6,477</b>	<b>5,958</b>

Refer to Notes 20 and 21 for information on commitments not reflected in the contractual liquidity profile tables.

Except for the finance receivables, debenture stock and financial guarantee contracts, the expected maturity profile of financial assets and liabilities is not likely to vary from their contractual maturity profile shown in the tables above.



### Expected maturity of financial assets and liabilities:

As at 31 August 2019:

	Total	On demand	Less than 3 months	3-6 months	6-12 months	12-24 months	24-60 months	More than 60 months
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Financial assets</b>								
Finance receivables	23,566	-	7,355	6,113	4,473	3,947	1,677	1
<b>Finance liabilities</b>								
Debenture stock	19,618	209	2,457	1,317	3,805	4,986	6,844	-

As at 31 August 2018:

	Total	On demand	Less than 3 months	3-6 months	6-12 months	12-24 months	24-60 months	More than 60 months
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Financial assets</b>								
Finance receivables	21,341	-	7,302	1,905	6,843	1,830	3,459	2
<b>Finance liabilities</b>								
Debenture stock	17,314	211	1,854	947	2,820	5,974	5,508	-

The expected principal repayment profile of the Company finance receivables varies from the contractual repayment profile presented on page 33 and it reflects the Company's liquidity management. This arises from the expected settlement of loans after their contracted dates which is the Company's experience in the current economic conditions, based on prudent assumptions concerning the timing of settlement. The settlement timing difference is estimated to generate around \$11,000 additional interest (August 2018: \$12,000 additional interest) mostly within 6-12 months after the balance date.

The expected debenture maturity profile would result in a change to debenture interest expense. The additional interest expense is expected to be covered by additional interest income received from new lending enabled by debentures reinvested at maturity.

The expected maturity of fixed term unsecured deposits is anticipated to be similar to the contractual maturity since their reinvestment rate is not likely to make a significant change to their contractual maturity profile.

### Concentration of funding

The Company monitors the concentrations of funding and regularly communicates with its existing investors to inform them of the Company's performance and financial position.

The geographic concentration of funding was as follows:

	As at 31/08/19	As at 31/08/18
<b><u>Geographic concentration of funding</u></b>		
Auckland / Northland	2.7%	2.2%
Central North Island	1.1%	0.6%
Wellington	2.6%	3.3%
Nelson / Marlborough	0.4%	0.9%
Canterbury	89.0%	88.9%
West Coast	1.4%	1.6%
Otago / Southland	1.0%	0.6%
Overseas	1.8%	1.9%
	<u>100.0%</u>	<u>100.0%</u>

(C) Market risk

The Company's exposure to market risk is primarily limited to interest rate risk. There is no currency risk at any of the reporting dates covered by these financial statements because all assets and liabilities are denominated in New Zealand dollars. Since the Company does not trade in securities there is no other price risk. The impact of general business risks on the ability to raise future funding and its costs, and the level of returns from future lending opportunities is described in section (D) below.

**Interest rate risk**

Interest rate risk is the risk of loss to the Company arising from fluctuations in market interest rates.

This risk is managed by the Company through its policy of limiting the maximum term of loans and investments to five years, the fixed nature of interest rates payable on both loans to clients and deposits by investors and the management of maturity profile for interest bearing assets and liabilities. The interest rate markets, pricing trends, and the margin between the weighted average interest rate payable to the investors and earned on loans to clients, are regularly reviewed.

The weighted average interest rates of financial assets and liabilities are included in the maturity profile tables in section (B) above.

The impact of 1% change in interest rates charged on loans would amount to approximately \$234,000 for the Company's profit or loss and equity for the Year ended 31 August 2019 (approximately \$200,000 for the year ended 31 August 2018), if the entire loan receivables portfolio was affected by the change and if the levels of default interest remained unaffected. The actual impact of a change in the market interest rate would be less than the above values because all loan contracts carry fixed interest rates and therefore only new loans advanced in each period reflect the increased or decreased market interest rates, limiting the impact on the weighted average interest rate of the whole loan portfolio. Thus the increase or decrease in interest income due to interest rates fluctuations is effectively phased over the term of the loan portfolio.

The impact of 1% change on interest rates earned on deposits at bank would amount to approximately \$24,000 for the Company's profit or loss and equity for the Year ended 31 August 2019 (approximately \$25,000 for the year ended 31 August 2018).

The impact of 1% change in rates payable on deposits and debentures would amount to approximately \$181,000 for the Company's profit or loss and equity for the Year ended 31 August 2019 (approximately \$157,000 for the year ended 31 August 2018), if the entire unsecured deposits and debenture stock portfolio was affected by the change. The actual impact of a change in the market interest rate would be smaller because all deposits carry fixed interest rates and therefore only new deposits accepted in each period reflect the increased or decreased market interest rates, limiting the impact on the weighted average interest rate of the whole deposit portfolio. Thus the increase or decrease in interest expense would be phased over the term of the portfolio of deposits and debentures.

If interest rates on loans as well as deposits and debentures either increased or decreased simultaneously, the impact of rate changes on interest revenue would to some extent off-set the impact on interest expense, with the net amount only affecting the Company's profit or loss and equity.

(D) General business risk

Future general economic situation as well as political or regulatory changes in the form of taxation and compliance cost changes, regulations or controls may affect the market in which the finance industry and the Company operate. Changes in the market may include increased competition within the finance industry, and the risk of adverse New Zealand market sentiment towards the finance industry generally, with the consequent impact on Company's ability to raise funds and on its profitability.

The Company manages these risks through continuing to attempt to diversify its exposure across various industry segments, continuous evaluation of new market opportunities and products, developing best practice in its operating procedures, establishing and maintaining long term commercial relationships, developing specific expertise in its core activities and maintaining the characteristics that differentiate it from competitors.

The Company has incorporated consideration of proposed changes to the regulatory environment into its long-term planning, using professional advisors with the appropriate expertise.

(E) Fair values

All financial assets and liabilities with the exception of loans receivables, unearned revenue, finance borrowings and share capital are short-term instruments where the carrying amount equates to their fair value.

### **Fair value of assets**

The fair value of the loan receivables portfolio net of provision for impairment was estimated using the following process:

In the absence of any Principal market or observable quoted prices for the loan receivables, average bank fixed mortgage interest rates are used as a reference for observable market information. Loan receivables are categorised as Level 3 in the fair value disclosure hierarchy.

A risk margin to the average fixed mortgage interest rate for the corresponding average loan receivables term was calculated as at the weighted average start date of the loan receivables portfolio and applied to each loan risk category. That margin was then added to the current average fixed bank mortgage rate for the corresponding term of average loan receivables as at 28 February 2019, to provide a “market interest rate” for each loan receivables risk category.

Fair value of the loan portfolio was estimated by capitalising the forecast annual interest revenue (based on current contractual rates) at the prevailing “market interest rate” for each loan receivables risk category. Risk categories used are in accordance with those prescribed in the Non-bank deposit taker regulations.

The market interest rates as at 31 August 2019 have decreased over the interest rates of the existing loan portfolios of the Company, resulting in the fair value of the Company’s loan receivables being estimated as \$23,732,332 (comparing to \$23,566,430 respectively carried in the financial statements).

The market interest rates as at 31 August 2018 have increased over the interest rates of the existing loan portfolios of the Company, resulting in the fair value of the Company’s loan receivables being estimated as \$21,300,988 (comparing to \$21,341,298 respectively carried in the financial statements).

### **Fair value of liabilities**

Unearned revenue consists of unearned loan establishment fees. Loan establishment fees have already been received in cash. They are not refundable and the unearned revenue is the result of spreading of these fees over the life of the loan for revenue recognition purposes, therefore their book value is unlikely to be different from their fair value.

Finance borrowings include debenture stock and unsecured deposits, and their fair value has been estimated by reference to bank deposit rates of a corresponding term. In the absence of observable quoted prices and an active market. Finance borrowings are categorised as Level 3 in the fair value disclosure hierarchy. A risk margin, being the difference between the bank deposit rate and the debenture rate for corresponding terms, was calculated as at the weighted average start date of the debenture portfolio. The “market interest rate” for Finance borrowings is calculated as the sum of the fixed deposit rate as at 28 February 2019 and the risk margin for each deposit term, recognising the relationship between movements to the bank deposit rates and Finance borrowings interest rates. Fair value was estimated by capitalising the forecast interest expense (based on current contractual rates) at the prevailing “market interest rates” for each type of investment. Different types of investments are identified by their term.

As at 31 August 2019, the market interest rates have decreased over the interest rates of the existing portfolio of deposits and debentures, resulting in the fair value of the Company’s finance borrowings being estimated at \$23,040,514 (comparing to \$19,618,065 carried in the financial statements).

As at 31 August 2018, the market interest rates have increased over the interest rates of the existing portfolio of deposits and debentures, resulting in the fair value of the Company’s finance borrowings being estimated at \$16,324,589 (comparing to \$17,314,221 carried in the financial statements).

## **19. Net debt reconciliation**

### **Net debt**

	<b>As at 31/08/19 \$000</b>	<b>As at 31/08/18 \$000</b>
Cash and cash equivalents	3,914	3,658
Borrowings – repayable within one year	(7,788)	(5,832)
Borrowings – repayable after one year	(11,830)	(11,482)
Net debt	<u>(15,704)</u>	<u>(13,656)</u>

Cash and cash equivalents	3,914	3,658
Gross debt – fixed interest rates	(19,618)	(17,314)
Net debt	<u>(15,704)</u>	<u>(13,656)</u>

	Assets	Liabilities		
	Cash	Borrowings due within 1 year	Borrowings due after 1 year	Total
	\$000	\$000	\$000	\$000
Net debt as at 01/09/18	3,658	(5,832)	(11,482)	(13,656)
Cash flows	256	(1,956)	(348)	(2,048)
Net debt as at 31/08/19	<u>3,914</u>	<u>(7,788)</u>	<u>(11,830)</u>	<u>(15,704)</u>

## 20. Operating leases

Operating lease commitments comprised a lease for rental of office premises. The lease agreement covers also a share of body corporate costs and rates. The lease for rental expires March 2020.

	As at 31/08/19 \$000	As at 31/08/18 \$000
<b>Non-cancellable minimum future lease payments</b>		
Due within one year	23	3
Due within 1-5 years	<u>-</u>	<u>-</u>
	<u>23</u>	<u>3</u>

## 21. Contingent liabilities and other commitments

There were no material contingent liabilities or commitments including capital commitments as at 31 August 2019 (as at 31 August 2018: Nil), other than the information below.

The Company offers certain revolving credit products. The undrawn portion of revolving credit type facilities amounted to \$696,452 as at 31 August 2019 (\$52,567 as at 31 August 2018). In addition, as at 31 August 2019 there was \$64,395 not yet paid out by the Company in respect of loans approved by the balance date but paid out in September 2019 or expected to be paid out at a later date (\$238,171 as at 31 August 2018).

## 22. Subsequent events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.